

**FAMOUS MUSIC PUBLISHING LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**



**Registered number: 2778358**

# **FAMOUS MUSIC PUBLISHING LIMITED**

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## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012**

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# **FAMOUS MUSIC PUBLISHING LIMITED**

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## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2012**

The directors present herewith the audited financial statements of the company for the year ended 31 March 2012

### **PRINCIPAL ACTIVITIES**

The principal activity of the company is music publishing

### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

#### **Business review**

The results and position of the company as at and for the year ended 31<sup>st</sup> March 2012 are set out in the profit and loss account and balance sheet on pages 5 and 6 respectively. The results are in line with the directors' expectations

#### **Future outlook**

The music industry in the United Kingdom is expected to remain highly competitive in 2012/13 and 2013/14 with further declines expected in physical product sales. Digital sales are expected to increase but it is uncertain as to whether this growth will replace the decline in physical sales

#### **Strategy**

The company's strategy is to provide a personalised service to its writers coupled with the financial backing of a multinational corporation. The company continues to invest in a mix of high profile established writers together with newly developing acts

#### **Principal risks and uncertainties**

The management of the business and the execution of the company's strategy are subject to a number of risks

The key business risks and uncertainties affecting the company are considered to relate to competition from other music publishers, piracy and illegal downloading of music and retention of existing high profile writers

To mitigate the risk of piracy and illegal downloading, the company is working closely with collection societies to help establish effective and efficient licences with on-line service providers

#### **Financial risk management**

The company's operations expose it to certain financial risks, primarily comprised of credit risk

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage credit risk and circumstances where it would be appropriate to use financial instruments to manage these

# **FAMOUS MUSIC PUBLISHING LIMITED**

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## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

### **Financial risk management (continued)**

#### *Credit risk*

The company has implemented policies that require appropriate credit checks on potential customers before sales are made

### **Key performance indicators ("KPIs")**

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

### **RESULTS AND DIVIDENDS**

The results for the company show a pre-tax profit of £402k (2011: £458k) for the year and total turnover of £3,894k (2011 £4,026k) The company has net assets of £302k (2011 net assets £334k) Net cash inflow from operating activities for 2012 was £440k (2011 net cash inflow £479k)

The directors recommend the payment of a final dividend of £2,980 (2011, £3,300) per ordinary share amounting to £298,000 (2011 £330,000) and, if approved, this will be paid on 31st January 2013

### **Qualifying third party indemnity provisions**

At the time the report is approved there is a qualifying third party indemnity provision in place for the benefit of the directors under a policy taken out by Sony Corporation America

### **Charitable and political donations**

There were no (2011 £nil) charitable donations made in 2012

### **DIRECTORS**

The directors of the company who have held office during the year and to the date of this report were

Guy Henderson

Martin Bandier

Joseph Puzio

# **FAMOUS MUSIC PUBLISHING LIMITED**

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## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

### **STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and the directors have taken all the steps that they ought to have taken as the directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **ANNUAL GENERAL MEETING**

The company has passed a resolution electing to dispense with the obligation to lay financial statements and reports before the company in a general meeting.

The company has passed a resolution electing to dispense with the obligation to hold annual general meetings.

## **FAMOUS MUSIC PUBLISHING LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

#### **AUDITORS**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed

By order of the board

A handwritten signature in black ink, appearing to read 'Guy Henderson', written over a horizontal line.

Guy Henderson

**Director**

29th November 2012

## **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 March 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

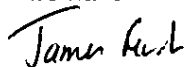
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



James French (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
St Albans  
29th November 2012

# **FAMOUS MUSIC PUBLISHING LIMITED**

## **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012**

	Notes	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
<b>TURNOVER</b>	2	<b>3,894</b>	4,026
Cost of sales		(3,133)	(3,128)
<b>GROSS PROFIT</b>		<b>761</b>	898
Administrative expenses		(364)	(451)
<b>OPERATING PROFIT</b>	3	<b>397</b>	447
Interest receivable and similar income	6	5	11
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>402</b>	458
Tax on profit on ordinary activities	7	(104)	(128)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>298</b>	330

All amounts relate to continuing operations

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

There were no recognised gains or losses other than those included in the profit and loss account and accordingly no separate statement of recognised gains and losses has been presented

Notes forming part of these financial statements are on pages 9 to 17

# FAMOUS MUSIC PUBLISHING LIMITED

## BALANCE SHEET AS AT 31 MARCH 2012

	Notes	2012 £'000	2011 £'000
<b>CURRENT ASSETS</b>			
Debtors	8	2,395	2,287
Cash at bank and in hand		20	30
<b>TOTAL CURRENT ASSETS</b>		<b>2,415</b>	<b>2,317</b>
<b>CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	9	<b>(2,113)</b>	<b>(1,983)</b>
<b>NET CURRENT ASSETS</b>		<b>302</b>	<b>334</b>
<b>NET ASSETS</b>		<b>302</b>	<b>334</b>
<b>SHARE CAPITAL AND RESERVES</b>			
Called up share capital	10	-	-
Profit and loss account		302	334
<b>TOTAL SHAREHOLDERS' FUNDS</b>	12	<b>302</b>	<b>334</b>

The financial statements on pages 6 to 17 were approved by the board of directors on 29th November 2012 and signed on its behalf by



Guy Henderson  
Director

Registered number: 2778358

## **FAMOUS MUSIC PUBLISHING LIMITED**

### **CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012**

	Notes	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	14	<b>440</b>	479
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>			
Dividends paid		(330)	(400)
Interest received		5	11
		<b>(325)</b>	(389)
<b>TAXATION</b>			
Tax paid		<b>(125)</b>	(145)
<b>NET CASH OUTFLOW</b>	15	<b>(10)</b>	(55)

# **FAMOUS MUSIC PUBLISHING LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012**

### **1 STATEMENT OF ACCOUNTING POLICIES**

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. A summary of the more important policies, which have been applied consistently, is set out below.

#### **a) Turnover**

Turnover represents copyright royalties receivable excluding value added tax. It is recognised at the point at which it can be accurately determined which is usually on receiving cash from the collecting societies or third party agents and licensees. Advances in respect of future revenues are treated as deferred revenue and recognised as revenue when earned.

#### **b) Taxation**

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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 the future, have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable, and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

#### **c) Writers' advances**

The company pays advances to its writers which are recoverable from their future royalty earnings. If the advance is for a new unproven writer with no track record it is expensed at the time the payment is made. All other advance payments are capitalised and reviewed on a regular basis as to their recoverability.

# FAMOUS MUSIC PUBLISHING LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (continued)

### STATEMENT OF ACCOUNTING POLICIES (continued)

**d) Related party transactions**

The company has taken advantage of exemptions under FRS 8 “Related party disclosures” not to disclose transactions and balances between wholly-owned members of a group

**e) Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

**f) Accrued royalties**

A royalty payable, based on historical information and best estimates, is accrued on any income which has not been processed through the royalty system at year end

**2 TURNOVER**

Turnover represents copyright royalties receivable excluding value added tax. Turnover is predominately derived in the United Kingdom

**3 OPERATING PROFIT**

Operating profit is stated after charging

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Auditors' remuneration	10	15

**4 DIRECTORS' EMOLUMENTS**

During the year none of the directors received any remuneration in respect of their services to the company as directors (2011: £nil)

## **FAMOUS MUSIC PUBLISHING LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

#### **5 EMPLOYEE INFORMATION**

During the year the company had no employees (2011 three) Administrative duties and management functions are primarily performed by staff who are employees of SM Publishing (UK) Limited. The costs incurred for these duties are recharged to the company as incurred

	<b>Year ended 31 March 2012 £'000</b>	<b>Year ended 31 March 2011 £'000</b>
Wages and salaries	-	168
Social security costs	-	18
	-	186

#### **6 INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>Year ended 31 March 2012 £'000</b>	<b>Year ended 31 March 2011 £'000</b>
Interest receivable from third parties	5	11

# FAMOUS MUSIC PUBLISHING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (continued)

### 7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Current tax		
United Kingdom corporation tax on profit for the period	105	128
Adjustments to prior year tax charge	(5)	4
<b>Total current tax charge</b>	<b>100</b>	<b>132</b>
Deferred tax		
Origination and reversal of timing differences	-	1
Adjustments in respect of prior periods	4	(5)
<b>Total deferred tax charge / (credit)</b>	<b>4</b>	<b>(4)</b>
<b>Tax on profit on ordinary activities</b>	<b>104</b>	<b>128</b>

The tax assessed for the period is lower (2011 higher) than the standard rate of corporation tax in the UK (26%) applied to the pre-tax profit of the company. The differences are explained below.

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
<b>Profit on ordinary activities before tax</b>	<b>402</b>	<b>458</b>
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 26% (2011 28%)	105	128
Effects of		
Accelerated capital allowances	-	1
Short term timing differences	-	(1)
Adjustments to prior year tax charge	(5)	4
<b>Current tax charge for the year</b>	<b>100</b>	<b>132</b>

## FAMOUS MUSIC PUBLISHING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (continued)

#### Factors which may affect future tax charges

On 26 March 2012 a resolution passed by Parliament reduced the main corporation tax rate from 26% to 24% effective from 1 April 2012. This change was announced in the March 2012 Budget Statement together with the intention to reduce the main rate of corporation tax to 22% by 1 April 2014.

Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is included in the Finance Act 2012. The rate reduction from 24% to 22% had not been substantively enacted at the balance sheet date and, therefore, is not included in these financial statements.

## 8 DEBTORS

	2012 £'000	2011 £'000
Trade debtors	6	4
Amounts owed by related parties	209	102
Capitalised advances	159	382
Short-term deposits with related parties	1,870	1,750
Value added tax receivable	143	45
Corporation tax	8	-
Deferred tax	-	4
	<b>2,395</b>	<b>2,287</b>

Capitalised advances include certain amounts that, due to their nature, may not be recouped within a year.

Short-term deposits with related parties represent overnight deposits with Sony Global Treasury Services, which are swept back to the financial statements of the company as/when needed for cash management purposes.

Interest is not charged on amounts owed by related parties.

# **FAMOUS MUSIC PUBLISHING LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

### **9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Amounts due to related parties	<b>1,366</b>	<b>846</b>
Other creditors	<b>5</b>	<b>40</b>
Corporation tax	<b>-</b>	<b>17</b>
Accrued royalties	<b>742</b>	<b>1,080</b>
	<b>2,113</b>	<b>1,983</b>

Amounts owed by related parties are unsecured, have no fixed date of repayment and are interest free in general

Amounts owed to other creditors are unsecured and interest free

### **10 CALLED UP SHARE CAPITAL**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Authorised		
100 (2011 100) ordinary shares of £1 each	<b>-</b>	<b>-</b>
Allotted, issued and fully paid		
100 (2011 100) ordinary shares of £1 each	<b>-</b>	<b>-</b>

### **11 PROFIT AND LOSS ACCOUNT**

	<b>£'000</b>
At 1 April 2011	<b>334</b>
Dividends paid	<b>(330)</b>
Profit for the financial year	<b>298</b>
At 31 March 2012	<b>302</b>

# **FAMOUS MUSIC PUBLISHING LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

### **12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Profit for the year	298	330
Dividend paid	(330)	(400)
Opening shareholders' funds	334	404
Closing shareholders' funds	302	334

### **13 DIVIDENDS**

	2012 £'000	2011 £'000
Equity – Ordinary		
Final paid (2010) £4,000 per £1 share	-	400
Final paid (2011) £3,300 per £1 share	330	-

### **14 RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES**

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Operating profit	397	447
(Increase) / decrease in debtors	(104)	30
Increase in creditors	147	2
Net cash inflow from operating activities	440	479

# FAMOUS MUSIC PUBLISHING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (continued)

### 15 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Net cash outflow	(10)	(55)
Opening net funds	30	85
<b>Closing net funds (note 15)</b>	<b>20</b>	<b>30</b>

### 16 ANALYSIS OF MOVEMENTS IN NET FUNDS

	At 1 April 2011 £'000	Cash flows £'000	At 31 March 2012 £'000
Cash at bank and in hand	30	(10)	20
<b>Net funds</b>	<b>30</b>	<b>(10)</b>	<b>20</b>

### 17 FINANCIAL COMMITMENTS AND CONTINGENCIES

At 31 March 2012 the company had annual commitments and contingencies related to future artist advances expiring as follows

	2012 £'000	2011 £'000
Within one year	223	956
Within two to five years	775	-

## **FAMOUS MUSIC PUBLISHING LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

#### **18 RELATED PARTIES**

The FRS 8 exemption for not disclosing transactions wholly-owned members of a group has been taken and so transactions between SATV LLC companies have not been disclosed

	Transaction value		Outstanding balance	
	Income/(Expense)		Debtor/(Creditor)	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
SM Publishing (UK) Limited	(309)	(114)	(1,351)	(818)
Sony Global Treasury Services PLC	-	-	1,870	1,750

The transactions between Famous Music Publishing Limited and the related parties are for the recharge of overheads

#### **19 ULTIMATE PARENT UNDERTAKINGS AND CONTROLLING PARTY**

The immediate parent entity is Sony/ATV Music Publishing LLC, a Delaware (United States) limited liability company

Sony/ATV Music Publishing LLC is a joint venture, 50% of which is owned by trusts formed by Michael Jackson (now within his Estate), 40% of which is owned by Sony Music Holdings Inc (a Delaware corporation) through its wholly-owned subsidiaries, and 10% of which is owned by SMEJ (USA) Inc (a Delaware corporation) There is no ultimate controlling party