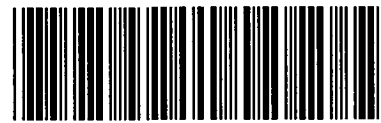


Report and Financial Statements

Infectious Records Limited

27 September 2013

WEDNESDAY



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COMPANIES HOUSE

Infectious Records Limited

Registered No. 2813148

DIRECTORS

R Booker

S Robson

C Ancliff

J Cross

SECRETARY

Olswang Cosec Limited

90 High Holborn

London

WC1V 6XX

AUDITORS

Ernst & Young LLP

1 More London Place

London

SE1 2AF

REGISTERED OFFICE

90 High Holborn

London

WC1V 6XX

Infectious Records Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 27 September 2013.

RESULTS AND DIVIDEND

The profit for the year, after tax, amounted to £3,000 (2012 – £1,907,000). The directors do not recommend the payment of a dividend (2012 – £nil).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

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

	2013 £000	2012 £000	Change %
Turnover	3,391	5,980	-43%
Profit after tax	3	1,907	-100%
Shareholders' deficit	(3,372)	(3,375)	0.0%

Turnover has decreased by 43% as a result of a reduction in releases during the year.

Profit after tax had decreased by 100% as a result of a reduction in releases during the year.

PRINCIPAL RISKS AND UNCERTAINTIES

The main risks and uncertainties facing the company relate to the speed with and extent to which new digital revenue streams replace traditional income based on physical (mainly CD) sales.

FUTURE DEVELOPMENTS

The directors aim to continue the current management policy of maintaining the existing roster of artists.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were as follows:

S Robson
R Booker
J Cross (Resigned 20 March 2014)
C Ancliff

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

DISCLOSURE OF INFORMATION TO THE AUDITORS

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

DIRECTORS' REPORT

RE-APPOINTMENT OF AUDITORS

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company.

By order of the board

A handwritten signature in black ink, appearing to read 'R Booker', written over the text 'By order of the board'.

R Booker
Director

Date: 8 July 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 profit or loss of the company for that year. In preparing those 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT

to the members of Infectious Records Limited

We have audited the financial statements of Infectious Records Limited for the year ended 27 September 2013, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors

As explained more fully in the Statement of Directors' Responsibilities on page 4, the directors are responsible for the preparation of 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). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 27 September 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

INDEPENDENT AUDITORS' REPORT
to the members of Infectious Records Limited (CONTINUED)

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 by the company, 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 or directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Philip Young (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Registered Auditor
London

Date: *8/7/14*

Infectious Records Limited

PROFIT AND LOSS ACCOUNT for the year ended 27 September 2013

	<i>Notes</i>	<i>2013</i> <i>£000</i>	<i>2012</i> <i>£000</i>
TURNOVER	2	3,391	5,980
Cost of sales		(2,935)	(2,931)
Gross profit		<u>456</u>	<u>3,049</u>
Administrative expenses		(342)	(1,162)
Distribution expenses		(78)	(192)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>36</u>	<u>1,695</u>
Tax on profit on ordinary activities	4	(33)	212
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u><u>3</u></u>	<u><u>1,907</u></u>

All activities are continuing.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The company had no recognised gains or losses other than the profit of £3,000 for the year ended 27 September 2013 (2012 – £1,907,000).

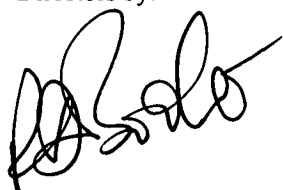
Infectious Records Limited

BALANCE SHEET

at 27 September 2013

	Notes	2013 £000	2012 £000
FIXED ASSETS			
Tangible assets	5	–	–
CURRENT ASSETS			
Debtors	6	2,442	2,486
CREDITORS: amounts falling due within one year	7	(305)	(215)
NET CURRENT ASSETS		2,137	2,271
TOTAL ASSETS LESS CURRENT LIABILITIES		2,137	2,271
CREDITORS: amounts falling due after more than one year	8	(5,509)	(5,646)
NET ASSETS		(3,372)	(3,375)
CAPITAL AND RESERVES			
Called-up share capital (£100)	9	–	–
Profit and loss account	10	(3,372)	(3,375)
EQUITY SHAREHOLDERS' DEFICIT		(3,372)	(3,375)

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



R Booker
Director

Date: 8 July 2014

NOTES TO THE ACCOUNTS

at 27 September 2013

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with accounting standards applicable in United Kingdom.

Accounting period

The company prepares accounts for either 52 or 53 week periods ending within one week of 27 September.

Going concern

The financial statements are prepared on the going concern basis because Warner Music UK Limited has committed to provide financial support to the company to enable it to meet its debts as they fall due, and for the foreseeable future.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Artist advances

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

Royalty income

Credit is taken for royalty income that has been received from or declared by licensees and other parties.

Related parties

The company has taken advantage of the exemption in FRS 8 not to disclose related party transactions with fellow wholly-owned group undertakings.

Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard No.1 Revised ("FRS1"). A cash flow statement has not been prepared because as at the year end the company was a wholly owned subsidiary of Warner Music Group Corp., a company incorporated in The United States of America, which prepares a group cash flow statement.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax balances are not discounted.

Infectious Records Limited

NOTES TO THE ACCOUNTS

at 27 September 2013

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:

	2013 £000	2012 £000
United Kingdom	3,371	5,936
Rest of the World	20	44
	<u>3,391</u>	<u>5,980</u>

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Another group company Warner Music UK Limited pays the auditors' remuneration for all the group companies and recharges a proportion of it to the group companies. The amount recharged to the company was £400 (2012 – £400).

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.

Similarly the company has no direct employees. All employees performing services for the company are remunerated by the relevant entity and disclosed in the financial statements of that entity.

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) The tax charge is made up as follows:

	2013 £000	2012 £000
<i>Current tax:</i>		
Group relief receipts	–	–
Total current tax credit	<u>–</u>	<u>–</u>
	2013 £000	2012 £000
<i>Deferred tax:</i>		
Timing differences, origination and reversal	33	(212)
Total deferred tax	<u>33</u>	<u>(212)</u>
Total tax charge on profit on ordinary activities	<u>33</u>	<u>(212)</u>

Infectious Records Limited

NOTES TO THE ACCOUNTS

at 27 September 2013

4. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

b) Factors affecting the current tax charge

The standard rate of current tax for the year based on the UK standard rate of corporation tax is 23.5% (2012 25%). The current tax credit for the year differs from the standard rate for the reasons in the reconciliation below.

	2013 £000	2012 £000
Profit on ordinary activities before tax	36	1,695
Tax on profit on ordinary activities at standard rate	8	424
<i>Factors affecting charge:</i>		
Disallowable Expenses	–	5
Depreciation in excess of capital allowances	–	1
Utilisation of brought forward losses	44	(485)
Other timing differences	(52)	55
Total current tax (note a above)	–	–

c) Deferred Tax

The deferred tax included in the balance sheet is as follows:

	2013 £000	2012 £000
Included in the Debtors	179	212
<i>Analysed as:</i>		
Accelerated capital allowances	–	(2)
Depreciation in excess of capital allowances	1	–
Tax losses carried forward	178	163
Other timing differences		51
Total current tax (note a above)	179	212

Analysis of movement in deferred tax asset:

	2013 £000
At start of period	212
(Charged)/credited to profit and loss account	(33)
At end of period	179

Infectious Records Limited

NOTES TO THE ACCOUNTS

at 27 September 2013

5. TANGIBLE FIXED ASSETS

	<i>Leasehold improvements £000</i>	<i>Plant, machinery, furniture and equipment £000</i>	<i>Total £000</i>
Cost:			
At 1 October 2012	-	-	-
Transfers	-	-	-
At 27 September 2013	-	-	-
Depreciation:	-	-	-
Disposals:	-	-	-
Net book value:			
At 27 September 2013	-	-	-
At 1 October 2012	-	-	-

6. DEBTORS

	<i>2013 £000</i>	<i>2012 £000</i>
Debtors	1	-
Amounts owed by group undertakings	2,262	2,273
Deferred Tax	179	212
Prepayments and accrued income	1	1
	<u>2,443</u>	<u>2,486</u>

7. CREDITORS: amounts falling due within one year

	<i>2013 £000</i>	<i>2012 £000</i>
Amounts owed to group undertakings	-	11
Accruals and deferred income	305	204
	<u>305</u>	<u>215</u>

Infectious Records Limited

NOTES TO THE ACCOUNTS

at 27 September 2013

8. CREDITORS: amounts falling due after more than one year

	2013 £000	2012 £000
Amounts owed to group undertakings	5,508	5,465

9. SHARE CAPITAL

	2013 £	2012 £
Authorised, allotted, called up and fully paid: 100 ordinary shares of £1 each	100	100

10. RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENTS ON RESERVES

	Share capital £000	Profit and loss account £000	Total £000
At 1 October 2012	–	(3,375)	(3,375)
Profit for the year	–	3	3
At 27 September 2013	–	(3,372)	(3,372)

11. PARENT UNDERTAKING AND CONTROLLING PARTY

The company is 100% owned by A+E Records Limited, the immediate parent undertaking.

On 20 July 2011 Warner Music Group Corp. the ultimate parent undertaking at the time, a company incorporated in the United States of America, merged with a subsidiary of Access Industries LLC. As a result, at 27 September 2013, 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.