

WARNER/CHAPPELL PRODUCTION MUSIC LIMITED

Report and Financial Statements

30 September 2016

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COMPANIES HOUSE

WARNER/CHAPPELL PRODUCTION MUSIC LIMITED

Registered No. 6490686

DIRECTORS

JR Manners (resigned 21 April 2016)
MA Lavin
J Smith
M Smith (appointed 22nd December 2016)

SECRETARY

Olswang Cosec Limited

AUDITOR

KPMG LLP
15 Canada Square
London E145GL

REGISTERED OFFICE

Cannon Place
78 Cannon Street
London
EC4N 6AF

WARNER/CHAPPELL PRODUCTION MUSIC LIMITED

STRATEGIC REPORT

The directors submit their strategic report for the year ended 30 September 2016.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 6. The directors do not propose a dividend for the year ended 30 September 2016 (2015 - £nil).

BUSINESS REVIEW

The key performance indicators of the company are turnover and profit after tax. Turnover has decreased by 18%, largely due to a decrease in income from the domestic collection societies. Profit after tax has increased, driven by the decrease in administration expenses.

The company's principal activity is music publishing. The company's income is generated by the use of musical compositions in which the copyright is either owned or administered by the company.

The result of the company for the period ended 30 September 2016 is set out in the Profit and Loss Account on page 6. The position of the company at 30 September 2016 is set out in the Balance Sheet on page 7. Both the result and the position of the company were in line with the expectations of the directors.

Given the nature of its business, the company considers there to be no key performance indicators directly relating to environmental issues or employee matters.

RISKS AND UNCERTAINTIES

The company is not subject to any specific risks and uncertainties other than those prevalent in the music publishing market in general. All risks and uncertainties are regularly monitored by the company's board of directors.

Exposure to price and credit risk

The Company is exposed to price risk in relation to the relationship with external bodies such as local third party collection societies. Mechanical and performance royalties are calculated using rates and distribution rules which have been set by the board of performing rights societies, which directly impact company revenue.

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Details of the company's debtors are shown in note 11 to the financial statements. Turnover recognition policy means that the exposure to credit risk is naturally limited, as turnover is generally recognised on a receipt basis as there is no reliable estimate available (see note 1 for turnover recognition policy).

Exposure to liquidity and cash flow risk

The Company is part of the Warner Music Group cash pooling arrangement, through which its working capital requirements are adequately covered, therefore exposure to liquidity and cash flow risk is minimal.

On behalf of the board



Director
M Lavin

Date: 30 June 2017

WARNER/CHAPPELL PRODUCTION MUSIC LIMITED

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of the company for the year ended 30 September 2016.

FUTURE DEVELOPMENTS

No change in the company's operations is envisaged in the foreseeable future.

DIRECTORS AND THEIR INTERESTS

The directors during the period ended 30 September 2016 were as listed on page 1.

At no time during the period did any director have any interest in the shares or debentures of the company or any other group undertaking.

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/she is obliged to take as a director in order to make himself/herself 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.

Director
M Lavin



Date: 30 June 2017

Registered office:
Cannon Place
78 Cannon Street
London
EC4N 6AF

WARNER/CHAPPELL PRODUCTION MUSIC LIMITED

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, 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; 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 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 WARNER/CHAPPELL PRODUCTION MUSIC LIMITED

We have audited the financial statements of Warner / Chappell Production Music Limited for the year ended 30 September 2016 set out on pages 6 to 15. 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 4, 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.

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.

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.



Kevin Hall (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
30/06/2017

WARNER/CHAPPELL PRODUCTION MUSIC LIMITED

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

	Notes	2016	2015
		£	£
TURNOVER	2	364,200	443,029
Cost of sales		(154,715)	(200,193)
		<hr/>	<hr/>
Gross profit		209,485	242,836
Administrative expenses		(161,555)	(221,059)
		<hr/>	<hr/>
OPERATING PROFIT	3	47,930	21,777
Interest receivable	4	18,244	34,578
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		66,174	56,355
Tax on profit on ordinary activities	7	(9,280)	-
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR		<u>56,894</u>	<u>56,355</u>

All profits are generated from continuing operations.

There is no other comprehensive income for the current and preceding financial years.

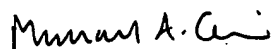
The notes on pages 9 to 15 form part of these financial statements.

WARNER/CHAPPELL PRODUCTION MUSIC LIMITED

BALANCE SHEET AT 30 SEPTEMBER 2016

	Notes	2016	2015
		£	£
FIXED ASSETS:			
Intangible assets	8	244,000	335,500
Tangible assets	9	13,693	22,770
Investments	10	5,676,059	5,676,059
		<u>5,933,752</u>	<u>6,034,329</u>
CURRENT ASSETS:			
Debtors	11	6,359,397	1,633,863
CREDITORS: amounts falling due within one year	12	(12,125,103)	(7,557,040)
NET CURRENT LIABILITIES		<u>(5,765,706)</u>	<u>(5,923,177)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>168,046</u>	<u>111,152</u>
CAPITAL AND RESERVES			
Equity share capital	13	1	1
Profit and loss account		168,045	111,151
EQUITY SHAREHOLDERS' FUNDS		<u>168,046</u>	<u>111,152</u>

The financial statements of Warner Chappell Production Music Limited (registered company number 06490686) were approved and authorised for issue by the board and were signed on its behalf by:



M Lavin
Director

Date: 30 June 2017

The notes on pages 9 to 15 form part of these financial statements.

WARNER/CHAPPELL PRODUCTION MUSIC LIMITED

STATEMENT OF CHANGES IN EQUITY AT 30 SEPTEMBER 2016

	<i>Called up Share capital £</i>	<i>Profit and loss account £</i>	<i>Total Equity £</i>
Balance at 1 October 2014	1	54,796	54,797
Profit for the financial year	-	56,355	56,355
At 30 September 2015	<u>1</u>	<u>111,151</u>	<u>111,152</u>
Profit for the financial year	-	56,894	56,894
At 30 September 2016	<u><u>1</u></u>	<u><u>168,045</u></u>	<u><u>168,046</u></u>

WARNER/CHAPPELL PRODUCTION MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below:

Basis of Preparation

The financial statements are prepared on the historical cost basis. They 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 2015. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Separate financial instruments – carrying amount of the Company's cost of investment in subsidiaries is its deemed cost at 1 October 2015

The Company is exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006 because the Company's parent undertaking, Warner Music Group Corp., a company incorporated in the USA, includes the Company in its consolidated financial statements. The consolidated financial statements of Warner Music Group Corp. are available to the public and may be obtained from 1209 Orange Street, Wilmington, DE 19801, USA.

In these financial statements, the company 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 disclosures:

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

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

Accounting convention

The financial statements are prepared under the historical cost convention, on a going concern basis and in accordance with applicable accounting standards.

Going concern

The company has a net current liability position; however its intermediate parent, WMG Acquisition Corp., 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.

Royalty income and expense

Credit is taken for royalty income that has been received from users prior to the year end. Royalty expense is accrued based on the expected royalties payable on income received.

Investments

Investments are stated at cost less amounts provided for a permanent impairment in value.

WARNER/CHAPPELL PRODUCTION MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016 (Continued)

Intangible fixed assets: music copyrights

Purchased music copyrights are capitalised and amortised by equal annual instalments over the period that is expected to recover the initial cost based on projected average annual income, but not exceeding 20 years. The annual charge for amortisation of intangibles is included within administrative expenses in the Profit and Loss Account.

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

Depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The company provides depreciation at rates which are calculated to write off the cost of the tangible fixed assets by equal annual instalments over their estimated useful lives as follows:

Computer Hardware	20%	Fixtures & Fittings	10%
Leasehold Improvements	10%	Computer Software	33%

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Foreign currencies

Transactions in foreign currencies are reported at the approximate rates of exchange ruling at the date on which they took place. Assets and liabilities in foreign currencies are translated at the year-end exchange rate. All differences are taken to the profit and loss account.

Group financial statements

Consolidated accounts have not been prepared as Warner Chappell Production Music Limited was, at 30 September 2016, a wholly-owned subsidiary of Warner Music Group Corp., a company registered in the United States of America, which prepares group accounts. Consequently these accounts only include information about the company as an individual undertaking and not about the group, as the exemption in section 401 of the Companies Act 2006 has been claimed.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at cost. They are assessed for any impairment on an annual basis. Trade and other creditors are recognised at cost.

Investments in subsidiaries, jointly controlled entities and associates

Investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment. Income from joint ventures is recognised in the company's profit and loss account on the basis of dividends received and receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. The Company is part of the Warner Music Group cash pooling arrangement and therefore the majority of account balances are swept to zero overnight, with a corresponding intercompany loan balance recorded with another Warner Music Group entity.

WARNER/CHAPPELL PRODUCTION MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016 (Continued)

Turnover recognition

Turnover represents royalty income received, excluding VAT. The majority of domestic society income and overseas royalty income collected by affiliated Warner Chappell companies in other territories, cannot be reliably estimated until it is received, and therefore is credited to the profit and loss account on a receipt basis.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

2. TURNOVER

Turnover represents royalties received and is attributable to one continuing activity - music publishing. The geographical areas to which turnover relates are as follows:

	2016 £	2015 £
United Kingdom	305,308	375,500
Rest of World	58,892	67,529
	<u>364,200</u>	<u>443,029</u>

3. OPERATING PROFIT

	2016 £	2015 £
This is stated after charging:		
Depreciation	10,797	7,122
Amortisation of copyrights	91,500	91,500
Intercompany Service Fee	76,026	120,891
	<u>178,323</u>	<u>219,513</u>

4. INTEREST RECEIVABLE

	2016 £	2015 £
Interest receivable from group company	18,244	34,578
	<u>18,244</u>	<u>34,578</u>

5. EMPLOYEES AND DIRECTORS

The company has no employees other than the 3 directors. The directors' remuneration was £nil. 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 Warner Chappell Music Limited which make the remuneration payments.

WARNER/CHAPPELL PRODUCTION MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016 (Continued)

6. AUDITOR'S REMUNERATION

Audit Fees of £2,000 (2015 - £1,000) have been borne by Warner/Chappell Music Limited, another group undertaking.

7. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2016 £	2015 £
a) The charge based on the results for the period is as follows:		
<u>Taxation based on the income for the period</u>		
UK Corporation tax on income	9,280	-
Total Current Tax	<u>9,280</u>	<u>-</u>

b) Circumstances affecting current charge

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.

	2016 £	2015 £
Profit on ordinary activities before tax	66,174	56,355
Tax on profit on ordinary activities at standard rate of 20% (2015:20.5%)	13,235	11,555
Factors affecting charge:-		
Group relief received for nil consideration	-	(10,151)
Capital allowances in excess of depreciation	(193)	(1,404)
Non-taxable income	(3,762)	-
Total Current Tax (note a above)	<u>9,280</u>	<u>-</u>

Deferred tax

The Company had no deferred tax provision at 30 September 2016 (2015: £nil). No deferred tax asset has been recognised on short term timing differences on fixed assets of £40k (2015: £41k) on the grounds that there is insufficient evidence that the asset will be recovered.

WARNER/CHAPPELL PRODUCTION MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016 (Continued)

8. INTANGIBLE FIXED ASSETS

	Copyrights £
Cost:	
At 1 October 2015	915,000
Additions	-
At 30 September 2016	<u>915,000</u>
Amortisation:	
At 1 October 2015	579,500
Charged during the year	91,500
At 30 September 2016	<u>671,000</u>
Net book values:	
At 30 September 2016	<u>244,000</u>
At 1 October 2015	<u>335,500</u>

9. TANGIBLE FIXED ASSETS

	Computer hardware £	Computer software £	Leasehold improvements £	Fixtures and fittings £	Total £
Cost:					
At 1 October 2015	18,207	19,936	34,997	32,587	105,727
Additions	-	1,720	-	-	1,720
At 30 September 2016	<u>18,207</u>	<u>21,656</u>	<u>34,997</u>	<u>32,587</u>	<u>107,447</u>
Accumulated depreciation:					
At 1 October 2015	14,830	4,330	34,989	28,808	82,957
Charged during the period	3,366	6,751	-	680	10,797
At 30 September 2016	<u>18,196</u>	<u>11,081</u>	<u>34,989</u>	<u>29,488</u>	<u>93,754</u>
Net book values:					
At 30 September 2016	<u>11</u>	<u>10,575</u>	<u>8</u>	<u>3,099</u>	<u>13,693</u>
At 1 October 2015	<u>3,377</u>	<u>15,606</u>	<u>8</u>	<u>3,779</u>	<u>22,770</u>

WARNER/CHAPPELL PRODUCTION MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016 (Continued)

10. INVESTMENTS

The cost of investments held at 30 September 2016 was as follows:

	2016 £	2015 £
Investments in subsidiary undertakings	5,676,059	5,676,059
	=====	=====
(a) CRML Limited		£
Balance at 30 September 2015 and 30 September 2016 at cost		5,477,397
		=====

The company owns 99% of the issued ordinary share capital of CRML Limited, an entity incorporated in England and Wales. In the opinion of the directors, the value of the investment in CRML Limited, including amounts owed by CRML Limited to the company, is not less than the amount at which the investment is included in the financial statements.

(b) Destiny Music Limited

	£
Balance at 30 September 2015 and 30 September 2016 at cost	198,662
	=====

The company owns 99% of the issued ordinary share capital of Destiny Music Limited, an entity incorporated in England and Wales. In the opinion of the directors, the value of the investment in Destiny Music Limited, including amounts owed by Destiny Music Limited to the company, is not less than the amount at which the investment is included in the financial statements.

Subsidiary undertakings of CRML Limited

CPM Music Ltd	England and Wales	100%	Music publishing
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11. DEBTORS

	2016 £	2015 £
Trade debtors	-	8,165
Due from group undertakings	6,359,397	1,625,698
	6,359,397	1,633,863
	=====	=====

12. CREDITORS: amounts falling due within one year

	2016 £	2015 £
Trade creditors	69,566	78,025
Due to group undertakings	11,970,231	7,358,124
Accruals	76,026	120,891
Taxation and social security	9,280	-
	12,125,103	7,557,040
	=====	=====

WARNER/CHAPPELL PRODUCTION MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016 (Continued)

13. SHARE CAPITAL

	Allotted, called up and fully paid	
	2016	2015
	£	£
1 ordinary share of £1 each	1 =====	1 =====

14. PARENT UNDERTAKING AND CONTROLLING PARTY

Warner Chappell Music Ltd, Cannon Place, 78 Cannon Street, London, England, EC4N 6AF is the company's immediate parent undertaking.

At 30 September 2016, Ai Entertainment Holdings LLC, 2711 Centerville Road, Suite 400, Wilmington, DE 19808, was the ultimate parent undertaking. Warner Music Group Corp., an entity incorporated in the United States of America, 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.

15. EXPLANATION OF TRANSITION TO FRS 102 FROM OLD UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 September 2016 and the comparative information presented in these financial statements for the year ended 30 September 2015.

In preparing its FRS 102 balance sheet, the Company has not needed to adjust amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP).