

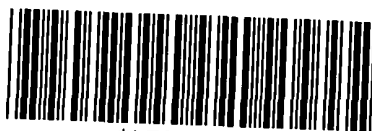
## **Parlophone Records Limited**

### **Report and Financial Statements**

29 September 2017

Registered No. 00068172

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29/06/2018 #313  
COMPANIES HOUSE

## Parlophone Records Limited

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Registered No. 68172

### **DIRECTORS**

C J Ancliff (resigned 16 May 2018)

R D Booker

S V Bergen

P Breeden (appointed 26 June 2018)

K Le Gassick (appointed 26 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

The company's principal activity during the year ended 29 September 2017 was the sale and distribution of recorded music.

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

	2017 £000	2016 £000	Change %
Turnover	96,507	105,421	-8%
Profit after tax	11,731	33,761	-65%
Shareholders' funds	15,761	4,030	+291%

Turnover has decreased by 8% for the year ended 29 September 2017 due to new releases from some of Company's largest artists in FY16.

Gross profit has fallen by 12%, mainly due to a particularly successful roster in FY16 with album releases by big artists.

Profit after tax has decreased by 65% for the year ended 29 September 2017 this is mainly due to the timing of the income from the sale of artists catalogue with more being received in 2016. There was lower interest receivable in 2017 after intercompany loans were restructured and there were higher administration costs due to a provision against an intercompany loan and increased staff related costs.

Shareholders' funds have increased by 291% mainly due to a successful release schedule and asset divestments.

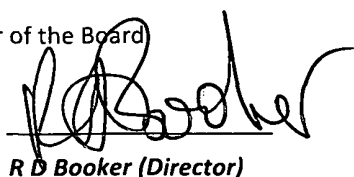
### PRINCIPAL RISKS AND UNCERTAINTIES

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 and extent to which new digital revenue streams can replace traditional income based on physical and download sales.

There is ongoing political and economic uncertainty around the UK exiting the European Union with the deadline of March 2019 approaching with no agreement reached for either full exit or one of the single market or customs union options, however the risk is currently considered low due to the expected transitional period which will last until 31 December 2020.

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

The profit for the year ended 29 September 2017, after taxation, was £11,731k (2016 £33,761).

## DIRECTORS AND THEIR INTERESTS

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

C J Ancliff (resigned 16 May 2018)

R D Booker

S V Bergen

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)

Date

  
29<sup>th</sup> June 2018

Cannon Place  
78 Cannon Street  
London  
EC4N 6AF

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

The directors are responsible for preparing 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 for the year ended 29 September 2017 which comprise the Balance Sheet, the Profit and Loss Account and Other Comprehensive Income, 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 29 September 2017 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**

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.

## **Directors' report**

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

Our responsibility is to read 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 directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has 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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARLOPHONE RECORDS LIMITED CONT'D

- 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 3, 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.

Signed   
**Kevin Hall (Senior Statutory Auditor)**

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

Date 29/6/18



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

	Notes	2017 £000	2016 £000
<b>TURNOVER</b>	2	96,507	105,421
Cost of sales		(60,675)	(67,600)
<b>GROSS PROFIT</b>		<u>35,832</u>	<u>37,821</u>
Administrative expenses		(27,587)	(23,123)
Distribution expenses		(2,555)	(3,087)
<b>OPERATING PROFIT</b>	3	<u>5,690</u>	<u>11,611</u>
Other Income	6	5,832	12,378
Impairment of investment		–	(12,160)
Interest receivable	7	1,954	26,240
Interest payable	8	(130)	–
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>13,346</u>	<u>38,069</u>
Tax on profit on ordinary activities	9	(1,616)	(4,308)
<b>PROFIT FOR THE YEAR</b>		<u><u>11,731</u></u>	<u><u>33,761</u></u>

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).

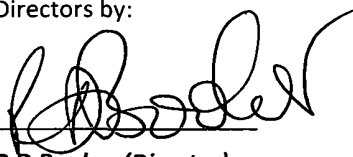
Notes on pages 9 to 19 form part of these financial statements.

## BALANCE SHEET AT 29 SEPTEMBER 2017

	Notes	2017 £000	2016 £000
<b>FIXED ASSETS</b>			
Intangible assets	10	8,363	11,151
Investments	11	6,543	6,543
		<u>14,906</u>	<u>17,694</u>
<b>CURRENT ASSETS</b>			
Debtors (including £2,074,699 (2016: £2,878,188) due after more than one year)	12	97,589	78,342
Cash in bank and in hand		76	438
		<u>97,665</u>	<u>78,780</u>
<b>CURRENT LIABILITIES</b>			
Creditors: Amounts falling due within one year	13	(87,478)	(83,370)
		<u>10,187</u>	<u>(4,590)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			
Provisions for liabilities and charges	14	(9,331)	(9,073)
		<u>15,762</u>	<u>4,031</u>
<b>NET ASSETS</b>			
		<u>15,762</u>	<u>4,031</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	2,000	2,000
Profit and loss account	19	13,762	2,031
		<u>15,762</u>	<u>4,031</u>
<b>SHAREHOLDERS' FUNDS</b>	19	<u>15,762</u>	<u>4,031</u>

The notes on pages 9 to 21 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 capital £000	Profit and loss account £000	Total £000
At 25 September 2015	312,605	(24,730)	287,875
Profit and total comprehensive income for the year	–	33,761	33,761
Reduction in share capital	(310,605)	310,605	–
Dividend paid	–	(317,605)	(317,605)
At 30 September 2016	2,000	2,031	4,031
Profit and total comprehensive income for the year	–	11,731	11,731
At 29 September 2017	2,000	13,762	15,762

The notes on pages 9 to 21 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS AT 29 SEPTEMBER 2017

### 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.

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
- 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 29 September (2016 – 30 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.

## 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.

#### 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.

#### 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.

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

### **1. ACCOUNTING POLICIES CONTINUED**

#### **RETIREMENT BENEFITS**

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

#### **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.

##### *Investments in subsidiaries*

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

#### **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.

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

### 1. ACCOUNTING POLICIES CONTINUED

#### 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.

##### *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)

### 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.

## 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 valued added tax.

Sales by destination were as follows:

	2017 £000	2016 £000
United Kingdom	40,266	45,946
Rest of the World	56,241	59,475
	<u>96,507</u>	<u>105,421</u>



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

### 3. OPERATING PROFIT

This is stated after charging:

	2017	2016
	£000	£000
Auditor's remuneration	96	90
Exchange gain on foreign currency balances	135	341
Impairment of investment	–	12,160
	<u>          </u>	<u>          </u>

### 4. DIRECTORS' EMOLUMENTS

	2017	2016
	£000	£000
Directors' Emoluments	23	23
	<u>          </u>	<u>          </u>

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. The prior year's Directors remuneration is now shown on this basis.

### 5. STAFF COSTS

	2017	2016
	£000	£000
Salaries, Wages and Pension	15,380	12,393
Social security costs	1,605	1,371
	<u>          </u>	<u>          </u>
	16,985	13,764
	<u>          </u>	<u>          </u>
Average monthly number of employees, including directors	104	99
	<u>          </u>	<u>          </u>

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

### 6. OTHER INCOME

	2017 £000	2016 £000
Sale of artist catalogues	5,832	12,378

### 7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017 £000	2016 £000
Interest receivable from group undertakings	1,954	26,240

### 8. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £000	2016 £000
Interest payable to group undertakings	130	-

### 9. TAXATION

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

	2017 £000	2016 £000
<i>Current tax</i>		
UK corporation tax on income for the period	691	5,248
Adjustments in respect of prior periods	-	121
Overseas tax suffered	121	-
	812	5,369
<i>Deferred tax</i>		
Origination/ reversal of timing differences	869	(1,140)
Impact of change in tax rate	115	79
Adjustments in respect of prior periods	(180)	-
	804	(1,061)
Total tax	1,616	4,308

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

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

### 9. TAXATION (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 19.5% (2016: 20%). The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below:

	2017 £000	2016 £000
Profit before tax for the year	13,346	38,069
Current tax at 19.5% (2015 – 20%)	2,603	7,614
<i>Factors affecting charge:</i>		
Expenses not deductible for tax purposes	1,111	2,511
Losses for which no deferred tax asset was recognised	(2,154)	(6,017)
Charge in tax rate impact on deferred tax balances	115	79
Adjustment to tax charge in respect of previous periods	(180)	121
Overseas tax suffered	121	-
Total tax expense included in profit and loss	1,616	4,308

#### 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. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

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

### 10. INTANGIBLE FIXED ASSETS

	Catalogue costs £000	Total £000
Cost:		
At 30 September 2016 & 29 September 2017	13,934	13,934
Amortisation:		
At 30 September 2016	(2,783)	(2,783)
Charged during the period	(2,788)	(2,788)
At 29 September 2017	(5,571)	(5,571)
Net book value:		
At 30 September 2016	11,151	11,151
At 29 September 2017	8,363	8,363

### 11. INVESTMENTS

	Investments £000	Total £000
Cost:		
At 30 September 2016 & 29 September 2017	50,627	50,627
Amounts provided:		
At 30 September 2016 & 29 September 2017	(44,084)	(44,084)
Net book value:		
At 30 September 2016	6,543	6,543
At 29 September 2017	6,543	6,543

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

### 11. 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>
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 Germany Classics Limited	Cannon Place 78 Cannon Street London, EC4N 6AF	Ordinary shares	100%	Trading
Chrysalis Records International Limited	Cannon Place 78 Cannon Street London, EC4N 6AF	Ordinary shares	100%	Dormant

The investment value of £6,543k (2016: £6,543k) relates to Parlophone Music International Services Limited. All other investments have nil net book value (2016: £nil).

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

### 12. DEBTORS

*Amounts falling due within one year:*

	2017	2016
	£000	£000
Trade debtors	1,295	1,109
Amounts owed by group undertakings	93,217	64,098
Artist advances	1,002	10,258
	<u>95,514</u>	<u>75,465</u>

*Amounts falling due after one year:*

Deferred tax asset (Note 15)	2,075	2,878
	<u>2,075</u>	<u>2,878</u>

As at 29 September 2017, all amounts owed by fellow group undertakings were due on demand and hence considered to be due within one year. The deferred tax asset is expected to be realised after a year.

### 13. CREDITORS

*Amounts falling due within one year:*

	2017	2016
	£000	£000
Trade creditors	4,339	5,179
Amounts payable to group undertakings:	13,524	7,069
Royalties payable	50,571	53,429
Accruals and deferred income	13,060	12,235
Group relief payable	5,940	5,249
Taxation and social security	44	209
	<u>87,478</u>	<u>83,370</u>

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

### 14. PROVISION FOR LIABILITIES AND CHARGES

	Onerous Contracts £000	Artist Audit claims £000	Total £000
Provision at 30 September 2016	3,209	5,864	9,073
Utilised during the period	-	(273)	(273)
Released during the period	-	(181)	(181)
Additions during the period	-	712	712
Provisions at 29 September 2017	3,209	6,122	9,331

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.

### 15. DEFERRED TAX

	2017 £000	2016 £000
At 30 September 2016	(2,879)	(1,817)
Charge to the profit and loss for the year	984	(1,061)
Adjustment in respect of prior years	(180)	-
	(2,075)	(2,878)

*Deferred tax assets are attributable to the following:*

	2017 £000	2016 £000
Tax losses	302	1,109
Other timing differences	1,773	1,769
	2,075	2,878

In addition to the deferred tax asset above the Company has additional unrecognised gross tax losses of £11.5m (2016: £19.6m). These losses do not expire.

The net deferred tax asset expected to reverse in 2018 is £1.9m. This relates to the reversal of short term timing differences.

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

### 16. SHARE CAPITAL

	2017	2016
	£	£
<i>Allotted, called up and fully paid:</i>		
312,605,563 ordinary shares of £0.0064 each	2,000,000	2,000,000

### 18. 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.

### 19. 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.

### 20. 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 29 September 2017, 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.