

Famous Music Publishing Limited

(Registered Number: 2778358)

**Directors' report and financial statements
31 December 2002**



Famous Music Publishing Limited

Directors' report for the year ended 31 December 2002

The directors present their report and audited financial statements for the year ended 31 December 2002.

Principal activity and future developments

The company provides publishing services within the music industry. During the year, the company paid royalty advances to newly signed recording music talent. It is envisaged that similar activities will continue to be provided in future years.

Results and dividends

The company's loss for the year was £29,002 (2001: loss of £113,345 (restated)). The directors do not recommend the payment of a dividend (2001: £ nil). The loss for the year has been transferred to reserves.

Directors and their interests

The directors of the company during the year were:

M O'Sullivan
I Robinson
R Affourtit
T Ellis
M Johnson

None of the directors had any interest in the company's share capital or in any transactions entered into by the company during the year which are required to be disclosed in accordance with the Companies Act 1985.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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Directors' report for the year ended 31 December 2002 (continued)

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 14 April 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the next annual general meeting.

By order of the board



Company Secretary

180 Oxford Street
London
W1ND 1NN

3 October 2003

Independent auditors' report to the members of Famous Music Publishing Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only a list of the officers and professional advisers and the directors' report.

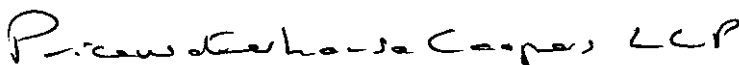
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London

3 October 2003

Famous Music Publishing Limited

Profit and loss account for the year ended 31 December 2002

	Notes	2002 £	2001 (Restated) £
Turnover	3	3,446,966	3,827,853
Cost of sales		(3,369,819)	(3,695,953)
Gross profit		77,147	131,900
Administrative expenses		(80,566)	(210,000)
Operating loss	4	(3,419)	(78,100)
Interest receivable and similar income	7	9,623	2
Interest payable and similar charges	8	(35,254)	(35,276)
Loss on ordinary activities before taxation		(29,050)	(113,374)
Taxation on loss on ordinary activities	9	48	29
Retained loss for the year	14	(29,002)	(113,345)

The results for the year were derived from continuing operations.

There is no difference between the results as reported and their historical cost equivalents.

Famous Music Publishing Limited

Statement of Total Recognised Gains and Losses for the year ended 31 December 2002

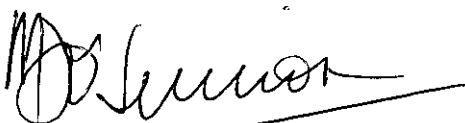
	2002	2001
	£	(Restated)
		£
Retained loss for the year	<u>(29,002)</u>	<u>(113,345)</u>
Total recognised losses for the year	<u>(29,002)</u>	<u>(113,345)</u>
Prior period adjustment – FRS 19	<u>10,456</u>	
Total recognised losses since last Annual Report	<u>(18,546)</u>	

Famous Music Publishing Limited

Balance sheet as at 31 December 2002

	Notes	2002 £	2001 (Restated) £
Fixed assets			
Tangible fixed assets	10	-	-
Current assets			
Debtors	11	983,755	639,705
Cash at bank and in hand		50	50
		983,805	639,755
Creditors: amounts falling due within one year	12	(1,120,016)	(746,964)
Net current liabilities		(136,211)	(107,209)
Net liabilities		(136,211)	(107,209)
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account	14	(136,311)	(107,309)
Equity shareholders' deficit	14	(136,211)	(107,209)

The financial statements on pages 4 to 14 were approved by the board of directors on 3 October 2003 and were signed on its behalf by:


 M O'Sullivan
 Director

Famous Music Publishing Limited

Notes to the financial statements for the year ended 31 December 2002

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

a) Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements have been prepared on a going concern basis as the company has received confirmation from a fellow Viacom Inc. subsidiary that it will continue to provide financial and other support to the extent necessary to enable the company to continue to pay its liabilities as and when they become due for a period not less than one year from the date of approval of these financial statements.

b) Change in accounting policy

In November and December 2000 respectively, the Accounting Standard Board issued FRS 17 'Retirement Benefits' and FRS 19 'Deferred Tax'. The company has adopted FRS 17 and FRS 19 in these financial statements. FRS 17 has had no impact, however the adoption of FRS 19 represents a change in accounting policy, and the comparative figures have been restated accordingly.

The effect of the change in accounting policy to adopt FRS 19 was to increase tax credit on loss on ordinary activities by £48 (2001: £29) and to decrease loss for the financial period by £48 in 2002 (2001: £29), consequently the deferred tax asset increased by £48 in 2002 (2001: £29).

c) Turnover

Turnover represents amounts invoiced in respect of music publishing services provided and royalties received.

d) Foreign currencies

Assets and liabilities denominated in foreign currencies are expressed in sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are expressed in sterling at the average rates ruling in the month of the transaction. The resulting profits or losses are dealt with in the profit and loss account.

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Notes to the financial statements for the year ended 31 December 2002

e) Taxation

Corporation tax payable is provided on taxable profits at the current tax rate.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in future have occurred at the balance sheet date.

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted. The recoverability of tax losses is assessed by reference to forecasts, which have been prepared and approved by the board. The deferred tax assets and liabilities are not discounted.

f) Tangible fixed assets

The cost of tangible fixed assets is written off by equal annual instalments over their expected useful lives as follows:

Computer equipment:	3 years
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g) Pension benefits

Employees of the company are members of a group defined benefit pension scheme (see Note 17). The assets of the scheme are held separately from those of the company in independently administered funds. The scheme operates on a pre-funded basis, and the policy is to contribute variable amounts, based on actuarial advice, to achieve a 100% funding level on a projected salary basis. The company has adopted Financial Reporting Standard 17 'Retirements Benefits' (FRS 17). Although the Plan is a defined benefit arrangement, it is a multi-employer scheme for which it has not been possible to identify the underlying assets and liabilities attributable to each participating company, as defined in FRS 17 and therefore has been accounted for as a defined contribution plan. Contributions to the scheme are charged to the profit and loss account so as to spread the regular cost of pensions over the remaining service lives of the employees.

h) Royalty advances

Royalty advances paid to third parties are classified as debtors and expensed at the contractual rate as cost of sales based on actual net product sales. Management evaluates the future realisation of royalty advances and provides against any amounts unlikely to be recovered at the contractual royalty rate through product sales.

2 Cash flow statement and related party disclosures

The company is a subsidiary undertaking where 90% or more of the voting rights are controlled within the Viacom Inc Group and its financial statements are included in the consolidation financial statements of that group, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Viacom Inc group or investees of that group (see note 18).

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Notes to the financial statements for the year ended 31 December 2002

3 Turnover

Turnover principally comprises revenue arising from music publishing services provided and royalties received. Turnover is predominately derived in the United Kingdom. There is only one principal class of business.

4 Operating loss

	2002 £	2001 £
Operating loss is stated after charging:		
Depreciation of tangible fixed assets	-	1,033
Auditors' remuneration		
- audit services	2,300	2,300

5 Employee information

Staff costs during the year were as follows:

	2002 £	2001 £
Wages and salaries	41,943	90,760
Severance payment	-	51,420
Social security costs	6,860	12,823
Pension costs (note 17)	-	117
	48,803	155,120

The average number of employees during the year was 2 (2001: 2)

6 Directors' emoluments

None of the directors received any remuneration in respect of their services to the company, under a Long Term Incentive Scheme or a defined benefit scheme during the year (2001: none). Two (2001: none) directors were granted stock options on 30 January 2003, but no (2001: none) directors exercised share options in the ultimate parent undertaking during the year.

7 Interest receivable and similar income

	2002 £	2001 £
Interest receivable from group undertakings	9,623	2

Famous Music Publishing Limited

Notes to the financial statements for the year ended 31 December 2002

8 Interest payable and similar charges

	2002 £	2001 £
Interest payable to group undertakings	35,254	35,276

9 Taxation on loss on ordinary activities

The tax credit based on the loss on ordinary activities comprises:

	2002 £	2001 (Restated) £
Current Tax		
UK Corporation Tax on profits/losses of the year at 30% (2001: 30%)	-	-
Total current tax	-	-
Deferred Tax		
Origination and reversal of timing differences	(48)	(29)
Total deferred tax	(48)	(29)
Tax on loss on ordinary activities	(48)	(29)

The tax assessed for the year varies from the amount computed by applying the standard rate of corporation tax in the UK (30%) to the loss on ordinary activities before tax. The differences are attributed to the following factors:

	2002 £	2001 (Restated) £
Loss on ordinary activities before tax	(29,050)	(113,374)
Loss on ordinary activity multiplied by standard UK rate, 30% (2001: 30%)	(8,715)	(34,012)
Effects of:		
Expenses not deductible for tax purposes	4	8
Accelerated capital allowances less than depreciation	48	29
Utilisation of group losses	8,663	33,975
Other short term timing differences	-	-
Current tax charge for the year	-	-

The company has unrelieved tax losses carried forward for which a deferred tax asset of £9,613 has been recognised (Note 16). Additionally, the company expects to be able to claim capital allowances in excess of depreciation in future years.

Famous Music Publishing Limited

Notes to the financial statements for the year ended 31 December 2002

9 Taxation on loss on ordinary activities (continued)

Deferred tax is measured on a non discounted basis at the tax rate which is expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

The deferred tax credit was mainly as a result of the tax effect of timing differences as follows:

	2002 £	2001 (Restated) £
Excess depreciation	(48)	(29)
Total deferred tax credit	(48)	(29)

10 Tangible fixed assets

	Computer equipment £
Cost	
At 31 December 2001 and 2002	6,687
Depreciation	
At 1 January 2002	6,687
Charge for the year	-
At 31 December 2002	6,687
Net Book Value	
At 31 December 2002	-
At 31 December 2001	-

11 Debtors

	2002 £	2001 (Restated) £
Trade debtors	243,754	140,032
Royalty advances	682,351	482,306
Tax recoverable	-	5,672
Deferred tax asset (Note 16)	10,504	10,456
Amounts owed by group undertakings	46,284	-
Other Debtors	862	1,239
	983,755	639,705

Royalty advances include amounts which may not be fully recoverable within one year. It is not possible to quantify accurately whether such amounts are recoverable in the year or otherwise.

Famous Music Publishing Limited

Notes to the financial statements for the year ended 31 December 2002

12 Creditors: amounts falling due within one year

	2002 £	2001 £
Amounts owed to group undertakings	1,046,330	714,721
Accruals and deferred income	73,686	32,243
	<u>1,120,016</u>	<u>746,964</u>

13 Share capital

	2002 £	2001 £
Authorised:		
100 ordinary shares at £1 each	100	100
Allotted and fully paid:		
100 ordinary shares at £1 each	100	100

14 Reconciliation of movements in shareholders' (deficits)/funds

	2002 £	2001 (Restated) £
Loss for the year	(29,002)	(113,345)
Addition to shareholders' deficit	(29,002)	(113,345)
Opening shareholders' deficit as previously reported	(117,665)	-
Prior period adjustment – FRS 19	10,456	-
Opening shareholders' (deficit)/funds as restated	(107,209)	6,136
Closing shareholders' deficit	(136,211)	(107,209)

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Notes to the financial statements for the year ended 31 December 2002

14 Reconciliation of movements in shareholders' (deficits)/funds (continued)

	Share Capital £	Profit and Loss Account £	Total Equity Shareholders' Deficit £
At 1 January 2002 as previously reported	100	(117,765)	(117,665)
Prior period adjustment – FRS 19	-	10,456	10,456
At 1 January 2002 as restated	100	(107,309)	(107,209)
Retained loss for the year	-	(29,002)	(29,002)
At 31 December 2002	100	(136,311)	(136,211)

15 Financial commitments

At 31 December 2002 the company had the following commitments which expire:

	Future artist commitments £
Within one year	50,000
In two to five years	185,000
In over five years	-
At 31 December 2002	235,000

16 Deferred Taxation

The elements of deferred taxation provided for in the financial statements are as follows:

	2002 £	2001 (Restated) £
Accelerated capital allowances	(891)	(843)
Unrelieved tax losses carried forward	(9,613)	(9,613)
Total deferred tax (asset)	(10,504)	(10,456)
<u>Deferred tax asset:</u>		
At 1 January 2002 as previously reported	-	-
Prior year adjustment – FRS 19	(10,456)	-
At 1 January 2002 as restated	(10,456)	-
Utilised against loss for the year	(48)	-
At 31 December 2002	(10,504)	-

Famous Music Publishing Limited

Notes to the financial statements for the year ended 31 December 2002

17 Pension costs

The company participates in a multi employer, group defined benefit pension plan, the Viacom UK Defined Benefit Plan ("the Plan") along with other employers in the group, and the directors have decided to early adopt Financial Reporting Standard 17 'Retirement Benefits'. Although the Plan is a defined benefit arrangement, it is a multi-employer scheme for which it has not been possible to identify the underlying assets and liabilities attributable to each participating company largely due to the significant number of deferred members. Therefore the pension cost recognised in the profit and loss account for this Plan represents the contributions payable by the company to the Plan for the year, amounting to £ nil (2001: £ 117). At 31 December 2002 there were no outstanding contributions. The Plan is the only such scheme that the company participates in, there are no specific defined benefit scheme for directors.

Details of the Scheme, including particulars of the most recent valuation performed by independent qualified actuaries as at 31 December 2002 can be found in the Annual Report of Viacom UK Limited (the company's intermediate parent undertaking) for the year ended 31 December 2002.

18 Ultimate parent undertaking

The ultimate parent undertaking of the company is Viacom, Inc., incorporated in the state of Delaware in the USA. The ultimate controlling party of the company is National Amusements Inc., the parent undertaking of Viacom, Inc.

The largest and smallest group for which consolidated financial statements are drawn up and of which the company is a member is Viacom Inc., incorporated in the state of Delaware in the United States of America.

The consolidated financial statements of this companies can be obtained from 1515 Broadway, New York 10036.