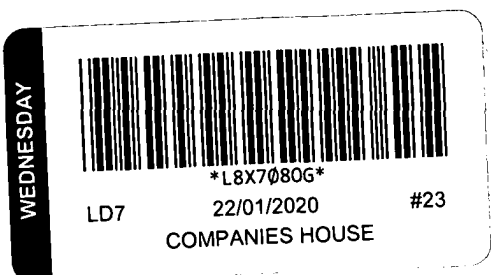


Palace Music Company Limited

Report and Financial Statements

30 September 2019



Palace Music Company Limited

Registered No.635310

Directors

M Lavin
J Smith
M Smith
K Alderton

Auditor

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

Registered Office

Cannon Place
78 Cannon Street
London
EC4N 6AF

Strategic report

The directors present their strategic report for the year ended 30 September 2019.

Review of the business

The company is the ultimate owner of certain music publishing copyrights which is not expected to change in the near future. Under an Exploitation Agreement effective 1 December 1992 Warner Chappell Music International Limited (formerly Warner/Chappell Music International Limited), a fellow subsidiary undertaking, accepted the benefit and burden of the company's rights and obligations under its current and future contracts with third parties. As a result, there are no Key Performance Indicators.

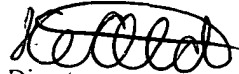
Results and dividends

The company has made neither a profit nor a loss. No statement of profit and loss and other comprehensive income or statement of changes in equity has been presented.

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.

On behalf of the Board



Director:
K Alderton

Date: 13/12/2019

Directors' report

The directors present their report and financial statements for the year ended 30 September 2019.

Going concern

Given the existence of the exploitation agreement and the fact the company has positive net assets, the directors believe that the company has adequate financial resources to continue in operation for the foreseeable future. The accounts therefore have been prepared on the going concern basis' Directors and their interests.

Directors and their interests

The directors of the company during the year 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.

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2018: Nil).

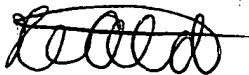
Disclosure of information to the auditor

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.

Dividends

The directors do not recommend the payment of a dividend.

On behalf of the Board



Director:
K Alderton

Date: 13/12/2019

Registered office:

Cannon Place
78 Cannon Street
London
EC4N 6AF

Statement of directors' responsibilities

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
PALACE MUSIC COMPANY LIMITED**

Opinion

We have audited the financial statements of Palace Music Company Limited ("the company") for the year ended 30 September 2019 which comprise the Balance Sheet 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 result 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*;
- 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, including the impact of Brexit, 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 other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the Strategic report and directors' report and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the Strategic report and 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 directors' report;
- in our opinion the information given in the strategic report and the directors' report 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
PALACE MUSIC COMPANY 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 4, 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

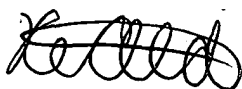
Chartered Accountants
15 Canada Square
Canary Warf
London
E14 5GL
16/12/2019

Balance sheet

at 30 September 2019

	Notes	2019 £	2018 £
Current assets			
Debtors	5	2	2
Capital and reserves			
Called up share capital	6	2	2
Shareholders' funds		2	2

The financial statements of Palace Music Company Limited (registered company number 635310) were approved and authorised for issue by the board and were signed on its behalf by:



Director:
K Alderton

Date: 13/12/2019

The notes on pages 8 to 9 form part of these financial statements.

Notes to the financial statements

at 30 September 2019

1. Accounting policies

Palace Music Limited, Cannon Place, 78 Cannon Street, London, EC4N 6AF is a company limited by shares and incorporated and domiciled in the UK. The registration number is 635310.

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 amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling.

The Company's parent undertaking, Warner Music Group Corp., 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;
- Related party transactions entered into between two or more members of a group;
- 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

Under an Exploitation Agreement effective 1 December 1992 Warner Chappell Music International Limited (formerly Warner/Chappell Music International Limited), a fellow subsidiary undertaking, accepted the benefit and burden of the company's rights and obligations under its current and future contracts with third parties. Under the Exploitation Agreement the company's directors have the right to set an annual fee chargeable to Warner Chappell Music International Limited. In the current year this fee was set at £nil (2018 £nil).

Trade and other debtors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Going concern

Given the existence of the exploitation agreement and the fact the company has positive net assets, the directors believe that the company has adequate financial resources to continue in operation for the foreseeable future. The accounts therefore have been prepared on the going concern basis. Directors and their interests.

Audit Fees

Audit Fees of £500 (2018 – £500) have been borne by another group undertaking.

2. Tax on profits on ordinary activities

No liability to UK corporation tax arose on ordinary activities for the year ended 30 September 2019 nor for the year ended 30 September 2018.

Notes to the financial statements

at 30 September 2019

3. Staff costs

The company had no employees other than directors. No directors received any remuneration in respect of services to the company.

4. Profit and loss account and other comprehensive income

The company has made neither a profit nor a loss nor had any other comprehensive income. No statement of profit and loss and other comprehensive income or statement of changes in equity has been presented.

Under the terms of the agreement entered into with Warner Chappell Music International Limited (formerly Warner/Chappell Music International Limited) effective 1 December 1992, Warner Chappell Music International Limited is responsible for all costs and expenses incurred by the company.

5. Debtors

	2019	2018
	£	£
Amount due from affiliate	2	2

Amounts due from group undertakings are unsecured, interest free and are repayable on demand.

6. Issued share capital

Issued, allotted, called up and fully paid:

	2019	2018
	£	£
2 ordinary shares of £1 each	2	2

<u>Shareholder</u>	<u>Holding</u>	<u>No. of Shares</u>
Burlington Music Co. Limited	Ordinary shares	1
Warner Chappell Overseas Holdings limited	Ordinary shares	1

7. Ultimate parent undertaking and controlling party

Warner Chappell Overseas Holdings Limited (formerly Warner/Chappell Overseas Holdings Limited) and Burlington Music Co. Limited, Cannon Place, 78 Cannon Street London EC4N 6AF are the company's immediate parent undertaking. Warner Chappell Overseas Holdings Limited & Burlington Music Co. Limited own 100% of the ordinary shares.

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.