

Infectious Records Limited

Report and Financial Statements

24 September 2021

Registered No. 02813148



Infectious Records Limited

Registered No. 02813148

DIRECTORS

S V Bergen (resigned 27 January 2021)

P D Breeden (resigned 31 January 2021)

J H Radice

A D Harlow (appointed 27 January 2021)

M J Watson (appointed 31 January 2021)

SECRETARY

Olswang Cosec Limited

Cannon Place

78 Cannon Street

London

EC4N 6AF

AUDITOR

Ecovis Wingrave Yeats LLP

Waverley House

7-12 Noel Street

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W1F 8GQ

REGISTERED OFFICE

Cannon Place

78 Cannon Street

London

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DIRECTORS REPORT

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

PRINCIPAL ACTIVITIES

Under a License Agreement, which was implemented from 1st October 2014, Warner Music UK Limited, a group undertaking, accepted the benefit and burden of the company's rights and obligations under its current and future contracts with third parties. Following signature of this Agreement, all receivables and payables in relation to the company's rights and obligations were transferred to Warner Music UK Limited in exchange for an annual royalty consideration of £300,000 per annum until either party terminates the agreement.

RESULTS AND DIVIDENDS

The profit for the year, after tax, amounted to £243k (2020 - £243k). The directors do not recommend the payment of a dividend (2020 - £nil).

DIRECTORS AND THEIR INTERESTS

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

S V Bergen (resigned 27 January 2021)

P D Breeden (resigned 31 January 2021)

J H Radice

A D Harlow (appointed 27 January 2021)

M J Watson (appointed 31 January 2021)

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

GOING CONCERN

The directors considered the operating nature of the entity where all transactions are conducted with parent company. The directors also assessed the outstanding inter-company payables and inter-company receivables for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds through funding from its ultimate parent Warner Music Group Corp to meet its liabilities as they fall due for that period.

STRATEGIC REPORT

The company qualifies as small entity under section 382 of the Companies Act 2006. The company therefore has taken advantage of the exemption available under section 414B (a) of the Companies Act 2006 and not presented a strategic report.

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.

By order of the Board

Michael Watson

Signed _____

M J Watson (Director)

Cannon Place
78 Cannon Place
London
EC4N 6AF

Date 23/06/2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF 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 INFECTIOUS RECORDS LIMITED

Opinion

We have audited the financial statements of Infectious Records Limited ("the company") for the year ended 24 September 2021 which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 24 September 2021 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the financial statements

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 an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We determined that the laws and regulations which are directly relevant to the financial statements are those that relate to the reporting framework Financial Reporting Standard 102 and the relevant tax compliance regulations in the jurisdictions in which the Company operates. We evaluated the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
- In addition, there are other significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements. For these laws and regulations, the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through fines or litigation being imposed. As required by the auditing standards, auditing procedures in respect of non-compliance with these identified laws and regulations are limited to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations and fraud risks identified in the paragraphs above. In addition to the audit procedures, we remained alert to any indications of non-compliance throughout the audit.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

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

Use of our report

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 Auditors' 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.

Jessica Teague

Signed _____

Jessica Teague (Senior statutory auditor)

for and on behalf of

Ecovis Wingrave Yeats LLP

Chartered Accountants & Statutory auditor

3rd Floor, Waverley House

7-12 Noel Street

London

W1F 8GQ

23/06/2022

Date _____

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 24 SEPTEMBER 2021

	Notes	2021 £000	2020 £000
TURNOVER	2	300	300
GROSS PROFIT		<u>300</u>	<u>300</u>
PROFIT BEFORE TAXATION	3	300	300
Tax on profit	4	(57)	(57)
PROFIT AFTER TAXATION	9	<u>243</u>	<u>243</u>

All results 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 11 to 16 form part of the financial statements.

BALANCE SHEET AT 24 SEPTEMBER 2021

	Notes	2021 £000	2020 £000
CURRENT ASSETS			
Debtors	5	–	–
Creditors: amounts falling due within one year	6	(1,331)	(1,574)
NET CURRENT LIABILITIES		<u>(1,331)</u>	<u>(1,574)</u>
CAPITAL AND RESERVES			
Called up share capital	8	–	–
Profit and loss account	9	(1,331)	(1,574)
SHAREHOLDERS' DEFICIT	9	<u>(1,331)</u>	<u>(1,574)</u>

Notes on pages 11 to 16 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:

Michael Watson

Signed _____
M J Watson (Director)

Cannon Place
78 Cannon Street
London
EC4N 6AF

23/06/2022
Date _____

STATEMENT OF CHANGES IN EQUITY AT 24 SEPTEMBER 2021

	Share capital £000	Profit and loss account £000	Total £000
At 27 September 2019	–	(1,817)	(1,817)
Profit and total comprehensive income for the year	–	243	243
At 25 September 2020	–	(1,574)	(1,574)
At 25 September 2020	–	(1,574)	(1,574)
Profit and total comprehensive income for the year	–	243	243
At 24 September 2021	–	(1,331)	(1,331)

Notes on pages 11 to 16 form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS AT 24 SEPTEMBER 2021

1. ACCOUNTING POLICIES

Infectious Records Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

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, and is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following exemptions:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of the ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS102 available in respect of:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention.

ACCOUNTING PERIOD

The company prepares accounts for either 52 or 53 week periods ending within one week of 24 September (2020 – 25 September 2020).

GOING CONCERN

The directors considered the operating nature of the entity where all transactions are conducted with parent company. The directors also assessed the outstanding inter-company payables and inter-company receivables for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds through funding from its ultimate parent Warner Music Group Corp to meet its liabilities as they fall due for that period.

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.

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

1. ACCOUNTING POLICIES CONTINUED

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.

LICENSE AGREEMENT

A license agreement with effective date 1 October 2014 has been established between Infectious Records Limited ('Licensor') and Warner Music UK Limited ('Licensee'). It is entered into with reference to the following facts:

- Licensee has accepted the benefits and burden of the company's rights and obligations under its current and future contracts with third parties.
- Licensor has rights to certain music recordings and wishes to license the same to Licensee on the terms of the agreement.
- Licensee is engaged amongst other things in the management of certain aspects of the UK operations of the Warner Music Group business including the curation of music repertoire, campaigns and projects, ownership of associated assets including trademarks, the strategic direction of that business and the management of artists and repertoire in the territory.
- In consideration of the rights granted to the Licensee, the licensee shall pay an annual royalty of the sum of £300,000, which shall continue until terminated by either party on 60 days' notice.

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 24 SEPTEMBER 2021 (CONTINUED)

2. TURNOVER

Turnover represents the royalty income received from the group undertaking as detailed in the license agreement.

Sales by destination were as follows:

	2021 £000	2020 £000
United Kingdom	300	300
	<u>300</u>	<u>300</u>

3. PROFIT BEFORE TAXATION

Audit fees of £700 (2020 – £578) have been borne by Warner Music UK 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. No directors provided any qualifying services during the year and so no directors' emoluments are disclosed.

4. TAXATION

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

	2021 £000	2020 £000
<i>Current tax</i>		
UK corporation tax on income for the period	57	57
	<u>57</u>	<u>57</u>

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

The current tax charge represents payment for group relief received from other group companies with available losses.

The settlement for this liability is made via the inter-company balance.

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

4. 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% (2020: 19%). The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below:

	2021 £000	2020 £000
Profit before tax for the year	300	300
Current tax at 19.0% (2020 – 19.0%)	57	57
Total tax expense included in profit and loss	57	57

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.

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

5. DEBTORS

	2021 £000	2020 £000
Deferred tax (note 7)	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

6. CREDITORS: amounts falling due within one year

	2021 £000	2020 £000
Amounts owed to group undertakings	1,331	1,574
	<u>1,331</u>	<u>1,574</u>
	<u>1,331</u>	<u>1,574</u>

The amounts owed to group undertakings are unsecured, interest free and repayable on demand.

7. DEFERRED TAX (ASSETS)/ LIABILITIES

	2021 £000	2020 £000
At beginning of year	(1)	(1)
Charge/ (credit) to the profit and loss for the year	1	1
	<u>-</u>	<u>-</u>
At end of year	<u>-</u>	<u>-</u>

Deferred tax assets/(liabilities) are attributable to the following:

	2021 £000	2020 £000
Difference between accumulated depreciation and capital allowances	-	-
	<u>-</u>	<u>-</u>
Deferred tax (assets)/ liabilities	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

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

8. SHARE CAPITAL

	2021	2020
	£	£
<i>Allotted, called up and fully paid:</i>		
100 Ordinary shares of £1 each	100	100

9. 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.

10. PARENT UNDERTAKING AND CONTROLLING PARTY

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

On 24 September 2021 Access Industries LLC 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.