

---

# ***Warner Chappell Music Denmark A/S***

Falkoner Allé 7, 3., DK-2000 Frederiksberg

## **Annual Report for 1 October 2020 - 30 September 2021**

---

CVR No 59 06 93 14

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
17/3 2022

Lars Werner Karlsson  
Chairman of the General  
Meeting

# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Company Information</b>	
Company Information	4
<b>Financial Statements</b>	
Income Statement 1 October - 30 September	5
Balance Sheet 30 September	6
Statement of Changes in Equity	8
Notes to the Financial Statements	9

## **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Warner Chappell Music Denmark A/S for the financial year 1 October 2020 - 30 September 2021.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 30 September 2021 of the Company and of the results of the Company operations for 2020/21.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Frederiksberg, 17 March 2022

### **Executive Board**

Lars Werner Karlsson  
CEO

### **Board of Directors**

Lars Werner Karlsson

Per Jonsson

Karin Karlsson

# **Independent Auditor's Report**

To the Shareholder of Warner Chappell Music Denmark A/S

## **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 September 2021 and of the results of the Company's operations for the financial year 1 October 2020 - 30 September 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Warner Chappell Music Denmark A/S for the financial year 1 October 2020 - 30 September 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Management's responsibilities for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines 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, Management is 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 in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## **Auditor's 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 auditor's 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 and the additional requirements applicable in Denmark 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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the

# Independent Auditor's Report

audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 17 March 2022

**KPMG**

Statsautoriseret Revisionspartnerselskab

CVR No 25 57 81 98

Martin Eiler

State Authorised Public Accountant

mne32271

## Company Information

### **The Company**

Warner Chappell Music Denmark A/S  
Falkoner Allé 7, 3.  
DK-2000 Frederiksberg

CVR No: 59 06 93 14  
Financial period: 1 October - 30 September  
Municipality of reg. office: Frederiksberg

### **Main activity**

The Company's main activity is music publishing in Denmark, comprising both publishing agreements and agreements with primarily Danish copyright holders as well as administration of other music publishing rights.

### **Board of Directors**

Lars Werner Karlsson  
Per Jonsson  
Karin Karlsson

### **Executive Board**

Lars Werner Karlsson

### **Auditors**

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfærgevej 28  
DK-2100 København Ø

## Income Statement 1 October - 30 September

	Note	2020/21 DKK	2019/20 DKK
<b>Gross profit/loss</b>		<b>3.647.904</b>	<b>2.524.891</b>
Staff expenses	1	-30.171	-3.219.952
Depreciation and amortisation of intangible assets and property, plant and equipment		-350.613	-331.420
<b>Profit/loss before financial income and expenses</b>		<b>3.267.120</b>	<b>-1.026.481</b>
Income from investments in subsidiaries		2.935.260	4.444.791
Financial income	2	742.890	777.720
Financial expenses	3	-360.285	-226.035
<b>Profit/loss before tax</b>		<b>6.584.985</b>	<b>3.969.995</b>
Tax on profit/loss for the year	4	-762.785	70.915
<b>Net profit/loss for the year</b>		<b>5.822.200</b>	<b>4.040.910</b>

## Distribution of profit

### Proposed distribution of profit

Retained earnings	5.822.200	4.040.910
	<b>5.822.200</b>	<b>4.040.910</b>

# Balance Sheet 30 September

## Assets

	Note	30 / 9 - 2021 DKK	30 / 9 - 2020 DKK
Acquired licenses		1.622.586	674.996
<b>Intangible assets</b>		<b>1.622.586</b>	<b>674.996</b>
Other fixtures and fittings, tools and equipment		48.729	73.887
Leasehold improvements		62.583	85.627
<b>Property, plant and equipment</b>		<b>111.312</b>	<b>159.514</b>
Investments in subsidiaries		45.098.218	42.162.958
<b>Fixed asset investments</b>		<b>45.098.218</b>	<b>42.162.958</b>
<b>Fixed assets</b>		<b>46.832.116</b>	<b>42.997.468</b>
Trade receivables		608.765	13.335
Receivables from group enterprises		43.178.322	32.920.211
Advance payments		3.829.954	6.833.791
Deferred tax asset		6.771	22.634
Corporation tax		50.316	229.182
Corporation tax receivable from group enterprises		6.617.880	6.754.534
<b>Receivables</b>		<b>54.292.008</b>	<b>46.773.687</b>
<b>Cash at bank and in hand</b>		<b>2.090.179</b>	<b>6.400.277</b>
<b>Currents assets</b>		<b>56.382.187</b>	<b>53.173.964</b>
<b>Assets</b>		<b>103.214.303</b>	<b>96.171.432</b>



# Balance Sheet 30 September

## Liabilities and equity

	Note	30 / 9 - 2021 DKK	30 / 9 - 2020 DKK
Share capital		502.000	502.000
Retained earnings		48.033.149	42.210.948
<b>Equity</b>		<b>48.535.149</b>	<b>42.712.948</b>
Corporation tax		4.635.199	5.000.572
<b>Long-term debt</b>	5	<b>4.635.199</b>	<b>5.000.572</b>
Trade payables		1.835.907	1.826.571
Payables to group enterprises		47.563.223	44.128.630
Payables to group enterprises relating to corporation tax		455.907	224.962
Other payables		188.918	2.277.749
<b>Short-term debt</b>		<b>50.043.955</b>	<b>48.457.912</b>
<b>Debt</b>		<b>54.679.154</b>	<b>53.458.484</b>
<b>Liabilities and equity</b>		<b>103.214.303</b>	<b>96.171.432</b>
Contingent assets, liabilities and other financial obligations	6		
Related parties	7		
Accounting Policies	8		

## Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 October	502.000	42.210.949	42.712.949
Net profit/loss for the year	0	5.822.200	5.822.200
<b>Equity at 30 September</b>	<b>502.000</b>	<b>48.033.149</b>	<b>48.535.149</b>

# Notes to the Financial Statements

	2020/21	2019/20
	DKK	DKK
<b>1 Staff expenses</b>		
Wages and salaries	13.692	2.446.528
Other social security expenses	7.679	338.145
Other staff expenses	8.800	435.279
	<b>30.171</b>	<b>3.219.952</b>
<b>Average number of employees</b>	<b>2</b>	<b>2</b>
<b>2 Financial income</b>		
Interest received from group enterprises	737.673	761.292
Other financial income	5.217	16.428
	<b>742.890</b>	<b>777.720</b>
<b>3 Financial expenses</b>		
Interest paid to group enterprises	345.388	200.875
Other financial expenses	14.897	25.160
	<b>360.285</b>	<b>226.035</b>

# Notes to the Financial Statements

	2020/21 DKK	2019/20 DKK
<b>4 Tax on profit/loss for the year</b>		
Current tax for the year	746.922	-129.185
Deferred tax for the year	15.863	29.699
Adjustment of tax concerning previous years	0	28.571
	<b>762.785</b>	<b>-70.915</b>

## 5 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

### Corporation tax

Between 1 and 5 years	4.635.199	5.000.572
Long-term part	4.635.199	5.000.572
Within 1 year	0	0
	<b>4.635.199</b>	<b>5.000.572</b>

## 6 Contingent assets, liabilities and other financial obligations

### Contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc. of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Warner/Chappell Music Denmark A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on un-earned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

## 7 Related parties

### Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Warner/Chappell Music Scandinavia AB

# Notes to the Financial Statements

7 **Related parties** (continued)

**Consolidated Financial Statements**

Consolidated Financial Statements are prepared by the parent

<u>Name</u>	<u>Place of registered office</u>
Warner Music Group Corp	1633 Broadway New York, NY 10019 United States

Requisitioning of the parent's consolidated financial statements:

[Https:\\investors.wmg.com](https://investors.wmg.com)

# Notes to the Financial Statements

## 8 Accounting Policies

The Annual Report of Warner Chappell Music Denmark A/S for 2020/21 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied are consistent with those of last year.

The Financial Statements for 2020/21 are presented in DKK.

The presentation of current tax liabilities and receivables has been changed for the financial year ending September 30, 2020. The presentation has been changed from a net presentation to a gross presentation. Comparative figures have been restated.

### Consolidated financial statements

With reference to section 110 of the Danish Financial Statements Act, no consolidated financial statements are prepared.

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Business combinations

#### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

# Notes to the Financial Statements

## 8 Accounting Policies (continued)

### Income Statement

#### Revenue

Royalty income is recognised at the date when the cash is received.

#### Cost of sales

Cost of sales comprises direct and indirect costs incurred to generate revenue, including costs for royalty and copyright.

#### Other external expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

#### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, 'Revenue', 'Cost of sale', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross profit'.

#### Staff expenses

Staff expenses include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

#### Depreciation of intangible assets and property, plant and equipment

The item comprises depreciation of intangible assets and property, plant and equipment.

Intangible assets and property, plant and equipment are depreciated on a straight-line basis over the expected useful life of each individual asset. The depreciation basis is the cost plus revaluations and less expected residual value.

#### Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

# Notes to the Financial Statements

## 8 Accounting Policies (continued)

### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Jointly taxed companies entitled to a tax refund are, as minimum, reimbursed by the management company according to the current rates applicable to interest allowances, and jointly taxed companies having paid too little tax pay, as a maximum, a surcharge according to the current rates applicable to interest surcharges to the management company.

Royalty taxes included in royalty payments from other countries are expensed in the income statement.

## Balance Sheet

### Intangible assets

Intangible assets are initially measured at cost.

Subsequently, Catalogues are measured at costs less accumulated amortisation. Catalogues is amortised on a straight-line basis over the estimated useful life. The estimated useful lives are 5 years.

Gains and losses on the disposal of intangible assets are stated as the difference between the selling price less selling costs are the carrying amount on the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Gains or losses arising from the sale of items of property, plant and equipment are recognised in the income statement under 'Other operating income' or 'Other operating expenses', respectively. Gains and losses are calculated by reference to the difference between the selling price less selling expenses and the



# Notes to the Financial Statements

## 8 Accounting Policies (continued)

carrying amount of the time of sale.

Other fixtures and fittings, tools and equipment      3-5      years

The fixed assets' residual values are determined at nil.

### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount. Where an impairment loss is recognised on a group of assets, a loss must first be allocated to goodwill and then to the other assets on a pro rata basis.

### Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

### Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realisable value and the carrying amount.

# Notes to the Financial Statements

## 8 Accounting Policies (continued)

### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### Financial debts

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at net realisable value.