

# **Chrysalis Records International Limited**

## **Report and Financial Statements**

30 September 2016

Registered No. 2459405

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COMPANIES HOUSE

# Chrysalis Records International Limited

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Registered No. 2459405

## **DIRECTORS**

C J Ancliff

R D Booker

S V Bergen

## **SECRETARY**

Olswang Cossec Limited

Cannon Place

78 Cannon Street

London

EC4N 6AF

## **AUDITORS**

KPMG LLP

15 Canada Square

London E14 5GL

## **REGISTERED OFFICE**

Cannon Place

78 Cannon Street

London

England

EC4N 6AF

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## STRATEGIC REPORT

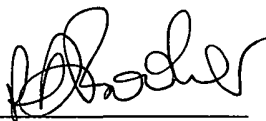
The directors present their Strategic Report for the year ended 30 September 2016.

### PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

Chrysalis Records International Limited has been dormant for a number of years. In the year ending September 2015 the company borrowed £6.1m from its immediate parent undertaking, Parlophone Records Limited. This was used to increase the investment in Chrysalis Records Limited, an entity 100% owned by the company. The directors intend for the company to become dormant and have prepared the financial statements on the basis that the company is a non-going concern.

During the year ended 30th September 2016, the company sold its immediate subsidiary, Chrysalis Records Limited. The sale was completed on 28th June 2016 and the proceeds amounted to £10,117,726.

By order of the Board

Signed   
R D Booker (Director)

Cannon Place  
78 Cannon Street  
London  
England  
EC4N 6AF

Date 27<sup>th</sup> June 2017

Registered No. 2459405

## **DIRECTORS' REPORT**

The directors present their report and financial statements for the year ended 30 September 2016.

## **RESULTS AND DIVIDENDS**

The result for the year, after tax, amounted to £4,955,867 (2015 – £nil). The directors do not recommend the payment of a dividend (2015 - £nil).

## **DIRECTORS AND THEIR INTERESTS**

The directors who served during the year ended 30 September 2016 were as follows:

C J Ancliff  
R D Booker  
S V Bergen

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

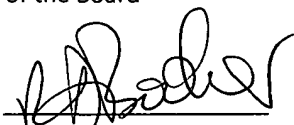
## **DISCLOSURE OF INFORMATION TO AUDITOR**

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

## **AUDITOR**

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

By order of the Board

Signed   
**R D Booker (Director)**

Cannon Place  
78 Cannon Street  
London  
England  
EC4N 6AF

Date 27<sup>th</sup> June 2017

## **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, comprising Financial Reporting Standard 102, *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") and applicable law (UK Generally Accepted Accounting Practice).

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; and
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. As explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

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 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 CHRYSALIS RECORDS INTERNATIONAL LIMITED**

We have audited the financial statements of Chrysalis Records International Limited for the year ended 30 September 2016, set out on pages 6 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Emphasis of matter – non-going concern basis of preparation**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reason set out in that note.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHRYSALIS RECORDS INTERNATIONAL LIMITED (CONTINUED)

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Signed   
*Kevin Hall (Senior Statutory Auditor)*

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

Date 27 June 2017

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	2016 £000	2015 £000
Other operating income	2	4,018	-
Dividend received		938	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	<b>4,956</b>	-
Tax on profit on ordinary activities	5	-	-
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>4,956</b>	-
<b>NET PROFIT</b>	9	<b>4,956</b>	-

The company was previously dormant and does not have any continuing activities.

## OTHER COMPREHENSIVE INCOME

The company had no other comprehensive income for the year ended 30 September 2016 (2015 – £nil).

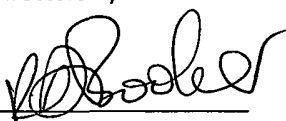
Notes on pages 9 to 13 form part of the financial statements.

## BALANCE SHEET AT 30 SEPTEMBER 2016

	Notes	2016 £000	2015 £000
<b>FIXED ASSETS</b>			
Investments	6	-	6,100
<b>CREDITORS: amounts falling due within one year</b>	7	(2,044)	(13,100)
<b>NET LIABILITIES</b>		<u>(2,044)</u>	<u>(7,000)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	-	-
Profit and loss account	9	(2,044)	(7,000)
<b>SHAREHOLDERS' DEFICIT</b>	9	<u>(2,044)</u>	<u>(7,000)</u>

Notes on pages 9 to 13 form part of the 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 27<sup>th</sup> June 2017

Registered No. 2459405

## STATEMENT OF CHANGES IN EQUITY AT 30 SEPTEMBER 2016

	Share capital £000	Profit and loss account £000	Total £000
At 26 September 2014	—	(7,000)	(7,000)
Profit and total comprehensive income for the year	—	—	—
At 25 September 2015	—	(7,000)	(7,000)
At 25 September 2015	—	(7,000)	(7,000)
Profit and total comprehensive income for the year	—	4,956	4,956
At 30 September 2016	—	(2,044)	(2,044)

## NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016

### 1. ACCOUNTING POLICIES

Chrysalis Records International 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 amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

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 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.

### BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention.

### ACCOUNTING PERIOD

The company prepares accounts for either 52 or 53 week periods ending within one week of 30 September (2015 – 25 September 2015).

### GOING CONCERN

The financial statements are prepared on the non-going concern basis as all the company's operations ceased following the sale of the company's immediate subsidiary. No material adjustments were necessary to the amounts at which the remaining assets and liabilities included in these financial statements were recorded to reflect differences between book value and the amounts expected to be realised for assets, or incurred as liabilities.

## NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016 (CONTINUED)

### 1. ACCOUNTING POLICIES CONTINUED

#### RELATED PARTIES

The company has taken advantage of the exemption available under FRS 102 not to disclose details of transactions between fellow wholly-owned group undertakings.

#### 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.

#### 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. OTHER OPERATING INCOME

	2016 £000	2015 £000
Sale of immediate subsidiary undertaking	4,018	-
	<u>4,018</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016 (CONTINUED)

### 3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Audit fees of £500 (2015 - £nil) have been borne by Parlophone Records Limited, the immediate parent undertaking.

The company has no direct employees. All employees performing services for the company are remunerated by the parent undertaking and the remuneration disclosed in the financial statements of the parent.

### 4. DIRECTORS' EMOLUMENTS

The directors of the company are also directors of a number of subsidiaries of the ultimate parent undertaking. The directors do not 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 accounts of the subsidiaries that make the remuneration payments.

### 5. TAXATION

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

	2016 £000	2015 £000
<i>Current tax</i>		
UK corporation tax on income for the period	—	—
<b>Total tax</b>	<b>—</b>	<b>—</b>

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

## NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016 (CONTINUED)

### 5. 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 20.0% (2015 – 20.5%). The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below:

	2016 £000	2015 £000
Profit before tax for the year	4,956	–
Current tax at 20.0% (2015 – 20.5%)	991	–
<i>Factors affecting charge:</i>		
Non taxable income	(991)	–
Total tax expense included in profit and loss	–	–

#### c. Tax rate changes

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

#### d. Deferred tax

The Company had no deferred tax provision at 30 September 2016 (2015: £nil).

### 6. INVESTMENTS

During the year ended 30th September 2016, the company sold its immediate and only subsidiary, Chrysalis Records Limited. The sale was completed on 28<sup>th</sup> June 2016 and the proceeds amounted to £10,117,726.

The cost of investment that had been held in the financial statements for the year ended 25th September 2015 was £6,100,000.

## NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016 (CONTINUED)

### 7. CREDITORS

	2016 £000	2015 £000
Amounts owed to immediate parent undertaking	2,044	13,100
	<u>2,044</u>	<u>13,100</u>

The balance due to the immediate parent undertaking is an interest free balance and is repayable upon demand.

### 8. SHARE CAPITAL

	2016 £	2015 £
<i>Allotted, called up and fully paid:</i>		
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

### 9. 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.

### 10. PARENT UNDERTAKING AND CONTROLLING PARTY

The company is 100% owned by Parlophone Records Limited, the immediate parent undertaking.

On 30 September 2016 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.