

Parlophone Records Limited

Report and Financial Statements

24 September 2021

Registered No. 00068172

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COMPANIES HOUSE

Parlophone Records Limited

Registered No. 68172

DIRECTORS

J H Radice

A D Harlow

M J Watson (appointed 31 January 2021)

SECRETARY

Olswang Cosec Limited

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

Parlophone Records Limited

Registered No. 68172

CONTENTS

Strategic Report.....1-3

Directors’ Report.....4-5

Statement of Directors’ Responsibilities.....6

Independent Auditor’s Report to the members of Parlophone Records Limited.....7-11

Profit & Loss Account.....12

Balance Sheet.....13

Statement of Changes in Equity.....14

Notes to Financial Statements.....15-27

Parlophone Records Limited

Registered No. 68172

STRATEGIC REPORT

The directors present their Strategic Report for the year ended 24 September 2021.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company’s principal activity during the year ended 24 September 2021 was the promotion, sale and distribution of recorded music in various formats.

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

	2021	2020	Change
	£000	£000	%
Turnover	97,646	89,192	+9%
Profit after tax	10,918	6,547	+67%
Shareholders’ funds	52,951	42,033	+26%

Turnover and Gross Profit increased by 9% and 18% respectively for the year ended 24 September 2021. Profit after tax increased by 67% for the year ended 24 September 2021, this is due to an increase in revenue of 9% and a smaller increase in costs of 3.2% at an operating level. This represents a good performance given the impact of the continuing COVID 19 restrictions that were in place during the year ended 24th September 2021.

S172

Under Section172 the directors have a duty to promote the success of the company for the benefit of shareholders as a whole.

The success of the company is dependent on effective dealings with all stakeholders and so the directors were mindful of the long term consequences of key strategic decisions made during the year, and determined that the decisions made were in the interests of Warner Music Group’s artists, employees, suppliers, customers and other stakeholders, as they were all aligned to the Group’s growth strategy.

ARTISTS

Our team continuously maintains strong relationships with our existing artists, supporting their career development, as well as discovering, signing and nurturing new talent. Connecting our artists and their music with fans is essential to the business.

EMPLOYEE ENGAGEMENT

The directors acknowledge that our employees are fundamental to the success of the company. They therefore continuously invest in health and wellbeing support for the whole Warner Music UK team. All of them have access to a 24/7 Employee Assistance Programme which offers support across a variety of issues, as well as access to free confidential counselling sessions. They also have access to Help@Hand, which provides access to a remote GP, mental health support and physiotherapy, as well as access to virtual wellbeing coaching sessions. In addition to this, the company holds regular wellbeing workshops and an annual ‘Wellness Week’.

Parlophone Records Limited

Registered No. 68172

STRATEGIC REPORT Continued

EMPLOYEE ENGAGEMENT (CONTINUED)

In 2021, Warner Music UK internally published its second Diversity, Equity and Inclusion report, outlining its strategic approach to building an inclusive culture where everyone feels able to be themselves and fulfil their potential. The report included publication of the company's gender and ethnicity pay gaps, as well as a list of tangible actions the business is taking in this area and the targets it is working towards.

The company uses a variety of methods to stay in touch with its employees including, but not limited to, emails from the UK CEO, a daily global newsletter, regular team meetings and full company virtual and in person-events. Regular surveys, active Employee Resource Groups and an open-door policy ensure that employee feedback is heard and acted upon.

CUSTOMERS AND SUPPLIERS

To ensure the company maintains its reputation it maintains good relationships with both its customers and suppliers by making prompt contractual payments.

EMISSIONS AND ENERGY CONSUMPTION

In accordance with disclosure requirements for large companies under the Companies Act 2006, the table below shows the company's 'greenhouse gas emissions' during the financial year.

The methodology used to calculate our emissions is in line with UK Government Streamlined Energy and Carbon Reporting ("SECR") guidelines.

These figures below represent the activities of all Warner Music Group's companies in the UK, as there is no reliable method by which to allocate the figures to entities and as such the figures given here are not just for Parlophone Records Limited as a standalone company.

	2021	2020
	tCO ₂ e	tCO ₂ e
Combustion of fuel and operation of facilities (Scope1)	404.35	459.73
Electricity, heat, steam and cooling (Scope 2)	572.65	667.82
Other indirect emissions relating to electricity transmission and distribution losses, Business travel and non-company cars (Scope 3)		
Air travel	419.63	51.23
Non-company cars	2.29	17.12
Total	1,398.92	1,195.90
tCO ₂ e per employee	2.53	2.16

tCO₂e represents tonnes of CO₂ equivalent

Parlophone Records Limited

Registered No. 68172

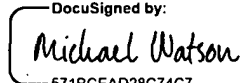
STRATEGIC REPORT Continued

PRINCIPAL RISKS AND UNCERTAINTIES

The main risks and uncertainties facing the company relate to intense competition from other record labels to sign and market successful artists and the speed with which newer digital revenue streams can be tapped.

The impact of COVID-19 and related lockdown measures put in place have been recognised by the directors as having an adverse impact to company performance in 2021. In particular merchandise sales, passive live income and broadcast revenue were affected. However, the directors consider that the company will be well placed due to the continued growth in streaming revenue, which to date has been resilient to the impact of COVID-19, combined with lockdown-driven cost savings in areas such as travel, entertainment, industry events and marketing.

By order of the Board

Signed 
6748CEAD28C74C7...
M J Watson (Director)

Date 23 June 2022

Cannon Place
78 Cannon Street
London
EC4N 6AF

Parlophone Records Limited

Registered No. 68172

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 24 September 2021.

RESULTS

The profit for the year ended 24 September 2021, after taxation, was £10,918k (2020 - £6,547k). The directors do not recommend the payment of a dividend (2020 - £nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and subsequently to the date of this report were as follows:

J H Radice

A D Harlow

M J Watson (appointed 31 January 2021)

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

POLITICAL CONTRIBUTIONS

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

GOING CONCERN

The company is profitable and had net current assets at the period end and have prepared forecasts that suggest that they will continue to meet their liabilities as they fall due for 12 months following the signing of these accounts.

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides including the possible future impact of COVID-19 on its operations and financial resources, the Company will have sufficient funds through the Group Cash-pooling arrangements and repayment of outstanding balances from fellow subsidiaries to meet its liabilities as they fall due for that period. COVID-19 is not expected to have any material impact on the future operations of the Company, due to the strong recovery seen since the lifting of restrictions. The combination of a return to pre COVID-19 levels of performance income, growth in digital revenue and the continuing cash pooling arrangement with WMG Acquisition UK mean that, 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.

Parlophone Records Limited

Registered No. 68172

DIRECTORS' REPORT CONTINUED

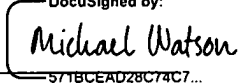
DISCLOSURE OF INFORMATION TO AUDITOR

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 
571BCEAD28C74C7...
M J Watson (Director)

Cannon Place
78 Cannon Street
London
EC4N 6AF

Date 23 June 2022

Parlophone Records Limited

Registered No. 68172

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 PARLOPHONE RECORDS LIMITED

Opinion

We have audited the financial statements of Parlophone Records Limited ("the Company") for the year ended 24th September 2021 which comprise the Profit and 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 24th September 2021 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"). Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARLOPHONE RECORDS LIMITED (CONTINUED)

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of key policies and papers provided to those charged with governance as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no complex judgements applied and limited incentives or opportunities to fraudulently adjust revenue recognition.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the effectiveness of some of the Company-wide fraud risk management controls

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those including specific words based on our risk criteria, those posted to unusual accounts and those posted to unrelated accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARLOPHONE RECORDS LIMITED (CONTINUED)

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Company's license to operate. We identified the following areas as those most likely to have such an effect: Data Protection Act 2018, the Bribery Act 2010, the Equality Act 2010 and Health and Safety. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARLOPHONE RECORDS LIMITED (CONTINUED)

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 6, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARLOPHONE RECORDS LIMITED (CONTINUED)

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.

Signed 

Bethan Telford (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

Date 23 June 2022

Parlophone Records Limited

Registered No. 68172

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 24 SEPTEMBER 2021

	Notes	2021 £000	2020 £000
TURNOVER	2	97,646	89,192
Cost of sales		(56,940)	(54,781)
GROSS PROFIT		40,706	34,411
Administrative expenses		(23,439)	(22,689)
Distribution expenses		(5,726)	(5,567)
OPERATING PROFIT	3	11,541	6,155
Other Income		-	99
Interest receivable and similar income	6	2,069	1,912
Interest payable and similar expenses	7	(81)	(38)
PROFIT BEFORE TAXATION		13,529	8,128
Tax charge on profit	8	(2,611)	(1,581)
PROFIT FOR THE YEAR		10,918	6,547

All amounts are derived from continuing activities.

OTHER COMPREHENSIVE INCOME

The company had no other comprehensive income for the year ended 24 September 2021 (2020 – £nil).

Notes on pages 15 to 27 form part of these financial statements.

Parlophone Records Limited

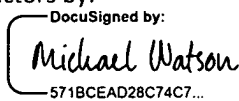
Registered No. 68172

BALANCE SHEET AT 24 SEPTEMBER 2021

	Notes	2021 £000	2020 £000
FIXED ASSETS			
Investments	9	6,543	6,543
		<u>6,543</u>	<u>6,543</u>
CURRENT ASSETS			
Debtors (including £610k (2020: £1,795k) due after more than one year)	10	211,713	191,738
Cash in bank and in hand		478	151
		<u>212,191</u>	<u>191,889</u>
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	11	(156,539)	(146,948)
		<u>55,652</u>	<u>44,941</u>
NET CURRENT ASSETS			
Provisions for liabilities and charges	12	(9,244)	(9,451)
		<u>52,951</u>	<u>42,033</u>
NET ASSETS			
		<u>52,951</u>	<u>42,033</u>
CAPITAL AND RESERVES			
Called up share capital	14	2,000	2,000
Profit and loss account	16	50,951	40,033
		<u>52,951</u>	<u>42,033</u>
SHAREHOLDERS' FUNDS	16	<u>52,951</u>	<u>42,033</u>

The notes on pages 15 to 27 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:

DocuSigned by:

 Signed _____
 M J Watson (Director)

Cannon Place
 78 Cannon Street
 London
 EC4N 6AF

23 June 2022
 Date _____

Parlophone Records Limited

Registered No. 68172

STATEMENT OF CHANGES IN EQUITY AT 24 SEPTEMBER 2021

	Share capital £000	Profit and loss account £000	Total £000
At 27 September 2019	2,000	33,486	35,486
Profit and total comprehensive income for the year	–	6,547	6,547
At 25 September 2020	<u>2,000</u>	<u>40,033</u>	<u>42,033</u>
At 25 September 2020	2,000	40,033	42,033
Profit and total comprehensive income for the year	-	10,918	10,918
At 24 September 2021	<u>2,000</u>	<u>50,951</u>	<u>52,951</u>

The notes on pages 15 to 27 form part of these financial statements.

Parlophone Records Limited

Registered No. 68172

NOTES TO THE FINANCIAL STATEMENTS AT 24 SEPTEMBER 2021

1. ACCOUNTING POLICIES

Parlophone Records 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. This is because the Company's parent undertaking, Warner Music Group Corp, a company incorporated in the USA, includes the Company in its consolidated financial statements. The consolidated financial statements of Warner Music Group Corp. are available to the public and can be obtained from 1209 Orange Street, Wilmington, DE 19801, USA.

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.

The Company's ultimate parent undertaking includes the Company in its consolidated financial statements. The Company is therefore 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 disclosures:

- 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; and
- Disclosure of related party transactions between wholly-owned subsidiaries and parents within a group

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 24 September (2020 – 25 September 2020).

Parlophone Records Limited

Registered No. 68172

NOTES TO THE FINANCIAL STATEMENTS AT 24 SEPTEMBER 2021 (CONTINUED)

1. ACCOUNTING POLICIES CONTINUED

GOING CONCERN

The company is profitable and had net current assets at the period end and have prepared forecasts that suggest that they will continue to meet their liabilities as they fall due for 12 months following the signing of these accounts.

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides including the possible future impact of COVID-19 on its operations and financial resources, the Company will have sufficient funds through the Group Cash-pooling arrangements and repayment of outstanding balances from fellow subsidiaries to meet its liabilities as they fall due for that period. COVID-19 is not expected to have any material impact on the future operations of the Company, due to the strong recovery seen since the lifting of restrictions. The combination of a return to pre COVID-19 levels of performance income, growth in digital revenue and the continuing cash pooling arrangement with WMG Acquisition UK mean that, 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.

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.

REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods: revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer i.e. on despatch and can be reliably measured. Revenue is measured at fair value after making a provision in respect of expected future returns of goods and services supplied by the Company prior to the balance sheet date.

Royalty, license and other income: revenue is recognised based on the contractual arrangements entered into with third parties, which allow them to exploit the Group's intellectual property in return for a fee. Where the Group is entitled to a fee which is not dependent upon future usage, revenue is recognised when the Group has fulfilled its contractual commitments. Where the fees due to the Group are dependent upon usage, revenue is recognised based upon that usage. Where no reliable basis is available for estimating such usage, revenue is recognised when reported to the Group by third parties.

Interest income is recognised when it has been earned and can be reliably measured.

Parlophone Records Limited

Registered No. 68172

NOTES TO THE FINANCIAL STATEMENTS AT 24 SEPTEMBER 2021 (CONTINUED)

1. ACCOUNTING POLICIES CONTINUED

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.

ARTISTS' ADVANCES

Artists were classified as proven or unproven depending on earnings potential. Advances to unproven artists were expensed as incurred. Advances to proven artists were held at net book value equal to the expected future royalty earnings.

RETIREMENT BENEFITS

The company operates a defined contribution scheme for its employees. Payments to the defined contribution scheme are charged as an expense as they fall due.

INTANGIBLE ASSETS

Purchased recording rights are capitalised and amortised by equal annual instalments over their estimated useful lives, but not exceeding 20 years.

Purchased programme rights are capitalised and amortised by equal annual instalments over their estimated useful lives. Programme rights are now fully amortised.

Purchased music catalogue costs are capitalised and amortised by equal annual instalments over five years.

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

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 interest for a similar debt instrument.

Investments in subsidiaries

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

Parlophone Records Limited

Registered No. 68172

**NOTES TO THE FINANCIAL STATEMENTS AT 24 SEPTEMBER 2021
(CONTINUED)****1. ACCOUNTING POLICIES CONTINUED****PROVISIONS**

A provision is recognised in the balance sheet when a Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make payment under the guarantee.

Royalty audit claims - A provision is made for royalty audit claims when it is considered more likely than not that a successful claim will be made and the likely financial impact can be estimated with reasonable certainty.

ARTIST AUDIT CLAIMS

Provisions are calculated based on management's best estimate of the likely outcome of artist royalty audit claims. This includes the royalty earnings during the audit period and any known issues. Uncertainty arises where sections of the artists' contracts are subject to legal interpretation.

ONEROUS CONTRACTS

Provisions are calculated based on management's best estimate of the likely revenues and costs resulting from contractually committed album releases. This includes advances contractually due to artists as well as the costs associated with an album release. Uncertainty arises from the timing of album delivery and the exact level of costs incurred.

IMPAIRMENTS*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.

Parlophone Records Limited

Registered No. 68172

**NOTES TO THE FINANCIAL STATEMENTS AT 24 SEPTEMBER 2021
(CONTINUED)****1. ACCOUNTING POLICIES CONTINUED***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.

2. TURNOVER

Turnover, substantially all of which originates within a single class of business, represents the invoiced amount of goods sold less returns, royalties receivable and fees for other services stated net of value added tax.

Sales by destination were as follows:

	2021	2020
	£000	£000
United Kingdom	41,681	39,061
Rest of the World	55,965	50,131
	<u>97,646</u>	<u>89,192</u>

Parlophone Records Limited

Registered No. 68172

**NOTES TO THE FINANCIAL STATEMENTS AT 24 SEPTEMBER 2021
(CONTINUED)****3. OPERATING PROFIT**

This is stated after charging:

	2021	2020
	£000	£000
Auditor's remuneration – audit of these financial statements	109	104
Exchange (gain) / loss on foreign currency balances	(221)	83
Amortisation of intangible assets	-	2,787
	<u> </u>	<u> </u>

4. DIRECTORS' EMOLUMENTS

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 based on qualifying services provided to each subsidiary.

Parlophone Records Ltd director remuneration payments are as follows:

	2021	2020
	£000	£000
Emoluments	800	271
	<u> </u>	<u> </u>
Company contributions paid to defined contribution pension schemes	3	6
	<u> </u>	<u> </u>
	<i>No.</i>	<i>No.</i>
Members of defined contribution pension schemes	2	2
	<u> </u>	<u> </u>

The highest paid director received emoluments of £448,000 (2020 - £141,000) and pension contributions of £nil (2020 - £6,000).

Directors' emoluments attributable to Parlophone Records Limited include compensation for loss of office of £111,000 (2020: £Nil).

Parlophone Records Limited

Registered No. 68172

NOTES TO THE FINANCIAL STATEMENTS AT 24 SEPTEMBER 2021 (CONTINUED)

5. STAFF COSTS

	2021 £000	2020 £000
Salaries, wages and pension	12,469	11,964
Social security costs	1,720	1,722
	<u>14,189</u>	<u>13,686</u>
Average monthly number of employees, including directors	<u>99</u>	<u>103</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £000	2020 £000
Interest receivable from group undertakings	<u>2,069</u>	<u>1,912</u>

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021 £000	2020 £000
Interest payable to group undertakings	<u>81</u>	<u>38</u>

Parlophone Records Limited

Registered No. 68172

NOTES TO THE FINANCIAL STATEMENTS AT 24 SEPTEMBER 2021
(CONTINUED)

8. TAXATION

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

	2021	2020
	£000	£000
<i>Current tax</i>		
UK corporation tax on income for the period	1,870	801
Adjustment in respect of prior periods	(444)	149
	<u>1,426</u>	<u>950</u>
<i>Deferred tax</i>		
Origination/ reversal of timing differences	743	796
Impact of change in tax rate	-	(135)
Adjustments in respect of prior periods	442	(30)
	<u>1,185</u>	<u>631</u>
Total tax	<u>2,611</u>	<u>1,581</u>

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% (2020: 19%). The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below:

	2021	2020
	£000	£000
Profit before tax for the year	13,529	8,128
	<u>13,529</u>	<u>8,128</u>
Current tax at 19.0% (2020 – 19.0%)	2,570	1,544
<i>Factors affecting charge:</i>		
Expenses not deductible for tax purposes	43	53
Change in tax rate impact on deferred tax balances	-	(135)
Adjustment to tax charge in respect of previous periods	(2)	119
	<u>2,611</u>	<u>1,581</u>
Total tax expense included in profit and loss	<u>2,611</u>	<u>1,581</u>

Parlophone Records Limited

Registered No. 68172

NOTES TO THE FINANCIAL STATEMENTS AT 24 SEPTEMBER 2021 (CONTINUED)

8. TAXATION (CONTINUED)

c. Tax rate changes

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021, the UK deferred tax asset as at 24 September 2021 has been calculated based on this rate. This will also have a consequential effect on the company's future tax charge.

9. INVESTMENTS

	Investments £000	Total £000
Cost:		
At 25 Sept 2020 and 24 Sept 2021	50,627	50,627
	<hr/>	<hr/>
Accumulated Impairment:		
At 25 September 2020 and 24 September 2021	(44,084)	(44,084)
	<hr/>	<hr/>
Net book value:		
At 25 September 2020	6,543	6,543
	<hr/>	<hr/>
At 24 September 2021	6,543	6,543
	<hr/>	<hr/>

Parlophone Records Limited

Registered No. 68172

NOTES TO THE FINANCIAL STATEMENTS AT 24 SEPTEMBER 2021 (CONTINUED)

9. INVESTMENTS CONTINUED

Details of the investments in which the company holds more than 20% of the nominal value of any class of share capital are as follows:

<i>Name of company</i>	<i>Registered office</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Warner Music Artist Services International Limited, formally Known as Parlophone Music International Services Limited	Cannon Place 78 Cannon Street London, EC4N 6AF	Ordinary shares	100%	Dormant
Food Limited	Cannon Place 78 Cannon Street London, EC4N 6AF	Ordinary shares	100%	Dormant
Erato Record Classics Limited	Cannon Place 78 Cannon Street London, EC4N 6AF	Ordinary shares	100%	Dormant
Music for Pleasure Limited	Cannon Place 78 Cannon Street London, EC4N 6AF	Ordinary shares	100%	Dormant
Trooper Enterprises Limited	Cannon Place 78 Cannon Street London, EC4N 6AF	Ordinary shares	75%	Dormant
PLG Classics Germany GmbH	c/o WARNER MUSIC Group Germany Holding GmbH Alter Wandrahm 14 20457 Hamburg Germany	Ordinary shares	100%	Trading
*WMG Global Ventures Limited, formally known as Chrysalis Records International Limited	Cannon Place 78 Cannon Street London, EC4N 6AF	Ordinary shares	100%	Trading

(*This investment was sold on 16th April 2021 to WMG Acquisition (UK) Limited. The proceeds amounted to £100, being the nominal value of the share capital of the company)

The investment value of £6,543k (2020 - £6,543k) relates to Warner Music Artist Services International Limited. All other investments have nil net book value (2020 - £nil).

Parlophone Records Limited

Registered No. 68172

NOTES TO THE FINANCIAL STATEMENTS AT 24 SEPTEMBER 2021
(CONTINUED)**10. DEBTORS***Amounts falling due within one year:*

	2021 £000	2020 £000
Trade debtors	17,088	12,573
Amounts owed by group undertakings	139,011	168,689
Artist advances	55,004	8,681

211,103	189,943
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Amounts falling due after one year:

Deferred tax asset (Note 13)	610	1,795
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610	1,795
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11. CREDITORS*Amounts falling due within one year:*

	2021 £000	2020 £000
Trade creditors	2,865	4,758
Amounts payable to group undertakings	39,328	31,777
Royalties payable	81,783	96,484
Accruals and deferred income	30,126	11,892
Group relief payable	2,228	1,409
Corporation Tax and Social Security	209	628

156,539	146,948
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Parlophone Records Limited

Registered No. 68172

NOTES TO THE FINANCIAL STATEMENTS AT 24 SEPTEMBER 2021 (CONTINUED)

12. PROVISION FOR LIABILITIES AND CHARGES

	Onerous Contracts £000	Artist Audit claims £000	Total £000
Provision at 25 September 2020	3,209	6,242	9,451
Utilised during the period	-	(74)	(74)
Released during the period	-	(133)	(133)
Additions during the period	-	-	-
Provisions at 24 September 2021	3,209	6,035	9,244

Onerous Contracts: amounts represent the estimated cost of fulfilling long term contractual commitments to artists and will be paid out once the terms of the contract have been met at the value stipulated in the contract.

Artist Audit Claims: amounts represent the estimated cost to arise from claims known at the period end. The value of the provision is based on the latest information available relating to the claim and will be paid out once the settlement value has been agreed by both parties.

13. DEFERRED TAX

	2021 £000	2020 £000
At 25 September 2020	1,795	2,426
Charge to the profit and loss for the year	(743)	(661)
Adjustment in respect of prior years	(442)	30
	610	1,795
<i>Deferred tax assets are attributable to the following:</i>		
	2021 £000	2020 £000
Short term timing differences – trading	610	1,795
Recoverable within 12 months	610	1,795

Parlophone Records Limited

Registered No. 68172

**NOTES TO THE FINANCIAL STATEMENTS AT 24 SEPTEMBER 2021
(CONTINUED)****14. SHARE CAPITAL**

	2021	2020
	£	£
	£000	£000
<i>Allotted, called up and fully paid:</i>		
312,605,563 ordinary shares of £0.006398 each	2,000	2,000

15. CONTINGENT LIABILITIES

Within the music industry a variety of claims arise from time to time in the normal course of business. Some have little or no foundation in fact or law and others cannot be quantified. Provisions have been made in the financial statements for those claims against the company which the directors consider are likely to result in significant liabilities.

16. RESERVES

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

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

17. PARENT UNDERTAKING AND CONTROLLING PARTY

The company is 100% owned by WMG Finance Limited (formerly known as PLG Holdco Limited), the immediate parent undertaking.

As at 24 September 2021, Access Industries LLC was the ultimate parent undertaking. Warner Music Group Corp. was the parent undertaking of the smallest 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.