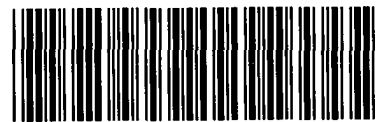


# Director's Cuts Production Music Limited

## ANNUAL REPORT

For the year ended 31 March 2014

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Company number: 04130481

# Director's Cuts Production Music Limited

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# Director's Cuts Production Music Limited

## DIRECTORS AND ADVISERS

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### DIRECTORS

R Emanuel  
D Pounder  
M Bandier  
G Henderson  
J Puzio

### COMPANY SECRETARY

Abogado Nominees Limited

### REGISTERED OFFICE

100 New Bridge Street  
London  
EC4V 6JA

### BUSINESS ADDRESS

5<sup>th</sup> Floor Kent House  
14-17 Market Place  
London  
W1W 8AJ

### INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

### PRINCIPAL BANKER

Lloyds TSB Bank Plc  
City Office  
Bailey Drive  
Gillingham Business Park  
ME8 0LS

# Director's Cuts Production Music Limited

## DIRECTORS' REPORT

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The directors submit their report and the audited financial statements of Director's Cuts Production Music Limited for the year ended 31 March 2014.

### BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of a music library.

The results for the company show a profit on ordinary activities before tax of £1,051,824 (2013: £1,208,199) for the year and turnover of £2,021,110 (2013: £2,219,798). The company has net assets of £934,901 (2013: £874,997).

### RESULTS AND DIVIDENDS

The profit for the financial year transferred to reserves was £809,904 (2013: £854,361).

An interim dividend of £75 (2013: £100) per ordinary share amounting to £750,000 (2013: £1,000,000) was paid on 29 August 2013 (2013: 17 September 2012).

The directors recommend a final dividend for the current financial year of £75 (2013: £Nil) per share totalling £750,000 (2013: £Nil).

### DIRECTORS

The following directors have held office from the beginning of the financial year and to the date of approval of these financial statements:

R Emanuel  
D Pounder  
M Bandier  
G Henderson  
J Puzio

### STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Each director of the company, in office at the time of approval of this report, acknowledges that:

- a. so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- b. he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

# Director's Cuts Production Music Limited

## DIRECTORS' REPORT

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### 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### SMALL COMPANIES EXEMPTION

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

### INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution to reappoint them as auditors will be proposed at the next annual general meeting.

On behalf of the board



D Pounder  
Director

Date 20 June 2014

# Director's Cuts Production Music Limited

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIRECTOR'S CUTS PRODUCTION MUSIC LIMITED

### Report on the financial statements

#### Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit 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.

This opinion is to be read in the context of what we say in the remainder of this report.

#### What we have audited

The financial statements, which are prepared by Director's Cuts Production Music Limited, comprise:

- the Profit and loss account for the year ended 31 March 2014;
- the Balance sheet as at 31 March 2014; and
- the Notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

# Director's Cuts Production Music Limited

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIRECTOR'S CUTS PRODUCTION MUSIC LIMITED (CONTINUED)

### 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.

### Other matters on which we are required to report by exception

#### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies' exemption in preparing the Directors' report; and take advantage of the small companies' exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

### Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities 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 ISAs (UK & 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.



Jonathan Ford (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
20 June 2014

# Director's Cuts Production Music Limited

## PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2014

	Note	Year ended 31 March 2014 £	Year ended 31 March 2013 £
<b>TURNOVER</b>	2	2,021,110	2,219,798
Cost of sales		(916,381)	(1,033,539)
Gross profit		<u>1,104,729</u>	<u>1,186,259</u>
Operating (expenses) / income		(56,329)	17,705
<b>OPERATING PROFIT</b>	3	<u>1,048,400</u>	<u>1,203,964</u>
Interest receivable and similar income	4	3,424	4,235
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>1,051,824</u>	<u>1,208,199</u>
Tax on profit on ordinary activities	7	(241,920)	(353,838)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	11	<u><u>809,904</u></u>	<u><u>854,361</u></u>

All amounts relate to continuing operations.

The company has no recognised gains and losses other than the profit above and therefore no separate statement of recognised gains and losses has been presented.

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



# Director's Cuts Production Music Limited

## BALANCE SHEET

As at 31 March 2014

	Note	31 March 2014 £	31 March 2013 £
<b>CURRENT ASSETS</b>			
Debtors	8	207,024	671,768
Cash at bank and in hand		1,396,807	1,151,282
		<u>1,603,831</u>	<u>1,832,050</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	9	(668,930)	(948,053)
<b>NET CURRENT ASSETS</b>		<u>934,901</u>	<u>874,997</u>
<b>NET ASSETS</b>		<u>934,901</u>	<u>874,997</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	10,000	10,000
Profit and loss account	11	924,901	864,997
<b>TOTAL SHAREHOLDERS' FUNDS</b>	12	<u>934,901</u>	<u>874,997</u>

The financial statements have been prepared in accordance with the small companies' regime of the Companies Act 2006 relating to small companies.

The financial statements on pages 6 to 14 were approved and authorised for issue by the board of directors on 20 June 2014 and signed on its behalf by:

  
.....  
D Pounder  
Director

Company number: 04130481

# Director's Cuts Production Music Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

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### 1 ACCOUNTING POLICIES

#### BASIS OF PREPARATION

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

#### CASH FLOW STATEMENT

The company has taken advantage of the exemption in Financial Reporting Standard 1 'Cash Flow Statements' (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a wholly owned subsidiary which is included in the consolidated financial statements prepared by the parent company, which are publicly available.

#### TAXATION

Current taxation is applied to taxable profits at the rates ruling in the United Kingdom. Deferred tax 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. Deferred tax balances are not discounted unless the effects are considered to be material to the company's results.

#### TURNOVER

Turnover, which is stated net of value added tax, consists of:

Indirect licence turnover, which represents revenue remitted via collection societies. This is recognised on a receipts basis.

Direct licence turnover, which represents directly invoiced revenue. This is recognised on an accruals basis in the period to which the respective licences relate.

Direct licence turnover is recognised when the licensor has entered into a non-cancellable agreement, has agreed to a fixed pre-determined fee, has delivered the rights to the licensee who is free to exercise them, has no remaining significant obligations to furnish music and recovery of the full fee is reasonably assured.

#### ROYALTY EXPENSE

Royalties are charged to the profit and loss account as incurred. In respect of direct licence revenue where the income is reflected on an accruals basis in the period to which the respective licences relate or indirect revenue where the income is reflected on a receipts basis, due provision is made for any related royalty expense due to the music library owner or writer.

Where advances against future royalties have been made, royalties are charged to the profit and loss account at the rates stated in writer contracts based on royalty turnover generated during the year. Provision is made where it is anticipated that the advance will not be recouped by future royalty charges.

#### FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

# Director's Cuts Production Music Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

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### 1 ACCOUNTING POLICIES

*(continued)*

#### RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under paragraph 3(c) from the provisions in Financial Reporting Standard 8 'Related Party Disclosures' not to disclose transactions entered into between two or more members of a group, provided that the subsidiary is a wholly-owned subsidiary of the group headed by Sony / ATV Music Publishing LLC whose financial statements are publicly available.

### 2 TURNOVER

The turnover and profit on ordinary activities before taxation is attributable to the one principal activity of the group, which was that of a music library. All turnover originates from the UK. Turnover by geographical destination is as follows:

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Geographical markets:		
UK	855,511	964,814
USA	681,107	853,324
Europe	383,230	261,844
Australia	101,262	139,816
Rest of World	-	-
	<u>2,021,110</u>	<u>2,219,798</u>

### 3 OPERATING PROFIT

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Operating profit on ordinary activities is stated after charging:		
Foreign exchange loss / (gain)	<u>56,321</u>	<u>(18,504)</u>

Auditors' remuneration for the current year of £10,000 and prior year (2013: £10,000) has been borne by The Extreme Music Library Limited.

# Director's Cuts Production Music Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

4	INTEREST RECEIVABLE AND SIMILAR INCOME	Year ended	Year ended
		31 March	31 March
		2014	2013
		£	£
	Bank interest	3,423	4,046
	Other interest	1	189
		<u>3,424</u>	<u>4,235</u>
5	DIVIDENDS	Year ended	Year ended
		31 March	31 March
		2014	2013
		£	£
	Interim dividend paid £75 (2013: £100) per £1 share	<u>750,000</u>	<u>1,000,000</u>

The directors recommend a final dividend for the current financial year of £750,000 (2013: £Nil).

## 6 EMPLOYEES

There were no employees during the year apart from the directors (2013: Nil).

The directors of the company are also directors or officers of a number of companies within The Extreme Music Library Limited group of companies. The directors are remunerated by The Extreme Music Library Limited in respect of services provided to the group. The directors do not consider the time spent on dealing with the company's matters to be material and therefore have not sought to separate out their costs in respect of services to the company.

No directors have retirement benefits accruing under money purchase schemes.

There was no compensation for loss of office during the financial year (2013: nil).

# Director's Cuts Production Music Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

7	TAX ON PROFIT ON ORDINARY ACTIVITIES	Year ended 31 March 2014 £	Year ended 31 March 2013 £
	The tax charge is based on the profits of the year and represents:		
	<b>Current tax:</b>		
	United Kingdom corporation tax on profit for the year	241,920	289,967
	Overseas taxation	5,063	6,991
	Double taxation relief	(5,063)	(6,991)
	Amounts payable in respect of group relief	-	-
	Adjustment for prior periods	-	63,871
	<b>Total current tax</b>	<b>241,920</b>	<b>353,838</b>

The tax assessed for the year is at the standard rate of corporation tax (2013: higher) in the UK of 23% (2013: 24%) applied to the pre-tax profit of the company. The differences are explained below:

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Profit on ordinary activities before taxation	1,051,824	1,208,199
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (2013: 24%)	241,920	289,967
Effects of:		
Group transfer pricing adjustments	-	-
Adjustment for prior periods	-	63,871
<b>Total current tax</b>	<b>241,920</b>	<b>353,838</b>

The company has no recognised or unrecognised deferred tax.

Factors which may affect future tax charges:

Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and from 21% to 20% from 1 April 2015 was substantively enacted on 2 July 2013.

# Director's Cuts Production Music Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

8	DEBTORS	31 March 2014 £	31 March 2013 £
	Amounts owed by group undertakings	156,896	652,642
	Other debtors	32,451	19,126
	Other taxation	17,677	-
		<u>207,024</u>	<u>671,768</u>

Amounts owed by group undertakings are unsecured, interest free and have no fixed repayment terms.

9	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	31 March 2014 £	31 March 2013 £
	Amounts owed to group undertakings	69,681	97,281
	Corporation tax	84,312	220,832
	Other taxation and social security	-	21,930
	Accruals and deferred income	514,937	608,010
		<u>668,930</u>	<u>948,053</u>

Amounts owed to group undertakings are unsecured, interest free and have no fixed repayment terms.

10	CALLED UP SHARE CAPITAL	31 March 2014 £	31 March 2013 £
	Authorised:		
	6,600 (2013: 6,600) 'A' ordinary shares of £1 each	6,600	6,600
	1,700 (2013: 1,700) 'B' ordinary shares of £1 each	1,700	1,700
	1,700 (2013: 1,700) 'C' ordinary shares of £1 each	1,700	1,700
		<u>10,000</u>	<u>10,000</u>
	Allotted, and fully paid:		
	6,600 (2013: 6,600) fully called up 'A' ordinary shares of £1 each	6,600	6,600
	1,700 (2013: 1,700) fully called up 'B' ordinary shares of £1 each	1,700	1,700
	1,700 (2013: 1,700) fully called up 'C' ordinary shares of £1 each	1,700	1,700
		<u>10,000</u>	<u>10,000</u>

All ordinary shares rank pari passu except that each class of ordinary shareholders has the right to appoint and replace directors relative to the class of ordinary shares held.

# Director's Cuts Production Music Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

11	PROFIT AND LOSS ACCOUNT	Year ended 31 March 2014 £	Year ended 31 March 2013 £
	At beginning of financial year	864,997	1,010,636
	Profit for the financial year	809,904	854,361
	Dividend paid	(750,000)	(1,000,000)
	At end of financial year	<u>924,901</u>	<u>864,997</u>
12	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	Year ended 31 March 2014 £	Year ended 31 March 2013 £
	Profit for the financial year	809,904	854,361
	Dividend paid	(750,000)	(1,000,000)
	Opening shareholders' funds	874,997	1,020,636
	Closing shareholders' funds	<u>934,901</u>	<u>874,997</u>

### 13 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

At 31 March 2014 the entire issued share capital of the company was immediately owned by Famous Music LLC, a company incorporated in the United States of America.

At 31 March 2014 the ultimate parent undertaking was Sony/ATV Music Publishing LLC, a company incorporated in the United States of America.

Sony/ATV Music Publishing LLC is a joint venture company owned 50% by trusts formed by Michael Jackson, 40% by Sony Music Holdings Inc (incorporated in the United States of America) and 10% by SMEJ (USA) Inc (incorporated in the United States of America). Both of these latter companies are ultimately controlled by Sony Corporation, which is incorporated in Japan.

Copies of the consolidated financial statements of Sony/ATV Music Publishing LLC can be obtained from the Company secretary, Sony/ATV Music Publishing LLC, 550 Madison Avenue, NY 10022, USA.

### 14 RELATED PARTY TRANSACTIONS

During the year the company entered into transactions with Extreme Australia PTY Limited, a member of the enlarged group for the recharge of royalty income for the sum of £101,262 (2013: £139,815). The balance owed by Extreme Australia PTY Limited to the company at the year end was £nil (2013: £nil).

# Director's Cuts Production Music Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

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### 14 RELATED PARTY TRANSACTIONS (*continued*)

During the year the company entered into transactions with Extreme Musik GmbH, a member of the enlarged group for the recharge of royalty income for the sum of £245,559 (2013: £197,350). The balance owed by Extreme Musik GmbH to the company at the year end was £nil (2013: £nil).

During the year the company entered into transactions with Bad Boys Production Music B.V. a member of the enlarged group for the recharge of royalty income for the sum of £48,168 (2013: £12,997). The balance owed by Bad Boys Production Music B.V. to the company at the year end was £nil (2013: £nil).

During the year the company entered into transactions to place cash on deposit with Sony Global Treasury Services Ltd (SGTS Ltd), a member of the enlarged group, to maximise interest income returns on cash balances. At the year end the balance on deposit with SGTS Ltd was £1,367,582 (2013: £1,101,620).

During the year the company entered into transactions with The Extreme Music Library (Ireland) Limited, a member of the enlarged group for the recharge of royalty income for the sum of £10,611 (2013: £51,497). The balance owed by The Extreme Music Library (Ireland) Limited to the company at the year end was £nil (2013: £nil).

During the year the company entered into transactions with Extreme Group Holdings LLC, a member of the enlarged group for the recharge of royalty income for the sum of £760,000 (2013: £853,325). The balance owed by Extreme Group Holdings LLC to the company at the year end was £nil (2013: £nil).

During the year the company entered into transactions with The Extreme Music Library Limited, a member of the enlarged group to recharge royalty payments for the sum of £38,863 (2013: £46,319) and reallocation of overseas subsidiaries within the Extreme Music Library Limited Group of £1,081,582 (2013: £1,266,537). The balance owed by The Extreme Music Library Limited to the company at the year end was £156,896 (2013: £652,642).

During the year the group made the following payments to the directors in respect of royalties:

R Emanuel	£6,593	(2013: £14,135)
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The company has taken advantage of the exemptions conferred by Financial Reporting Standard 8 'Related Party Disclosures' from the requirement to make disclosures concerning transactions with group companies.

All transactions were made on an arm's length basis and at full market value.