

Famous Music Publishing Limited

(Registered Number: 2778358)

**Directors' report and financial statements
31 December 2005**

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Famous Music Publishing Limited

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Famous Music Publishing Limited

Directors' report for the year ended 31 December 2005

The directors present their report and audited financial statements for the year ended 31 December 2005.

Principal activity, review of the business 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 profit for the year was £1,023 (2004: £91,369 loss). The directors do not recommend the payment of a dividend (2004: £ nil). The profit for the year has been transferred to reserves.

Principal risks and uncertainties

The management of the Company and execution of the Company's strategy are subject to a number of risks. The Directors have identified the need to manage the Company's material financial risks, including foreign exchange, liquidity, credit and interest rate risks. These risks are monitored through a Group Treasury management function which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for Viacom Inc. group companies (the 'Group').

Group Treasury also seeks to limit counter-party risk by conducting all of its banking and dealing activities with a limited number of major international banks, whose status is kept under review.

Liquidity Risk

The Company finances its operations through a combination of issued ordinary share capital, bank overdrafts and other creditors.

Interest Rate Risk

To the extent that the Company enters into banking arrangements, the Company's exposure to interest risk arises on the surplus cash bank accounts on which the interest income is based on UK LIBOR -0.375bp. For the deficit bank accounts the interest expenses are based on LIBOR +0.375bp. The Company does not participate in interest rate hedging.

Credit Risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

Foreign Exchange Risk

To the extent that the Company enters into banking arrangements and intercompany agreements in currencies different to that of the Company's functional currency, there is an exposure to movements in exchange rates. The Company does not participate in cross-currency hedging.

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Directors' report for the year ended 31 December 2005 (continued)

Directors and their interests

The directors of the company during the year were:

M O'Sullivan

I Robinson

M Johnson

R Affourtit

T Ellis (Resigned 30 November 2006)

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 or 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 that 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Company secretary

The following changes have been made in the function of the company secretary during 2005 and 2006:

Lucy Brosnan (Resigned 16 February 2006)

Brigit Rathouse (Resigned 16 February 2006)

Christopher Jackson (Appointed 16 February 2006)

Simon Haynes (Appointed 16 February 2006)

Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the board


M O'Sullivan

35 Vine Street
London
EC3N 2AA

23 March 2007

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

We have audited the financial statements of Famous Music Publishing Limited for the year ended 31 December 2005, which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 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 other transactions is not disclosed.*

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

23 March 2007

Profit and loss account for the year ended 31 December 2005

	Notes	2005 £	2004 £
Turnover	3	3,931,749	3,721,871
Cost of sales		(3,821,086)	(3,717,505)
Gross profit		110,663	4,366
Administrative expenses		(83,271)	(74,891)
Operating profit / (loss)	4	27,392	(70,525)
Interest receivable and similar income	7	17,134	19,454
Interest payable and similar charges	8	(42,268)	(40,131)
Profit / (loss) on ordinary activities before taxation		2,258	(91,202)
Taxation on profit / (loss) on ordinary activities	9	(1,235)	(167)
Retained profit / (loss) for the year	15	1,023	(91,369)

The results for the year were derived from continuing operations.

There are no recognised gains or losses other than those shown above.

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

Balance sheet as at 31 December 2005

	Notes	2005 £	2004 £
Fixed assets			
Tangible fixed assets	10	-	-
Current assets			
Debtors	11	345,841	386,039
Cash at bank and in hand	12	546,870	693,307
		892,711	1,079,346
Creditors: amounts falling due within one year	13	(1,471,465)	(1,659,123)
Net current liabilities		(578,754)	(579,777)
Net liabilities		(578,754)	(579,777)
Capital and reserves			
Called up share capital	14	100	100
Profit and loss account	15	(578,854)	(579,877)
Equity shareholders' deficit	15	(578,754)	(579,777)

The financial statements on pages 6 to 15 were approved by the board of directors on 23 March 2007 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 2005

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 in accordance with the Companies Act 1985, 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 Viacom Inc. 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) Changes in accounting policies

The company has adopted FRS 21, 'Events after the balance sheet date', and FRS 25, 'Financial instruments: disclosure and presentation', in these financial statements. The adoption of these standards represents a change in accounting policy. There was no impact on the financial statements as a result of the adoption of FRS 21 or FRS 25.

c) 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 during the month of the transaction. The resulting profits or losses are dealt with in the profit and loss account.

d) Turnover

Turnover represents amounts invoiced excluding value added tax in respect of music publishing services provided and royalties received.

e) Taxation

Corporation tax payable is provided on taxable profits at the current rate. Deferred tax is provided using the liability method at the rates ruling at the year end.

Deferred tax is provided in full on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered.

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Notes to the financial statements for the year ended 31 December 2005

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

g) 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 group and its financial statements are included in the consolidated 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 group or investees of that group (see note 19).

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 profit / (loss)

	2005 £	2004 £
Operating profit / (loss) is stated after charging:		
Auditors' remuneration		
- audit services	10,964	9,811

Famous Music Publishing Limited

Notes to the financial statements for the year ended 31 December 2005

5 Employee information

Staff costs during the year were as follows:

	2005	2004
	£	£
Wages and salaries	52,052	47,989
Social security costs	6,419	6,616
	58,471	54,605

The average number of employees during the year was 2 (2004: 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 (2004: nil). Two (2004: two) directors were granted stock options in the year, but no (2004: nil) directors exercised share options in the ultimate parent undertaking during the year.

7 Interest receivable and similar income

	2005	2004
	£	£
Interest receivable from third party	17,134	19,454

8 Interest payable and similar charges

	2005	2004
	£	£
Interest payable to group companies	-	40,131
Interest payable to third parties	42,268	-

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Notes to the financial statements for the year ended 31 December 2005

9 Taxation on profit / (loss) on ordinary activities

The tax charge based on the profit / (loss) on ordinary activities comprises:

	2005 £	2004 £
Current Tax		
UK Corporation Tax on profits / (losses) of the year at 30% (2003: 30%)	1,110	-
Total current tax	1,110	-
Deferred Tax		
Origination and reversal of timing differences	125	167
Total deferred tax	125	167
Tax on profit / (loss) on ordinary activities	1,235	167

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

	2005 £	2004 £
Profit / (loss) on ordinary activities before tax	2,258	(91,202)
Profit / (loss) on ordinary activity multiplied by standard UK rate, 30% (2004: 30%)	678	(27,361)
<u>Effects of:</u>		
Expenses not deductible for tax purposes	557	479
Accelerated capital allowances less than depreciation	(125)	(167)
Group relief surrendered for nil consideration	-	27,049
Current tax charge for the year	1,110	-

The company expects to be able to claim capital allowances in excess of depreciation in future years.

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.

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Notes to the financial statements for the year ended 31 December 2005

9 Taxation on profit / (loss) on ordinary activities (continued)

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

	2005 £	2004 £
Capital allowances in excess of depreciation	125	167
Total deferred tax charge	125	167

10 Tangible fixed assets

	Computer equipment £
Cost	
At 31 December 2005 and 1 January	6,687
Depreciation	
At 31 December 2005 and 1 January	6,687
Net Book Value	
At 31 December 2005 and 1 January	-

11 Debtors

	2005 £	2004 £
Trade debtors	118,424	112,191
Royalty advances	216,629	237,356
Deferred tax asset (Note 16)	9,989	10,114
Other debtors	799	26,378
	345,841	386,039

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.

12 Cash at bank and in hand

At 31 December 2005 cash balances included £546,870 (2004: £693,307) of deposits which are managed and held on behalf of a third party company. This cash is not accessible to the company. The related liability is classified as other creditors.

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Notes to the financial statements for the year ended 31 December 2005

13 Creditors: amounts falling due within one year

	2005 £	2004 £
Bank overdraft	893,579	-
Amounts owed to group undertakings	565	866,101
Accruals and deferred income	29,340	99,715
Corporation tax payable	1,110	-
Other creditors	546,871	693,307
	1,471,465	1,659,123

14 Share capital

	2005 £	2004 £
Authorised:		
100 ordinary shares at £1 each	100	100
Allotted and fully paid:		
100 ordinary shares at £1 each	100	100

15 Reconciliation of movements in shareholders' deficit and reserves

	2005 £	2004 £
Profit / (loss) for the year	1,023	(91,369)
Reduction / (addition) to shareholders' deficit	1,023	(91,369)
Opening shareholders' deficit	(579,777)	(488,408)
Closing shareholders' deficit	(578,754)	(579,777)

	Share Capital £	Profit and Loss Account £	Total Equity Shareholders' Deficit £
At 1 January 2005	100	(579,877)	(579,777)
Retained profit for the year	-	1,023	1,023
At 31 December 2005	100	(578,854)	(578,754)

Famous Music Publishing Limited

Notes to the financial statements for the year ended 31 December 2005

16 Financial commitments

At 31 December 2005 the company had the following commitments which expire:

	Future artist commitments	
	2005	2004
	£	£
Within one year	110,000	110,000
In two to five years	-	-
In over five years	-	-
	110,000	110,000

The future artist commitments relate to a non-cancellable agreement to provide funding to artists.

17 Deferred Taxation

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

	2005	2004
	£	£
Accelerated capital allowances	376	501
Unrelieved tax losses carried forward	9,613	9,613
Total deferred tax asset	9,989	10,114

18 Pension costs

The employees of the company do not participate in a pension scheme of the company and therefore no liabilities exists or costs are incurred during 2005 (2004: nil).

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Notes to the financial statements for the year ended 31 December 2005

19 Related party transactions

On 31 December 2005 the parent group was separated into two separate groups headed by Viacom Inc. and CBS Corporation. Famous Music Publishing Limited is a wholly owned subsidiary of Viacom Inc.

As permitted by Financial Reporting Standard 8, "Related Party Disclosures", transactions with other entities of which at least 90% is held by Viacom Inc are not disclosed.

There were no transactions with CBS Corporation subsidiaries.

20 Ultimate parent undertaking

The company's immediate and ultimate parent companies are Viacom Global Netherlands B.V. and Viacom Inc. respectively, incorporated in the Netherlands and the USA. The ultimate controlling party of Viacom Inc. is National Amusements Inc., the beneficial owner of the majority of Viacom Inc. voting shares.

The only group in which the results of Famous Music Publishing Limited are consolidated is Viacom Inc. The consolidated financial statements for this group are available to the public and may be obtained from 1515 Broadway, New York, N.Y., 10036-5794, USA.