

WMG Finance Limited

Annual report and financial statements

Registered number 08300633

27 September 2019

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Strategic Report

The directors present their report and financial statements for the year ended 27 September 2019.

Principal activity and review of business

The principal activity of the company during the year was that of an investment and holding company providing loan facilities to other group companies throughout the world. WMG Finance Ltd also heads the Citibank cash pool used by the UK group companies and participates in the BMG cash pool receiving deposits to and drawings from other group companies.

The profit in the year is driven by foreign exchange gain and is despite net interest expense being generated on intercompany loans during 2019.

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

	2019	2018	Change
	\$'000	\$'000	%
Profit after tax	8,660	534	1,522.97%
Shareholders' funds	87,380	78,720	11.00%
Current assets as % of current liabilities	67.57%	78.29%	-10.72%

The profit in the year is due to a Foreign exchange gain of (\$9.7m) though this has been offset in part by a net interest expense of (\$1m). Interest expense remained higher than interest income during the year, however, the disparity reduced from the prior year due to the lower cash balance and a rise in the balance of the company debtors which commanded comparatively higher interest income.

As a result of the profit for the year, Shareholders' funds have increased by 11%.

Current assets as a % of current liabilities have decreased by 10.72% mainly due to a new medium-term debtor loan with Warner Music Group Germany.

Principal risks and uncertainties

The Company lends and borrows to and from other Warner Music Group companies in different currencies and so is exposed to foreign exchange rate movements on those balances.

Further risks and uncertainties facing the company relate to the risks and uncertainties facing its subsidiaries and other group companies. Key risks and uncertainties facing its subsidiaries and other group companies is that due to intense competition, 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.

Effect of Covid-19 in the subsequent financial year

The Company is anticipating there may be an impact to the results of its subsidiaries for the year ended 30 September 2020 due to the current COVID-19 global pandemic. Whilst it is too early to quantify with certainty, the Company's subsidiaries have carried out comprehensive forecasts utilising information available, including information from

STRATEGIC REPORT (CONTINUED)

collection societies, and expects to continue to be profitable with positive cashflows for the next 12 months and beyond.

Effect of the UK exit from EU

UK management has been keeping the effect of the UK exit from the EU under regular review.

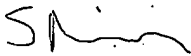
The majority of the group's UK business relates to the acquisition of Intellectual Property within the UK and then licensing and otherwise exploiting that Intellectual Property physically and digitally both in the UK and outside UK. While the group continues to sell physical goods both inside and outside the UK that is a reducing part of the business.

Even if the UK leaves the EU and the withdrawal agreement ends prior to a trade deal being in place, based on our current understanding of the position it is not expected that such an exit would have a material direct effect on the UK group business. If there were to be a significant impact to the wider UK economy, that could affect the market for our goods and services.

However, while the details of the terms that may be applicable to the exit are not settled there can be no absolute certainty of the effects.

By order of the Board

Signed



S Rishi (Director)

Date 28 September 2020

Cannon Place
78 Cannon Street
London
EC4N 6AF

Directors' report

The directors present their report and financial statements for the year ended 27 September 2019.

Results and dividends

The profit for the year after taxation amounted to \$8,660k (2018 – \$534k). The directors do not recommend the payment of a final dividend (2018 – \$nil).

Future developments

The directors do not envisage any change in the company's activities in the foreseeable future.

Directors

The directors who served the company during the year were as follows:

V Capurso (resigned 25th September 2020)

C Godfrey (appointed 30th September 2019)

F Kimick

E Levin

S Rishi (appointed 3rd March 2020)

R Booker (resigned 30th September 2019)

Going concern

Notwithstanding net current liabilities of \$126,679k as at 27.09.2019, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reason.

Directors considered the operating nature of the entity and expectations for the future trading along with the outstanding inter-company payables and inter-company receivables for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds through funding from its ultimate parent Warner Music Group Corp and repayment of outstanding balances from fellow subsidiaries to meet its liabilities as they fall due for that period.

Warner Music Group Corp. has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Disclosure of information to the 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.


Directors' report (continued)

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.

On behalf of the board

S Rishi
Director



Cannon Place
78 Cannon Street
London
EC4N 6AF

Date: 28 September 2020

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 FINANCE LIMITED

Opinion

We have audited the financial statements of WMG Finance Ltd ("the company") for the year ended 27 September 2019 which comprise the Profit & Loss Account, Balance Sheet, Statement 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 27 Sep 2019 and of its profit 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, 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.

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

28 September 2020

Profit and Loss Account and Other Comprehensive Income
for year ended 27 September 2019

	<i>Note</i>	2019	2018
		\$'000	\$'000
Investment Income	7	0	0
Interest receivable and similar income	4	14,129	7,735
Interest expense and similar expenses	5	(15,170)	(11,961)
Other income and expenses	2	9,402	5,368
		<hr/>	<hr/>
Profit before taxation		8,361	1,142
Tax on profit	6	299	(608)
		<hr/>	<hr/>
Profit for the financial year		8,660	534
		<hr/>	<hr/>
Other comprehensive Income			
Exchange differences		0	0
		<hr/>	<hr/>
Other comprehensive income for the year, net of income tax		0	0
		<hr/>	<hr/>
		<hr/>	<hr/>
Total comprehensive income for the year		8,660	534
		<hr/>	<hr/>

All amounts are derived from continuing activities.

The notes on pages 11 to 21 form part of these financial statements.

Balance Sheet
at 27 September 2019

	<i>Note</i>	2019 \$'000	2018 \$'000
Fixed assets			
Investments	7	214,059	214,059
Current assets			
Debtors:			
amounts falling due within one year		107,355	62,650
amounts falling due after one year		128,899	63,831
	8	<u>236,254</u>	<u>126,481</u>
Cash at bank and in hand	9	27,728	156,552
Creditors: amounts falling due within one year	10	(390,661)	(361,510)
Net current liabilities		<u>(126,679)</u>	<u>(78,477)</u>
Total assets less current liabilities		87,380	135,582
Creditors: amounts falling due after more than one year	11	(0)	(56,862)
Net assets		<u>87,380</u>	<u>78,720</u>
Capital and reserves			
Called up share capital	12	-	-
Share Premium Account		416,060	416,060
Profit and loss account		(328,680)	(337,340)
Shareholders' funds		<u>87,380</u>	<u>78,720</u>

The notes on pages 11 to 21 form part of these financial statements.

These financial statements were approved by the board of directors and were signed on its behalf by:

Signed 
S Rishi (Director)

Cannon Place
78 Cannon Street
London
EC4N 6AF

Date 28 September 2020

Statement of Changes in Equity

	Called up Share capital \$'000	Share Premium \$'000	Profit and loss account \$'000	Total equity \$'000
Balance at 29 September 2017	-	416,060	(337,874)	78,186
Profit and total comprehensive income for the year	-	-	534	534
Balance at 28 September 2018	-	416,060	(337,340)	78,720
Profit and total comprehensive income for the year	-	-	8,660	8,660
Balance at 27 September 2019	<u>-</u>	<u>416,060</u>	<u>(328,680)</u>	<u>87,380</u>

The notes on pages 11 to 21 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

WMG Finance 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*"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest \$1,000, except when otherwise indicated.

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 financial statements for either 52 or 53 week periods ending within one week of 30 September.

Going concern

Notwithstanding net current liabilities of \$126,679k as at 27.09.2019, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reason.

Directors considered the operating nature of the entity and expectations for the future trading along with the outstanding inter-company payables and inter-company receivables for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds through funding from its ultimate parent Warner Music Group Corp and repayment of outstanding balances from fellow subsidiaries to meet its liabilities as they fall due for that period.

Warner Music Group Corp. has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes (continued)

1 Accounting policies (continued)

Foreign currency

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 details of transactions between fellow wholly-owned group undertakings.

Notes (continued)

1 Accounting policies (continued)

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

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 (continued)

2 Other Income and Expenses

This is stated after charging/(crediting):

	2019	2018
	\$'000	\$'000
Auditor remuneration – audit services	14	14
Foreign Exchange (Gain)/Loss	(9,684)	(4,957)
Group recharge and other fees (Gain)/Loss	268	(425)
	<u>(9,402)</u>	<u>(5,368)</u>

Amounts receivable by the Company's auditor and its subsidiaries in respect of services to the Company and its subsidiaries, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the financial statements of the Company's parent, WMG Acquisition UK Ltd.

3 Directors' remuneration

	2019	2018
	\$'000	\$'000
Directors' emoluments	122	63
	<u>122</u>	<u>63</u>

Directors' emoluments include compensation for loss of office of \$65k (2018: \$nil). 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.

Notes (continued)

4 Interest receivable and similar income

	2019	2018
	\$'000	\$'000
Interest receivable from group undertakings	13,349	6,206
Bank interest receivable	780	1,529
	<u>14,129</u>	<u>7,735</u>

5 Interest payable and similar expenses

	2019	2018
	\$'000	\$'000
Interest payable to group undertakings	14,912	11,912
Bank interest payable	258	49
	<u>15,170</u>	<u>11,961</u>

6 Taxation

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

	2019	2018
	\$'000	\$'000
<i>Current tax</i>		
UK corporation tax on income for the period	958	56
Adjustments in respect of prior periods	(1,257)	-
Overseas tax suffered	358	551
Double taxation relief	<u>(358)</u>	<u>-</u>
Total current tax	(299)	608
	<u>(299)</u>	<u>608</u>
Total tax	<u>(299)</u>	<u>608</u>

The full tax (credit)/charge for the year is recognised in the Profit and Loss account.

Notes (continued)

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% (2018: 19%). The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below:

	2019 \$'000	2018 \$'000
Profit before tax for the year	<u>8,361</u>	<u>1,141</u>
Profit before tax multiplied by the standard rate of tax in the UK of 19% (2018: 19%)	1,589	218
Factors affecting charge:		
Utilisation of previously unrecognised deferred tax on losses	(630)	(161)
Effect of tax rates in foreign jurisdictions	-	551
Adjustment in respect of prior periods	<u>(1,257)</u>	<u></u>
Total tax (credit)/expense included in profit and loss	<u><u>(299)</u></u>	<u><u>608</u></u>

c. Tax rate changes

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax balance as at 29 September 2019 has been calculated based on this rate. The March 2020 Budget announced that the rate of 19% would continue to apply with effect from 1 April 2020, and this was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly.

d. Deferred tax

The Company had no deferred tax provision at 27 September 2019 (2018: \$nil).

The Company has unrecognised gross tax losses of \$nil (2018: \$2.5m). These losses do not expire.

Notes (continued)

7 Investments

	\$'000
Cost:	
At 28 September 2018	1,119,250
At 27 September 2019	<u>1,119,250</u>
 Provision for impairment:	
At 28 September 2018	(905,191)
At 27 September 2019	<u>(905,191)</u>
 Net Book Value:	
At 28 September 2018	214,059
At 27 September 2019	<u>214,059</u>
 Unlisted investments at 27 September 2019	<u>214,059</u>

Notes *(continued)*

The subsidiary undertakings included in the financial statements as at 27 September 2019 are listed below. The undertakings are incorporated in Great Britain, unless otherwise indicated.

	Nature of business	Ordinary shares held
Direct Subsidiary undertakings		
Parlophone Records Limited #	Operating	100%
Indirect Subsidiary undertakings		
Chrysalis Records International Limited #	Dormant	100%
Warner Music Artist Services International Limited (f.k.a. Parlophone Music International Services Limited) #	Dormant	100%
Food Limited #	Dormant	100%
Music for Pleasure Limited #	Dormant	100%
Erato Record Classics Limited #	Dormant	100%
PLG Classics Germany GmbH ^	Operating	100%
Trooper Enterprises Limited #	Dormant	75%

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

^ Registered office – c/o Warner Music Group Germany, Holding GmbH, Alter Wandrahm 14, 20457 Hamburg

Notes (continued)

8 Debtors

	2019	2018
	\$'000	\$'000
Amounts owed by group undertakings:		
Interest-bearing intercompany accounts with group undertakings	218,866	110,318
Interest-free intercompany accounts with group undertakings	314	377
Group relief receivable	16,985	15,729
Prepayments and accrued income	89	57
	<u>236,254</u>	<u>126,481</u>

Amounts falling due after more than one year included above are:

	2019	2018
	\$'000	\$'000
Amounts owed by fellow group undertakings:		
Interest-bearing intercompany accounts with group undertakings	128,899	63,831
	<u>128,899</u>	<u>63,831</u>

Included within Debtors: Amounts owed by group undertakings, are \$63,803k (2018 - \$35,712k) of short term intercompany receivable loans. Interest is charged at a rate of 3 month Libor plus 0.35% per annum and is repaid quarterly. The loans are repayable on demand with 30 days of notice.

A second type of loan included, are \$252k (2018 – \$10,774k) of short term intercompany receivable loans. Interest is charged at a rate of currency 1 month reference rate plus 3% per annum. The loans are repayable on demand with two weeks written notice.

A third type of loan included, are \$25,912k of medium-term intercompany receivable loans. The principle loans are payable in full on 25th September 2020 and therefore these medium-term loans have been reclassified to be included within Debtors: amounts falling due within one year. Interest is charged at the sum of the floating rate of Libor plus a spread of 400 basis points and is repaid semi-annually.

Included within Amounts owed by group undertakings falling due after more than one year, is \$128,899k (2018 - \$63,831k) a medium-term intercompany loan with Warner Music group Germany Holding GMBH. Interest is charged on the loan at 5%pa and is repaid semi-annually. The principle loan is repayable on 10th September 2025.

Notes (continued)

9 Cash and cash equivalents/bank overdrafts

	2019	2018
	\$'000	\$'000
Cash at bank and in hand	27,728	156,552
	<u>27,728</u>	<u>156,552</u>

10 Creditors: amounts falling due within one year

	2019	2018
	\$'000	\$'000
Amounts payable to fellow group undertakings		
Interest-bearing intercompany accounts with subsidiary undertakings	24,903	24,437
Interest-bearing intercompany accounts with group undertakings	340,124	309,962
Interest-free loan from subsidiary undertaking	22,212	23,589
Interest-free loans from group undertakings	2,643	3,421
Accruals	179	101
Corporation Tax	600	-
	<u>390,661</u>	<u>361,510</u>

Included within Amounts owed to group/subsidiary undertakings, are \$269,798k (2018 - \$284,205k) of short term intercompany payable loans. Interest is charged at a rate of 3 month Libor per annum and is repaid quarterly. The loans are repayable on demand with 30 days of notice.

A second type of loan included within Amounts owed to group undertakings, are \$46,584k (2018 - \$50,193k) of short term intercompany payable loans. Interest is charged at a rate of currency 12 month reference rate plus 0.10% per annum. The loans are repayable on demand with two weeks written notice.

A third type of loan included within Amounts owed to group undertakings, are \$48,645k of medium-term intercompany loans. The principle loans are payable in full on 25th September 2020 and therefore these medium-term loans have been reclassified to be included within Creditors: amounts falling due within one year. 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 principle loans are payable in full on 25th September 2020.

Notes (continued)

11 Creditors: amounts falling after more than one year

	2019	2018
	\$000	\$000
Interest-bearing intercompany accounts with group undertakings	0	56,862

Included within, Creditors: amounts falling due after more than one year, are \$0k (2018 – \$56,862k) of medium-term intercompany loans. These have been reclassified to Creditors: amounts falling due within one year as the principle loans are payable in full on 25th September 2020.

12 Share capital

	2019	2018
	\$	\$
Allotted, called up and fully paid:		
1 Ordinary share of £1 each	1	1

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

13 Ultimate parent company and parent company of larger group

The company is 100% owned by Warner Music Holdings Limited, the immediate parent undertaking.

On 27 September 2019 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.