UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 1, 2013

Warner Music Group Corp.
(Exact name of Registrant as specified in its charter)

Delaware	**001-32502**	**13-4271875**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

75 Rockefeller Plaza, New York, New York	**10019**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 275-2000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.01. Completion of Acquisition or Disposition of Assets.

On July 1, 2013, Warner Music Group Corp. (the "Company") filed a Form 8-K (the "Form 8-K") related to the completion of the Company's acquisition (the "Acquisition") of the Parlophone Label Group ("PLG").

This Form 8-K/A has been filed to amend and supplement the Form 8-K to provide the financial statements described in Item 9.01 below, which were not previously filed with the Form 8-K, and which are permitted to be filed by amendment no later than 71 calendar days after the date that the Form 8-K was required to be filed with the Securities and Exchange Commission.

The combined pro forma financial information described in Item 9.01 below does not reflect the realization of any expected cost savings and other synergies from the Acquisition as a result of restructuring activities and other cost savings initiatives planned subsequent to the completion of the Acquisition. In particular, PLG has meaningful operational overlap with the Company and, as a result, the Company currently believes there are potential cost savings and other synergies of approximately $70 million, which are not reflected in the pro forma financial information included in this report and described under Item 9.01. Although management currently believes such cost savings and other synergies will be realized following the Acquisition, there can be no assurance that these cost savings or any other synergies will be achieved in full or at all. In addition, the pro forma financial information does not reflect restructuring charges associated and expected to be incurred in connection with any such cost savings. Such charges will be expensed in the appropriate accounting periods following the completion of the Acquisition.

The acquired PLG entities ("PLG entities") have historically relied on other entities formerly within EMI Music that were not acquired by the Company as part of the Acquisition ("non-PLG entities") for the distribution of PLG repertoire outside the PLG acquired territories. Consequently, sales of PLG repertoire outside the PLG acquired territories by non-PLG entities are not included in the audited combined carve-out financial statements of PLG or the combined pro forma financials as they were realized by non-PLG entities. The related intercompany royalty income recognized by PLG entities for sales outside the PLG territories is included in the audited combined carve-out financial statements of PLG and has been removed through a pro forma adjustment along with the related royalty expense to artists. The Company currently expects PLG repertoire to be distributed by its own entities in these non-PLG territories following the completion of the Acquisition and currently expects to realize the related net revenue after intercompany eliminations and related operating income, however, there can be no assurance that the Company will recognize sales and income from its exploitation of the PLG repertoire previously sold by non-PLG entities equal to that recognized by PLG, or at all.

Estimated historical sales of PLG repertoire realized by non-PLG entities on a combined basis were approximately £165.9 million ($266.1 million) and £115.8 million ($180.2 million) for the years ended March 31, 2012 and 2011, respectively, and the associated estimated operating income was approximately £31.9 million ($51.2 million) and £30.1 million ($46.8 million), for the years ended March 31, 2012 and 2011, respectively, for PLG repertoire on a combined basis. These amounts are unaudited and were previously provided to the Company by Universal Music Group during the PLG sale process with respect to sales of PLG repertoire outside PLG acquired territories for informational purposes only. Year ended March 31, 2013 financial information was not provided by Universal Music Group during the sale process and was not compiled by them or provided to the Company's management subsequently. This information was not calculated on a detailed carve-out basis and includes a significant number of assumptions and estimates but is being provided to give some context around potential sales and operating income that might be achieved by distributing PLG repertoire by the Company outside PLG acquired territories following the completion of the Acquisition. It was provided to potential purchasers of PLG during the PLG sale process on the basis that if a potential purchaser of PLG did not have a global recorded music infrastructure, then global exploitation of repertoire would need to be contracted through a third party by way of new distribution or licensing arrangements, which could have an impact on the potential purchaser's ability to capture all or part of the international profit margin represented by such sales. While the Company has its own existing global infrastructure that it expects to leverage, it differs from EMI Music's/PLG's former infrastructure and the Company must consider the best way to exploit the PLG repertoire previously sold outside PLG acquired territories in light of that infrastructure and its ability to support international sales outside of the PLG acquired territories. The financial information relating to PLG set forth above was not prepared in accordance with GAAP, IFRS or any other body of generally accepted accounting principles or any rules or regulations promulgated by the Securities and Exchange Commission including, without limitation, Regulation S-X. The financial information relating to PLG has not been audited or otherwise independently verified and no assurance can be given as to its accuracy or completeness in all respects.

As described above, intercompany royalty income recognized by PLG entities for sales of PLG repertoire outside the PLG territories and the related royalty expense have been removed through a pro forma adjustment. The Company currently expects PLG repertoire to be distributed by its own entities outside PLG acquired territories following the completion of the Acquisition and expects to realize the resulting operating income recognized by PLG entities for sales of PLG repertoire outside the PLG acquired territories. The operating income in the PLG historical financial statements removed through a pro forma adjustment is £41 million ($65 million) for the twelve months ended September 30, 2012 and £16 million ($25 million) for the six months ended March 31, 2013. Any resulting intercompany royalty income would be eliminated and would therefore have no additional impact to the Company's combined revenues.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

PLG's combined carve-out financial statements for the years ended March 31, 2013, 2012 and 2011 are attached as Exhibit 99.1 to this Form 8-K/A and incorporated herein by reference. Such financial statements of PLG were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed Combined Financial Statements related to the Company's acquisition of PLG are attached as Exhibit 99.2 to this Form 8-K/A and incorporated herein by reference. The unaudited pro forma condensed Combined Financial Statements include adjustments to reconcile the historical financial statements of PLG to U.S. generally accepted accounting principles and to convert British pounds sterling amounts to U.S. dollars.

(d) Exhibits.

Exhibit Number	Description
99.1	Parlophone Label Group combined carve-out financial statements as at and for the years ended March 31, 2013, 2012 and 2011.
99.2	Unaudited pro forma condensed combined financial statements.

Forward-Looking Statements

Certain statements and information in this report, including the information with respect to the impact of expected cost savings and other synergies from the Acquisition and any statements other than statements of historical facts, may be deemed to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. There are a number of risks and uncertainties that could cause our actual results to differ materially from those provided herein, including: the continued decline in the global recorded music industry and the rate of overall decline in the music industry; downward pressure on our pricing and our profit margins and reductions in shelf space; our ability to identify, sign and retain artists and songwriters and the existence or absence of superstar releases; threats to our business associated with home copying and Internet downloading; the significant threat posed to our business and the music industry by organized industrial piracy; the popular demand for particular recording artists and/or songwriters and albums and the timely completion of albums by major recording artists and/or songwriters; the diversity and quality of our portfolio of songwriters; the diversity and quality of our album releases; the impact of legitimate channels for digital distribution of our creative content; our dependence on a limited number of online music stores, in particular Apple's iTunes Music Store, for the online sale of our music recordings and their ability to significantly influence the pricing structure for online music stores; our involvement in intellectual property litigation; our ability to continue to enforce our intellectual property rights in digital environments; the ability to develop a successful business model applicable to a digital environment and to enter into artist services and expanded-rights deals with recording artists in order to broaden our revenue streams in growing segments of the music business; the impact of heightened and intensive competition in the recorded music and music publishing businesses and our inability to execute our business strategy; failure to realize expected synergies and other benefits contemplated by the Acquisition; failure to effectively exploit the PLG repertoire previously sold by non-PLG entities; disruption from the Acquisition and the integration of PLG making it more difficult to maintain certain strategic relationships and distracting management's focus on the business; the financial information provided to us and other potential purchasers during the PLG sale process differing from actual results; risks associated with our non-U.S. operations, including limited legal protections of our intellectual property rights and restrictions on the repatriation of capital; significant fluctuations in our operations and cash flows from period to period; our inability to compete successfully in the highly competitive markets in which we operate; further consolidation of our industry and its impact on the competitive landscape of the music industry, specifically the acquisition of EMI's recorded music business by Universal Music Group and the acquisition of EMI's music publishing business by a consortium led by Sony Corporation of America; trends, developments or other events in some foreign countries in which we operate; local economic conditions in the countries in which we operate; our failure to attract and retain our executive officers and other key personnel; the impact of rate regulations on our Recorded Music and Music Publishing businesses; the impact of rates on other income streams that may be set by arbitration proceedings on our business; an impairment in the carrying value of goodwill or other intangible and long-lived assets; unfavorable currency exchange rate fluctuations; our failure to have full control and ability to direct the operations we conduct through joint ventures; legislation limiting the terms by which an individual can be bound under a "personal services" contract; a potential loss of catalog if it is determined that recording artists have a right to recapture rights in their recordings under the U.S. Copyright Act; trends that affect the end uses of our musical compositions (which include uses in broadcast radio and television, film and advertising businesses); the growth of other products that compete for the disposable income of consumers; the impact of, and risks inherent in, acquisitions or business combinations; risks inherent to our outsourcing of information technology infrastructure and certain finance and accounting functions; the fact that we have engaged in substantial restructuring activities in the past, and may need to implement further restructurings in the future and our restructuring efforts may not be successful or generate expected cost savings; the impact of our substantial leverage on our ability to raise additional capital to fund our operations, on our ability to react to changes in the economy or our industry and on our ability to meet our obligations under our indebtedness; the ability to generate sufficient cash to service all of our indebtedness, and the risk that we may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful; the fact that our debt agreements contain restrictions that limit our flexibility in operating our business; our indebtedness levels, and the fact that we may be able to incur substantially more indebtedness which may increase the risks created by our substantial indebtedness; the significant amount of cash required to service our indebtedness and the ability to generate cash or refinance indebtedness as it becomes due depends on many factors, some of which are beyond our control; risks of downgrade, suspension or withdrawal of the rating assigned by a rating agency to us could impact our cost of capital; risks relating to Access, which indirectly owns all of our outstanding capital stock, controls our company and may have conflicts of interest with the holders of our debt or us in the future and may also enter into, or cause us to enter into, strategic transactions that could change the nature or structure of our business, capital structure or credit profile; our reliance on one company as the primary supplier for the manufacturing, packaging and physical distribution of our products in the U.S. and Canada and part of Europe; risks related to evolving regulations concerning data privacy which might result in increased regulation and different industry standards; changes in law and government regulations; and risks related to other factors discussed in the Company's Annual Report on Form 10-K for the year ended September 30, 2012 and Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

WARNER MUSIC GROUP CORP.

BY: /s/ Paul M. Robinson
Paul M. Robinson
Executive Vice President, General Counsel and Secretary

Date: September 13, 2013

EXHIBIT INDEX

Exhibit Number	Description
99.1	Parlophone Label Group combined carve-out financial statements as at and for the years ended March 31, 2013, 2012 and 2011.
99.2	Unaudited pro forma condensed combined financial statements.

Exhibit 99.1

Parlophone Label Group

Combined carve-out financial statements

As at and for the years ended 31 March 2013, 31 March 2012 and 31 March 2011

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Independent Auditors' Report

The Directors
PLG Holdco Limited

Report on the Combined Carve-out Financial Statements

We have audited the accompanying combined carve-out financial statements of the entities listed in Note 1 and forming the Parlophone Label Group ("PLG"), which comprise the combined carve-out statements of financial position as at March 31, 2013, 2012 and 2011, and the related combined carve-out statements of income and comprehensive income, changes in invested equity, and cash flows for the years then ended, and the related notes to the combined carve-out financial statements.

Management's Responsibility for the Combined Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these combined carve-out financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined carve-out financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined carve-out financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined carve-out financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined carve-out financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined carve-out financial statements present fairly, in all material respects, the financial position of Parlophone Label Group as at March 31, 2013, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with IFRS as issued by the IASB.

Emphasis of Matter

Note 1 to the accompanying combined carve-out financial statements explains the basis of preparation, including the approach to and the purpose for preparing them. These combined carve-out financial statements were prepared for the purpose of meeting the requirements of Rule 3-05 of Regulation S-X of the Securities Act of 1933, as amended. Our opinion is not modified with respect to this matter.

KPMG LLP
London, United Kingdom
September 10, 2013

Combined Carve-out Statements of Income
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

	Note	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Revenue		295	371	368
Cost of sales and distribution costs		(159)	(208)	(212)
Gross profit		**136**	**163**	**156**
Operating expenses		(59)	(70)	(63)
Restructuring costs	*5*	(6)	(10)	(5)
Pension curtailment expense	*2, 19*	(312)	—	—
Net profit on disposal of assets	*2*	166	—	—
(Loss)/ profit from operations	*2*	**(75)**	**83**	**88**
Net finance charges:				
Finance income	*4*	32	26	7
Finance costs	*4*	(15)	(25)	(6)
Total net finance charges		**17**	**1**	**1**
(Loss)/ profit before taxation		**(58)**	**84**	**89**
Taxation:				
Overseas	*6*	(4)	(8)	(4)
UK	*6*	(13)	(27)	(28)
Total Taxation		**(17)**	**(35)**	**(32)**
(Loss)/ profit for the year		**(75)**	**49**	**57**
Attributable to:				
Equity holders of the parent companies		(75)	49	57
(Loss)/ profit for the year		**(75)**	**49**	**57**

The notes on pages **8** to **42** form part of these financial statements.

Combined Carve-out Statements of Comprehensive Income
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
(Loss)/profit for the year	(75)	49	57
Other comprehensive (loss)/income:			
Foreign exchange translation	(1)	(2)	1
Other comprehensive (loss)/income for the year	**(1)**	**(2)**	**1**
Total comprehensive (loss)/income for the year	**(76)**	**47**	**58**
Attributable to:			
Equity holders of the parent companies	(76)	47	58
Total comprehensive (loss)/income for the year	**(76)**	**47**	**58**

The notes on pages **8** to **42** form part of these financial statements.

Combined Carve-out Statements of Financial Position
As at 31 March 2013, 31 March 2012 and 31 March 2011

	Note	2013 £m	2012 £m	2011 £m
Assets				
Non-current assets				
Music catalogues	*7*	5	5	—
Goodwill	*8*	2	2	—
Property, plant and equipment	*9*	24	39	39
Deferred taxation	*16*	34	9	11
Other receivables	*10*	3	3	2
		68	**58**	**52**
Current assets				
Trade receivables	*10*	51	44	44
Advances	*10*	8	4	22
Corporation tax recoverable	*10*	—	—	1
Other receivables	*10*	18	36	26
Inter-division receivables	*10*	54	49	34
Financial assets	*14*	71	1,495	901
Inventories	*11*	1	2	2
Cash and cash equivalents	*12*	24	25	25
		227	**1,655**	**1,055**
Total assets		**295**	**1,713**	**1,107**
Liabilities				
Current liabilities				
Trade and other payables	*13*	(140)	(192)	(181)
Inter-division payables	*13*	(42)	(47)	(35)
Corporation tax payable	*13*	(41)	(29)	(25)
Financial liabilities	*14*	(330)	(818)	(335)
Other provisions for liabilities	*17*	(5)	(12)	(11)
		(558)	**(1,098)**	**(587)**
Non-current liabilities				
Other payables	*13*	(7)	(6)	(7)
Other financial liabilities	*14*	(13)	(214)	(216)
		(20)	**(220)**	**(223)**
Total liabilities		**(578)**	**(1,318)**	**(810)**
Net (liabilities)/assets		**(283)**	**395**	**297**
Invested equity		**(283)**	**395**	**297**

The notes on pages **8** to **42** form part of these financial statements.

Combined Carve-out Statements of Changes in Invested Equity
As at 31 March 2013, 31 March 2012 and 31 March 2011

	Invested equity £m
At 1 April 2010	**242**
Profit for the year	57
Other comprehensive income for the year	1
Dividends paid to external EMI entities	(3)
At 31 March 2011	**297**
Profit for the year	49
Other comprehensive loss for the year	(2)
Dividends paid to external EMI entities	(9)
Capital contributions	60
At 31 March 2012	**395**
Loss for the year	(75)
Other comprehensive loss for the year	(1)
Capital contributions	263
Dividends paid to external EMI entities	(3)
Distributions	(862)
At 31 March 2013	**(283)**

Distributions and Capital contributions relate to transactions between PLG entities and external EMI entities which have transferred value either into or out of PLG as explained in the Basis of preparation in Note 1.

The notes on pages **8** to **42** form part of these financial statements.

Combined Carve-out Statements of Cash Flows
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

	Note	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
(Loss) / profit before taxation		(58)	84	89
Net finance charges	*4*	(17)	(1)	(1)
Depreciation	*9*	7	7	7
Amortisation	*2, 7*	1	—	—
Pension curtailment expense		312	—	—
Gain on sale of assets		(166)	—	—
Change in inventories	*11*	1	—	—
Change in receivables		9	—	33
Change in payables		(66)	18	(31)
Change in provisions		(7)	1	(2)
Cash generated from operations		**16**	**109**	**95**
Tax paid		(6)	(2)	(2)
Net cash generated from operating activities		**10**	**107**	**93**
Cash flows from investing activities				
Purchase of businesses, net of cash acquired		(1)	(2)	—
Purchase of property, plant and equipment		(13)	(7)	(6)
Purchase of music catalogues and other intangibles		(1)	—	—
Net cash used in investing activities		**(15)**	**(9)**	**(6)**
Cash flows from financing activities				
Financing:				
Group dividends received/ (paid)		(1)	(8)	(3)
Cash changes in loan financing		6	(88)	(110)
Capital element of finance lease repayments		(1)	(2)	(2)
Net cash generated / (used) in financing activities		**4**	**(98)**	**(115)**
Net increase / (decrease) in cash and cash equivalents		(1)	—	(28)
Cash and cash equivalents at the beginning of the year		25	25	53
Cash and cash equivalents at the end of the year		**24**	**25**	**25**
Cash and cash equivalents at the end of the year are comprised of:				
Cash at bank and in hand	*12*	24	25	25
Cash and cash equivalents at the end of the year		**24**	**25**	**25**

The notes on pages **8** to **42** form part of these financial statements.

Notes to the Combined Carve-out Financial Statements
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

1. Significant accounting policies

Basis of preparation

The Parlophone Label Group ("PLG" or "the Group") as used in these Combined Carve-out Financial Statements comprises the following entities (the "PLG entities") which are the subject of a Share Sale & Purchase Agreement between certain affiliates of Universal Music Group and certain affiliates of Warner Music Group Corp. (collectively, "Warner Music Group") dated 6 February 2013 and which have historically operated as part of EMI Recorded Music. The entities are 100% owned unless otherwise stated.

Belgium
Parlophone Music Belgium BVBA (formerly EMI Music Belgium BVBA)

Czech Republic
EMI Czech Republic SRO

Denmark
Parlophone Music Denmark AS (formerly EMI Music Denmark A/S)

France
Parlophone Music France SAS (formerly EMI Music France SAS)
PlayOn SAS (51%)

Norway
Parlophone Group Norway AS (formerly EMI Group Norway AS)
Parlophone Music Norway AS (formerly EMI Music Norway AS)
Absolute Music AS

Poland
Parlophone Music Poland sp zoo (formerly EMI Music Poland sp.z.o.o.)
Duzy Dom Dystrybucyjny sp.z.o.o. (50%)

Portugal
Parlophone Group Portugal SGPS Lda (formerly EMI Group Portugal SGPS Lda)
Parlophone Music Portugal SGPS Lda (formerly EMI Music Portugal Lda)

Slovakia
Parlophone Slovak republic s.r.o (formerly EMI Slovakia Republic SRO)

Spain
Parlophone Music Spain SL (formerly EMI Music Spain SL)
Parlophone Hispavox SL (formerly EMI Torrelaguna SL)
Trimeca Estudios y producciones, S.L.U

Sweden
Parlophone Music Sweden AB (formerly EMI Music Sweden AB)
Grand Recordings Sweden AB
Eva Records HB (25%)

UK
PLG Holdco Limited ("PLG Holdco")
Parlophone Records Ltd (formerly EMI Records Limited)
Parlophone Music International Services Ltd (formerly EMI Music International Services Limited)
Chrysalis Records International Limited
Chrysalis Records Limited
Ensign Records Limited
Trooper Enterprises Limited (75.8%)
Food Limited
Music for Pleasure Limited
Erato Record Classics Ltd (formerly Virgin Record Classics Limited)

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

1. Significant accounting policies (continued)

Basis of preparation (continued)

Throughout the period presented in the Combined Carve-out Financial Statements, PLG did not exist as a separate, legally constituted Group. The Combined Carve-out Financial Statements have therefore been derived from the consolidated financial statements of EMI Group Worldwide Holdings Limited ("EMI") together with the financial statements of its subsidiaries and in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") to represent the financial position and performance of PLG on a standalone basis throughout that period. The directors of PLG Holdco determined that this presentation represents PLG most appropriately based on several factors, including (1) the scope of PLG is clearly defined within the above agreement; (2) the entities forming PLG have been under common control and management throughout the period covered by the financial statements; and (3) the approach is consistent with custom and practice in relation to broadly equivalent transactions within the US market.

The Combined Carve-out Financial Statements comprise an aggregation of the earnings, financial position and cash flows of the PLG entities after making such adjustments as were considered appropriate in relation to the items set out below.

1) Outstanding balances, investments, transactions and cash flows between PLG entities have been eliminated.

2) Investments held in non-PLG entities have been excluded, with any dividends received by the PLG entity or sale proceeds arising on their disposal to other non-PLG entities in the period covered by these Combined Carve-out Financial Statements, being treated as capital contributions within Invested Equity.

3) Amounts payable by PLG entities to non-PLG entities to acquire interests in entities already within the PLG boundary have been treated as distributions from Invested Equity.

All transactions between PLG and non-PLG entities are reflected in the Combined Carve-out Financial Statements as normal third party transactions. Any trading results in relation to artists' contracts or other assets which have been sold by PLG to non-PLG entities are included up to the point at which the sale of those assets occurred. Any profit or loss on the sale of those assets is also included. As a result of the way EMI operated in the past and the basis on which recharges have already been made between entities within EMI, it has not been deemed necessary to make reallocations of any expenses or other items between PLG and non-PLG entities. All transactions between PLG and other EMI entities are disclosed as related party transactions. Transactions and balances relating to EMI entities outside of PLG are referred to as "external EMI entities" throughout the Combined Carve-out Financial Statements.

The Combined Carve-out Financial Statements may not necessarily be indicative of PLG's financial position, results of operating activities or cash flows had it operated as a separate entity throughout the period presented or for future periods.

The Invested Equity balance within the Combined Carve-out Financial Statements represents the deficit or excess of total assets over total liabilities. The movements in Invested Equity throughout the period (including those movements relating to foreign exchange translation differences charged or credited directly to equity) are analysed within the Combined Carve-out Statements of Changes in Invested Equity, and Comprehensive Income. Given the nature of the financial statements, it is not possible to establish a separate balance for foreign exchange translation differences within the Invested Equity balance at 1 April 2010 and so no such split is provided.

For those entities located in countries where they were included in the tax grouping of other EMI entities within the same tax jurisdiction, the current tax payable or receivable of these PLG companies has been included in these Combined Carve-out Financial Statements on a separate return basis. Income tax payable or receivable includes amounts to be paid to or received via the EMI holding company in that country responsible for liaison with the relevant tax authority. For the purpose of the Combined Carve-out Financial Statements it is assumed that only the current year tax payments are outstanding. Where PLG tax liabilities have been settled by the surrender of tax losses by other EMI entities without any payment being made between those entities this has been treated as a capital contribution to PLG.

Material events which have occurred subsequent to 31 March 2013 are disclosed in note 24.

These Combined carve-out financial statements were authorized for issuance by an Executive Officer of Warner Music Group, who is duly authorized to provide this approval on behalf of PLG in such capacity (and not individually), on September 10, 2013.

All amounts are in millions of UK £ (Pounds Sterling) except for headcount figures or unless otherwise stated.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

1. Significant accounting policies (continued)

Going concern

Following the acquisition of EMI Group by Universal Music Group on 28 September 2012, the organization and funding structure of EMI Group was rationalised to simplify the divestment of PLG. This resulted in PLG having net liabilities as at 31 March 2013.

PLG's intermediate holding company, WMG Acquisition Corp. has indicated that it intends to provide PLG with sufficient funding to enable it to meet its liabilities as they fall due over a period of at least the next 12 months and as a result, the directors have adopted the going concern basis in preparing these financial statements.

Estimates

The preparation of the combined financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of the assets, liabilities, income and expenses. Actual results may differ from these estimates. A summary of the key estimates made and judgements taken in drawing up these financial statements is included in Note 23.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

None of the changes in estimates has a material effect on the Group's financial statements as at and for the years ended 31 March 2013, 31 March 2012 and 31 March 2011.

Foreign currency translation

At an entity level, transactions in foreign currencies are initially recorded in the functional currency at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the statements of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair values were determined.

On aggregation, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on aggregation, are translated into sterling at the rate of exchange ruling at the balance sheet date and their statements of income are translated at the average exchange rates for the period. The exchange differences arising on the retranslation of foreign operations are taken directly to a separate component of equity. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statements of income.

The average and period end exchange rates of the principle currencies used in preparing these financial statements are as follows:

	As at 31 March 2013	**Year ended 31 March 2013**	**As at 31 March 2012**	**Year ended 31 March 2012**	**As at 31 March 2011**	**Year ended 31 March 2011**
US Dollar to £1	1.52	1.56	1.60	1.60	1.60	1.60
Euro to £1	1.18	1.21	1.20	1.20	1.13	1.13

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

1. Significant accounting policies (continued)

Business combinations and goodwill

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquisition; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquisition; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

For an asset, such as goodwill, that does not generate largely independent cash flows, the recoverable amount, which is the higher of fair value less cost to sell and value in use, is determined for the smallest identifiable Group of assets including that asset that generates cash inflows that are largely independent of the cash inflows from other assets or Groups of assets (a 'cash generating unit').

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses.

Intangible assets acquired separately from a business are capitalised at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights, and its fair value can be measured reliably.

Following initial recognition, intangible assets with finite lives are amortised on a straight line basis over their estimated useful lives. These lives are estimated on an individual asset by asset basis, within the following limits:

Music catalogues	Up to 10 years

Intangible assets are tested for impairment at each balance sheet date if events or changes in circumstances indicate that the carrying value may not be recoverable. Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Intangible assets created within the businesses that cannot be distinguished from the cost of developing the business as a whole are not capitalised. Any relevant expenditure is charged against profit from operations in the period in which the expenditure is incurred.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

1. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis to write off the cost, less residual value, of assets over the estimated useful life of the asset. The useful lives used are:

Freehold buildings	Up to 50 years
Property held under finance leases and leasehold improvements	Lower of lease term and useful life
Plant, equipment and vehicles	3 – 10 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Where an indicator of impairment exists, the Group makes an estimate of the recoverable amount, which is the higher of the asset's fair value less costs to sell and value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the statements of income in the period in which the item is derecognised.

Leases

Assets which are held under a finance lease, which transfers to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the lease liability. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statements of income on a straight line basis over the lease term.

Financial assets

Financial assets are recognised when the Group becomes party to the contracts that give rise to them and are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, or as available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, being the transaction price and in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. All financial assets relate to external EMI entities.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is based on the weighted average method and includes expenditure incurred in acquiring the inventories, production and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Advances

In the ordinary course of business the Group pays advances and other expenses recoupable from future royalties to performing artists, producers and third party repertoire owners. The amounts paid are carried at cost less recoupment and less an allowance for any un-recoupable amounts. The allowance is based on past revenue performance, current popularity and projected revenue.

Advances are recoupable during the business operating cycle. All advances are therefore reported as current assets, including advances recoupable more than 12 months after the balance sheet date.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

1. Significant accounting policies (continued)

Trade receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at the originally invoiced amount less an allowance for any doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the combined cash flow statement, cash and cash equivalents consist of cash at bank and in hand and short-term deposits net of outstanding bank overdrafts.

Financial liabilities

Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of directly attributable transaction costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any directly attributable transaction costs associated with issuing the liability, as well as any discount or premium on settlement. Gains and losses on derecognition are recognised in finance charges.

Debt for equity swaps that are performed on the behalf of a shareholder are accounted for at book value with no gain or loss recognised in the statement of income or reserves.

Foreign currency denominated financial liabilities are used to fund subsidiary operations where the foreign currency is the primary currency used for operational activity.

Borrowings are classified as current when the borrowings are due to be settled within the next 12 months after the reporting date or when the Company does not have the unconditional right to defer settlement for at least 12 months after the reporting date. All other borrowings are classified as non-current.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

1. Significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statements of income net of any reimbursement. If the effect of the time value of money on the quantification of the provision is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Pensions and other employee benefits

The Group operates a number of defined contribution schemes. Contributions to defined contribution schemes are charged to the statement of income as incurred.

In addition, there is only one material defined benefit pension scheme arrangement in which the Group has participated. Parlophone Records Limited (formerly EMI Records Limited) was a member of the EMI Group Pension Fund (UK Fund) until its closure in May 2012.

EMI Group Limited (an external EMI entity) is the sponsoring employer of the above EMI group wide defined benefit pension plan. As there is no contractual agreement or group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer. The Group recognises a cost equal to its contributions payable.

Employee benefits other than post-employment benefits that can be carried forward if they have not been used are accrued as they are earned until the benefit is paid or used. Those employee benefits that are foregone if not taken at the time are expensed when incurred.

The cost of meeting payments under employee bonus schemes (other than share based payments) is accrued during the period to which any entitlement relates, based upon the expected ultimate payment and the proportion of the entitlement period which has elapsed. Bonuses which are triggered based solely on the occurrence of an uncertain future event are accrued only when the triggering event has occurred.

Further information on the UK Fund defined benefit scheme that Parlophone Records Ltd (formerly EMI Records Limited) was a member of is presented in Note 25.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

1. Significant accounting policies (continued)

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- Sale of goods: revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, i.e. on despatch, and can be reliably measured. Revenue is measured at fair value after making provision in respect of expected future returns of goods and services supplied by the Group prior to the balance sheet date;
- Copyright, royalty, license and other income, including guaranteed access agreements: revenue is recognised based on the contractual arrangements entered into with third parties, which allow them to exploit the Group's intellectual property in return for a fee. Where the fees due to the Group are dependent upon usage, revenue is recognised based upon that usage. Where no reliable basis is available for estimating such usage, revenue is recognised when reported to the Group by third parties. When revenue relates to a long term contract, revenue is recognised over the life of the contract as revenue is earned.

Where an agreement is, in substance, an outright sale, income is recognised as revenue immediately. For an outright sale to have occurred, the licensee must have signed a non-cancellable contract, paid a fixed fee which is not subject to adjustment based on future usage, been provided with the means to freely exploit its contractual rights, and have no significant ongoing reliance on the Group (as the Licensor) to perform any other delivery obligations. In addition, the artist royalty cost associated with the income must have been accurately quantified.

Revenue is measured with reference to its separate components where components are identified which have stand alone value to its customers and the fair value of these components can be measured reliably.

Interest income is recognised when it has been earned and can be reliably measured.

Distribution costs

The Group believes that distribution costs are largely variable in nature and as such are considered to be part of the gross margin of the business.

Finance charges

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method and net foreign exchange losses.

Finance income comprises interest receivable on funds invested calculated using the effective interest rate method, dividend income, net foreign exchange gains and gains on derivative instruments.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

1. Significant accounting policies (continued)

Income tax

For those entities located in countries where they were included in the tax grouping of other EMI entities within the same tax jurisdiction, the current tax payable or receivable of these PLG companies has been included in these Combined Carve-out Financial Statements on a separate return basis. Income tax payable or receivable includes amounts to be paid to or received via the EMI holding company in that country responsible for liaison with the relevant tax authority. For the purpose of the Combined Carve-out Financial Statements it is assumed that only the current year tax payments are outstanding. Where PLG tax liabilities have been settled by the surrender of tax losses by other EMI entities without any payment being made between those entities this has been treated as a capital contribution to PLG.

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base. The following temporary differences are not provided for: the initial recognition of goodwill or of assets or liabilities that affect neither accounting nor taxable profit that is not a business combination, and temporary differences relating to investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and to the extent that it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

New standards and interpretations not yet adopted

The following relevant new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2013, and have not been applied in preparing these combined financial statements. The Group is currently assessing the impact of these improvements to its financial statements; however, their adoption is not expected to have a material effect on the financial statements:

IFRS 9 Financial Instruments

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IFRS 13 Fair Value Measurement

Defined Benefit Plans – Amendments to IAS 19

Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

Annual Improvements to IFRSs – 2009-2011 Cycle

Offsetting Financial Assets and Financial Liabilities - Amendment to IAS 32

Recoverable amount disclosures for non-financial assets - Amendment to IAS 36

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

2. Profit from operations

The following items have been included in arriving at loss or profit from operations:

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Staff Costs (see note 3)	69	67	69
Write down of inventories (included in cost of sales) (see note 11)	—	1	1
Depreciation of property, plant and equipment (see note 9):			
Owned Assets	6	6	6
Leased Assets	1	1	1
Amortisation of music catalogues (see note 7)	1	—	—
Operating lease expense	1	2	2
Pension curtailment expense (see note 19)	(312)	—	—
Net profit on disposal of assets	166	—	—

Profit on disposal of assets relates to the sale of various assets including the Beatles Recording rights, Abbey Road Studios, investment in Spotify, the NOW! compilation business, Robbie Williams and other Virgin Records artists' recorded music contracts to external EMI entities in order to prepare for the sale of the Group.

3. Director and employee costs

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Wages and salaries	56	52	55
Social Security costs	10	10	8
Pension costs	3	4	3
Termination and other payments	—	1	3
	69	**67**	**69**

The average number of persons employed by the Group (including Directors) during the period was as follows:

	Year ended 31 March 2013	Year ended 31 March 2012	Year ended 31 March 2011
Average employees	791	777	797

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

3. Director and employee costs (continued)

Key management personnel

The aggregate cost of the key management of the Group is as follows:

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Salaries & short-term employee benefits	3	2	1

Key management personnel, comprised of the senior PLG management team, employed during the year totalled 2 (2012 and 2011: 2).

4. Net finance charges

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Finance Income:			
Other interest income	—	—	2
Total interest income	**—**	**—**	**2**
Interest income from external EMI entities	19	26	3
Foreign exchange gain on foreign currency borrowings	13	—	2
Total finance income	**32**	**26**	**7**
Finance costs:			
Other interest cost	—	(1)	(4)
Total interest costs		**(1)**	**(4)**
Interest cost to external EMI entities	(15)	(12)	(2)
Foreign exchange loss on foreign currency borrowings	—	(12)	—
Total finance costs	**(15)**	**(25)**	**(6)**
Total net finance income	**17**	**1**	**1**

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

5. Restructuring costs

The restructuring costs included within loss or profit before taxation are as follows:

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Restructuring costs	6	10	5

The restructuring initiatives in each year included redundancy and other costs following staff reductions as well as staff retention costs.

6. Taxation

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Current period	43	32	31
Current tax expense for the period	43	32	31
Deferred tax (income) / expense			
Deferred tax (income) / expense	(28)	—	(1)
Reduction in tax rates	—	(1)	—
Tax losses	2	4	2
Total deferred tax (credit)/ charge (note 16)	(26)	3	1
Total taxation charge	**17**	**35**	**32**

A difference exists between the taxation charge recognised in the accounts and the theoretical charge calculated using the company's statutory tax rate. This arises from local tax rates applied to the results.

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
(Loss)/ profit before tax	(58)	84	89
Tax calculated at the UK tax rate applicable to profits in the respective countries	(14)	22	25
Expenses not deductible for tax / (income not chargeable to tax)			
Pension contribution	39	—	—
Others	(11)	11	6
Reduction in tax rates	—	(1)	—
Additional withholding tax incurred	1	1	1
Tax rates of subsidiaries operating in other jurisdictions	2	2	—
Total tax charge in the income statement	**17**	**35**	**32**

On 23 March 2011, a Bill passed by Parliament in the United Kingdom reduced the main rate of corporation tax from 28% to 26% from 1 April 2011. Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

The movement to 20% will reduce the company's future current tax charge accordingly and reduce the deferred tax asset at 31 March 2013 (which has been calculated based on the rate of 23% substantively enacted at the balance sheet date) by £4 million.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

7. Music catalogues

	Music catalogues £m
Cost	
At 1 April 2010	18
Currency retranslation	—
At 31 March 2011	**18**
Additions	5
Currency retranslation	(1)
At 31 March 2012	**22**
Additions	1
Currency retranslation	—
At 31 March 2013	**23**
Amortisation and impairment	
At 1 April 2010	18
Amortisation charge for the year	—
Currency retranslation	—
At 31 March 2011	**18**
Amortisation charge for the year	—
Currency retranslation	(1)
At 31 March 2012	**17**
Amortisation charge for the year	1
Currency retranslation	—
At 31 March 2013	**18**
Net book value	
At 31 March 2010	—
At 31 March 2011	—
At 31 March 2012	5
At 31 March 2013	5

Artists' and songwriters' contracts relate to legally enforceable contractual agreements.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

8. Goodwill

	Goodwill £m
At 1 April 2010	—
At 31 March 2011	—
Acquisitions	2
At 31 March 2012	**2**
Acquisitions	—
At 31 March 2013	**2**

No impairment expense has been recognised in the years ended 31 March 2013, 2012 or 2011 as a result of annual impairment testing.

Acquisitions in the period to 31 March 2012

In January 2012, the Group (via EMI Music France SAS) acquired 51% of the ordinary shares in PlayOn SARL for €4.1 million (£3.5 million), satisfied in cash and deferred consideration, with a put/call option with a fair value of €3.9 million (£3.3 million) to acquire the remaining 49%. The option is exercisable by either party and is expected to be exercised. The company operates as a music label and was acquired due to its success as an independent label in France and to acquire its accomplished artists. In the three months to March 2012 the subsidiary contributed a net loss of €0.1 million (£0.1 million) to the combined net profit for the year.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities.

	Recognised values on acquisition £m
Acquiree's net assets at the acquisition date:	
Intangible assets	4
Other assets	1
Net identifiable assets and liabilities	**5**
Consideration paid:	
Initial cash price paid	2
Deferred consideration at fair value	2
Put/call option	3
Total consideration at fair value	**7**
Goodwill on acquisition	**2**

Acquisitions in the period to 31 March 2013

During the period ended March 2013, the Group (via EMI Music Spain SL) acquired Trimeca Estudios producciones, S.L.U. The acquisition was not considered to be a business combination since it is a shell company holding an artist contract and therefore, it has been treated as an artist advance contract.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

9. Property, plant and equipment

	Freehold property £m	Leasehold property £m	Plant, equipment and vehicles £m	Total £m
Cost				
At 1 April 2010	7	29	96	132
Additions	—	—	6	6
Currency retranslation and reclassification	—	—	—	—
At 31 March 2011	**7**	**29**	**102**	**138**
Additions	1	—	6	7
Currency retranslation and reclassification	—	(2)	(1)	(3)
At 31 March 2012	**8**	**27**	**107**	**142**
Additions	—	—	13	13
Disposals	(3)	(4)	—	(7)
Disposals to external EMI entities	—	—	(77)	(77)
Currency retranslation and reclassification	(2)	1	2	1
At 31 March 2013	**3**	**24**	**45**	**72**
Accumulated depreciation and impairment				
At 31 March 2010	3	4	85	92
Depreciation charge for the year	—	1	6	7
Currency retranslation and reclassification	—	—	—	—
At 31 March 2011	**3**	**5**	**91**	**99**
Depreciation charge for the year	1	1	5	7
Currency retranslation and reclassification	—	—	(3)	(3)
At 31 March 2012	**4**	**6**	**93**	**103**
Depreciation charge for the year	—	1	6	7
Additions	—	—	—	—
Disposals	(1)	(2)	—	(3)
Disposals to external EMI entities	—	—	(59)	(59)
Currency retranslation and reclassification	(1)	(2)	3	—
At 31 March 2013	**2**	**3**	**43**	**48**
Net book value				
At 31 March 2010	4	25	11	40
At 31 March 2011	4	24	11	39
At 31 March 2012	4	21	14	39
At 31 March 2013	1	21	2	24

The carrying values of property, plant and equipment include the following:

	Leasehold property			Plant, equipment and vehicles		
	31 March 2013 £m	31 March 2012 £m	31 March 2011 £m	31 March 2013 £m	31 March 2012 £m	31 March 2011 £m
Finance lease assets	21	21	24	—	—	—

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

10. Trade and other receivables

		Year ended 31 March 2013 £m		Year ended 31 March 2012 £m		Year ended 31 March 2011 £m
Current receivables:						
Trade receivables		51		44		44
Advances		8		4		22
Corporation tax recoverable		—		—		1
Other receivables:						
Trade debtors collected on behalf of external EMI entities	16		9		2	
Amounts owed by external EMI entities	38		40		32	
Other debtors	5		7		9	
Prepayments and accrued income	13		29		17	
		72		85		60
Total current receivables		**131**		**133**		**127**
Non current receivables:						
Prepayments, accrued income and other debtors		3		3		2
Total		**134**		**136**		**129**

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables excluding corporation tax recoverable, where there is a contracted right to receive cash, are disclosed in Note 18.

11. Inventories

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Finished goods	1	2	2

During the year the Group has written down inventories by nil (2012: £1 million; 2011: £1 million).

12. Cash and cash equivalents

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Cash at bank and in hand	20	21	22
Short-term deposits	4	4	3
Cash and cash equivalents	**24**	**25**	**25**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are ordinarily made for periods varying between one day and one month, although can extend to periods of up to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The Group has balances of cash and cash equivalents totalling £13 million (2012: £9 million; 2011: £15 million) held with banks within the UK and £11 million (2012: £16 million; 2011: £10 million) held with banks outside, but freely transferable to the UK. The Group does not have any cash and cash equivalents held with banks outside the UK, but not freely transferable back to the UK.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

13. Trade and other payables

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Current payables:			
Trade payables	24	35	25
Royalties and fees payable	83	111	100
Corporation tax payable	41	29	25
Other taxes including VAT and social security costs	2	3	1
Other payables	3	4	2
Accruals and deferred income	28	39	53
Trade creditors paid on behalf of external EMI entities	16	6	2
Amounts owed to external EMI entities	26	41	33
Total current payables	**223**	**268**	**241**
Non current payables:			
Other payables	7	6	7
Total payables	**230**	**274**	**248**

The Group's exposure to currency and liquidity risks related to trade and other payables, excluding corporate tax payable and other taxes, where there is a contracted obligation to pay cash, are disclosed in Note 18.

14. Loans and borrowings

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Financial assets			
Loans—external EMI entities	71	1,495	901
Current	**71**	**1,495**	**901**
Loans—external EMI entities	—	—	—
Non-current	**—**	**—**	**—**
Total financial assets	**71**	**1,495**	**901**
Financial liabilities			
Loans—external EMI entities	(329)	(816)	(333)
Finance leases (note 15)	(1)	(2)	(2)
Current	**(330)**	**(818)**	**(335)**
Redeemable preference shares	—	(200)	(200)
Finance leases (note 15)	(13)	(14)	(16)
Non-current	**(13)**	**(214)**	**(216)**
Total financial liabilities	**(343)**	**(1,032)**	**(551)**
Net financial (liabilities)/ assets	**(272)**	**463**	**350**

At 31 March 2012 and 31 March 2011, EMI Group Holdings (UK) Ltd (an external EMI entity) held £200 million cumulative redeemable non-voting preference shares in Parlophone Records Limited (formerly EMI Records Limited). On 20 December 2012, the preference shares were transferred through the holding entities to EMI Limited at which point the preference shares were converted to 200 million £1 ordinary shares. In line with the Basis of preparation as set out in Note 1 this gave rise to a capital contribution to the Group of £200 million on that date.

Loan balances with external EMI entities are repayable on demand. Loan facilities are mainly interest bearing, with the exception of certain loan positions between UK entities that are interest free.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

15. Obligations under finance leases

Minimum lease payments	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Amounts payable under finance leases:			
Within one year	1	2	2
Between one and five years	13	14	6
After more than five years	—	—	10
Present value of lease obligations	**14**	**16**	**18**
Less: Current portion (shown under current liabilities)	(1)	(2)	(2)
Non-current portion	**13**	**14**	**16**

The finance lease at 31 March 2013, 2012 and 2011 was a sale and leaseback scheme relating to a property in Rue Mont Cenis, Paris. The lease runs for a term of 15 years, although the Group has the option to repurchase the property at any time between years five and twelve. If the Group opts not to take up this option, then ownership of the property will revert to the lessor at the end of the lease however it is expected that this option will be exercised.

16. Deferred taxation

The major deferred tax assets and liabilities recognised by the Group and the movements thereon, are as follows:

Deferred tax assets

	Property, plant and equipment £m	Tax losses £m	Pension assets £m	Other £m	Total £m
At 1 April 2010	—	12	—	—	12
(Charge)/credit to income statement for the year	—	(2)	—	1	(1)
At 31 March 2011	**—**	**10**	**—**	**1**	**11**
(Charge)/credit to income statement for the year	—	(3)	—	—	(3)
Currency retranslation	—	1	—	—	1
At 31 March 2012	**—**	**8**	**—**	**1**	**9**
(Charge)/credit to income statement for the year	2	(2)	26	—	26
Currency retranslation	—	(1)	—	—	(1)
At 31 March 2013	**2**	**5**	**26**	**1**	**34**

See note 6 for deferred taxation commentary.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

17. Other provisions for liabilities and charges

	Restructuring £m	Trading £m	Total £m
Current			
At 31 March 2010	3	10	13
Provisions utilised	(3)	(3)	(6)
Charged in the year	1	4	5
Provision released in the year	—	(1)	(1)
At 31 March 2011	**1**	**10**	**11**
Provisions utilised	(1)	(4)	(5)
Charged in the year	3	3	6
At 31 March 2012	**3**	**9**	**12**
Provisions utilised	(4)	(3)	(7)
Charged in the year	—	3	3
Provision released in the year	1	—	1
Disposal of provision to external EMI entities	—	(4)	(4)
At 31 March 2013	**—**	**5**	**5**

Trading provisions include royalty audit claims and legal and other provisions charged through loss or profit from operations. The restructuring provision relates primarily to employee termination and retention costs.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

18. Financial instruments

Fair values

There are no financial assets and liabilities recognised at fair value through profit and loss at 31 March 2013, 31 March 2012 or 31 March 2011.

The fair values for each class of financial asset and financial liability, together with their carrying amounts shown in the balance sheet are as follows:

	Carrying amount			Fair value		
	31 March 2013 £m	31 March 2012 £m	31 March 2011 £m	31 March 2013 £m	31 March 2012 £m	31 March 2011 £m
Cash and cash equivalents (note 12)	24	25	25	24	25	25
Loans—external EMI entities (note 14)	71	1,495	901	71	1,495	901
Trade and other receivables (note 10)	118	104	109	118	104	109
Total loans and receivables	213	1,624	1,035	213	1,624	1,035
Total financial assets	213	1,624	1,035	213	1,624	1,035
Loans—external EMI entities (note 14)	(329)	(816)	(333)	(329)	(816)	(333)
Redeemable preference shares (note 14)	—	(200)	(200)	—	(200)	(200)
Obligations under finance leases (note 15)	(14)	(16)	(18)	(14)	(16)	(18)
Total borrowings	(343)	(1,032)	(551)	(343)	(1,032)	(551)
Trade and other payables (note 13)	(159)	(203)	(169)	(159)	(203)	(169)
Total financial liabilities measured at amortised cost	(502)	(1,235)	(720)	(502)	(1,235)	(720)
Total financial liabilities	(502)	(1,235)	(720)	(502)	(1,235)	(720)
Net financial (liabilities)/ assets	(289)	389	315	(289)	389	315

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

18. Financial instruments (continued)

Fair values (continued)

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand, the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date, if material.

Interest-bearing borrowings

The fair value of interest-bearing borrowings, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

There has been no change in valuation technique over the financial periods.

Risk

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk including interest rate and foreign currency risk

This note presents information about the Group's exposure to the above risks, as well as outlining the Group's objectives, policies and processes for measuring and managing financial risks.

Credit risk

Credit or counterparty risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group's objectives in relation to credit risk are to minimise the likelihood that the Group will experience financial loss due to counter party failure and to ensure that in the event of a single loss, the failure of any single counterparty would not materially impact the financial wellbeing of the Group.

The Group does not have a significant credit risk relating to amounts owed by external EMI entities. These represent amounts due from other subsidiaries of the common control EMI Group, are repayable on demand and have always been settled as required. On completion of the PLG sale all intercompany balances will be settled as part of the completion mechanism.

Trade receivables are assessed for risk of default by customers and terms of trade are adjusted accordingly. Receivables are insured on risk and cost grounds.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

18. Financial instruments (continued)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £233 million (2012: £1,632 million, 2011: £1,032 million) being the total of the carrying amount of financial assets shown in the previous fair value comparison table.

The ageing of external trade receivables at the balance sheet date was as follows:

	Gross receivable			Provision		
	31 March 2013 £m	31 March 2012 £m	31 March 2011 £m	31 March 2013 £m	31 March 2012 £m	31 March 2011 £m
Not past due	43	46	34	—	(3)	—
Past due 0-30 days	3	—	9	(3)	(2)	—
Past due 31-120 days	2	1	1	(1)	—	—
More than 120 days	13	9	16	(6)	(7)	(16)
Total	61	56	60	(10)	(12)	(16)

Based on historic default rates, the group believes that, apart from the above, no impairment allowance is necessary in respect of external trade receivables.

The movement in the provision for bad debts in respect of the external trade receivables during the year was as follows:

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
At beginning of the period	12	16	14
Charged to the income statement during the period.	(2)	(4)	2
At end of period	**10**	**12**	**16**

The maximum exposure to credit risk of the external trade receivables by geographic region was as follows:

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
United Kingdom	22	18	27
Rest of Europe	29	26	17
	51	**44**	**44**

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's primary financial liabilities relate to amounts owed to external EMI entities, whilst the Group's primary financial assets relate to amounts owed to external EMI entities.

As demonstrated by the net financial assets/ liabilities in note 14, the Group has historically been a net contributor to the broader common control EMI Group.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

18. Financial instruments (continued)

Liquidity risk (continued)

These amounts formed part of a broader liquidity policy by the common control EMI Group. EMI Group's policy was to manage liquidity to ensure, as far as possible, that it always had sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the EMI Group. The EMI Group was reliant on committed funding at EMI Group and subsidiary company level to meet the anticipated needs of the EMI Group for the period covered by the EMI Group's budget.

Following the acquisition of EMI Group by Universal Music Group on 28 September 2012, the organisation and funding structure of EMI Group was rationalised to simplify the divestment of the Parlophone Label Group.

This has resulted in PLG becoming a net liability group (see basis of preparation in note 1). As at 31 March 2013 and prior to the Group's disposal on 1 July 2013, the Universal Music Group committed to continue to fund the Group. Subsequent to disposal, the acquirers, Warner Music Group, committed to continue to fund the Group.

The Group forecasts on a regular basis the expected cash flows that will occur on a weekly and monthly basis. This information is used in conjunction with the weekly reporting of actual cash balances at bank in order to calculate the level of funding that will be required in the short and medium term.

The contractual cash flows of financial liabilities on an undiscounted basis, including interest payments is shown in the table below (interest on redeemable preference shares were waived in each respective period).

2013	Carrying amount £m	Total contractual cash flows £m	1 year or less £m	1 to 2 years £m	2 to 5 years £m	5 years and over £m
Redeemable preference shares	—	—	—	—	—	—
Loans—external EMI entities	329	329	329	—	—	—
Obligations under finance leases	14	14	1	1	12	—
Trade and other payables	159	159	148	7	1	3
Total financial liabilities	**502**	**502**	**478**	**8**	**13**	**3**

2012	Carrying amount £m	Total contractual cash flows £m	1 year or less £m	1 to 2 years £m	2 to 5 years £m	5 years and over £m
Redeemable preference shares	200	200	—	—	—	200
Loans—external EMI entities	816	816	816	—	—	—
Obligations under finance leases	16	16	2	2	12	—
Trade and other payables	203	203	194	5	1	4
Total financial liabilities	**1,235**	**1,235**	**1,012**	**7**	**13**	**204**

2011	Carrying amount £m	Total contractual cash flows £m	1 year or less £m	1 to 2 years £m	2 to 5 years £m	5 years and over £m
Redeemable preference shares	200	200	—	—	—	200
Loans—external EMI entities	333	333	333	—	—	—
Obligations under finance leases	18	18	2	2	4	10
Trade and other payables	170	170	164	1	1	4
Total financial liabilities	**721**	**721**	**499**	**3**	**5**	**214**

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

18. Financial instruments (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within an acceptable range.

Foreign currency risk

The Group manages currency risk with the objective of maximising the hedging effect that derives from the diversity of the Group's operations whilst avoiding creating currency exposure in addition to that derived from the Group's underlying position.

The Group is exposed to currency risk in respect to sales and purchases. A global netting system is used to minimise transaction costs associated with the sale and purchase of foreign currency to finance purchases and sales.

Historically, within the broader EMI Group, loans have been made between the UK central entity and global subsidiaries. To minimise the exposure of purchasing currency at spot rates, small currency balances were maintained to fund local currency requirements.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily GBP and Euros. This provides an economic hedge without the need for entering into foreign exchange derivatives.

The analysis of principal financial assets and liabilities by major currency is as follows:

	Euro			Sterling		
	Year ended 31 March 2013	Year ended 31 March 2012	Year ended 31 March 2011	Year ended 31 March 2013	Year ended 31 March 2012	Year ended 31 March 2011
	€m	€m	€m	£m	£m	£m
Financial Liabilities—Loans from external EMI entities	—	(1)	(1)	(316)	(808)	(321)
Financial Assets—Loans to external EMI entities	51	377	216	21	1,162	699
Cash and cash equivalents	8	10	12	12	9	10
Receivables	42	41	37	71	76	75
Payables	(66)	(77)	(63)	(94)	(135)	(106)
	35	**350**	**201**	**(306)**	**304**	**357**

A five per cent strengthening of the Euro against the pound sterling at 31 March 2013 would have decreased the foreign exchange reserve within equity by £1 million (2012: increased the foreign exchange reserve within equity by £4 million; 2011: increased the foreign exchange reserve within equity by £2 million) and decreased the loss by £3 million (2012: increased profit by £12 million; 2011: increased profit by £8 million). A five per cent weakening of the Euro against the pound sterling at 31 March 2013 would have increased the foreign exchange reserve within equity by £1 million (2012: decreased the foreign exchange reserve within equity by £3 million; 2011: decreased the foreign exchange reserve within equity by £2 million) and increased the loss by £3 million (2012: decreased the loss by £11 million; 2011: decreased the loss by £7 million). These calculations assume that all other variables remain constant.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

18. Financial instruments (continued)

Interest rate risk

Loan facilities of the Group are at fixed interest rates although there are certain loan positions between UK entities that are interest free. The only exceptions to this are new cash management loan positions since 28 September 2012 when Universal Music Group acquired the broader EMI Group. These variable rates are not materially impacted by likely forecast interest rate movements.

Hence the Group is not presently exposed to interest rate risk on its financing facilities.

An analysis of the significant interest bearing loan facilities is as follows:

		Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Floating debt	GBP	(33)	—	—
Floating debt	EUR	43	—	—
Fixed debt	GBP	(207)	(71)	(11)
Fixed debt	EUR	—	314	191
		(197)	**243**	**180**

Capital management

The Group's capital management policy is determined by the Group's parent (which has changed over the accounting periods presented). See liquidity risk disclosures.

In all cases, the objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and have funds available for business uncertainties.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

19. Pensions

There is only one significant defined benefit pension scheme arrangement in which the Group has participated. Parlophone Records Limited (formerly EMI Records Limited) was a member of the broader EMI Group Pension Fund (UK Fund).

EMI Group Limited (an external EMI entity) is the sponsoring employer of the above group wide defined benefit pension plan. As there is no contractual agreement or group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer. The Group recognises a cost equal to its contributions payable.

On 15 May 2012, after a period of consultation, an agreement was reached between EMI Group and the employee members of the UK defined benefit pension scheme and the scheme was closed to future accrual as of 30 June 2012. All members transferred into a new defined contribution scheme. The closure of the plan did not impact current pensioners, or the benefits already accrued by current employees who were still contributing to the scheme.

Separately, at the end of August 2012, ownership of the UK defined benefit pension scheme was transferred out of the EMI Group to Citigroup (the sale of the EMI Recorded Music business was conditional on Citigroup taking over the responsibility for EMI's UK defined benefits pension scheme). As part of this transfer, Parlophone Records Ltd (formerly EMI Records Limited), made a £150 million contribution to the UK pension fund, and an additional payment of $257 million (USD) (£162 million) to Citigroup for taking on the UK defined benefit pension obligation. The total of these payments was £312 million.

The total cost of contributions made by Parlophone Records Ltd (formerly EMI Records Limited) relating to the UK Fund was £312 million during the year ended 31 March 2013, £2 million during the year ended 31 March 2012 and £1 million during the year ended 31 March 2011.

Further information on the UK Fund defined benefit scheme that Parlophone Records Limited (formerly EMI Records Limited) was a member of is presented in Note 25.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

20. Lease commitments

Commitments under operating leases were as follows:

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Operating leases:			
In the first year	1	1	1
In the second to fifth years inclusive	1	2	3
After the fifth year	—	1	2
Total	**2**	**4**	**6**

21. Contingent liabilities

The Group is not aware of any significant legal or arbitration proceedings, pending or threatened, against any member of the Group which may result in a liability materially in excess of the provision in the financial statements.

There are no legal or arbitration proceedings involving members of the Group which, so far as the Group is aware, may have a material effect on the financial position of the Group.

Advance commitments

The Group has commitments, which are largely performance related, to pay advances to artists and repertoire owners amounting to approximately £45 million at 31 March 2013 (2012: £43 million, 2011: £53 million).

Tax

The Group operates in several European countries and is subject to a wide range of complex tax laws and regulations. At any point in time it is normal for there to be a number of open years in any particular territory which may be subject to enquiry by local authorities. Where the effect of the laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid on past profits which are recognised in the financial statements. The Group considers the estimates, assumptions and judgements to be reasonable but this can involve complex issues which may take a number of years to resolve. The final determination of prior year tax liabilities could be different from the estimates reflected in the financial statements.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

22. Related party transactions

	2013 £m	2012 £m	2011 £m
Statement of financial position			
Interdivisional balances receivable from external EMI entities	38	40	32
Interdivisional balances payable to external EMI entities	(26)	(41)	(33)
Financial assets receivable from external EMI entities	71	1,495	901
Financial liabilities payable to external EMI entities	(329)	(816)	(333)
Income statement			
Interdivisional revenue from external EMI entities	69	76	54
Interdivisional costs to external EMI entities	(73)	(79)	(62)
Net management charges to external EMI entities	14	8	5
Interest receivable from external EMI entities	19	26	3
Interest payable to external EMI entities	(15)	(12)	(2)

Compensation to key management personnel (including Directors)

See note 3 for disclosures in respect of compensation to key management personnel.

Sale of assets to external EMI entities

During the year the Group recognised a profit of £199 million relating to the disposal of various assets at fair market value including the Beatles Recording rights, Abbey Road Studios, investment in Spotify, the NOW! compilation business, Robbie Williams and other Virgin Records artists' recorded music contracts. As per the basis of preparation, £33 million has been recognised within Invested Equity.

The Group also disposed of property, plant and equipment with a carrying value of £18 million to external EMI entities.

All disposals were based on externally prepared valuations and were considered to be at arm's length.

Defined benefit pension plans

As discussed in note 19, there is only one material defined benefit pension scheme arrangement in which the Group participated. This has now been closed. See note 19 for further details.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

23. Accounting estimates and judgements

The Group prepares its combined financial statements in accordance with IFRS as issued by the IASB, which require management to make judgements, estimates and assumptions which affect the application of the accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates change and in any future periods.

The following areas are considered to involve a significant degree of judgement or estimation:

Artists' advances

The Group regularly commits to, and pays advances to artists in respect of their anticipated future sales. These advances are capitalised as assets when management believes that the advances are fully recoverable from future royalties to be earned by the artist.

The decision to capitalise an advance requires significant judgement as to the recoverability of these advances. Each advance is assessed upon initial commitment and at each reporting date, based on management's forecast of anticipated revenues from the sale of existing and future products, taking into account the current and past popularity of the artist, the historic sales of previous products and other relevant information.

Based on this information, management expenses advances which it believes are not recoverable; all royalty advances to artists without a history of commercial success are expensed immediately. All advances carried on the balance sheet are at each reporting date assessed for recoverability.

Revenue recognition

Some contracts which the Group enters into cover a period of several years and generate revenue from a range of different rights granted to counterparties. In assessing whether different rights should be treated as separate income streams and whether the revenue recognition triggers for each income stream have been achieved, the Group makes reference to its stated accounting policies and where necessary applies its judgement to assess the appropriate approach for each contract.

Sales returns provisions

In accordance with market practice in the music industry, the Group sells certain physical products to customers with the right to return certain unsold items. The Group recognises revenues from such sales at invoiced value after making provision in respect of expected future returns of goods supplied. In determining the level of returns provisioning, management is required to estimate the value of sales which may be returned, by analysing historic return trends, assessing the current economic trends, and estimating the future customer demand of the Group's products. These assessments are performed for each market in which the Group operates, by measuring the percentage of each market's product sales which have historically been returned and the lag period over which sales are returned and using this data to estimate the returns provision required.

Provisions

Provisions have been made for royalty audit claims, legal, employee termination and other restructuring costs. These provisions are the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

Taxation

The Group is required to estimate the tax payable in each of the jurisdictions in which the Group operates. This involves estimating the actual current tax charge or credit together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which may be included on the combined statement of financial position of the Group. The calculation of the Group's total tax charge necessarily involves a significant degree of estimation in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority, or, as appropriate, through a formal legal process.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

23. Accounting estimates and judgements

Taxation (continued)

The Group has, from time to time, contingent tax liabilities arising from trading and corporate transactions in the UK and overseas jurisdictions. After appropriate consideration, management makes provision for these liabilities based on the probable level of economic loss that may be incurred and which is reliably measurable. The breadth of the Group's structure with operations in several geographic locations makes the use of estimates and assumptions more challenging. The resolution of issues is not always within the control of the Group and can be reliant upon the efficiency of the legal processes in the relevant jurisdictions in which the Group operates, and as a result, issues can, and often do take many years to resolve.

24. Subsequent events

Subsequent events for 31 March 2013

Between 1 April 2013 and 1 July 2013 a number of assets were acquired from external EMI entities in preparation for the sale of the PLG group to Warner Music Group.

On 1 July 2013, the Group was sold from Universal Music Group to Warner Music Group.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

25. EMI Group UK Pension Fund defined benefit scheme disclosures

Further information on the UK Fund that Parlophone Records Ltd (formerly EMI Records Limited) was a member of is disclosed below.

	UK Fund £m
Net pension asset / (liability)	
30 August 2012 (see below)	210
31 March 2012	—
31 March 2011	(70)

As disclosed in note 19, on 15 May 2012, after a period of consultation, an agreement was reached between EMI Group and the employee members of the UK defined benefit pension scheme and the scheme was closed to future accrual as of 30 June 2012. All members were transferred into a new defined contribution scheme. The closure of the plan did not impact current pensioners, or the benefits already accrued by current employees who were still contributing to the scheme. A net past service gain of £3 million arose from this curtailment.

Separately, on 30 August 2012, the ownership of the UK defined benefit pension scheme was transferred out of the EMI Group to Citigroup. As a part of this transfer, EMI Group companies made contributions totalling £193 million to the UK pension fund, and additional payments totalling £208 million to Citigroup for taking on the UK defined benefit pension obligation. Of these payments £312 million were funded by PLG companies. Following the transfer, EMI Group companies have no further obligations towards the scheme or its members.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

25. EMI Group UK Pension Fund defined benefit scheme disclosures (continued)

The assets and liabilities of this scheme were:

30 August 2012	£m
Fair value of scheme assets	
Equities	34
Bonds	933
Property	28
Other	309
	1,304
Present value of funded defined benefit obligations	(1,094)
Net pension asset	**210**

31 March 2012	£m
Fair value of scheme assets	
Equities	34
Bonds	933
Property	28
Other	111
	1,106
Present value of funded defined benefit obligations	(1,106)
Net pension asset / (liability)	—

31 March 2011	£m
Fair value of scheme assets	
Equities	30
Bonds	793
Property	30
Other	103
	956
Present value of funded defined benefit obligations	(1,026)
Net pension liability	**(70)**

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

25. EMI Group UK Pension Fund defined benefit scheme disclosures (continued)

Changes in the fair value of scheme assets are analysed as follows:

	£m
At 1 April 2010	935
Expected return on scheme assets	42
Employer contributions	21
Benefits paid	(59)
Actuarial gains	17
At 31 March 2011	**956**
Expected return on scheme assets	43
Employer contributions	24
Benefits paid	(55)
Actuarial gains	138
At 31 March 2012	**1,106**
Expected return on scheme assets	18
Employer contributions	10
One-off employer contribution	193
Benefits paid	(23)
Actuarial gains / (losses)	—
At 30 August 2012	**1,304**

Changes in the present value of the defined benefit obligation are analysed as follows:

	£m
At 1 April 2010	(1,051)
Service cost	(5)
Interest cost	(56)
Benefits paid	59
Actuarial gains	27
At 31 March 2011	**(1,026)**
Service cost	(5)
Interest cost	(55)
Benefits paid	55
Actuarial losses	(75)
At 31 March 2012	**(1,106)**
Service cost	(1)
Interest cost	(23)
Benefits paid	23
Curtailment gain	3
Actuarial gain	10
At 30 August 2012	**(1,094)**

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

25. EMI Group UK Pension Fund defined benefit scheme disclosures (continued)

The main assumption used in the valuation of the pension scheme was as follows:

30 August 2012	%
Main assumptions	
Rate of general increase in salaries	4.1
Rate of increase to pensions in payment	2.9
Discount rate for scheme liabilities	4.8
Inflation—RPI	3.1
Inflation—CPI	2.1
Expected rates of return on scheme assets:	
Equities	7.2
Bonds	3.5
Property	5.4
Other	2.6
Overall expected return on scheme assets	3.7

31 March 2012	%
Main assumptions	
Rate of general increase in salaries	4.3
Rate of increase to pensions in payment	3.1
Discount rate for scheme liabilities	5.0
Inflation—RPI	3.3
Inflation—CPI	2.3
Expected rates of return on scheme assets:	
Equities	7.2
Bonds	3.5
Property	5.4
Other	2.6
Overall expected return on scheme assets	3.7

31 March 2011	%
Main assumptions	
Rate of general increase in salaries	5.1
Rate of increase to pensions in payment	3.5
Discount rate for scheme liabilities	5.5
Inflation—RPI	3.6
Inflation—CPI	2.6
Expected rates of return on scheme assets:	
Equities	7.8
Bonds	4.6
Property	6.2
Other	3.8
Overall expected return on scheme assets	4.8

The expected return on plan assets is set by reference to historical returns on each of the main asset classes, current market indicators such as long term bond yields and expected long term strategic asset allocation of each plan. The overall expected weight of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investments portfolio.

Notes to the Combined Carve-out Financial Statements (continued)
For the years ended 31 March 2013, 31 March 2012 and 31 March 2011

25. EMI Group UK Pension Fund defined benefit scheme disclosures (continued)

The table below sets out the sensitivity on the pension deficit for the two main assumptions:

30 August 2012	£m
Increase/ (decrease) in pension deficit	
0.25% rise in discount rate	(38)
0.25% fall in discount rate	40
0.25% rise in inflation	21
0.25% fall in inflation	(28)

31 March 2012	£m
Increase/ (decrease) in pension deficit	
0.25% rise in discount rate	(38)
0.25% fall in discount rate	40
0.25% rise in inflation	21
0.25% fall in inflation	(28)

31 March 2011	£m
Increase/ (decrease) in pension deficit	
0.25% rise in discount rate	(34)
0.25% fall in discount rate	36
0.25% rise in inflation	31
0.25% fall in inflation	(30)

Exhibit 99.2

UNAUDITED PRO FORMA
CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed Combined Financial Statements are based on the historical financial statements of Warner Music Group Corp. (the "Company") and Parlophone Label Group ("PLG") and present the Company's pro forma financial position and results of operations resulting from the Company's acquisition of PLG (the "Acquisition") and the related financing and other transactions related to such Acquisition (collectively, the "Transactions"). The accompanying pro forma condensed Combined Financial Statements reflect adjustments to the Company's historical financial data to give effect to the Transactions as if they had occurred on March 31, 2013 for the pro forma condensed combined balance sheet and as if they had occurred on October 1, 2011 for the pro forma condensed combined statements of operations.

The unaudited pro forma condensed Combined Financial Statements presented below are derived from the historical Consolidated Financial Statements of the Company and historical Combined Carve-out Financial Statements of PLG. The historical Consolidated Financial Statements of the Company are presented in U.S. dollars and have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The historical Combined Carve-out Financial Statements of PLG are presented in British pounds sterling and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

As described in the accompanying notes, the unaudited pro forma condensed Combined Financial Statements have been prepared using the acquisition method of accounting and the regulations of the Securities and Exchange Commission. The historical financial statements have been adjusted in the unaudited pro forma condensed Combined Financial Statements to give effect to pro forma events that are (i) directly attributable to the Transactions; (ii) factually supportable; and (iii) with respect to the unaudited pro forma condensed combined statements of operations, expected to have a continuing impact on the Company's combined results. The unaudited pro forma condensed combined statements of operations exclude non-recurring items, which are directly related to the Transactions. Additionally, certain pro forma adjustments have been made to the historical Combined Carve-out Financial Statements of PLG in order to (i) convert them to U.S. GAAP; (ii) conform their accounting policies to those applied by the Company; (iii) present them in U.S. dollars; (iv) align accounting periods; and (v) eliminate revenue and expenses and related assets and liabilities for PLG repertoire distributed outside of the PLG acquired territories, international licensing agreements that have been terminated as a result of the Acquisition and excluded assets not acquired by the Company.

As a result, under the acquisition method of accounting, the total estimated acquisition consideration, calculated as described in Note 3 to these unaudited pro forma condensed Combined Financial Statements, has been preliminarily allocated to the net tangible and intangible assets acquired and liabilities assumed based on their estimated fair values with the excess allocated to goodwill. Since these unaudited pro forma condensed Combined Financial Statements have been prepared based on preliminary estimates of acquisition consideration and fair values attributable to the Acquisition, the actual amounts recorded for the Acquisition will likely differ from the information presented and any differences may be material. The estimation and allocation of acquisition consideration is subject to change pending further review of the fair value of the assets acquired and liabilities assumed. A final determination of fair values will be based on the actual net tangible and intangible assets and liabilities of PLG once the final valuation is completed.

The unaudited pro forma condensed Combined Financial Statements do not reflect the realization of any expected cost savings and other synergies from the Acquisition as a result of restructuring activities and other cost savings initiatives planned subsequent to the completion of the Acquisition. Although management believes such cost savings and other synergies will be realized following the Acquisition, there can be no assurance that these cost savings or any other synergies will be achieved in full or at all. In addition, the unaudited pro forma condensed Combined Financial Statements do not reflect restructuring charges associated and expected to be incurred in connection with any such cost savings. Such charges will be expensed in the appropriate accounting periods following the completion of the Acquisition.

The acquired PLG entities (“PLG entities”) have historically relied on other entities formerly within EMI Music that were not acquired by the Company as part of the Acquisition (“non-PLG entities”) for the distribution of PLG repertoire outside the PLG acquired territories. Consequently, sales of PLG repertoire outside PLG acquired territories are not included in the historical Combined Carve-out Financial Statements of PLG as they were realized by non-PLG entities and the intercompany royalty income recognized by PLG entities for sales outside PLG territories has been removed through a pro forma adjustment along with the related royalty expense to artists. The Company currently expects PLG repertoire to be distributed by its own entities in these non-PLG territories following the Acquisition, however, there can be no assurance that the Company will recognize income from the exploitation of the PLG repertoire previously sold by non-PLG entities equal to that recognized by PLG, or at all.

The unaudited pro forma condensed Combined Financial Statements are provided for illustrative purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of the Company would have been had the Transactions occurred on the dates assumed, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position.

WARNER MUSIC GROUP CORP.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF MARCH 31, 2013
(in millions)

	Warner Music Group Corp.	Parlophone Label Group (see footnote 4)	Combined	Pro Forma Adjustments	Note (see footnote 5)	Warner Music Group Corp. Pro Forma
Assets						
Current assets:						
Cash and equivalents	$ 294	$ 36	$ 330	$ (109)	(a), (d)	$ 221
Accounts receivable, less allowances	328	35	363	—		363
Inventories	25	—	25	—		25
Royalty advances — current	119	—	119	—		119
Deferred tax assets	51	—	51	—		51
Other current assets	66	27	93	4	(a)	97
Total current assets	883	98	981	(105)		876
Deferred tax assets	—	53	53	—		53
Royalty advances	147	8	155	—		155
Property, plant and equipment, net	138	36	174	—		174
Goodwill	1,384	3	1,387	376	(b)	1,763
Intangible assets subject to amortization, net	2,371	17	2,388	562	(c)	2,950
Intangible assets not subject to amortization	102	—	102	33	(c)	135
Other assets	83	5	88	22	(a)	110
Total assets	**$ 5,108**	**$ 220**	**$ 5,328**	**$ 888**		**$ 6,216**
Liabilities and Equity						
Current liabilities:						
Accounts payable	$ 137	$ 48	$ 185	—		$ 185
Accrued royalties	993	95	1,088	—		1,088
Accrued liabilities	198	6	204	—		204
Accrued interest	76	—	76	—		76
Deferred revenue	145	29	174	—		174
Current portion of long-term debt	30	—	30	(17)	(a)	13
Other current liabilities	9	79	88	—		88
Total current liabilities	1,588	257	1,845	(17)		1,828
Long-term debt	2,181	—	2,181	729	(a)	2,910
Deferred tax liabilities, net	343	—	343	149	(c)	492
Other noncurrent liabilities	141	29	170	2	(e)	172
Total liabilities	**4,253**	**286**	**4,539**	**863**		**5,402**
Equity:						
Total equity	836	(66)	770	25	(b), (c), (d)	795
Noncontrolling interest	19	—	19	—		19
Total equity	**855**	**(66)**	**789**	**25**		**814**
Total liabilities and equity	**$ 5,108**	**$ 220**	**$ 5,328**	**$ 888**		**$ 6,216**

WARNER MUSIC GROUP CORP.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED MARCH 31, 2013
(in millions)

	Warner Music Group Corp.	Parlophone Label Group (see footnote 6)	Combined	Pro Forma Adjustments	Note (see footnote 7)	Warner Music Group Corp. Pro Forma
Revenues	$ 1,444	$ 112	$ 1,556	$ —		$ 1,556
Costs and expenses:						
Cost of revenues	(737)	(68)	(805)	—		(805)
Selling, general and administrative expenses	(504)	(51)	(555)	3	(c)	(552)
Amortization of intangible assets	(95)	—	(95)	(32)	(a)	(127)
Total costs and expenses	(1,336)	(119)	(1,455)	(29)		(1,484)
Operating income (loss)	108	(7)	101	(29)		72
Loss on extinguishment of debt	(83)	—	(83)	—		(83)
Interest expense, net	(102)	—	(102)	(10)	(b)	(112)
Other expense, net	(9)	—	(9)	—		(9)
(Loss) income before income taxes	(86)	(7)	(93)	(39)		(132)
Income tax benefit (expense)	11	(4)	7	8	(a)	15
Net (loss) income	(75)	(11)	(86)	(31)		(117)
Less: income attributable to noncontrolling interests	(3)	—	(3)	—		(3)
Net (loss) income attributable to Warner Music Group controlling interest	$ (78)	$ (11)	$ (89)	$ (31)		$ (120)

WARNER MUSIC GROUP CORP.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2012
(in millions)

	Warner Music Group Corp.	Parlophone Label Group (see footnote 6)	Combined	Pro Forma Adjustments	Note (see footnote 7)	Warner Music Group Corp. Pro Forma
Revenues	$ 2,780	$ 213	$ 2,993	$ —		$ 2,993
Costs and expenses:						
Cost of revenues	(1,459)	(125)	(1,584)	—		(1,584)
Selling, general and administrative expenses	(1,019)	(104)	(1,123)	6	(c)	(1,117)
Pension curtailment expense	—	(493)	(493)	—		(493)
Amortization of intangible assets	(193)	—	(193)	(63)	(a)	(256)
Total costs and expenses	(2,671)	(722)	(3,393)	(57)		(3,450)
Operating income (loss)	109	(509)	(400)	(57)		(457)
Interest expense, net	(225)	—	(225)	(34)	(b)	(259)
Other income, net	8	—	8	—		8
Loss before income taxes	(108)	(509)	(617)	(91)		(708)
Income tax (expense) benefit	(1)	43	42	16	(a)	58
Net loss	(109)	(466)	(575)	(75)		(650)
Less: income attributable to noncontrolling interests	(3)	—	(3)	—		(3)
Net loss attributable to Warner Music Group controlling interest	$ (112)	$ (466)	$ (578)	$ (75)		$ (653)

1. Description of the Transactions

On February 6, 2013, the Company signed a definitive agreement to acquire PLG from Universal Music Group (“Universal”), a division of Vivendi, for £487 million in an all-cash transaction pursuant to the Share Sale and Purchase Agreement, dated as of February 6, 2013 (the “Agreement”) by and among Warner Music Holdings Limited, an English company and wholly-owned subsidiary of the Company (“WM Holdings UK”), certain related entities identified in the Agreement (such entities, together with WM Holdings UK, the “Buyers”), WMG Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of the Company (“WMG Acquisition”), as Buyers’ Guarantor, and EGH1 BV, a Dutch company, EMI Group Holdings BV, a Dutch company, and Delta Holdings BV, a Dutch company, as Sellers (as defined therein) (collectively, the “PLG Sellers”), and Universal International Music BV, a Dutch company, as Sellers’ Guarantor (as defined therein), pursuant to which the PLG Sellers agreed to sell, and the Buyers agreed to buy, the outstanding shares of capital stock of PLG Holdco Limited, an English company (“PLG Holdco”) and certain related entities identified in the Agreement.

On June 28, 2013, the parties to the Agreement entered into a Deed of Variation, resulting in an Amended and Restated Share Sale and Purchase Agreement (the “Amended Agreement”). The Amended Agreement provided for, among other amendments, a revision to the definition of “Aggregate Payments” to increase this amount from the consideration paid for the outstanding shares of capital stock in PLG Holdco and certain related entities identified in the Amended Agreement to an amount that reflects the entire purchase price. The adjustment to this definition results in a greater potential cap on liability for the PLG Sellers in connection with certain claims that may be brought under the Amended Agreement. On July 1, 2013 the Company completed the Acquisition.

On May 9, 2013, WMG Acquisition entered into an amendment to the credit agreement (the "Term Loan Credit Agreement") among WMG Acquisition, WMG Holdings Corp., the subsidiaries of WMG Acquisition party thereto, Credit Suisse AG, as administrative agent, and the other financial institutions and lenders from time to time party thereto (the "Term Loan Credit Agreement Amendment"), providing for a $820 million delayed draw senior secured term loan facility (the "Incremental Term Loan Facility"). On July 1, 2013, WMG Acquisition drew down the $820 million Incremental Term Loan Facility to consummate the Transactions, to pay fees, costs and expenses related to the Transactions and for general corporate purposes of WMG Acquisition and its subsidiaries. In conjunction with the Transactions, the Company also repaid $103 million related to the Company's existing term loan and the Term Loan Credit Agreement Amendment repriced the interest rate for the term loan resulting in annual savings of $13 million. In addition, the Term Loan Credit Agreement Amendment reduced the annual amortization amount to 1.00% of the principal amount, resulting in annual cash savings of $25 million.

2. Basis of Presentation

The historical Consolidated Financial Statements of the Company are presented in U.S. dollars and have been prepared in accordance with U.S. GAAP. The historical Combined Carve-out Financial Statements of PLG are presented in British pounds sterling and have been prepared in accordance with IFRS. The unaudited pro forma condensed Combined Financial Statements as of March 31, 2013, for the six months ended March 31, 2013, and for the twelve months ended September 30, 2012, reflect adjustments to the Company's historical financial data to give effect to the Transactions as if they had occurred on March 31, 2013 for the pro forma balance sheet and as if they had occurred on October 1, 2011 for the pro forma statements of operations.

The historical financial statements have been adjusted in the unaudited pro forma condensed Combined Financial Statements to give effect to pro forma events that are (i) directly attributable to the Transactions; (ii) factually supportable; and (iii) with respect to the unaudited pro forma condensed combined statement of operations, expected to have a continuing impact on the Company's combined results. The unaudited pro forma condensed combined statements of operations exclude non-recurring items, which are directly related to the Transactions. Additionally, certain pro forma adjustments have been made to the historical Combined Carve-out Financial Statements of PLG in order to (i) convert them to U.S. GAAP; (ii) conform their accounting policies to those applied by the Company; (iii) present them in U.S. dollars; (iv) align accounting periods; and (v) eliminate revenue and expenses and related assets and liabilities for PLG repertoire distributed outside of the PLG acquired territories, international licensing agreements that have been terminated as a result of the Acquisition and excluded assets not acquired by the Company.

The unaudited pro forma condensed Combined Financial Statements do not reflect the realization of any expected cost savings and other synergies from the Acquisition as a result of restructuring activities and other cost savings initiatives planned subsequent to the completion of the Acquisition. Although the Company's management believes such cost savings or other synergies will be realized following the Acquisition, there can be no assurance that these cost savings or any other synergies will be achieved in full or at all. In addition, the unaudited pro forma condensed Combined Financial Statements do not reflect the estimated restructuring charges contemplated in association with any such cost savings. Such charges will be expensed in the appropriate accounting periods following the completion of the Acquisition. The PLG entities have historically relied on non-PLG entities for the distribution of PLG repertoire outside the PLG acquired territories. Consequently, sales of PLG repertoire outside PLG acquired territories are not included in the historical Combined Carve-out Financial Statements of PLG as they were realized by non-PLG entities and the intercompany royalty income recognized by PLG entities for sales outside PLG territories has been removed through a pro forma adjustment (see item (c) in Note 6 below) along with the related royalty expense to artists. The Company currently expects PLG repertoire to be distributed by its own entities in these non-PLG territories following the Acquisition, however, there can be no assurance that the Company will recognize income from the exploitation of the PLG repertoire previously sold by non-PLG entities equal to that recognized by PLG, or at all.

The Acquisition will be accounted for in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 805, *Business Combinations*, using the acquisition method of accounting. The assets and liabilities of PLG, including identifiable intangible assets, have been measured using preliminary estimates based on assumptions that management believes are reasonable and are consistent with the information currently available. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives and market multiples, among other items. The use of different estimates and judgments could yield materially different results.

3. Estimate of Acquisition Consideration

The following is a preliminary estimate of the Acquisition consideration as it relates to the acquisition of PLG by the Buyers. Such amounts will be pushed down to PLG as part of the purchase price allocation.

	(in millions)
Purchase Price	£ 487
Preliminary Purchase Price Adjustment	13
Adjusted Purchase Price	£ 500
Foreign Exchange Rate at July 1, 2013	1.53
Adjusted Purchase Price in U.S. dollars	$ 765

The excess of the purchase price (as described below), over the fair value of net assets, including the amount assigned to identifiable intangible assets and deferred tax adjustments, has been allocated to goodwill. The purchase price allocation as included in the pro forma condensed Combined Financial Statements is preliminary and is subject to the final purchase consideration and the final valuation. This could result in material adjustment to the amounts included herein. The preliminary estimate of the net assets acquired and liabilities assumed as part of the Acquisition is as follows:

	(in millions)
Book value of net liabilities acquired at March 31, 2013	$ (66)
Fair Value Adjustments to:	
Identifiable Intangible Assets	603
Deferred Tax Adjustments	(149)
Onerous Contract	(2)
Total Fair Value Adjustments	452
Fair Value of Net Assets Acquired	386
Goodwill Recorded	379
Total consideration allocated	$ 765

4. Presentation of Parlophone Label Group Combined Balance Sheet (unaudited)

The Combined Carve-out Financial Statements of PLG are presented in British pounds sterling and have been prepared in accordance with IFRS. Accordingly, certain adjustments have been made in order to (i) convert them to U.S. GAAP; (ii) conform their accounting and presentation policies to those applied by the Company; (iii) present them in U.S. dollars; (iv) align accounting periods; and (v) eliminate assets not acquired and liabilities not assumed.

The table provided below presents the adjustments made to present PLG’s combined balance sheet on a U.S. GAAP basis and to conform its presentation to the Company’s accounting policies. The combined balance sheet of PLG also has been translated from British pounds sterling to U.S. dollars based on a closing exchange rate at March 31, 2013, of 1.51 British pounds sterling to the U.S. dollar.

	Parlophone Label Group	Pro Forma Adjustments (in millions) As of March 31, 2013 — (a) Eliminate Assets Not Acquired/ Liabilities Not Assumed	Align PLG with WMG Policies and U.S. GAAP	Parlophone Label Group Pro Forma	Parlophone Label Group Pro Forma
Assets					
Current assets:					
Cash and equivalents	£ 24	£ —	£ —	£ 24	$ 36
Accounts receivable, less allowances	105	(70)	(12) (f)	23	35
Inventories	1	(1)	—	—	—
Royalty advances expected to be recouped within one year	8	—	(8) (c), (d)	—	—
Other current assets	89	(71)	—	18	27
Total current assets	227	(142)	(20)	65	98
Deferred tax assets	34	—	1 (f)	35	53
Royalty advances expected to be recouped after one year	—	—	5 (c)	5	8
Property, plant and equipment, net	24	—	—	24	36
Goodwill	2	—	—	2	3
Intangible assets subject to amortization, net	5	6	—	11	17
Other assets	3	—	—	3	5
Total assets	**£ 295**	**£ (136)**	**£ (14)**	**£ 145**	**$ 220**
Liabilities and Equity					
Current liabilities:					
Accounts payable	£ 66	£ (34)	£ —	£ 32	$ 48
Accrued royalties	83	(20)	—	63	95
Accrued liabilities	46	(42)	—	4	6
Deferred revenue	28	(8)	(1) (e)	19	29
Other current liabilities	335	(283)	—	52	79
Total current liabilities	558	(387)	(1)	170	257
Other noncurrent liabilities	20	—	(1) (b)	19	29
Total liabilities	**578**	**(387)**	**(2)**	**189**	**286**
Equity:					
Total equity	(283)	251	(12) (b), (e), (f)	(44)	(66)
Total equity	**(283)**	**251**	**(12)**	**(44)**	**(66)**
Total liabilities and equity	**£ 295**	**£ (136)**	**£ (14)**	**£ 145**	**$ 220**

(a) The historical balance sheet at March 31, 2013 includes certain activities along with the related liabilities that were not acquired or assumed by the Company. This adjustment gives pro forma effect to the balance sheet to exclude these liabilities and include the consideration received subsequently with a corresponding adjustment to equity.

In addition to amounts subsequently transferred out of PLG, there were certain assets and liabilities related to entities and artist contracts that were owned by Universal at March 31, 2013 that were subsequently transferred into/assumed by PLG prior to the Acquisition. This adjustment gives pro forma effect to the balance sheet for these transfers into PLG, with a corresponding adjustment to equity.

This adjustment further excludes any outstanding balances within working capital (including receivables and royalties payable) relating to repertoire owned by non-PLG entities or those owned by PLG, but exploited by non-PLG entities, with a corresponding adjustment to equity.

To the extent that the tax impact of the pro forma income statement adjustments have reduced the current tax liability, an equal and opposite adjustment has been reflected within equity.

Further, any intra group funding balances to/ from Universal within the pro forma balance sheet have been excluded with a corresponding adjustment to equity.

(b) Under IFRS, PLG records the present value of a future obligation under an onerous contract as a provision. Under U.S. GAAP, losses are not recognized for onerous contracts. This adjustment is to reverse the onerous contract recorded to align with the Company's accounting policy.

(c) PLG classifies all advances paid to artists as current as they are determined to be recoupable during the operating cycle. The Company's accounting policy is to classify as current and non-current based on expected recoupment timing. In order to align with the Company's accounting policy, an adjustment of £5M was made to reclassify PLG advances expected to recoup after twelve months to non-current.

(d) This adjustment of £3M is to expense the signing fee at the time of payment in order to align with the Company's accounting policy.

(e) This adjustment is to adjust the timing of revenue recognition of material advances to be in accordance with the Company's accounting policy.

(f) PLG accrues neighboring rights revenue prior to cash receipt. The Company accounts for neighboring rights on a cash basis. This adjustment reverses the accruals to align with the Company's accounting policy.

5. Adjustments to the Unaudited Pro Forma Condensed Combined Balance Sheet

(a) The Company completed a financing in the amount of $820 million on July 1, 2013 used to fund the acquisition price of PLG of $765 million. This adjustment reflects the new debt incurrence of $820 million, net of original issue discounts of $2 million, as well as deferred financing costs of $20 million. Additionally, $30 million of the new debt proceeds were utilized to pay transaction related expenses. This adjustment further reflects the use of $109 million of excess cash to repay portions of the existing Term Loan Facility due 2018 including $6 million of deferred financing costs. The deferred financing costs are included in other current assets and other assets on the balance sheet. This adjustment further reflects the updated amortization repayments in the current portion of the long term debt on the balance sheet ($13 million). This adjustment excludes early repayments in June 2013 of approximately $75 million made on the Company's outstanding senior secured notes as they were not directly attributable to the Transactions.

(b) Reflects the goodwill attributable to the Transactions of $379 million, offset by the removal of existing PLG goodwill of $3 million. The estimate of fair value is preliminary and subject to change and therefore could vary materially from the actual adjustment.

(c) Amounts reflect the estimated fair value adjustment to intangibles for trademarks/trade names, catalog assets, and artist contracts, and the related tax impact, offset by the removal of existing PLG intangible assets. In accordance with ASC 350, identifiable intangible assets are required to be measured at fair value. The intangible assets identified below were valued using the "income approach," either through the "relief from royalty method" or the "excess earnings method." Determining fair value requires significant judgment concerning the assumptions used in the valuation model, including discount rates, the amount and timing of expected future cash flows, growth rates, as well as royalty rates, which are based on the estimated rates at which similar assets are being licensed in the marketplace. The estimated weighted average useful life of the intangible assets identified is 9 years, and the total annual amortization expense is estimated to be $63 million per year following the Transactions. The estimate of fair value is preliminary and subject to change and therefore could vary materially from the actual adjustment.

As part of the purchase price allocation related to the Acquisition, certain book and tax basis differences arose primarily related to the fair value allocation for intangible assets. As a result of these basis differences, we recorded estimated deferred tax liabilities. The estimated deferred tax liabilities are subject to certain assumptions including the estimated purchase price allocation as described above, and the anticipated push down of intangible assets to the underlying jurisdictions, which impacts the tax rates utilized. Accordingly, the estimated deferred tax assets/liabilities could vary materially from the actual adjustment.

(d) In conjunction with the Transactions, certain expenses ($30 million) are expected to be incurred including, but not limited to, advisor fees, legal fees, and other professional fees. These amounts reflect the payment of estimated costs to be incurred based on the information available, as of the date of this filing. The final costs related to the Transactions may differ materially from the amounts included in the pro forma adjustment.

(e) This adjustment records the purchase price adjustment of an off- market contract noted in item (b) of note 4 above.

6. Presentation of Parlophone Label Group Combined Statement of Operations (unaudited)

The Combined Carve-out Financial Statements of PLG are presented in British pounds sterling and have been prepared in accordance with IFRS. Accordingly, certain adjustments have been made in order to (i) convert them to U.S. GAAP; (ii) conform their accounting and presentation policies to those applied by the Company; (iii) present them in U.S. dollars; (iv) align accounting periods; and (v) eliminate revenue and expenses related to PLG repertoire distributed outside of PLG acquired territories, international licensing agreements that have been terminated as a result of the Acquisition and excluded assets not acquired by the Company.

The tables provided below presents the adjustments made to present PLG's combined statement of operations on a U.S. GAAP basis and to conform its presentation to the Company's accounting policies. The combined statement of operations of PLG also has been translated from British pounds sterling to U.S. dollars based on an average exchange rate for the six months ended March 31, 2013 and the twelve months ended September 30, 2012, of 1.58 British pounds sterling to the U.S. dollar.

	Parlophone Label Group	(a) Remove Excluded Assets	(b) Termination of International Licensing Agreement	(c) Remove International Sales of PLG Repetoire Outside of PLG	(f) Remove Intergroup Interest Income	Align PLG with WMG Policies and U.S. GAAP	Parlophone Label Group Pro Forma	Parlophone Label Group Pro Forma
		Pro Forma Adjustments (in millions) For the Six Months Ended March 31, 2013						
Revenues	£ 169	£ (10)	£ (40)	£ (49)	£ —	£ 1 (d)	£ 71	$ 112
Costs and expenses:								
Cost of revenues	(97)	4	21	33	—	(4) (e)	(43)	(68)
Selling, general and administrative expenses	(28)	(4)	—	—	—	—	(32)	(51)
Total costs and expenses	(125)	—	21	33	—	(4)	(75)	(119)
Net profit on disposal	166	(166)	—	—	—	—	—	—
Operating income (loss)	210	(176)	(19)	(16)	—	(3)	(4)	(7)
Interest income, net	16	—	—	—	(16)	—	—	—
Income (loss) before income taxes	226	(176)	(19)	(16)	(16)	(3)	(4)	(7)
Income tax (expense) benefit	(39)	21	5	6	4	—	(3)	(4)
Net income (loss) attributable to Warner Music Group	£ 187	£ (155)	£ (14)	£ (10)	£ (12)	£ (3)	£ (7)	$ (11)

	Parlophone Label Group	(a) Remove Excluded Assets	(b) Termination of International Licensing Agreement	(c) Remove International Sales of PLG Repetoire Outside of PLG	(f) Remove Intergroup Interest Income	Align PLG with WMG Policies and U.S. GAAP	Parlophone Label Group Pro Forma	Parlophone Label Group Pro Forma
		Pro Forma Adjustments (in millions) For the Twelve Months Ended September 30, 2012						
Revenues	£ 331	£ (13)	£ (99)	£ (87)	£ —	£ 3 (d)	£ 135	$ 213
Costs and expenses:								
Cost of revenues	(178)	1	52	46	—	—	(79)	(125)
Selling, general and administrative expenses	(62)	(4)	—	—	—	—	(66)	(104)
Pension curtailment expense	(312)	—	—	—	—	—	(312)	(493)
Total costs and expenses	(552)	(3)	52	46	—	—	(457)	(722)
Operating loss	(221)	(16)	(47)	(41)	—	3	(322)	(509)
Interest income, net	2	—	—	—	(2)	—	—	—
Loss before income taxes	(219)	(16)	(47)	(41)	(2)	3	(322)	(509)
Income tax (expense) benefit	(1)	4	12	13	—	(1)	27	43
Net loss attributable to Warner Music Group	£ (220)	£ (12)	£ (35)	£ (28)	£ (2)	£ 2	£ (295)	$ (466)

(a) Certain assets, including artist contracts, owned by PLG during the period presented have not been acquired by the Company. These adjustments remove the revenue generated by those assets and corresponding direct expenses. The income generated from selling these assets has been excluded from the statement of operations.

(b) During the period presented, PLG had the right to sell repertoire owned by non-PLG entities. The rights to this repertoire have been retained by Universal and were not included in the Acquisition. These adjustments remove the revenue generated from exploiting these rights and the corresponding direct expenses.

(c) During the periods presented, non-PLG entities had the right to sell repertoire owned by PLG entities and have paid PLG a royalty in return for exploiting these rights. These adjustments remove the income received by PLG from non-PLG entities and the corresponding direct expenses incurred. The related royalty cost has been calculated based on the average royalty rate for the applicable periods.

(d) This adjustment is to adjust the timing of revenue recognition of material advances to be in accordance with the Company's accounting policy.

(e) This adjustment is to expense the signing fee at the time of payment in order to align with the Company's accounting policy.

(f) During the periods presented, PLG entities have had interest-bearing funding balances to/from non-PLG entities. These adjustments remove the net interest income earned/foreign exchange gains on these balances.

7. Adjustments to the Unaudited Pro Forma Condensed Combined Statements of Operations

(a) This adjustment reflects the impact of the estimated fair value of the intangible assets acquired amortized over their respective estimated useful lives. The estimates are preliminary and subject to change and therefore could vary materially from the actual adjustment. The total annual amortization expense is estimated to be $63 million per year following the Transactions. These preliminary estimates of fair value and estimated useful life will likely be different from the final purchase accounting, and the difference could have a material impact on the unaudited pro forma condensed Combined Financial Statements. A 10% to 25% increase/decrease in the valuation of definite-lived intangible assets would cause a corresponding increase/decrease in amortization of $6 to $16 million (or 10% to 25%, respectively) during the first year following the acquisition.

(b) This adjustment reflects the increase in interest expense related to the amortization of the deferred financing costs described above over the remaining term of the related debt ($3 million annually), as well as the expected annual interest payable on the new $820 million debt at a rate equal to the LIBOR rate as defined in the Term Loan Credit Agreement (which shall not be less than 1.00%) plus 2.75% per annum (currently 3.75%) and the accretion of the original issue discount over the expected life of the new debt incurrence. This amount has been decreased by the expected interest expense savings of $7 million for the six months ended March 31, 2013, associated with the early repayment of a portion of existing term loan debt described above.

(c) In conjunction with the Transactions, certain advisory and legal expenses were incurred during the periods presented. This adjustment eliminates these expenses as they are not expected to have a continuing impact on the combined results, and therefore, are not being reflected in the unaudited pro forma condensed combined statement of operations.