

**SONY/ATV MUSIC PUBLISHING (UK) LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2011**



\*L503AWWW\*

LD2

22/08/2011

108

COMPANIES HOUSE

**Registered number: 03431011**

# **SONY/ATV MUSIC PUBLISHING (UK) LIMITED**

---

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011**

<b>Contents</b>	<b>Page</b>
Directors' report	1-4
Independent auditors' report to the members of Sony/ATV Music Publishing (UK) Limited	5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the financial statements	9-16

# **SONY/ATV MUSIC PUBLISHING (UK) LIMITED**

---

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011**

The directors present herewith the audited financial statements of the company for the year ended 31 March 2011

### **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 2011 are set out in the profit and loss account and balance sheet on pages 6 and 7 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 2011/12 and 2012/13 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 new 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.

# SONY/ATV MUSIC PUBLISHING (UK) LIMITED

---

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011 (continued)

### Financial risk management (continued)

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

#### *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 £2.8 million (2010: £2.2 million) for the year and total turnover of £37.4 million (2010: £39.0 million). The company has net assets of £2.1 million (2010: £2.9 million). Net cash inflow from operating activities for 2010 was £3.5 million (2010: net cash inflow £4.2 million).

The directors recommend the payment of a final dividend of £2,059 (2010: £1,665) per ordinary share amounting to £2,059k (2010: £1,665k) and, if approved, this will be paid on 31 August 2011.

### 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.

# **SONY/ATV MUSIC PUBLISHING (UK) LIMITED**

---

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011 (continued)**

### **DIRECTORS**

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

Rakesh Sanghvi  
Martin Bandier  
Guy Henderson  
Joseph Puzio

### **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.

# SONY/ATV MUSIC PUBLISHING (UK) LIMITED

---

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011 (continued)

### STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

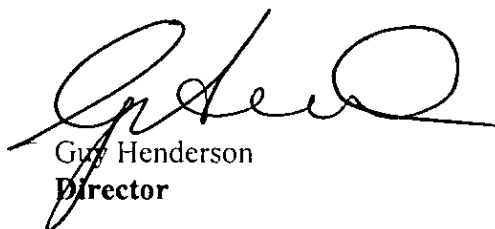
So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and the directors have taken all the steps that they ought to have taken as the directors in order to make themselves aware of any relevant audit information and to establish that the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

By order of the board



Guy Henderson  
Director

2 August 2011

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SONY/ATV MUSIC PUBLISHING (UK) LIMITED**

We have audited the financial statements of Sony/ATV Music Publishing (UK) Limited for the year ended 31 March 2011 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 2011 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  
2nd August 2011

# SONY/ATV MUSIC PUBLISHING (UK) LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 £'000	2010 £ 000
<b>TURNOVER</b>	2	<b>37,388</b>	38 976
Cost of Sales		<b>(29,061)</b>	(30 546)
<b>GROSS PROFIT</b>		<b>8,327</b>	8 430
Administrative expenses		<b>(5,582)</b>	(6,228)
<b>OPERATING PROFIT</b>	3	<b>2,745</b>	2,202
Interest receivable and similar income	6	<b>32</b>	36
Interest payable and similar charges	7	<b>-</b>	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>2,777</b>	2 238
Tax on profit on ordinary activities	8	<b>(718)</b>	(573)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>2,059</b>	1 665

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

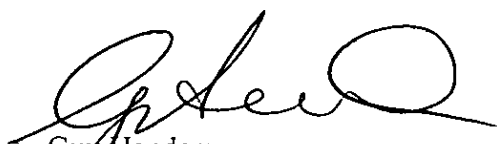


# SONY/ATV MUSIC PUBLISHING (UK) LIMITED

## BALANCE SHEET AS AT 31 MARCH 2011

	Note	2011 £'000	2010 £ 000
<b>FIXED ASSETS</b>			
Intangible assets	9	1,525	1 628
<b>TOTAL FIXED ASSETS</b>		<b>1,525</b>	<b>1,628</b>
<b>CURRENT ASSETS</b>			
Debtors	10	24,132	27 050
Cash at bank and in hand		96	128
<b>TOTAL CURRENT ASSETS</b>		<b>24,228</b>	<b>27 178</b>
<b>CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	11	<b>(23,692)</b>	<b>(25 904)</b>
<b>NET CURRENT ASSETS</b>		<b>536</b>	<b>1 274</b>
<b>NET ASSETS</b>		<b>2,061</b>	<b>2 902</b>
<b>SHARE CAPITAL AND RESERVES</b>			
Called up share capital	12	1	1
Profit and loss account	13	2,060	2 901
<b>TOTAL SHAREHOLDERS' FUNDS</b>	14	<b>2,061</b>	<b>2 902</b>

The financial statements on pages 6 to 16 were approved by the board of directors on 2 August 2011 and signed on its behalf by

  
Guy Henderson  
Director

Registered number: 03431011

# SONY/ATV MUSIC PUBLISHING (UK) LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 £'000	2010 £ 000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	16	<b>3,504</b>	4,192
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>			
Dividends paid	15	(2,900)	(1,216)
Interest received		48	22
		<b>(2,852)</b>	(1,194)
<b>TAXATION</b>			
Tax		(684)	(513)
<b>CASH OUTFLOWS FOR INVESTING ACTIVITIES</b>			
Loan to Sony/ATV Music Publishing LLC		-	(2,416)
		-	(2,416)
<b>NET CASH (OUTFLOW) / INFLOW</b>	17	<b>(32)</b>	69

# SONY/ATV MUSIC PUBLISHING (UK) LIMITED

---

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

### 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 against 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) Intangible assets

Song catalogues are recorded at cost and amortised over their useful economic life on a straight line basis. The directors review the song catalogues for triggering events of impairments on a regular basis and provision is made to write down the cost of a song catalogue where the directors consider that there is an impairment in the value of those catalogues. Assets with an useful economic life of more than 20 years are subject to annual impairment reviews.

# SONY/ATV MUSIC PUBLISHING (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011 (continued)

### 1 STATEMENT OF ACCOUNTING POLICIES (continued)

#### d) 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.

#### e) Related party transactions

The company has taken advantage of exemptions under FRS 8 "Related party disclosures" not to disclose transactions and balances with other group companies that are eliminated on consolidation.

#### f) 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.

### 2 TURNOVER

Turnover is derived from income received from the Sony/ATV Music Publishing roster. A geographical analysis by origin is as follows:

	2011 £'000	2010 £'000
United Kingdom	25,361	26,042
Rest of the world	12,027	12,934
	<b>37,388</b>	<b>38,976</b>

### 3 OPERATING PROFIT

Operating profit is stated after charging:

	2011 £'000	2010 £'000
Amortisation of song catalogues	103	104
Auditors' remuneration	19	35

## SONY/ATV MUSIC PUBLISHING (UK) LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011 (continued)

#### 4 DIRECTORS' EMOLUMENTS

During the year none of the directors received any remuneration in respect of their services to the company as directors (2010 £nil)

#### 5 EMPLOYEE INFORMATION

During the year the company had no employees (2010 none) 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

#### 6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2011 £'000	2010 £ 000
Bank interest received	7	16
Interest receivable on group borrowings	22	20
Other interest received	3	-
	<b>32</b>	<b>36</b>

#### 7 INTEREST PAYABLE AND SIMILAR CHARGES

	2011 £'000	2010 £'000
Interest payable	-	-

# SONY/ATV MUSIC PUBLISHING (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011 (continued)

### 8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2011 £'000	2010 £ 000
United Kingdom corporation tax at 28% (2010 – 28%)	740	611
Adjustment to prior year tax charge	(22)	(36)
Deferred tax	-	(2)
<b>Total current tax charge</b>	<b>718</b>	<b>573</b>

The tax assessed for the year is lower (2010 – lower) than the standard rate of corporation tax in the UK. The differences are explained below

	2011 £'000	2010 £ 000
<b>Profit on ordinary activities before tax</b>	<b>2,777</b>	<b>2,238</b>
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 28% (2010 – 28%)	777	627
Effects of		
Expenses not deductible for tax purposes	-	21
Deferred tax	-	(2)
Adjustment in respect of UK-UK transfer pricing	(37)	(37)
Adjustments to tax in respect of prior years	(22)	(36)
<b>Current tax charge for the year</b>	<b>718</b>	<b>573</b>

#### Factors which may affect future tax charges

On 29 March 2011 a resolution passed by Parliament reduced the main corporation tax rate from 28% to 26% effective from 1 April 2011. This change was announced in the March 2011 Budget Statement together with the intention to reduce the main rate of corporation tax to 23% by 1 April 2014. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is included in the Finance Act 2011. None of the rate reductions from 26% to 23% had been substantively enacted at the balance sheet date and therefore, are not included in these financial statements.

# SONY/ATV MUSIC PUBLISHING (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011 (continued)

### 9 INTANGIBLE ASSETS

	Song catalogues £'000
<b>Cost</b>	
At 1 April 2010	5 690
<b>At 31 March 2011</b>	<b>5,690</b>
<b>Accumulated amortisation</b>	
At 1 April 2010	4 062
Charge for the year	103
<b>At 31 March 2011</b>	<b>4,165</b>
<b>Net book amount</b>	
<b>At 31 March 2011</b>	<b>1,525</b>
At 31 March 2010	1 628

### 10 DEBTORS

	2011 £'000	2010 £ 000
Short term deposits with related parties	5,200	5 500
Trade debtors	164	180
Value added tax receivable	241	693
Deferred tax	-	2
Amounts owed by related parties	1,945	4,829
Capitalised advances	16,582	15 846
	<b>24,132</b>	<b>27 050</b>

Included within capitalised advances to writers and publishers are 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 accounts of the company as/when needed for cash management purposes

# SONY/ATV MUSIC PUBLISHING (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011 (continued)

### 11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £'000	2010 £'000
Amounts due to related parties	12,603	11 310
Accrued royalties	10,799	13 543
Value added tax payable	-	769
Corporation tax	164	130
Other creditors	126	152
	<b>23,692</b>	<b>25 904</b>

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

### 12 CALLED UP SHARE CAPITAL

	2011 £'000	2010 £'000
Authorised 1 000,000 ordinary shares of £1 each	1,000	1 000
Allotted issued and fully paid 1,000 ordinary shares of £1 each	1	1

### 13 RESERVES

	Profit and loss account £'000
At 1 April 2010	2 901
Dividend paid	(2 900)
Profit for the financial year	2 059
<b>At 31 March 2011</b>	<b>2,060</b>



# SONY/ATV MUSIC PUBLISHING (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011 (continued)

### 14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £'000	2010 £'000
Profit for the financial year	2,059	1 665
Dividend paid	(2,900)	-
Opening shareholders' funds	2,902	1 237
Closing shareholders' funds	2,061	2 902

### 15 DIVIDENDS

	2011 £'000	2010 £'000
Equity - Ordinary		
Final paid (2009) £1,235 per £1 share	1,235	-
Final paid (2010) £1,665 per £1 share	1,665	-
Total dividends	2,900	-

The directors have proposed a final dividend for the year ended 31 March 2010 of £2,059 per share that is a total of £2 059.000. As this dividend was not declared at the balance sheet date it is not reflected in these accounts.

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

	2011 £'000	2010 £'000
Operating profit	2,745	2,202
Add back amortisation of intangible assets	103	104
Decrease in debtors	2,902	2 050
Decrease in creditors	(2,246)	(164)
Net cash inflow from operating activities	3,504	4 192

## SONY/ATV MUSIC PUBLISHING (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011 (continued)

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

	2011 £'000	2010 £'000
Net cash (outflow) / inflow	(32)	69
Opening net funds	128	59
<b>Closing net funds (note 18)</b>	<b>96</b>	<b>128</b>

#### 18 ANALYSIS OF MOVEMENTS IN NET FUNDS

	At 1 April 2010 £'000	Cash flows £'000	At 31 March 2011 £'000
Cash at bank and in hand	128	(32)	96
<b>Net funds</b>	<b>128</b>	<b>(32)</b>	<b>96</b>

#### 19 FINANCIAL COMMITMENTS AND CONTINGENCIES

At 31 March 2011 the company had annual commitments and contingencies related to future artist advances expiring as follows

	31 March 2011 £'000	31 March 2010 £'000
Within one year	4,549	3,342
Within two to five years	375	100
	<b>4,924</b>	<b>3,442</b>

#### 20 ULTIMATE PARENT UNDERTAKINGS AND CONTROLLING PARTY

The 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 SMEI (USA) Inc (a Delaware corporation). There is no ultimate controlling party.