

Company Registration No. 00884449

Music Sales Group Limited

Annual Report and Financial Statements

For the year ended 31 December 2015

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Music Sales Group Limited

Report and financial statements 2015

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Music Sales Group Limited

Report and financial statements 2015

Officers and professional advisers

Directors

R Wise
M B Wise
T Wise
M D Wise
D B Rockberger
C M Butler
A E Latham
J T C Rushton
D Holley

Company Secretary

N J M Kemp

Registered Office

14/15 Berners Street
London
United Kingdom
W1T 3LJ

Bankers

Coutts & Co
440 Strand
London
United Kingdom
WC2R 0QS

Royal Bank of Scotland Plc
135 Bishopsgate
London
United Kingdom
EC2M 3UR

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

Music Sales Group Limited

Strategic report Year ended 31 December 2015

The directors present their strategic report for the year ended 31 December 2015

Principal activities

The Group is principally engaged in the publishing, wholesaling and retailing of printed music and books, and represents many of the large UK and US music publishers for their printed music. The Group is also a publisher of standard and classical music copyrights.

Review of the business

In order to better aid understanding of the underlying performance of the Group, the commentary in this review includes reference to Headline EBITDA, which represents the underlying earnings of the Group before finance costs, taxation, depreciation, amortisation, impairments, acquisition integration/restructuring costs and certain other non-recurring items. A reconciliation between Headline EBITDA and the statutory result on ordinary activities before finance charges is set out on the face of the profit and loss account on page 9.

As shown in the profit and loss account, Group turnover for the year amounted to £62,530,647 (12 months to 31 December 2014: £64,165,781). Headline EBITDA for the year amounted to £4,023,182 (12 months to 31 December 2014: £4,709,089).

The balance sheet on page 11 shows that the shareholders' funds at 31 December 2015 are £43,542,506 (31 December 2014: £45,673,636). The Group's cash level at 31 December 2015 was £7,126,840 (31 December 2014: £7,683,173).

The year under review has seen growth in publishing and digital education businesses with continuing challenges in our print and retail divisions. Management attention has been on lowering our cost base in our print division and rationalising our retail offering in the UK. We are now seeing the benefits from this and anticipate savings in 2016 and beyond.

The directors do not consider presentation of any further financial or non-financial key performance indicators are necessary to understand the development of the Group during the financial period.

The Group takes care to minimise the impact of its operation on the environment.

Principal risks and uncertainties

The market in which the Group operates continues to be highly competitive. This may give rise to the risk of sales being lost to key competitors. The Group manages this risk by providing high quality services to its customers, having fast response times to customer queries and maintaining strong relationships with its customers.

The Group is well placed to manage its business risks successfully despite the current economic climate. The Group makes sales to customers in a number of territories and therefore is exposed to movements in exchange rates. The Group sources some of its products in local territories and minimises the risk of exchange rate fluctuations by operating local currency bank accounts.

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The Group has used floating to fixed rate swaps to hedge interest rate exposure, on loans amounting to £7,760,205. The Group does not use derivative financial instruments for speculative purposes.

Music Sales Group Limited

Strategic report (continued) **Year ended 31 December 2015**

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Cash flow risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group aims to match assets and liabilities in the same currency to minimise this risk.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt finance. The Group has certain long-term committed loan facilities, the majority of which are at fixed interest rates as summarised in note 18.

Future developments

There have been no material changes to the nature of the Group's business operations during the year and none are expected in the coming period. The level of underlying business is satisfactory with the Group generating Headline EBITDA of £4,023,182 in the year (12 months to 31 December 2014: £4,709,089). The directors look to the future with confidence.

Post balance sheet events

There have been no material post balance sheet events.

This report was approved by the Board of Directors on 16 December 2016 and signed on behalf of the Board



A E Latham
Director

Music Sales Group Limited

Directors' report Year ended 31 December 2015

The directors present their annual report and the audited financial statements for the year ended 31 December 2015

These audited financial statements cover a period of 12 months, 1 January 2015 to 31 December 2015, the comparative period is for 12 months, 1 January 2014 to 31 December 2014

Directors

The directors who served during the year and to the date of this report, except as noted, were as follows

R Wise
M B Wise
T Wise
M D Wise
D B Rockberger
C M Butler
A E Latham
J T C Rushton
D Holley (appointed 2 January 2015)

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report

Going concern

The directors have considered the use of the going concern basis in the preparation of the financial statements and concluded that it is appropriate. Further details regarding the adoption of the going concern basis can be found in Note 1

Strategic report

The information that fulfils the Companies Act requirements of the business review is included in the Strategic report. This includes a review of the development of the business of the Group during the year, principal activities, principal risks and uncertainties, the position of the Group at the end of the year and the likely future developments in its business including any post balance sheet events

Dividends

The directors do not recommend the payment of a dividend for 2015 (2014: £nil)

Charitable donations

Donations to charitable organisations amounted to £100,000 (2014: £100,000)

Employees

The Group has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the Group. Senior management hold regular presentations to all employees and encourage feedback and suggestions for improvement and beneficial change. The Group supports the employment of disabled people wherever possible.

Music Sales Group Limited

Directors' report (continued) **Year ended 31 December 2015**

Auditor

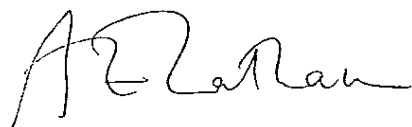
In the case of each of the persons who are directors of the Company at the date when this report is approved

- so far as each of the directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

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

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board



A E Latham
Director

16 December 2016

14/15 Berners Street
London
United Kingdom
W1T 3LJ

Music Sales Group Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 judgments 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, and
- 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.

Independent auditor's report to the members of Music Sales Group Limited

We have audited the financial statements of Music Sales Group Limited for the year ended 31 December 2015 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 35. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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.

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 Group's and the parent 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 misstatement 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 Group's and of the parent Company's affairs as at 31 December 2015 and of the Group's loss 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

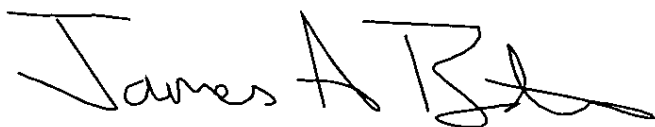
In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Music Sales Group Limited (continued)

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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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 Bates (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

16 December 2016

Music Sales Group Limited

Consolidated profit and loss account For the year ended 31 December 2015

	Notes	2015 £	2014 £
Turnover			
Group and share of joint ventures – existing operations	3	64,431,023	66,265,863
Less share of joint venture turnover	12	(1,900,376)	(2,100,082)
		<u>62,530,647</u>	<u>64,165,781</u>
Cost of sales		<u>(34,529,271)</u>	<u>(35,153,568)</u>
Gross profit		28,001,376	29,012,213
Distribution costs		(3,307,188)	(3,290,020)
Administrative expenses		(28,396,665)	(29,360,032)
Other operating income		<u>2,007,702</u>	<u>1,953,178</u>
Operating loss	5	(1,694,775)	(1,684,661)
Share of operating profit in joint venture		<u>608,821</u>	<u>670,588</u>
Loss on ordinary activities before finance charges		(1,085,954)	(1,014,073)
Interest receivable and similar income	6	389,449	10,954
Interest payable and similar charges	7	<u>(1,172,720)</u>	<u>(1,666,075)</u>
Loss on ordinary activities before taxation		(1,869,225)	(2,669,194)
Tax on loss on ordinary activities	8	<u>(164,126)</u>	<u>(196,970)</u>
Loss on ordinary activities after taxation		(2,033,351)	(2,866,164)
Equity minority interests	25	<u>(42,012)</u>	<u>23,416</u>
Loss for the financial year	23,24	<u><u>(2,075,363)</u></u>	<u><u>(2,842,748)</u></u>

Loss on ordinary activities before finance charges analysed as	£	£
Headline EBITDA	4,023,182	4,709,089
Acquisition integration/restructuring costs	(790,000)	(982,751)
Corporate acquisition costs	-	(98,564)
Depreciation of owned fixed assets	(870,592)	(1,005,385)
Amortisation of owned intangible assets	(3,448,544)	(3,595,986)
Impairment of third party investments	-	(40,476)
Loss on ordinary activities before finance charges	<u><u>(1,085,954)</u></u>	<u><u>(1,014,073)</u></u>

Music Sales Group Limited

Consolidated statement of comprehensive income For the year ended 31 December 2015

	2015	2014
	£	£
Loss for the financial year	(2,075,363)	(2,842,748)
	<u> </u>	<u> </u>
Foreign exchange (loss)/profit on consolidation	(55,768)	77,502
	<u> </u>	<u> </u>
Total comprehensive expenditure	(2,131,131)	(2,765,246)
	<u> </u>	<u> </u>

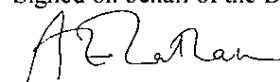
Music Sales Group Limited

Consolidated balance sheet At 31 December 2015

	Notes	2015 £	2014 £
Fixed assets			
Copyrights and software	10	26,357,873	28,076,470
Goodwill	10	13,016,024	13,602,726
Intangible assets	10	39,373,897	41,679,196
Tangible assets	11	18,635,390	18,982,853
Joint venture	12	1,246,470	1,482,530
Other investments	12	90,358	8,943
		<u>59,346,115</u>	<u>62,153,522</u>
Current assets			
Stocks	14	11,524,537	11,619,220
Debtors			
Due within one year	15	23,047,388	21,340,806
Due after more than one year	15	43,787	45,881
Cash at bank and in hand		7,126,840	7,683,173
		<u>41,742,552</u>	<u>40,689,080</u>
Creditors: amounts falling due within one year	16	(35,147,120)	(31,235,010)
Net current assets		<u>6,595,432</u>	<u>9,454,070</u>
Total assets less current liabilities		<u>65,941,548</u>	<u>71,607,592</u>
Creditors: amounts falling due after more than one year	17	(21,901,250)	(25,781,757)
Provision for liabilities	19	(834,284)	(530,689)
Net assets		<u>43,206,013</u>	<u>45,295,146</u>
Capital and reserves			
Called-up share capital	22	109,983	109,983
Share premium account	23	27,067,517	27,067,517
Share capital redemption reserve	23	12,500	12,500
Other reserves	23	(36,618)	126,836
Profit and loss account	23	16,389,124	18,356,800
Shareholders' funds	24	<u>43,542,506</u>	<u>45,673,636</u>
Minority interests	25	<u>(336,493)</u>	<u>(378,490)</u>
Total capital employed		<u>43,206,013</u>	<u>45,295,146</u>

The financial statements of Music Sales Group Limited (registered number 00884449) were approved by the Board of Directors and authorised for issue on 16 December 2016

Signed on behalf of the Board of Directors



A E Latham
Director

Music Sales Group Limited

Company balance sheet At 31 December 2015

	Notes	2015 £	2014 £
Fixed assets			
Investments	12	41,158,625	41,158,625
Total assets		<u>41,158,625</u>	<u>41,158,625</u>
Creditors: amounts falling due after more than one year	17	<u>(9,971,810)</u>	<u>(9,971,810)</u>
Net assets		<u>31,186,815</u>	<u>31,186,815</u>
Capital and reserves			
Called-up share capital	22	109,983	109,983
Share Premium account	23	27,067,517	27,067,517
Capital redemption reserve	23	12,500	12,500
Profit and loss account	23	3,996,815	3,996,815
Shareholders' funds		<u>31,186,815</u>	<u>31,186,815</u>

The financial statements of Music Sales Group Limited (registered number 00884449) were approved by the Board of Directors and authorised for issue on 16 December 2016

Signed on behalf of the Board of Directors



A E Latham
Director

Music Sales Group Limited

Consolidated statement of changes in equity Year ended 31 December 2015

	Called-up share capital £	Share premium account £	Capital redemption reserve £	Other reserves £	Profit and loss account £	Total £	Non- controlling interest £	Total £
At 31 December 2013 as previously stated	87,500		12,500	139,378	22,655,283	22,894,661	(355,369)	22,539,292
Changes on transition to IFRS 102 (see note 35)					(1,545,779)	(1,545,779)		(1,545,779)
At 1 January 2014 as restated	87,500		12,500	139,378	21,109,504	21,348,882	(355,369)	20,993,513
Loss for the financial year				-	(2,842,748)	(2,842,748)	(23,416)	(2,866,164)
Currency translation difference on foreign currency net investment				(12,542)	90,044	77,502	(19)	77,483
Arising on acquisition							314	314
Total comprehensive income				(12,542)	(2,752,704)	(2,765,246)	(23,121)	(2,788,367)
Issue of share capital	22,483	27,067,517	-			27,090,000		27,090,000
At 31 December 2014	109,983	27,067,517	12,500	126,836	18,356,800	45,673,636	(378,490)	45,295,146
Loss for the financial year				-	(2,075,363)	(2,075,363)	42,012	(2,033,351)
Currency translation difference on foreign currency net investments				(163,455)	107,687	(55,768)	(15)	(55,783)
Total comprehensive income				(163,455)	(1,967,676)	(2,131,131)	41,997	(2,089,134)
At 31 December 2015	109,983	27,067,517	12,500	(36,618)	16,389,124	43,542,506	(336,493)	43,206,013

Music-Sales Group Limited

Company statement of changes in equity Year ended 31 December 2015

	Called-up share capital £	Share premium account £	Capital Redemption reserve £	Profit and loss account £	Total £
At 31 December 2013 as previously stated					
Changes on transition to FRS 102	87,500	-	12,500	1,728,815	1,828,815
At 1 January 2014 as restated					
Profit for the financial year	-	-	-	2,268,000	2,268,000
Total comprehensive income				2,268,000	2,268,000
Issue of share capital	22,483	27,067,517	-		27,090,000
At 31 December 2014	109,983	27,067,517	12,500	3,996,815	31,868,815
Result for the financial year					
Total comprehensive income					
At 31 December 2015	109,983	27,067,517	12,500	3,996,815	31,868,815

Music Sales Group Limited

Consolidated cash flow statement Year ended 31 December 2015

	Notes	2015 £	2014 £
Net cash inflow from operating activities	26	4,718,030	5,536,097
Dividends from joint ventures and associates			
Dividends received		557,872	676,516
Returns on investments and servicing of finance			
Interest received		40,607	9,458
Interest paid		(1,172,567)	(1,351,021)
Net cash outflow from returns on investments and servicing of finance		(1,131,960)	(1,341,563)
Taxation			
UK corporation tax paid		(3,813)	(77,422)
Overseas tax paid		(200,378)	(1,461,149)
Tax refunded		69,542	99,627
Net cash outflow from taxation		(134,649)	(1,438,944)
Capital expenditure and financial investment			
Purchase of tangible/intangible fixed assets		(2,293,709)	(1,808,007)
Sale of intangible/tangible fixed assets		84,518	12,686
Net cash outflow from capital expenditure and financial investment		(2,209,191)	(1,795,321)
Acquisitions and disposals			
Cash acquired with subsidiary undertakings		-	3,010,125
Net cash inflow before financing		1,800,102	4,646,910
Financing			
Repayments of borrowing		(1,977,069)	(2,941,451)
Bank loan/mortgage received		-	585,389
Director's loan repaid		(379,366)	(94,497)
Net cash (outflow) from financing		(2,356,435)	(2,450,559)
(Decrease)/Increase in cash and cash equivalents	27, 28	(556,333)	2,196,351

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

1. Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding period.

General information and basis of accounting

Music Sales Group Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Strategic report on pages 2 to 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 35.

The functional currency of Music Sales Group Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

Music Sales Group Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition. More information can be found in note 35 to these financial statements.

Going concern

Despite the Group making a loss in the year of £2,033,351 the level of underlying business is satisfactory with the Group generating Headline EBITDA of £4,023,182 in the year. The Group retains a strong balance sheet position with net assets of £43,206,013, a positive cash balance of £7,126,840 as at 31 December 2015 and a cash inflow from operating activities of £4,718,030 for the year.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review within the Strategic report. The Strategic report on page 2 to 3 also describes the financial position of the Group, its cash flows, loan facilities, and its exposure to foreign exchange risk.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities.

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

1 Accounting policies (continued)

Joint ventures

Entities in which the Group holds an interest on a long-term basis, and which are jointly controlled by the Group and other parties, are treated as joint ventures and accounted for using the equity method. The Group's share of the profit or loss of joint ventures is included in the Group profit and loss account. The Group balance sheet includes the investment in joint ventures as the Group's share of net assets. Goodwill arising on the acquisition of joint ventures is accounted for in accordance with the policy as set out above.

Turnover

Turnover is the total amount of hire fees, performing rights, royalties receivable and other income received by the Group in the ordinary course of business with outside customers for goods supplied as a principal and for services provided, excluding VAT and trade discounts. Hire fees and performing rights income is recognised upon the fulfilment of contractual obligations to a customer. Royalty income is recognised once the amount is reliably measured. Turnover from the sale of goods is recognised at a point of sale or when the goods are despatched to the customer.

Intangible fixed assets

Intangible fixed assets comprise software development, purchased copyrights stated at cost and goodwill arising on the acquisition of subsidiary undertakings representing the excess of the fair value of the consideration over the fair value of the identifiable assets and liabilities acquired.

Intangible assets are amortised on a straight line basis over their estimated useful lives. Amortisation of software development commences when the software is implemented for use by the business. Certain of the intangibles of the Group are amortised over a period exceeding 20 years. This is considered appropriate on the basis of the underlying cashflow and impairment reviews are performed annually in preparing the Group's financial statements.

Software	2-10 years
Copyrights	10-20 years
Goodwill	20 years

Amortisation charge is presented within administration expenses.

Tangible fixed assets

Tangible assets are stated at historical cost, net of accumulated depreciation and provision for impairment. Depreciation is calculated to write down the cost of an asset, less its estimated residual value, of all tangible fixed assets other than freehold land on a straight-line basis over the useful economic life of the asset as follows:

Freehold land and buildings	50 years
Leasehold improvements	over term of lease
Office equipment, fixtures and fittings	3-5 years
Motor vehicles	4 years

No depreciation is provided for on freehold land. No depreciation is provided on property in the year of acquisition but a full year's charge is made in the year of disposal.

Fixed asset investments

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities. Investment income comprises dividends received from unlisted investments.

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

1 Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities

(i) *Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method

The contractual return to the holder is (i) a fixed amount, (ii) a positive fixed rate or a positive variable rate, or (iii) a combination of a positive or a negative fixed rate and a positive variable rate

The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged

The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate, (2) to protect the holder against credit deterioration of the issuer, (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law, or (ii) the new rate is a market rate of interest and satisfies condition (a)

There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods

Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law

Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c)

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

1 Accounting policies (continued)

Financial instruments (continued)

With the exception of some hedging instruments other debt instruments not meeting these conditions are measured at fair value through profit or loss

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all significant risks and rewards of ownership, has transferred control of the asset to another party

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires

(ii) Investments

Investments in subsidiaries and associates are measured at cost less impairment For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration Any premium is ignored

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs

(iv) Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to interest rate movements The Company does not hold or issue derivative financial instruments for speculative purposes

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship The Group currently does not designate any derivatives as hedging instruments and does not apply hedge accounting

(v) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique

Stocks and work in progress

Stocks are stated at the lower of cost, valued on a first in first out (FIFO) basis, and net realisable value, after making due allowance for obsolete and slow-moving items FIFO cost is calculated using the purchase or production price of goods

Work in progress is valued on the basis of direct costs based on normal levels of activity Provision is made for any foreseeable losses where appropriate No element of profit is included in the valuation of work in progress

Provisions

Provision for dilapidations is based on management's estimate of the costs necessary to settle the related obligation discounted using a suitable rate where the time value of money is considered material

Provision for deferred consideration is based on management's estimate of the future profits and net asset position of those subsidiaries for which additional consideration is payable at a future date

Music Sales Group Limited

Notes to the financial statements

Year ended 31 December 2015

1 Accounting policies (continued)

Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis. Rental income received under operating leases are recognised in the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Taxation

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

Deferred tax is provided in full on 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 financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences arising on the opening net assets and the results of overseas subsidiaries are dealt with in the statement of total recognised gains and losses. All other translation differences are included in the profit and loss account.

Pension schemes

Music Sales Limited operates a defined contribution pension scheme for the benefit of employees and directors. The assets of the scheme are administered by trustees in a fund independent from those of the Company.

The pension costs charged against profits represent the amount of the contributions payable to the defined contributions pension scheme in respect of the accounting period.

Music Sales Group Limited

Notes to the financial statements **Year ended 31 December 2015**

2 Critical accounting judgements and key sources of estimating uncertainty

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

There were no critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies.

Key source of estimation uncertainty – stock obsolescence

Determining whether stock is obsolete or not requires an estimation of future sales. The Company takes the approach that any stock over three years old should be regarded as obsolete and fully provided for.

Key source of estimation uncertainty - impairment of goodwill

The life of intangible assets is estimated by the directors based on best judgements of future value. Intangible assets, including goodwill, are amortised in line with the economic lives set out in note 1.

Revenue recognition

Royalty income is recognised on a cash basis.

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

3 Turnover and profit on ordinary activities before taxation

Turnover is attributable to two main activities being the publishing, wholesale and retail distribution of printed music, music software and books and music publishing. The Group also generates revenues within the digital education sector and from the rental of owned and leased properties.

	2015 £	2014 £
Turnover by class of business		
Printed Music	39,302,163	41,776,961
Music Publishing – including joint venture	24,020,838	23,689,595
Digital Education	1,108,022	799,307
	<u>64,431,023</u>	<u>66,265,863</u>

	2015 £	2014 £
Turnover by geographical market		
United Kingdom	26,670,648	28,992,387
Other European Countries	10,876,345	10,452,670
USA and Canada	563,473	502,530
Australia and New Zealand	21,423	97,854
Other countries	706,586	802,827
Share of joint venture turnover	1,900,376	2,100,082
Music publishing – no geographical analysis due to complexity	23,692,172	23,317,513
	<u>64,431,023</u>	<u>66,265,863</u>

	2015 £	2014 £
An analysis of the Group's turnover is as follows		
Sale of goods	39,062,963	41,492,967
Rendering of services	239,200	283,994
Royalties	24,063,143	23,153,062
Commissions	1,065,717	1,335,840
	<u>64,431,023</u>	<u>66,265,863</u>

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

4 Information regarding directors and employees

	2015 £	2014 £
Directors' emoluments		
Emoluments receivable	2,384,346	1,993,200
Company pension contributions to money purchase schemes	86,687	58,847
	<u>2,471,033</u>	<u>2,052,047</u>
The number of directors who accrued benefits under Company pension schemes was as follows	No	No
Money purchase schemes	<u>3</u>	<u>3</u>
Emoluments of highest paid director	£	£
Emoluments	455,728	446,067
Company contributions to money purchase schemes	-	-
	<u>455,728</u>	<u>446,067</u>

Any transactions with directors during the period are disclosed within note 33, related party transactions

The monthly average number of staff employed by the Group (including directors) during the financial period amounted to:

	No	No
Selling/distribution	156	162
Administrative	<u>169</u>	<u>177</u>
	<u>325</u>	<u>339</u>

Music Sales Group Limited has no employees (2014 none)

All staff costs are incurred by Group companies

	£	£
The aggregate payroll costs (including directors) were:		
Wages and salaries	12,021,109	12,599,165
Social security costs	1,384,169	1,638,903
Other pension costs	530,339	558,451
	<u>13,935,617</u>	<u>14,796,519</u>

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

5. Operating loss

	2015 £	2014 £
Operating loss is after charging		
Depreciation of owned fixed assets	870,592	1,005,385
Loss on disposal of fixed assets	131,957	135
Amortisation of owned intangible assets	3,448,544	3,595,986
Impairment of copyrights and advances	14,230	255,082
Impairment of stock recognised as an expense	180,465	221,533
Foreign exchange losses	48,823	19,388
<u>Operating lease rentals</u>		
Land and buildings	780,155	780,684
Plant and machinery	176,273	213,424
Fees payable to the Company's auditor for the audit of the annual Group accounts pursuant to legislation	163,893	141,500
Fees payable to the Company's auditor for the audit of the subsidiaries accounts pursuant to legislation	13,500	12,500
	<u>3,573,554</u>	<u>5,837,817</u>

6 Interest receivable and similar income

	2015 £	2014 £
Bank interest receivable	12,595	9,905
Interest receivable from related parties	29,211	1,049
Gain on future value of interest rate swaps	347,643	-
	<u>389,449</u>	<u>10,954</u>

7. Interest payable and similar charges

	2015 £	2014 £
Bank loans and overdrafts	1,117,151	1,149,898
Loan notes	19,150	19,150
Finance leases	12,700	24,128
Interest payable to related parties	23,719	157,957
Loss on future value of interest rate swaps	-	314,942
	<u>1,172,720</u>	<u>1,666,075</u>

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

8 Tax on loss on ordinary activities

	2015 £	2014 £
Current tax		
United Kingdom corporation tax based on the result for the year at 20.25% (2014: 21.49%)	169,138	197,382
Overseas taxation	543,268	239,081
Double taxation relief	(130,402)	(102,302)
Group relief payable	(34,174)	(59,402)
Adjustment in respect of prior period	(3,435)	(20,028)
	<u>544,395</u>	<u>254,731</u>
Deferred tax		
Origination and reversal of timing differences	(451,952)	(91,313)
Adjustment in respect of prior period	3,423	33,552
Effect of tax rate change on opening balance	68,259	-
	<u>164,126</u>	<u>196,970</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 20.25% (2014: 21.49%)

The actual tax charge for the current year and the previous period differs from the standard tax rate for the reasons set out in the following reconciliation

	2015 £	2014 £
(Loss) on ordinary activities before tax	<u>(2,216,868)</u>	<u>(2,354,252)</u>
Tax on (loss) on ordinary activities at standard rate	<u>(448,848)</u>	<u>(505,995)</u>
Factors affecting charge for the year		
Expenses not deductible for tax purposes	262,281	330,157
Other permanent differences	(59,322)	(1,497)
Capital allowances in excess of depreciation	(23,835)	(90,359)
Fixed asset differences	11,672	101,509
Other timing differences	176,260	(40,011)
Differences between overseas rate and local rate	201,500	60,809
Adjustments in respect of prior period	2,349	(20,028)
Unrelieved losses	460,169	381,172
Group relief	-	-
Marginal relief	(40,807)	31,909
Foreign tax credits	2,976	7,065
	<u>544,395</u>	<u>254,731</u>

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

9 Profit of parent company

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements

Music Sales Group Limited profit for the year is £nil (2014 £2,268,000 relating to dividend income from a subsidiary undertaking)

10 Intangible fixed assets

Group		Goodwill	Copyrights	Software	Total
		£	£	£	£
Cost					
At 1 January 2015		21,976,897	42,621,438	4,770,849	69,369,184
Additions	Note 13	155,041	558,346	891,810	1,605,197
Disposals		-	-	(166,662)	(166,662)
Exchange movement in the year		(223,996)	(452,353)	-	(676,349)
At 31 December 2015		21,907,942	42,727,431	5,495,997	70,131,370
Amortisation					
At 1 January 2015		8,374,172	16,623,311	2,692,505	27,689,988
Charge for the year		727,647	2,188,229	532,668	3,448,544
Exchange movement in the year		(62,613)	(318,446)	-	(381,059)
At 31 December 2015		9,039,206	18,493,094	3,225,173	30,757,473
Net book value					
At 31 December 2015		12,868,736	24,234,337	2,270,824	39,373,897
At 31 December 2014		13,602,725	25,998,127	2,078,344	41,679,196

Software with a net book value of £211 608 and a depreciation charge of £19,237 for the year is leased under finance lease arrangements

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

11. Tangible fixed assets

Group	Freehold land and buildings £	Leasehold improve- ments £	Office equipment, fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2015	24,375,374	1,965,336	12,543,909	15,052	38,899,671
Additions	61,387	2,543	571,742	18,290	653,962
Disposals		(689,553)	(2,257,688)	(15,052)	(2,962,293)
Exchange movement in the year	(111,558)	(2,975)	(333,095)	-	(447,628)
At 31 December 2015	<u>24,325,203</u>	<u>1,275,351</u>	<u>10,524,868</u>	<u>18,290</u>	<u>36,143,712</u>
Depreciation					
At 1 January 2015	6,464,407	1,706,579	11,730,780	15,052	19,916,818
Charge for the year	511,983	83,662	272,837	2,111	870,593
Disposals	-	(686,789)	(2,214,150)	(15,052)	(2,915,991)
Exchange movement in the year	(51,603)	(2,975)	(308,543)	23	(363,098)
At 31 December 2015	<u>6,924,787</u>	<u>1,100,477</u>	<u>9,480,924</u>	<u>2,134</u>	<u>17,508,322</u>
Net book value					
At 31 December 2015	<u>17,400,416</u>	<u>174,873</u>	<u>1,043,942</u>	<u>16,156</u>	<u>18,635,390</u>
At 31 December 2014	<u>17,910,967</u>	<u>258,757</u>	<u>813,129</u>	<u>-</u>	<u>18,982,853</u>

Freehold properties with a net book value of £17,400,419 and a depreciation charge of £511,983 for the year have been leased out under operating lease arrangements

The Group has property assets with a carrying value of £9,436,946 which are pledged as security for liabilities

IT equipment with a net book value of £151,945 and a depreciation charge of £24,405 for the year are leased under finance lease arrangements

No deferred tax provision is made in respect of the estimated corporation tax that would be payable on disposal of properties at a surplus as in the opinion of the directors, these assets are not likely to be disposed of in the foreseeable future

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

12 Investments held as fixed assets

Group	Unlisted total £
Cost	
At 1 January 2015	54,113
Acquisitions	80,536
Exchange movement in the year	879
At 31 December 2015	<u>135,528</u>
Provisions for impairment	
At 1 January 2015	45,170
Charge for the year	-
At 31 December 2015	<u>45,170</u>
Net book value	
At 31 December 2015	<u>90,358</u>
At 31 December 2014	<u>8,943</u>

The Group's share of the joint ventures' trading results and net assets have been included in the profit and loss account. The Group's share of the net assets of the joint ventures is shown as a fixed asset investment.

The Group's share in its joint ventures comprises

	2015 £	2014 £
Turnover	<u>1,900,376</u>	<u>2,100,082</u>
Gross assets	2,199,709	2,631,118
Gross liabilities	<u>(953,239)</u>	<u>(1,148,588)</u>
Net assets (represented by investment in joint venture)	<u>1,246,470</u>	<u>1,482,530</u>

Company	Shares in Group undertakings £
Cost and net book value	
At 31 December 2015	<u>41,158,625</u>
At 31 December 2014	<u>41,158,625</u>

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

12 Investments held as fixed assets (continued)

Subsidiaries	Country of incorporation or registration	Class of capital held	Proportion held by holding company %	Proportion held by subsidiary undertaking %	Nature of business
Music Sales Limited	United Kingdom	Ordinary	100	-	Wholesale distribution of printed music and books
Novello Publishing Limited	United Kingdom	Ordinary	-	100	Wholesale distribution of printed music and books
Alphonse Leduc Editions Musicales	France	Ordinary	-	100	Music publishing wholesale distribution
Music in Print Limited	United Kingdom	Ordinary	100	-	Record, music and instrument retailing
J Wood & Sons Limited	United Kingdom	Ordinary	-	100	Record, music and instrument retailing
Music Sales (Hong Kong) Limited	Hong Kong	Ordinary	-	100	Instrument, gifts and accessories procurement
Chester Music Limited	United Kingdom	Ordinary	100	-	Music publishing
Campbell, Connelly & Co Limited	United Kingdom	Ordinary	-	100	Music publishing
Eaton Music Limited	United Kingdom	Ordinary	-	100	Music publishing
Novello & Company Limited	United Kingdom	Ordinary	-	100	Music publishing
Edition Wilhelm Hansen AS Copenhagen	Denmark	Ordinary	-	100	Music publishing
Storyville Records ApS	Denmark	Ordinary	-	100	Music publishing
Edition Wilhelm Hansen OY S/I	Finland	Ordinary	-	100	Music publishing
Edition Wilhelm Hansen GmbH	Germany	Ordinary	-	100	Music publishing
Eaton Music GmbH	Germany	Ordinary	-	100	Music publishing
Bosworth Music GmbH	Germany	Ordinary	-	100	Music publishing
Musikverlag Progressive GmbH	Germany	Ordinary	-	100	Music publishing
Bosworth & Co Limited GesmbH	Austria	Ordinary	-	100	Music publishing
Eaton Music Italy Srl	Italy	Ordinary	-	100	Music publishing
Union Musical Ediciones SL	Spain	Ordinary	-	99.98	Music publishing
Eaton Music France SARL	France	Ordinary	-	100	Music publishing
Campbell Connelly France SARL	France	Ordinary	-	100	Music publishing
Premiere Music Group SARL	France	Ordinary	-	99.99	Music publishing
Campbell Connelly Inc	USA	Ordinary	-	100	Music publishing
Bramsdene Music Corporation	USA	Ordinary	-	100	Music publishing
Eaton Music (Australia) Pty Ltd	Australia	Ordinary	-	100	Music publishing
Kabushiki Kaisha Music Sales	Japan	Ordinary	-	100	Music publishing
Music Sales Properties Limited	United Kingdom	Ordinary	-	100	Property company
Music Sales Properties No 2 Limited	United Kingdom	Ordinary	-	100	Property company
Music Sales Properties No 3 Limited	United Kingdom	Ordinary	-	100	Property company
Wise Properties GmbH	Germany	Ordinary	-	100	Property company
Charanga Limited	United Kingdom	Ordinary	-	60	Digital Education
Caribe Entertainment Limited	Commonwealth of the Bahamas	Ordinary	100	-	Investment holding
Worldwide Music Corporation	Commonwealth of the Bahamas	Ordinary	100	-	Investment holding

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

12 Investments held as fixed assets (continued)

	Country of incorporation or registration	Class of capital held	Proportion held by holding company %	Proportion held by subsidiary undertaking %	Nature of business
Joint ventures					
Hal Leonard Europe Limited	United Kingdom	Ordinary	-	50	Music publishing
Glad Music Limited	United Kingdom	Ordinary	-	50	Music publishing
Iwanga Music Limited	United Kingdom	Ordinary	-	50	Music publishing
Veronica Music Limited	United Kingdom	Ordinary	-	50	Music publishing
Moving Image Music Limited	United Kingdom	Ordinary	-	50	Music publishing
Sabre Music Limited	United Kingdom	Ordinary	-	50	Music publishing
Ivion Publishing Limited	United Kingdom	Ordinary	-	50	Music publishing
Madena Publishing Limited	United Kingdom	Ordinary	-	50	Music publishing
Whitman Music Limited	United Kingdom	Ordinary	-	50	Music publishing
Connelly Basart Muziekuitgeverij BV	Holland	Ordinary	-	50	Music publishing
Robert Mellin Musikverlag GmbH & Co KG	Germany	Ordinary	-	50	Music publishing
Hao Hao Music Sales Limited	Hong Kong	Ordinary	-	50	Music and book publishing
Music Sales Furtados (India) Limited	India	Ordinary	-	50	Music and book publishing
Dormant entities					
Bobcat Books Limited	United Kingdom	Ordinary	-	100	Dormant
Book Sales Limited	United Kingdom	Ordinary	-	100	Dormant
Dorsey Brothers Music Limited	United Kingdom	Ordinary	-	100	Dormant
Edition Wilhelm Hansen (London) Ltd	United Kingdom	Ordinary	-	100	Dormant
Edwin Ashdown Limited	United Kingdom	Ordinary	-	100	Dormant
McCullough Piggott Music Shop Ltd	United Kingdom	Ordinary	-	100	Dormant
Music Games Limited	United Kingdom	Ordinary	-	100	Dormant
Music for Kids Limited	United Kingdom	Ordinary	-	100	Dormant
Music Sales International Limited	United Kingdom	Ordinary	-	100	Dormant
Nellie Limited	United Kingdom	Ordinary	-	100	Dormant
Powertabs Limited	United Kingdom	Ordinary	-	100	Dormant
Rae Macintosh (Music) Limited	United Kingdom	Ordinary	-	100	Dormant
Record and Tape Sales Limited	United Kingdom	Ordinary	-	100	Dormant
Sheet Music Direct Limited	United Kingdom	Ordinary	-	100	Dormant
Musicroom.com Limited	United Kingdom	Ordinary	-	100	Dormant
Banks & Son (Music) Limited	United Kingdom	Ordinary	-	100	Dormant
Chas J Fox (Organs) Limited	United Kingdom	Ordinary	-	100	Dormant
Early Music Shop Limited	United Kingdom	Ordinary	-	100	Dormant
Percy Prior's Music Limited	United Kingdom	Ordinary	-	100	Dormant
Garber Music Limited	United Kingdom	Ordinary	-	100	Dormant
G Schirmer Limited	United Kingdom	Ordinary	-	100	Dormant
Orange Sky Music Limited	United Kingdom	Ordinary	-	100	Dormant
Yellow Sky Music Limited	United Kingdom	Ordinary	-	100	Dormant
Noel Gay Music Company Limited	United Kingdom	Ordinary	-	100	Dormant
Richard Armitage Limited	United Kingdom	Ordinary	-	100	Dormant
Campbell Connelly Investments Ltd	United Kingdom	Ordinary	-	100	Dormant
Cinephonic Music Company Limited	United Kingdom	Ordinary	-	100	Dormant
Concord Records Limited	United Kingdom	Ordinary	-	100	Dormant
Cross Music Limited	United Kingdom	Ordinary	-	100	Dormant
Dash Music Company Limited	United Kingdom	Ordinary	-	100	Dormant
Evergreen Music Limited	United Kingdom	Ordinary	-	100	Dormant
Glendale Music Limited	United Kingdom	Ordinary	-	100	Dormant
Harrison Music Company Limited	United Kingdom	Ordinary	-	100	Dormant
High-Fye Music Limited	United Kingdom	Ordinary	-	100	Dormant
Hournew Music Limited	United Kingdom	Ordinary	-	100	Dormant
Ivy Music Limited	United Kingdom	Ordinary	-	100	Dormant
J Curwen and Sons Limited	United Kingdom	Ordinary	-	100	Dormant
Montclare Music Company Limited	United Kingdom	Ordinary	-	100	Dormant
Panther Productions Limited	United Kingdom	Ordinary	-	100	Dormant
Robert Kingston (Music) Limited	United Kingdom	Ordinary	-	100	Dormant
The Sparta Florida Music Group Ltd	United Kingdom	Ordinary	-	100	Dormant

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

12 Investments held as fixed assets (continued)

	Country of incorporation or registration	Class of capital held	Proportion held by holding company %	Proportion held by subsidiary undertaking %	Nature of business
Dormant entities (continued)					
Bosworth and Company Limited	United Kingdom	Ordinary	-	100	Dormant
Arrgee Music Limited	United Kingdom	Ordinary	-	100	Dormant
Elkin and Company Limited	United Kingdom	Ordinary	-	100	Dormant
Goodwin & Tabb Limited	United Kingdom	Ordinary	-	100	Dormant
Novello Records Limited	United Kingdom	Ordinary	-	100	Dormant
Patersons Publications Limited	United Kingdom	Ordinary	-	100	Dormant
Paxton Music Limited	United Kingdom	Ordinary	-	100	Dormant

The following subsidiaries within the consolidated Music Sales Group Limited have taken advantage of the audit exemption provisions under section 479A of the Companies Act 2006 in relation to their annual accounts for the year ended 31 December 2015

Subsidiary	Company registered no.
Campbell Connelly & Co Ltd	239696
Chester Music Limited	162623
Eaton Music Limited	1213072
J Wood & Sons, Limited	79392
Music In Print Limited	1250515
Music Sales Limited	315155
Music Sales Properties Limited	2293657
Music Sales Properties No 2 Limited	5081334
Music Sales Properties No 3 Ltd	6989918
Novello And Company Limited	56942
Novello Publishing Limited	2779795

13 Goodwill additions

On 1 January 2015 the Group purchased the entire business concern of Carisch, an Italian educational print business. The purchase consisted of the purchase of business and related assets and the Carisch trademark. The consideration for the purchase was £1,170,777, (£1.5m)

	31 December 2015 £
Stock	763,131
Trademarks	97,565
Purchased goodwill	155,041
Intangible assets	155,040
	<u>1,170,777</u>

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

14 Stocks

	2015	2014
Group	£	£
Raw materials and consumables	58,695	43,955
Work in progress	742,496	641,516
Finished goods and goods for resale	10,723,346	10,933,749
	<u>11,524,537</u>	<u>11,619,220</u>

There were no significant differences between the replacement cost and values disclosed for any categories of stock

15 Debtors

Group	2015	2014
	£	£
Amounts falling due within one year		
Trade debtors	12,537,538	14,099,504
Other debtors	2,194,350	2,246,285
Prepayments and accrued income	4,379,394	2,254,271
Amounts owed by related undertakings (note 33)	2,666,715	1,867,016
Deferred taxation (note 20)	945,158	555,866
Corporation tax	324,233	317,864
	<u>23,047,388</u>	<u>21,340,806</u>
Amounts falling due after more than one year		
Amounts owed by related undertakings (note 33)	43,787	43,787
Other debtors	-	2,094
	<u>43,787</u>	<u>45,881</u>

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

16 Creditors: amounts falling due within one year

Group	2015 £	2014 £
Bank loans	3,078,490	2,186,189
Loan notes	383,000	383,000
Trade creditors	20,527,668	19,638,364
Amounts owed to related undertakings (note 33)	1,897,720	1,722,385
Derivative financial instruments with a negative fair value	90,521	209,919
Corporation tax	282,763	-
Other taxation and social security	1,196,863	674,372
Obligations under finance leases	71,869	105,122
Other creditors	3,184,428	2,693,604
Accruals and deferred income	4,433,798	3,622,055
	<u>35,147,120</u>	<u>31,235,010</u>

The amount accrued in respect of payments into the UK defined contribution pension scheme totalled £90,259 (2014 £53,095)

17 Creditors: amounts falling due after more than one year

Group	2015 £	2014 £
Bank loans	18,753,063	22,177,330
Amounts owed to related undertakings (note 33)	1,617,171	1,931,018
Derivative financial instruments with a negative fair value	1,422,557	1,650,803
Obligations under finance leases	103,437	17,279
Other creditors	5,022	5,327
	<u>21,901,250</u>	<u>25,781,757</u>

Company

	£	£
Amounts owed to group undertakings	<u>9,971,810</u>	<u>9,971,810</u>

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

18 Borrowings

Group

The borrowings comprise bank loans and loan notes as follows

Bank loan of €178,223 repayable in quarterly instalments expiring in March 2016 Interest is charged at 5.15%

Bank loan of £160,000 repayable annually in equal instalments, expiring November 2018 Interest is charged at LIBOR + 3.0%

Revolving credit facility of £4,515,535 which matures in November 2016 Interest is charged at LIBOR + 3.0%

Bank loan of €240,000 repayable in half yearly instalments expiring in June 2017 Interest is charged at a fixed rate of 4.4%

Bank loan of €217,056 repayable in quarterly instalments expiring in August 2017 Interest is charged at a fixed rate of 4.10%

Bank loan of €100,000 repayable in half yearly instalments expiring in June 2018 Interest is charged at a fixed rate of 4.9%

Bank loan of €549,367 repayable in half yearly instalments expiring in June 2018 Interest is charged at 2.75%

Bank loan of £410,000 repayable in quarterly instalments and expiring in November 2019 Interest is charged at a fixed rate of 6.0125%

Bank loan of £63,347 repayable in quarterly instalments expiring in July 2020 Interest is charged at LIBOR +1.15%

Bank loan of €8,806,354 repayable in annual instalments expiring in December 2021 Interest is charged at a EUR LIBOR + 3.00%

Bank loan of €615,871 repayable in annual instalments expiring in December 2025 Interest is charged at a fixed rate of 5.3%

Bank loan of £5,254,718 repayable in quarterly instalments, expiring in May 2029 A swap agreement has been entered into converting the variable interest to a fixed rate of 5.48%

Bank loan of £746,800 repayable in quarterly instalments, expiring in July 2029 Interest is charged at LIBOR +1.15%

Bank loan of £2,802,081 repayable in quarterly instalments expiring in August 2029 A swap agreement has been entered into converting the variable interest of LIBOR +1.15% to a fixed rate of 5.45% + 1.15%

Six private loan notes totalling £383,000 (2014: six loan notes totalling £383,000) repayable in full on or before 30 June 2016 Interest is charged on a quarterly basis at LIBOR +4% subject to a minimum rate of 5% and a maximum rate of 10% The loan notes are unsecured

An unsecured loan of £4,000,000 was made by Mr R Wise to a subsidiary of the Group on 7 April 2010 The loan bears interest at LIBOR plus 150 basis points which is payable quarterly in arrears The loan balance, which was £988,739 at 31 December 2015, is repayable in September 2019

The Group has provided a first legal charge over certain freehold properties and a last ranking floating debenture as security in connection with the liability for the bank loans

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

18 Borrowings (continued)

Borrowings are repayable as follows

	2015 £	2014 £
Bank loans and loan notes		
Within one year	3,461,490	2,569,189
After one and within two years	2,079,263	3,907,391
After two and within five years	6,440,683	6,838,688
After five years	10,233,117	11,431,251
	<u>22,214,553</u>	<u>24,746,519</u>
	£	£
Finance leases		
Within one year	71,869	105,122
After one and within two years	51,242	17,279
After two and within five years	52,194	-
	<u>175,305</u>	<u>122,401</u>

19 Provisions for liabilities

	Provision for dilapidations £	Deferred consideration £	Total £
Balance at 1 January 2015	9,176	521,513	530,689
Profit and loss account charge	8,324	295,271	303,595
	<u>17,500</u>	<u>816,784</u>	<u>834,284</u>

The provision for dilapidations relates to the closure of the Brighton retail store. This has been settled in full on February 2016.

The provision for deferred consideration is in respect of the acquisition of Eaton Music Limited, was paid in March 2016 to the sum of £602,050.

20 Deferred tax

	£
Balance at 1 January 2015	555,866
Profit and loss account charge	380,270
Exchange movement	9,022
	<u>945,158</u>
Balance at 31 December 2015	

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

20 Deferred tax (continued)

The deferred tax included in the balance sheet is as follows

	Recognised		Unrecognised	
	2015	2014	2015	2014
	£	£	£	£
Depreciation in advance of tax allowances	24,523	89,944	-	-
Other timing differences	16,723	20,076	-	-
Losses debtor	903,912	445,846	-	561,232
	<u>945,158</u>	<u>555,866</u>	<u>-</u>	<u>561,232</u>

The deferred tax asset in respect of losses carried forward has been recognised on the basis of anticipated available profits in the future to utilise these losses. The Group expects to return to profitability within the next two to three years.

21 Derivative financial instruments

Interest rate swap contracts

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date

Outstanding receive floating pay fixed contracts	Notional principal value		Fair value	
	2015	2014	2015	2014
	£	£	£	£
Less than 1 year	2,505,487	2,637,466	(90,521)	(209,919)
5 years or more	5,254,718	5,488,267	(1,422,557)	(1,650,803)
	<u>7,760,205</u>	<u>8,125,733</u>	<u>(1,513,078)</u>	<u>(1,860,722)</u>

The interest rate swaps settle on a quarterly basis. The valuations have been made by our financial institution at market rates.

A swap agreement has been entered into converting the variable interest of LIBOR +1.15% to a fixed rate of 5.45% +1.15%. This swap agreement expires in August 2016.

A swap agreement has been entered into converting the variable interest to a fixed rate of 5.48%. Interest is charged at a LIBOR +1.15%. This swap agreement expires in May 2029.

The interest rate swaps are currently not designated as hedging instruments within an effective hedging relationship.

Gains of £347,643 (2014: loss of £314,942) on derivative financial liabilities measured at fair value through profit or loss were recognised in profit or loss.

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

22 Called-up share capital

	2015 £	2014 £
Authorised		
110,000 ordinary shares of £1 each	110,000	110,000
Called-up, allotted and fully paid		
Ordinary shares of £1 each	109,983	109,983

23 Statement of movement on reserves

	Profit and loss account £	Share premium account £	Capital redemption reserve £	Other reserves £	Total £
Group					
At 1 January 2015	18,356,800	27,067,517	12,500	126,836	45,563,653
Loss for the financial year	(2,075,363)	-	-	-	(2,075,363)
Foreign exchange gain/(loss)	107,687	-	-	(163,454)	(55,767)
At 31 December 2015	16,389,124	27,067,517	12,500	(36,618)	43,432,523
Company					
At 1 January 2015	3,996,815	27,067,517	12,500	-	31,076,832
Profit for the financial year	-	-	-	-	-
At 31 December 2015	3,996,815	27,067,517	12,500	-	31,076,832

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

24 Reconciliation of movements in Group shareholders' funds

	2015 £	2014 £
Loss for the financial year/period	(2 075,363)	(2,842,748)
Other recognised (losses)/gains	(55,767)	77,502
Issue of ordinary share capital	-	27,090,000
Net (decrease)/increase in shareholders' funds	(2,478,773)	24,324,754
Opening shareholders' funds	45,673,636	21 348,882
Closing shareholders' funds	43,542,506	45,673,636

25. Minority interests

	£
At 1 January 2015	(378,490)
Profit on ordinary activities after taxation	42,012
Foreign exchange	(15)
At 31 December 2015	(336,493)

26 Reconciliation of operating loss to operating cash flows

	2015 £	2014 £
Operating loss	(1,694,775)	(1,684,661)
Other non-cash movements	(41,590)	(118,549)
Amortisation/impairment provisions	3,447,531	3,636,462
Depreciation	870,592	1,005,385
Profit on sale of tangible fixed assets	131,957	135
(Increase) in stocks	(56,069)	(275,407)
(Increase)/decrease in debtors	(1 929,369)	1,836,511
Increase in creditors	3,989,753	1,136,221
Net cash inflow from operating activities	4 718,030	5,536,097

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

27. Reconciliation of net cash flow to movement in net debt

	2015 £	2014 £
Increase in cash in the year	(556,333)	2,196,351
Cash outflow from change in debt and financing	2,356,434	(7,744,034)
Movement in net debt in the year	1,800,101	(5,547,683)
Opening net debt	(18,431,451)	(12,883,768)
Closing net debt	(16,631,350)	(18,431,451)

Net debt is defined as bank borrowings and loan notes, net of cash and cash equivalents

28 Analysis of changes in net debt

	At 1 January 2015 £	Cash flow £	At 31 December 2015 £
Cash at bank and in hand	7,683,173	(556,333)	7,126,840
Debt due in less than one year	7,683,173	(556,333)	7,126,840
Debt due after than one year	(2,569,189)	(892,303)	(3,461,492)
	(23,545,435)	3,248,737	(20,296,698)
	(18,431,451)	1,800,101	(16,631,350)

29 Royalty commitments

Print and copyright royalty advance payment commitments exist amounting to £1,573,349 (2014 £2,355,228)

The commitments to make payments included in this sum expire as follows

	2015 £	2014 £
In one year or less	1,349,585	938,379
Between two and within five years	223,764	1,416,849
	1,573,349	2,355,228

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

30. Operating lease commitments

Total minimum lease payments under non-cancellable operating leases are as follows

	Land and buildings		Other	
	2015	2014	2015	2014
	£	£	£	£
In one year or less	57,719	52,720	15,308	55,627
Between one and five years	278,579	212,320	111,981	54,522
After more than five years	377,486	467,545	-	52,000
	<u>713,784</u>	<u>732,585</u>	<u>127,289</u>	<u>162,149</u>

31. Capital commitments

At 31 December 2015 the Group had no capital commitments (2014 £nil)

32. Contingent liabilities

A number of subsidiary companies are included in Group registrations for VAT purposes and are therefore jointly and severally liable for all other Music Sales Group companies' unpaid debts in this connection

Certain of the Music Sales Group companies have provided cross-guarantees to a bank under which such companies guarantee to the bank on a joint and several bases, all present and future Group indebtedness in respect to the Group overdraft and revolving credit facilities

33. Related party transactions

Music Sales Group Limited has taken advantage of the exemption within Financial Reporting Standard No 8 'Related party disclosures' with respect to the disclosure of transactions in the year with related parties which are part of the Music Sales Group. Any transactions with other wholly-owned subsidiaries within Music Sales Group, previously outside of the Group and disclosed as prior year comparatives, have not been reported for the current financial year

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

33 Related party transactions (continued)

Details of balances with related party undertakings at the year end are given below

	2015	2014
	£	£
Amounts owed to related party undertakings		
Glad Music Limited	130,286	117,193
Twangy Music Limited	40,569	35,080
Veronica Music Limited	109,927	60,926
Moving Image Music Limited	99,220	59,687
Sabre Music Limited	42,637	34,735
Ixon Publishing Limited	15,616	14,444
Madena Publishing Limited	14,709	10,738
Whitman Music Limited	819	524
Campbell Connelly Holland BV	257,553	91,782
Hal Leonard Europe Limited	79,812	261,998
Wise Investments	36,794	-
Music Sales Digital Limited	-	1
Music Sales (Pty) Limited	-	81,830
Music Sales Corporation	383,357	506,352
Music Sales Digital Services LLP	598,108	239,688
G Schirmer Inc	-	27,537
Chester NY	12,006	12,006
O'Music Limited	1,271	2,202
Rising Software Pty	796	637
Editions Musicales Francaises	35,921	-
P C Fletcher	-	2,087
Jersey Trust Company	29,504	149,587
Hebbes Music Group Pty Limited	8,815	13,351
	<u>1,897,720</u>	<u>1,722,385</u>

Amounts owed after more than one year.

Mr R Wise	988,739	1,368,105
Music Sales Corporation	562,913	562,913
Jersey Trust Company	65,519	-
	<u>1,617,171</u>	<u>1,931,018</u>

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

33 Related party transactions (continued)

	2015 £	2014 £
Amounts owed by related party undertakings:		
Glad Music Limited	52,396	17,725
Twangy Music Limited	26,167	22,662
Veronica Music Limited	63,449	38,035
Hao Hao Music Sales Limited	766,371	728,500
Moving Image Music Limited	50,846	29,987
Sabre Music Limited	32,336	18,653
Ixion Publishing Limited	9,767	5,318
Madena Publishing Limited	4,188	1,637
Whitman Music Limited	3,044	2,928
Music Sales Corporation	796,678	217,172
Music Sales Digital Services LLP	2,307	1,221
G Schirmer Inc	17,964	17,214
Focus on Sound	822	110,441
O'Music Limited	-	18,558
Music Sales (Pty) Limited	504,965	382,251
Editions Musicales Francaises	-	12,242
Reba	20,642	20,642
Mr H Hei	-	5,291
Wise Enterprises Espana SL	11,984	11,984
BW Investments	26,209	15,603
Wise Investments SARL	85,701	71,712
Wise I	26,004	17,483
Wise II	59,412	44,292
Wise IV	32,075	20,327
Newman Street Investments Limited	37,757	26,604
NTM Investments Limited	18,904	8,534
Mr R Wise	16,727	-
	<u>2,666,715</u>	<u>1,867,016</u>
Amounts falling due after more than one year		
Wise Investments SARL	<u>43,787</u>	<u>43,787</u>

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

33 Related party transactions (continued)

Details of related party transactions are given below

	2015 £	2014 £
Sales		
Music Sales Corporation	18,381	69,929
Music Sales America	537,695	439,761
Music Sales (Pty) Limited	195,488	227,701
	<hr/>	<hr/>
Distribution and administration		
Hal Leonard Europe Limited	453,598	504,542
Music Sales Corporation	86,439	115,243
Music Sales America	-	33,873
Music Sales (Pty) Limited	18,084	32,950
Focus on Sound	20,000	20,000
Moving Image Music Limited	10,621	9,359
Sabre Music Limited	2,500	1,000
Ision Publishing Limited	587	981
Madena Publishing Limited	975	1,447
Whitman Music Limited	28	61
	<hr/>	<hr/>
Royalties received		
Music Sales Corporation	342,663	392,052
G Schirmer Inc	628,590	703,161
G Schirmer Australia Pty	181,263	14,985
Campbell Connelly Australia	112,151	141,435
Novello Publishing	6,404	-
	<hr/>	<hr/>
Royalties paid		
Music Sales Corporation	584,221	1,036,079
G Schirmer Inc	148,173	475,458
G Schirmer Australia Pty	305	546
Campbell Connelly Australia	3,237	5,414
	<hr/>	<hr/>
Rent payable		
Wise Enterprises Espana	45,632	50,363
	<hr/>	<hr/>

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

33 Related party transactions (continued)

	2015 £	2014 £
Loan interest receivable		
Music Sales Australia Pty	29,138	950
Mr H Hei	73	99
	<u>29,211</u>	<u>1,049</u>
Loan interest payable		
Mr R Wise	23,719	157,957
	<u>23,719</u>	<u>157,957</u>

All of the above transactions were conducted on an arm's-length basis under normal commercial terms

The Music Sales Group of companies is related to the companies noted above through common management

Transactions with directors

A Group company rents an apartment in New York from Mrs M B Wise at an annual rent of \$75,000 (2014 \$75,000)

An unsecured loan of £4,000,000 was made by Mr R Wise to a subsidiary of the Group on 7 April 2010. The loan bears interest at LIBOR plus 150 basis points which is payable quarterly in arrears. The maximum amount outstanding during the year was £1,314,128 and the loan balance, which was £988,739 at 31 December 2015 (31 December 2014 £1,368,105), is repayable in September 2019.

34 Ultimate controlling party

The directors consider that the immediate and ultimate parent undertaking and controlling party of this Company is Newman Street Investments Limited which is registered in Jersey. Music Sales Group Limited is the largest and smallest undertaking for which group financial statements are prepared. Group financial statements are available from 14/15 Berners Street, London, United Kingdom W1T 3LJ.

35 Explanation of transition to FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2013 and the date of transition to FRS 102 was therefore 1 January 2014. As a consequence of adopting FRS 102, the following accounting policies have changed to comply with that standard.

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2015

35 Explanation of transition to FRS 102 (continued)

Reconciliation of equity

	As at 1 January 2014 £	As at 31 December 2014 £
Profit and loss reserves reported under previous UK GAAP	22,655,283	20,217,522
Adjustments to equity on transition to FRS 102		
Provision for fair value gains/losses on interest rate swap	(1,545,779)	(1,860,722)
Profit and loss reserves reported under FRS 102	<u>21,109,504</u>	<u>18,356,800</u>

Notes to the reconciliation of equity at 1 January 2014

Reconciliation of profit and loss for 2014

Note	£
Loss for the financial year under previous UK GAAP	(2,527,806)
Adjustment for fair values changes in derivative financial instruments arising during the period	(314,942)
Loss for the financial year under FRS 102	<u>(2,842,748)</u>

Notes to the reconciliation of total comprehensive income for 2014

Under previous UK GAAP, the Group did not recognise derivative financial instruments in its financial statements. FRS 102 requires derivative financial instruments to be recognised at fair value. Fair value gains/(losses) on derivative financial instruments arising during the period are now recognised in profit or loss and a corresponding asset/liability is recognised on the balance sheet. More information is detailed in note 21.