

# **WMG Acquisition (UK) Limited**

## **Report and Financial Statements**

29 September 2017

Registered No. 04987681

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COMPANIES HOUSE

## **WMG Acquisition (UK) Limited**

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Registered No. 04987681

### **DIRECTORS**

P Robinson

R Booker

C Ancliff resigned 16<sup>th</sup> May 2018

K Logan appointed 27<sup>th</sup> June 2018

### **SECRETARY**

CMS Cameron McKenna Nabarro Olswang LLP

Cannon Place

78 Cannon Street

London

EC4N 6AF

### **AUDITOR**

KPMG LLP

15 Canada Square

London

E14 5GL

United Kingdom

### **REGISTERED OFFICE**

Cannon Place

78 Cannon Street

London

EC4N 6AF

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## STRATEGIC REPORT

The directors present their Strategic Report for the year ended 29 September 2017.

## PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

WMG Acquisition (UK) Limited is a non-trading holding company. The principal activity of the company during the year continued to be as an investment holding company. The directors do not envisage any change in the company's activities in the foreseeable future. WMG Acquisition Ltd also leads cash pool arrangements for UK group companies and earns interest on those companies' deposits to and drawings from the cash pool.

The company's key financial and other performance indicators during the year were as follows:

|  | 2017<br>£000 | 2016<br>£000 | Change<br>% |
|--|--------------|--------------|-------------|
| Net Interest (Expense)/Income                | (3,550)      | 9,430        | -138%       |
| (Loss)/Profit after tax                      | (5,009)      | 32,307       | -116%       |
| Shareholders' funds                          | 107,340      | 112,349      | -4%         |
| Current assets as a % of current liabilities | 94%          | 102%         | -8%         |

Profit after tax has decreased by 116% as a result of the fall in Interest Income which became a loss in 2017. This was the result of an alignment of interest rates for lending and borrowing in WMG Acquisition (UK) in the year and a greater increase in creditor loans compared to debtors. Furthermore, there were no dividends received in the year whereas in the prior year a dividend totalling £19,751k was received.

Shareholders' funds have decreased by 4% due to the loss made in the year.

Current assets as a % of current liabilities have decreased by 9% due to a repayment of £20m from the long term loan balance and due to the loss made in the year..

## PRINCIPAL RISKS AND UNCERTAINTIES

The main risks and uncertainties facing the company relate to the risks and uncertainties facing its subsidiaries, which could affect the value of its investments in its subsidiaries.

The main risks and uncertainties facing its subsidiaries is that market forces may lead to a rise in the cost of acquiring song writing talent and artists.

Other key risks and uncertainties are those prevalent in the music market in general. These include the continued threat of unlicensed music usage and the uncertainty as to the extent to which new digital music platforms can deliver sufficient monetary benefits to music repertoire owners and publishers to offset the weakening traditional markets.

As with any business, competitive risks also exist. Traditional competitors such as other major and independent publishers are now joined by new entrants and business models, particularly in the audio-visual sector.

Registered No. 04987681

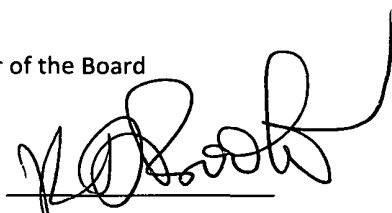
**Exposure to price and credit risk**

The company is exposed to price risk in relation to the relationship with external bodies such as local third party collection services. Mechanical and performance royalties are calculated using rates and distribution rules which have been set by the board of performing rights societies, which directly impact company revenue.

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Turnover recognition policy means that the exposure to credit risk is naturally limited, as turnover is generally recognised on a receipt basis.

By order of the Board

Signed

  
**R D Booker (Director)**

Cannon Place  
78 Cannon Street  
London  
EC4N 6AF

Date 29<sup>th</sup> June 2018

## DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 29 September 2017.

## RESULTS AND DIVIDENDS

The loss for the year ended 29 September 2017, after taxation, was (£5,009k) (2016 – Profit 32,307). There were no dividends in 2017 (2016 – £19,700k).

## DIRECTORS AND THEIR INTERESTS

The directors who served during the year ended 29 September 2017 were as follows:

P Robinson

R Booker

C Ancliff resigned 16<sup>th</sup> May 2018

There are no directors' interests requiring disclosure under the Companies Act 2006.

## DISCLOSURE OF INFORMATION TO AUDITOR

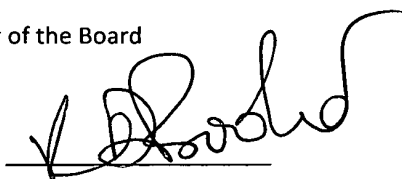
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

## AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

Signed

**R D Booker (Director)**

Cannon Place  
78 Cannon Street  
London  
EC4N 6AF

Date 29<sup>th</sup> June 2018

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WMG ACQUISITION (UK) LIMITED**

## **Opinion**

We have audited the financial statements of WMG Acquisition (UK) Limited ("the Company") for the year ended 29 September 2017 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet and Statements of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 September 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit or

We have nothing to report in these respects.



### **Directors' responsibilities**

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Kevin Hall (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square  
London  
E14 5GL  
United Kingdom

29<sup>th</sup> June 2018

## PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 29 SEPTEMBER 2017

|                                       | Notes | 2017<br>£000 | 2016<br>£000 |
|---------------------------------------|-------|--------------|--------------|
| Administrative expenses               |       | (98)         | (21)         |
| <b>OPERATING LOSS</b>                 | 2     | (98)         | (21)         |
| Dividend received                     |       | -            | 19,751       |
| Foreign exchange (loss)/gain          |       | (2,256)      | 1,568        |
| Interest receivable                   | 4     | 14,326       | 19,779       |
| Interest payable                      | 5     | (17,875)     | (10,349)     |
| <b>(LOSS)/ PROFIT BEFORE TAXATION</b> |       | (5,904)      | 30,728       |
| Tax on (loss)/profit                  | 6     | 895          | 1,579        |
| <b>(LOSS)/PROFIT FOR THE YEAR</b>     | 12    | (5,009)      | 32,307       |

All amounts are derived from continuing activities.

## OTHER COMPREHENSIVE INCOME

The company had no other comprehensive income for the year ended 29 September 2017 (2016 – £nil).

Notes on pages 9 to 19 form part of these financial statements.

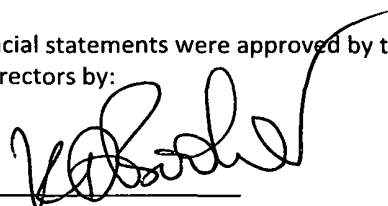
## BALANCE SHEET AT 29 SEPTEMBER 2017

|  | Notes | 2017<br>£000    | 2016<br>£000   |
|--|-------|-----------------|----------------|
| <b>FIXED ASSETS</b>  |       |                 |                |
| Investments  | 7     | 222,010         | 201,974        |
| <b>CURRENT ASSETS</b>  |       |                 |                |
| Debtors (Inc. £10,959k due after more than one year (2016 £11,325k)) | 8     | 503,509         | 414,340        |
| Cash at bank and in hand   |       | 30,109          | 31,808         |
|  |       | <u>533,618</u>  | <u>446,148</u> |
| <b>CURRENT LIABILITIES</b>   |       |                 |                |
| <b>CREDITORS:</b> amounts falling due within one year                | 9     | (568,288)       | (435,633)      |
| <b>NET CURRENT (LIABILITIES)/ASSETS</b>                              |       | <u>(34,669)</u> | <u>10,515</u>  |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                         |       | <u>187,340</u>  | <u>212,489</u> |
| <b>CREDITORS:</b> amounts falling due after more than one year       | 9     | (80,000)        | (100,140)      |
|  |       | <u>107,340</u>  | <u>112,349</u> |
| <b>CAPITAL AND RESERVES</b>  |       |                 |                |
| Called up share capital  | 10    | —               | —              |
| Profit and loss account  | 12    | 107,340         | 112,349        |
| <b>SHAREHOLDERS' FUNDS</b>   | 12    | <u>107,340</u>  | <u>112,349</u> |

The notes on pages 9 to 19 form part of these financial statements.

These financial statements were approved by the Board of Directors and were signed on behalf of the Board of Directors by:

Signed

  
**R D Booker (Director)**

Cannon Place  
78 Cannon Street  
London  
EC4N 6AF

Date 29<sup>th</sup> June 2018

## STATEMENT OF CHANGES IN EQUITY AT 29 SEPTEMBER 2017

|  | Share<br>capital<br>£000 | Profit and<br>loss account<br>£000 | Total<br>£000 |
|--|--------------------------|------------------------------------|---------------|
| At 25 September 2015                               | —                        | 99,742                             | 99,742        |
| Profit and total comprehensive income for the year | —                        | 32,307                             | 32,307        |
| At 30 September 2016                               | —                        | (19,700)                           | (19,700)      |
| At 30 September 2016                               | —                        | 112,349                            | 112,349       |
| Loss and total comprehensive loss for the year     | —                        | (5,009)                            | (5,009)       |
| Dividend paid                                      | —                        | —                                  | —             |
| At 29 September 2017                               | —                        | 107,340                            | 107,340       |

## NOTES TO THE FINANCIAL STATEMENTS AT 29 SEPTEMBER 2017

### 1. ACCOUNTING POLICIES

WMG Acquisition UK Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102, *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”) as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company’s ultimate parent undertaking includes the Company in its consolidated financial statements, and is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following exemptions:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of the ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS102 available in respect of:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

### BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention.

### ACCOUNTING PERIOD

The company prepares accounts for either 52 or 53 week periods ending within one week of 30 September (2016 – 27 September 2016).

### GOING CONCERN

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The financial statements for the year ended 29 September 2017 have been prepared on the going concern basis, as a letter of support has been received from WMG Acquisition Corp., stating that it is its current intention to make sufficient funding available to enable the company to continue to meet its obligations as they fall due for the foreseeable future, being a period of at least 12 months from the date of approval of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS AT 29 SEPTEMBER 2017 (CONTINUED)

### 1. ACCOUNTING POLICIES (CONTINUED)

#### FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

#### BASIC FINANCIAL INSTRUMENTS

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### *Investments in subsidiaries*

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

#### RELATED PARTIES

The company has taken advantage of the exemption in FRS 102 not to disclose related party transactions with fellow wholly-owned group undertakings.

## NOTES TO THE FINANCIAL STATEMENTS AT 29 SEPTEMBER 2017 (CONTINUED)

### 1. ACCOUNTING POLICIES (CONTINUED)

#### IMPAIRMENTS EXCLUDING STOCK AND DEFERRED TAX ASSETS

##### *Financial assets (excluding trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in the profit and loss account. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the profit and loss account.

##### *Non-financial assets*

The carrying amount of the entity's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the profit and loss account.

#### TAXATION

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## NOTES TO THE FINANCIAL STATEMENTS AT 29 SEPTEMBER 2017 (CONTINUED)

### 2. OPERATING PROFIT/ (LOSS)

This is stated after charging:

Auditor's remuneration

|  | 2017<br>£000 | 2016<br>£000 |
|--|--------------|--------------|
| Auditors remuneration – audit of these financial statements  | 3            | 3            |
| Audit of financial statements of subsidiaries of the company | 200          | 202          |
|  | <u>203</u>   | <u>205</u>   |

### 3. DIRECTORS' REMUNERATION

|                       | 2017<br>£000 | 2016<br>£000 |
|-----------------------|--------------|--------------|
| Other emoluments      | 200          | 199          |
| Pension contributions | 4            | 8            |

The directors of the company are also directors of a number of subsidiaries of the ultimate parent undertaking. The directors believe that it is practicable to apportion the remuneration between remuneration as directors of the company and their remuneration as directors of the fellow subsidiary companies. The directors' remuneration is therefore disclosed in the financial statements of the subsidiaries that make the remuneration payments. The prior year's directors' remuneration is now disclosed on this basis.

### 4. INTEREST RECEIVABLE AND SIMILAR INCOME

|   | 2017<br>£000  | 2016<br>£000  |
|---|---------------|---------------|
| Interest receivable from group undertakings | 2,272         | 1,951         |
| Bank and other interest                     | 12,053        | 17,828        |
|   | <u>14,326</u> | <u>19,779</u> |

### 5. INTEREST PAYABLE AND SIMILAR EXPENSE

|                                     | 2017<br>£000  | 2016<br>£000  |
|-------------------------------------|---------------|---------------|
| Interest payable group undertakings | 17,875        | 10,349        |
|                                     | <u>17,875</u> | <u>10,349</u> |



## NOTES TO THE FINANCIAL STATEMENTS AT 29 SEPTEMBER 2017 (CONTINUED)

### 6. TAXATION

#### a. Total tax expense recognised in the profit and loss account

|   | 2017<br>£000 | 2016<br>£000   |
|---|--------------|----------------|
| <i>Current tax</i>                          |              |                |
| UK corporation tax on income for the period | (895)        | (1,579)        |
| <b>Total tax</b>                            | <b>(895)</b> | <b>(1,579)</b> |

The full tax charge for the year is recognised in the Profit and Loss account.

#### b. Reconciliation of tax charge

The standard rate of current tax for the year based on the UK standard rate of corporation tax is 19.5% (2016 – 20.0%). The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below:

|   | 2017<br>£000 | 2016<br>£000   |
|---|--------------|----------------|
| Profit before tax for the year  | (5,904)      | 30,728         |
| Profit multiplied by the standard rate of tax in the UK of 19.5% (2016 – 20%) | (1,151)      | 6,145          |
| <i>Factors affecting charge:</i>  |              |                |
| Expenses not deductible for tax purposes                                      | –            | (3,950)        |
| Non-taxable income  | 256          | (3,774)        |
| <b>Total tax expense included in profit and loss</b>                          | <b>(895)</b> | <b>(1,579)</b> |

## NOTES TO THE FINANCIAL STATEMENTS AT 29 SEPTEMBER 2017 (CONTINUED)

### 6. TAXATION CONTINUED

#### c. Tax rate changes

The reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. A further reduction from 18% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

#### d. Deferred tax

The Company had no deferred tax provision at 30 September 2017 (2016 – £nil).

### 7. INVESTMENTS

|                            | £000    |
|----------------------------|---------|
| Cost and net book value:   |         |
| At 30 September 2016       | 201,974 |
| Add Investment             | 20,036  |
| At 29 September 2017       | 222,010 |
|                            |         |
|                            | 2017    |
|                            | £000    |
|                            | 2016    |
|                            | £000    |
| Investment in subsidiaries | 222,010 |
|                            | 201,974 |

Details of the investments in which the group and the company held any class of share capital as at 29 September 2017 were as follows:

#### Subsidiary undertakings:

| Name of Company                               | Country of registration (or incorporation and operation) | Holding         | Proportion of voting rights and shares held | Nature of business                            |
|---|--|-----------------|---|---|
| Warner Music International Services Limited # | England and Wales  | Ordinary shares | 100%  | Group services and investment holding company |
| WMIS Limited*#                                | England and Wales  | Ordinary shares | 100%  | Group services                                |
| Warner Music UK Limited*#                     | England and Wales  | Ordinary shares | 100%  | Record company                                |
| A+E Records Limited*#                         | England and Wales  | Ordinary shares | 100%  | Record company                                |

## WMG Acquisition (UK) Limited

Registered No. 04987681

|   |                     |                           |       |                  |
|---|---------------------|---------------------------|-------|------------------|
| ADA Global Limited*#                      | England and Wales   | Ordinary shares           | 100%  | Dormant          |
| Anxious Records Limited*#                 | England and Wales   | "A" & "B" Ordinary shares | 100%  | Dormant          |
| B Unique Records Limited*#                | England and Wales   | Ordinary shares           | 100%  | Record company   |
| China Records Limited*#                   | England and Wales   | "A" & "B" Ordinary shares | 100%  | Record company   |
| Comedy Box Limited*#                      | England and Wales   | Ordinary shares           | 100%  | Dormant          |
| W Songs Limited (f. Discordant Limited)*# | England and Wales   | Ordinary shares           | 100%  | Dormant          |
| Elmlowe Limited*#                         | England and Wales   | "A" & "B" Ordinary shares | 100%  | Record company   |
| FFRR Records Limited*#                    | England and Wales   | Ordinary shares           | 100%  | Record company   |
| Gingerbread Man Records Limited#          | England and Wales   | Ordinary shares           | 50%   | Record company   |
| Magnet Records Limited*#                  | England and Wales   | Ordinary shares           | 100%  | Dormant          |
| Taffia International Limited*#            | England and Wales   | Ordinary shares           | 50.1% | Record company   |
| Laurel Records Limited*#                  | England and Wales   | Ordinary shares           | 100%  | Record company   |
| Funghi Records Limited*#                  | England and Wales   | Ordinary shares           | 100%  | Dormant          |
| Infectious Records Limited*#              | England and Wales   | Ordinary shares           | 100%  | Record company   |
| 1967 Limited*#                            | England and Wales   | Ordinary shares           | 100%  | Record company   |
| 679 Recordings Limited*#                  | England and Wales   | "A" & "B" Ordinary shares | 100%  | Record company   |
| Warner Chappell Music Group (UK) Limited# | England and Wales   | Ordinary shares           | 100%  | Dormant          |
| Warner/Chappell Music Limited#            | England and Wales   | Ordinary shares           | 100%  | Music Publishing |
| Warner Records 90 Limited*#               | England and Wales   | Ordinary Shares           | 100%  | Record company   |
| Warner Music Ireland Limited*>            | Republic of Ireland | Ordinary shares           | 100%  | Record company   |
| Warner Music (Northern Ireland) Limited*> | Republic of Ireland | Ordinary shares           | 50%   | Record company   |
| Warner Music Pension Limited*#            | England and Wales   | Ordinary shares           | 100%  | Dormant          |
| Sharemyplaylists.com Limited*#            | England and Wales   | Ordinary shares           | 100%  | Dormant          |
| Bubbles Music Limited*#                   | England and Wales   | Ordinary shares           | 100%  | Music Publishing |
| Dizzy Heights Music Publishing Limited*#  | England and Wales   | Ordinary shares           | 100%  | Music Publishing |
| FFRR Music Limited*#                      | England and Wales   | Ordinary shares           | 100%  | Music Publishing |
| Glissando Music Limited*#                 | England and Wales   | Ordinary shares           | 100%  | Music Publishing |
| Kirshner Warner Bros. Music Limited*#     | England and Wales   | Ordinary shares           | 50%   |                  |
| Magnet Music Limited*#                    | England and Wales   | Ordinary shares           | 100%  | Music Publishing |

## WMG Acquisition (UK) Limited

Registered No. 04987681

|  |                   |                 |      |                            |
|--|-------------------|-----------------|------|----------------------------|
| The National Video Corporation Limited**       | England and Wales | Ordinary shares | 100% | Record company             |
| Warner Music UK Property Limited**             | England and Wales | Ordinary shares | 100% | Investment holding company |
| Warner/ Chappell MLM Limited**                 | England and Wales | Ordinary shares | 100% | Music Publishing           |
| Warner/ Chappell Music International Limited** | England and Wales | Ordinary shares | 100% | Music Publishing           |
| Warner/ Chappell TM Limited**                  | England and Wales | Ordinary shares | 100% | Music Publishing           |
| Warner/ Chappell UK Limited**                  | England and Wales | Ordinary shares | 100% | Dormant                    |
| Asherberg Hopwood & Crew Limited**             | England and Wales | Ordinary shares | 100% | Music Publishing           |
| Burlington Music Company Limited**             | England and Wales | Ordinary shares | 100% | Dormant                    |
| Palace Music Company Limited**                 | England and Wales | Ordinary shares | 50%  | Dormant                    |
| Chappell Music Limited**                       | England and Wales | Ordinary shares | 100% | Dormant                    |
| Chappell Morris Limited**                      | England and Wales | Ordinary shares | 100% | Music Publishing           |
| Patricia Music Limited**                       | England and Wales | Ordinary shares | 50%  | Music Publishing           |
| Intersong Music Limited**                      | England and Wales | Ordinary shares | 100% | Dormant                    |
| Diplomat Music Limited**                       | England and Wales | Ordinary shares | 50%  | Music Publishing           |
| JEWEL MUSIC PUBLISHING COMPANY LIMITED**       | England and Wales | Ordinary shares | 50%  | Music Publishing           |
| Throat Music Limited**                         | England and Wales | Ordinary shares | 100% | Dormant                    |
| Warner/ Chappell Artemis Music Limited**       | England and Wales | Ordinary shares | 100% | Dormant                    |
| Warner/ Chappell Limited**                     | England and Wales | Ordinary shares | 100% | Music Publishing           |
| Warner/ Chappell North America Limited**       | England and Wales | Ordinary shares | 100% | Dormant                    |
| CRML Limited**                                 | England and Wales | Ordinary shares | 99%  | Music Publishing           |
| Destiny Music Limited**                        | England and Wales | Ordinary shares | 100% | Music Publishing           |
| CPM Music Limited**                            | England and Wales | Ordinary shares | 100% | Music Publishing           |
| Warner Chappell Production Music Limited**     | England and Wales | Ordinary shares | 100% | Music Publishing           |
| Warner Chappell Music Publishing Limited**     | England and Wales | Ordinary shares | 100% | Music Publishing           |
| Warner/Chappell Overseas Holdings Limited**    | England and Wales | Ordinary shares | 100% | Dormant                    |

\* Held by a subsidiary undertaking

# Registered office - Cannon Place, 78 Cannon Street, London EC4N 6AF

> Registered office – Gordon Street Mews, 27-29 Gordon Street, Belfast, BT1 2JL

## NOTES TO THE FINANCIAL STATEMENTS AT 29 SEPTEMBER 2017 (CONTINUED)

### 8. DEBTORS

|  | 2017<br>£000   | 2016<br>£000   |
|--|----------------|----------------|
| Amounts owed by other group undertakings   | 487,662        | 397,226        |
| Prepayments and accrued income             | 2,414          | 4,209          |
| Group relief receivable                    | 2,474          | 1,580          |
|  | <u>492,550</u> | <u>403,015</u> |
| <i>Amounts falling due after one year:</i> |                |                |
| Amounts owed by other group undertakings   | 10,959         | 11,325         |
|  | <u>503,509</u> | <u>414,340</u> |

Included within Debtors; amounts falling due after more than one year, is £10,959 of medium term intercompany loans. Interest is charged at the sum of the floating rate of Libor plus a spread of 300 basis points and is repaid semi-annually. The principal loan is payable in full on 25 September 2020.

### 9. CREDITORS

|  | 2017<br>£000   | 2016<br>£000   |
|--|----------------|----------------|
| Amounts owed to other group undertakings   | 568,264        | 427,520        |
| Accruals and deferred income               | 23             | 20             |
| Bank overdraft                             | -              | 8,093          |
|  | <u>568,287</u> | <u>435,633</u> |
| <i>Amounts falling due after one year:</i> |                |                |
| Amounts owed to other group undertakings   | 80,000         | 100,140        |
|  | <u>80,000</u>  | <u>100,140</u> |

The principal amount of the loan of £80,000,000 (2016: £100,000,000), is payable in full on or prior to 01 November 2020. Interest accrues on the outstanding amount at a fixed annual interest rate of 8.125%, and is payable semi-annually. The company has the option to make prepayments on the outstanding principal amount.

## NOTES TO THE FINANCIAL STATEMENTS AT 29 SEPTEMBER 2017 (CONTINUED)

### 10. SHARE CAPITAL

|  | 2017            | 2016            |
|--|-----------------|-----------------|
|  | £               | £               |
| <i>Allotted, called up and fully paid:</i> |                 |                 |
| 2 ordinary shares of £1 each               | 2               | 2               |
|  | <u>2</u>        | <u>2</u>        |
|  | <u><u>2</u></u> | <u><u>2</u></u> |

### 11. CONTINGENT LIABILITIES

The company has entered into a group composite accounting agreement with its bankers. The terms of the agreement permit the bankers, without notice, to draw down funds deposited into the system, to offset borrowings drawn down from the system by other group members who are also parties to these arrangements. At the balance sheet date, WMG Acquisition Limited is in a net credit position with the bank and therefore there are no contingent liabilities.

### 12. RESERVES

Share capital – represents the nominal value of shares that have been issued.

Profits and loss account – includes all current and prior period retained profits and losses.

### 13. PARENT UNDERTAKING AND CONTROLLING PARTY

The company is 100% owned by WMG Acquisition Corp., the immediate parent undertaking.

On 29 September 2017 AI Entertainment Holdings LLC a company incorporated in Delaware in the United States of America, was the ultimate parent undertaking. Warner Music Group Corp. was the parent undertaking of the smallest and largest group of undertakings of which the company was a member and for which group financial statements are drawn up. Copies of Warner Music Group Corp.'s financial statements can be obtained from 1209 Orange Street, Wilmington, DE 19801, USA.