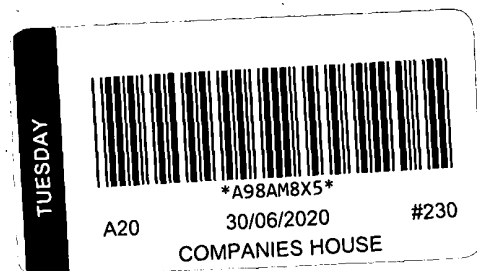


Registered in England No. 06490686

WARNER CHAPPELL PRODUCTION MUSIC LIMITED

Report and Financial Statements

30 September 2019



WARNER CHAPPELL PRODUCTION MUSIC LIMITED
Registered No. 6490686

DIRECTORS

M Lavin
J Smith
M Smith (resigned 13 March 2020)
K Alderton

SECRETARY

CMS Cameron McKenna Nabarro Olswang LLP

AUDITOR

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

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 2019.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 9. The directors do not propose a dividend for the year ended 30 September 2019 (2018 - £nil).

BUSINESS REVIEW

The key performance indicators of the company are turnover and profit after tax.

Turnover fell by 32% in the year to £1,802,687. This is primarily because during the prior year, due to information becoming more readily available from the company's various income providers, a more reliable accounting estimate was possible with regards to revenue recognition to more accurately reflect recognising copyright royalties in line with the point at which the relevant copyright is exploited. Gross profit has decreased by 43% to £1,050,517, due to the results of change in accounting estimate prior year.

Warner Chappell Production Music Limited accepted the benefit and burden of CRML Limited's rights and obligations and has accepted the exploitation fee set at £134,047 (2019: £139,979) for the year ending 30 September 2019. Refer to note 1 for further details.

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 2019 is set out in the Profit and Loss Account on page 9. The position of the company at 30 September 2019 is set out in the Balance Sheet on page 10. The company has a net current liability position; however its intermediate parent, Warner Music Group Corp., has committed to provide financial support to the company to enable it to meet its debts as they fall due, and for 12 months following the signing of these accounts. 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

In general, the company is not subject to any specific risks and uncertainties other than those prevalent in the music publishing market in general. These include the continued threat of unlicensed music usage and the general decline of the physical market although new digital music platforms are now starting to deliver increased monetary benefits to music publishers which significantly offset the weakening traditional markets.

It is too early to assess whether the UK leaving the European Union ("Brexit") will have a material impact on the business. It seems unlikely, however, that British music will cease to be purchased, broadcast or performed in Europe, simply because of the Brexit decision.

On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organisation in March 2020. Government-imposed mandates limiting public assembly and requiring the closure of many businesses have adversely impacted the Company's operations, including physical product, live performance and licensing revenues for the year ended 30 September 2020. It is unclear how long the government-imposed mandates and restrictions will last, and to what extent the global pandemic will impact demand for music even after government restrictions are lifted.

The Company is not presently aware of any events or circumstances arising from the global pandemic that would require us to update any estimates, judgements or materially revise the carrying value of our assets or liabilities. The Company's estimates may change, however, as new events occur and additional information is obtained, and any such changes will be recognised in the financial statements. Actual results could differ from estimates, and any such differences may be material to our financial statements.

As with any business, competitive risks also exist. Traditional competitors such as other major and independent publishers are now joined by new entrants and business models, particularly in the audio-visual sector. In order to mitigate the effect of these items, the company is constantly reviewing its artists and repertoire (A&R) strategy as well as maximising new media opportunities.

WARNER CHAPPELL PRODUCTION MUSIC LIMITED
STRATEGIC REPORT (continued)

Exposure to price and credit risk

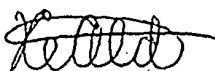
The Company is exposed to price risk in relation to the relationship with external bodies such as local third party collection societies. Mechanical and performance royalties are calculated using rates and distribution rules which have been set by the board of performing rights societies, which directly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

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The company has implemented policies that require appropriate collectability checks on potential customers before sales are made.

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
K Alderton

Date: 26/06/2020

**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 2019.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the period ended 30 September 2019 were as listed on page 1.

At no time during the year did any director have any interest in the shares or debentures of the company or any other group undertaking. The directors of the company have qualifying indemnities against losses or liabilities that are incurred.

GOING CONCERN

Notwithstanding net current liabilities of £3,163,605 as at 30/09/2019, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

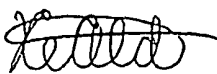
Directors considered the operating nature of the entity where transactions are conducted with third party as well as with inter-company although the accounts receivable predominantly represents inter-company receivable. Directors also assessed the outstanding inter-company payables and inter-company 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. and repayment of outstanding balances from fellow subsidiaries to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Warner Music Group Corp. not seeking repayment of the amounts currently due to the group, which at 30/09/2019 amounted to £12,255,451, and providing additional financial support during that period. Warner Music Group Corp. has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.



Director
K Alderton

Date: 26/06/2020

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, 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 Warner Chappell Production Music Limited

Opinion

We have audited the financial statements of Warner Chappell Production Music Limited ("the company") for the year ended 30 September 2019 which comprise the Profit and loss account, Balance Sheet, 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 30 September 2019 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon. Our responsibility is to read the strategic report and 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 strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report to the members of Warner Chappell Production Music Limited (continued)

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
- 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 6, 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.

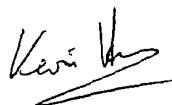
Auditor's responsibilities

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.

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.



**Kevin Hall (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
15 Canada Square
London. E14 5GL

26 June 2020

WARNER CHAPPELL PRODUCTION MUSIC LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	Notes	2019	2018
		£	£
TURNOVER	2	1,802,687	2,656,000
Cost of sales		(752,170)	(816,511)
		<hr/>	<hr/>
Gross profit		1,050,517	1,839,489
Administrative expenses		(666,377)	(694,163)
		<hr/>	<hr/>
OPERATING PROFIT	3	384,140	1,145,326
Interest receivable	4	271,985	214,742
		<hr/>	<hr/>
PROFIT BEFORE TAXATION		656,125	1,360,068
Tax on profit	7	(134,947)	(258,879)
		<hr/>	<hr/>
PROFIT AFTER TAXATION		<u>521,178</u>	<u>1,101,189</u>

All profits are generated from continuing operations.

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

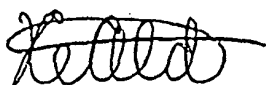
The notes on pages 12 to 18 form part of these financial statements.

WARNER CHAPPELL PRODUCTION MUSIC LIMITED

BALANCE SHEET AT 30 SEPTEMBER 2019

	Notes	2019	2018
		£	£
FIXED ASSETS:			
Intangible assets	8	-	61,000
Tangible assets	9	-	1,589
Investments	10	5,676,059	5,676,059
		<u>5,676,059</u>	<u>5,738,648</u>
CURRENT ASSETS:			
Debtors	11	10,666,689	9,813,172
CREDITORS: amounts falling due within one year	12	(13,830,294)	(13,560,544)
NET CURRENT LIABILITIES		<u>(3,163,605)</u>	<u>(3,747,372)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>2,512,454</u></u>	<u><u>1,991,276</u></u>
CAPITAL AND RESERVES			
Called up share capital	13	1	1
Profit and loss account		<u>2,512,453</u>	<u>1,991,275</u>
EQUITY SHAREHOLDERS' FUNDS		<u><u>2,512,454</u></u>	<u><u>1,991,276</u></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:



K Alderton
Director

Date: 26/06/2020

The notes on pages 12 to 18 form part of these financial statements.

WARNER CHAPPELL PRODUCTION MUSIC LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2019

	<i>Called up Share capital £</i>	<i>Profit and loss account £</i>	<i>Total Equity £</i>
Balance at 1 October 2017	1	890,086	890,087
Profit for the financial year	-	1,101,189	1,101,189
At 30 September 2018	<u>1</u>	<u>1,991,275</u>	<u>1,991,276</u>
Profit for the financial year	-	521,178	521,178
At 30 September 2019	<u><u>1</u></u>	<u><u>2,512,453</u></u>	<u><u>2,512,454</u></u>

The accompanying notes form part of these financial statements.

WARNER CHAPPELL PRODUCTION MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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"). The presentation currency of these financial statements is sterling.

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.

Exploitation Agreement

Under an Exploitation Agreement effective 1 October 2016 Warner Chappell Production Music Limited, accepted the benefit and burden of CRML Limited's rights and obligations under its current and future contracts with third parties. Under the Exploitation Agreement the directors of CRML Limited have the right to set an annual fee chargeable to Warner Chappell Production Music Limited. In the current year this fee was set at £134,047 which covers the costs CRML has incurred in respect of Music Library costs.

Going concern

Notwithstanding net current liabilities of £3,163,605 as at 30.09.2019, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

Directors considered the operating nature of the entity where transactions are conducted with third party as well as with inter-company although the accounts receivable predominantly represents inter-company receivable. 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. and repayment of outstanding balances from fellow subsidiaries to meet its liabilities as they fall due for that period

Those forecasts are dependent on Warner Music Group Corp. not seeking repayment of the amounts currently due to the group, which at 30/09/2019 amounted to £12,255,451 and providing additional financial support during that period. Warner Music Group Corp. has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

WARNER CHAPPELL PRODUCTION MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019 (Continued)

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Turnover recognition

Turnover represents copyright royalties receivable and music publishing administration fees excluding value added tax. Copyright royalties are recognised at the point at which the relevant copyright is exploited. Advances in respect of future revenues are treated as deferred revenue and recognised as revenue when earned.

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. This is particularly true of the change in accounting estimate regarding revenue recognition where estimates of when revenue is earned and amounts are accrued. The £740,256 income accrual is however subject to a low degree of uncertainty as at the year end due to most of the accruals being updated with subsequent cash received.

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.

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.

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 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.

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 such investments 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 2019 (Continued)

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:

	2019 £	2018 £
United Kingdom	732,561	1,089,735
Rest of the World	1,070,126	1,566,265
	<u>1,802,687</u>	<u>2,656,000</u>

3. OPERATING PROFIT

	2019 £	2018 £
This is stated after charging:		
Depreciation	1,589	7,208
Amortisation of copyrights	61,000	91,500
Exploitation Fee	134,047	139,979
Administrative Expenses	469,741	455,476
	<u>666,377</u>	<u>294,163</u>

4. INTEREST RECEIVABLE

	2019 £	2018 £
Interest receivable from group company	271,985	214,742
	<u>271,985</u>	<u>214,742</u>

5. EMPLOYEES AND DIRECTORS

The average number of employees employed by the Company (including directors) during the year, analysed by category, was made up as follows:

	2019	2018
Commercial and administrative	<u>11</u>	<u>11</u>

The directors of the company are also directors of a number of subsidiaries of the ultimate parent undertaking. The cost is recognised in the accounts of Warner Chappell Music Limited which make the remuneration payments. However, 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 notes to the financial statements of the subsidiaries based on qualifying services provided to each subsidiary.

	2019 £	2018 £
Directors' remuneration	<u>140,999</u>	<u>114,752</u>

WARNER CHAPPELL PRODUCTION MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019 (Continued)

6. AUDITOR'S REMUNERATION

Audit Fees of £2,000 (2018 - £2,000) have been borne by Warner Chappell Music Limited, another group undertaking.

7. TAXATION

a) The charge based on the results for the period is as follows:

	2019	2018
	£	£
<u>Taxation based on the income for the period</u>		
UK Corporation tax on income	124,888	258,879
Adjustments in respect of prior periods	10,051	-
Overseas tax suffered	5,398	-
Double taxation relief	(5,390)	-
Total Current Tax recognised in profit and loss	<u>134,946</u>	<u>258,879</u>

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

b) Circumstances affecting current charge

The reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2019) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2018. A further reduction from 18% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2019. This will reduce the company's future current tax charge accordingly.

	2019	2018
	£	£
Profit on ordinary activities before tax	<u>656,125</u>	<u>1,360,068</u>
Tax on profit on ordinary activities at standard rate of 19% (2018:19%)	124,664	258,413
Factors affecting charge:-		
Expenses not deductible for tax purposes	1,242	707
Capital allowances in excess of depreciation	(1,019)	(241)
Effect of tax rates in foreign jurisdictions	8	-
Adjustment to tax charge in respect of previous periods	10,051	-
Non taxable income	-	-
Total current tax recognised in profit and loss (note a above)	<u>134,946</u>	<u>258,879</u>

Deferred tax

The Company had no deferred tax provision at 30 September 2019 (2018: £nil). No deferred tax asset has been recognised on short term timing differences on fixed assets of £32k (2018: £37k) 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 2019 (Continued)

8. INTANGIBLE ASSETS

	Copyrights £
Cost:	
At 1 October 2018	915,000
Additions	-
At 30 September 2019	<u>915,000</u>
Amortisation:	
At 1 October 2018	854,000
Charged during the year	61,000
At 30 September 2019	<u>915,000</u>
Net book values:	
At 30 September 2019	<u>-</u>
At 1 October 2018	<u>61,000</u>

9. TANGIBLE ASSETS

	Computer hardware £	Computer software £	Leasehold improvements £	Fixtures and fittings £	Total £
Cost:					
At 1 October 2018	20,614	23,017	34,997	32,587	111,215
Additions	-	-	-	-	-
At 30 September 2019	<u>20,614</u>	<u>23,017</u>	<u>34,997</u>	<u>32,587</u>	<u>111,215</u>
Accumulated depreciation:					
At 1 October 2018	20,614	22,132	34,997	31,883	109,626
Charged during the period	-	885	-	704	1,589
At 30 September 2019	<u>20,614</u>	<u>23,017</u>	<u>34,997</u>	<u>32,587</u>	<u>111,215</u>
Net book values:					
At 30 September 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 1 October 2018	<u>-</u>	<u>885</u>	<u>-</u>	<u>704</u>	<u>1,589</u>

WARNER CHAPPELL PRODUCTION MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019 (Continued)

10. INVESTMENTS

The cost of investments held at 30 September 2019 was as follows:

	2019 £	2018 £
Investments in subsidiary undertakings	5,676,059	5,676,059
(a) CRML Limited		
Balance at 30 September 2018 and 30 September 2019 at cost		£ 5,477,397

The company owns 99% of the issued ordinary share capital of CRML Limited, Cannon Place, 78 Cannon Street, London, England, EC4N 6AF, 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 2018 and 30 September 2019 at cost	£ 198,662
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The company owns 99% of the issued ordinary share capital of Destiny Music Limited, Cannon Place, 78 Cannon Street, London, England, EC4N 6AF, 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

	2019 £	2018 £
Trade debtors	1,888	17,735
Due from group undertakings	10,025,871	9,142,513
Accrued Income	629,592	652,924
Royalty Advances	652	-
Taxation	8,686	-
	<u>10,666,689</u>	<u>9,813,172</u>

WARNER CHAPPELL PRODUCTION MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019 (Continued)

12. CREDITORS: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	723,700	566,293
Royalty Accruals	240,879	213,332
Due to group undertakings	12,255,451	12,304,682
Accruals	50,508	30,880
Other Creditors	1,913	9,980
Taxation and social security	1,156	259,583
Group Relief	551,672	175,795
Overdraft	5,015	-
	<u>13,830,294</u>	<u>13,560,543</u>

13. SHARE CAPITAL

	Allotted, called up and fully paid	
	2019	2018
	£	£
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

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 2019, 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. SUBSEQUENT EVENTS

Subsequent to the reporting period on March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organisation in March 2020. Government-imposed mandates limiting public assembly and requiring the closure of many businesses have adversely impacted the Company's operations, including physical product, live performance and licensing revenues for the year ended 30 September 2020. It is unclear how long the government-imposed mandates and restrictions will last, and to what extent the global pandemic will impact demand for music even after government restrictions are lifted.

The Company is not presently aware of any events or circumstances arising from the global pandemic that would require us to update any estimates, judgements or materially revise the carrying value of our assets or liabilities. The Company's estimates may change, however, as new events occur and additional information is obtained, and any such changes will be recognised in the financial statements. Actual results could differ from estimates, and any such differences may be material to our financial statements.