

Company Registration No. 315155

Music Sales Limited

Report and Financial Statements

31 December 2013

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Music Sales Limited

Report and financial statements 2013

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Music Sales Limited

Report and financial statements 2013 Officers and professional advisers

Directors

R Wise
M B Wise
T Wise
I C Morgan
D B Rockberger
C M Butler
A E Latham
C I Hargrave
N J M Kemp (appointed 23 January 2014)
I N Gilroy (appointed 23 January 2014)

Secretary

N J M Kemp

Registered Office

14/15 Berners Street
London
W1T 3LJ

Bankers

Coutts & Co
440 Strand
London
WC2R 0QS

Auditor

Deloitte LLP
Chartered Accountants and Registered Auditor
London

Music Sales Limited

Strategic report 18-month period ended 31 December 2013

The directors present their strategic report for the 18-month period ended 31 December 2013.

Business review and principal activities

The Company continues to trade in the publishing, wholesaling and retailing of printed music, books, music software and accessories and represents many of the large UK and US music publishers for their printed music. The Company is also a publisher of standard and classical music copyrights.

As shown in the Company's profit and loss account on page 8, the Company made a loss after taxation for the 18-month period of £1,696,401 (year to 30 June 2012: loss of £413,197).

The balance sheet on page 9 shows that the Company's net assets at 31 December 2013 are £26,554,234 compared with £28,250,635 at 30 June 2012. The Company's cash levels at 31 December 2013 were £2,795,494 (30 June 2012: £1,282,279).

As part of a Music Sales Group Limited restructure undertaken to create distinct operating divisions, on 1 July 2012, Music Sales Limited transferred its investments held in the subsidiary undertakings, Music in Print Limited and Chester Music Limited, to Music Sales Group Limited at their net book value.

Effective 1 July 2012, the investments held in the following copyright companies: Campbell, Connelly & Co. Limited, G Schirmer Limited, Orange Sky Music Limited and Yellow Sky Music Limited, held by Music Sales Limited, were transferred to Chester Music Limited at their net book value.

Also on 1 July 2012, Music in Print Limited transferred its concession operation to the Company which contributed turnover of £2,345,000 and gross profit of £1,461,000 for the 18-month period.

Finally on 1 July 2012, Bobcat Books Limited, a 100% owned subsidiary undertaking of Music Sales Limited sold all of its trade and net assets to its immediate parent company for the net book value and is not expected to trade for future periods. The trading business, previously operated by Bobcat Books Limited was operated within Music Sales Limited from this date.

The Music Sales Group manages its operations on the basis of business units which span legal entities. For this reason, the Company's directors do not consider that presentation of non-financial indicators for the Company are necessary or appropriate for an understanding of the development, performance or position of the business.

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

Principal risks and uncertainties

The Company operates in a highly competitive market which is a continuing risk to the Company and could result in losing sales to its key competitors. The Company 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 Company's sales to its customers are worldwide and therefore the Company is exposed to movement in exchange rates. The Company sources some of its products in local territories and therefore minimises the risk of exchange rate fluctuations by operating local currency bank accounts.

Future developments

The result for 2013 was impacted by challenging market conditions for print publishing. The level of underlying business is satisfactory and the directors look to the future with confidence. The Company is in a net assets and net current assets position.

This report was approved by the board on 30/09 2014 and signed on its behalf.



A E Latham
Director

Music Sales Limited

Directors' report 18-month period ended 31 December 2013

The directors present their annual report and the audited financial statements for the 18-month period ended 31 December 2013.

The accounting date of the Company has been changed from 30 June to 31 December. The period reported in these audited financial statements covers a period of 18 months, 1 July 2012 to 31 December 2013, whereas the comparative period is for 12 months, 1 July 2011 to 30 June 2012.

Directors

The directors who served throughout the 18-month period and to the date of this report, except as noted, were as follows:

R Wise
M B Wise
T Wise
I C Morgan
D B Rockberger
C M Butler
A E Latham
C I Hargrave
I N Gilroy (appointed 23 January 2014)
N J M Kemp (appointed 23 January 2014)
M J Stanbridge (resigned 31 December 2013)

Dividends

The directors do not recommend the payment of a dividend on ordinary shares for 2013 (2012: £nil).

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 Company during the period, of its position at the end of the period and of the likely future developments in its business.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. More information is provided in note 1 to the financial statements.

Donations

Donations to charitable organisations amounted to £nil (2012: £100,000). Donations to the Music Sales Charitable Trust, previously made by Music Sales Limited, were made by a related party undertaking during the period.

Employees

The Company 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 Company. The Company supports the employment of disabled people wherever possible.

Music Sales Limited

Directors' report

18-month period ended 31 December 2013 (continued)

Provision of information to the Auditor

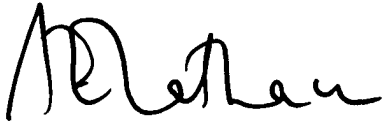
In the case of each of the persons who are directors of the Company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the directors has 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

30/09

2014

14/15 Berners Street
London W1T 3LJ

Music Sales Limited

Statement of directors' responsibilities

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 period. 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). 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; 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 Limited

We have audited the financial statements of Music Sales Limited for the 18-month period ended 31 December 2013 which comprise the profit and loss account, the balance sheet and the related notes 1 to 24. 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).

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 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 Company's affairs as at 31 December 2013 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report to the members of Music Sales 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



James Bates (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

30 September 2014

Music Sales Limited

Profit and loss account

18-month period ended 31 December 2013

		18 months to 31 December 2013 £	12 months to 30 June 2012 £
	Notes		
Turnover	2	31,902,968	21,867,205
Cost of sales		(16,785,391)	(12,992,220)
Gross profit		15,117,577	8,874,985
Distribution costs		(4,382,005)	(2,782,069)
Administrative expenses		(18,716,432)	(11,410,314)
Other operating income		4,623,205	3,297,906
Operating loss	4	(3,357,655)	(2,019,492)
Income from shares in group undertakings	5	467,068	164,435
Income from participating interests	6	400,000	800,000
Interest receivable and similar income	7	269,784	173,093
Interest payable and similar charges	8	(167,982)	(111,382)
Loss on ordinary activities before taxation		(2,388,785)	(993,346)
Tax on loss on ordinary activities	9	692,384	580,149
Loss for the financial period	18	(1,696,401)	(413,197)

All activities derive from continuing operations.

There are no recognised gains or losses, other than shown above; accordingly no separate statement of total recognised gains or losses is given.

Music Sales Limited

Balance sheet

As at 31 December 2013

	Notes	31 December 2013 £	30 June 2012 £
Fixed assets			
Intangible assets	10	1,960,359	981,727
Tangible assets	11	366,953	1,225,819
Investments	12	6,023,929	21,695,889
		<u>8,351,241</u>	<u>23,903,435</u>
Current assets			
Stocks	13	4,851,053	5,702,427
Debtors			
Amounts falling due within one year	14	24,590,132	23,074,725
Amounts falling due after more than one year	14	18,326,793	2,883,950
Cash at bank and in hand		2,795,494	1,282,279
		<u>50,563,472</u>	<u>32,943,381</u>
Creditors: amounts falling due within one year	15	<u>(27,839,508)</u>	<u>(25,335,531)</u>
Net current assets		<u>22,723,964</u>	<u>7,607,850</u>
Total assets less current liabilities		<u>31,075,205</u>	<u>31,511,285</u>
Creditors: amounts falling due after more than one year	15	<u>(4,520,971)</u>	<u>(3,260,650)</u>
Net assets		<u>26,554,234</u>	<u>28,250,635</u>
Capital and reserves			
Called-up share capital	17	21,000	21,000
Profit and loss account	18	26,533,234	28,229,635
		<u>26,554,234</u>	<u>28,250,635</u>
Shareholders' funds	19	<u>26,554,234</u>	<u>28,250,635</u>

These financial statements of Music Sales Limited, registered number 315155, were approved by the Board of Directors and authorised for issue on 30/09 2014

Signed on behalf of the Board of Directors



A E Latham
Director

Music Sales Limited

Notes to the financial statements 18-month period ended 31 December 2013

1. Accounting policies

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

Basis of preparation

The financial statements are prepared on the going concern basis under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Going concern

Despite the Company making a loss in the 18-month period of £1,696,401, Music Sales Limited holds net current assets of £22,723,964 net assets of £26,554,234 and a positive cash balance of £2,795,494 as at 31 December 2013. The directors have a reasonable expectation that the Company has adequate resources to return to profitability and to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Consolidation

The Company has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 not to prepare group accounts. The Company is a wholly-owned subsidiary of a Company registered in the United Kingdom which prepares group accounts, into which the results of the Company are consolidated.

Cash flow statement

The Company has taken advantage of the exemption in Financial Reporting Standard No. 1 (revised) 'Cash flow statements' and has not prepared a cash flow statement. A consolidated cash flow statement is shown in the consolidated accounts of Music Sales Group Limited.

Turnover

Turnover is the total amount of income receivable by the Company in the ordinary course of business with outside customers for goods supplied as a principal and for services provided, excluding VAT. Turnover from the sale of goods is recognised when the physical goods are despatched to the customer or when the digital sheet music products have been successfully downloaded and the amount is reliably measured.

Investments

Investments are included at cost less amounts written off. Listed investments are shown at cost or market value, if this is lower. Profits or losses arising from disposals of fixed asset investments are treated as part of the results from ordinary activities. Where investments in group undertakings include copyrights, the copyrights are classified under intangible fixed assets.

Intangible fixed assets

Amortisation is calculated to write off the cost of an asset, less estimated residual value, over the useful economic life of the asset as follows:

Copyrights & Print rights	10-20 years
Software development	2-10 years

The Company reclassified the cost of software development from tangible fixed assets to intangible fixed assets during the period.

Amortisation of rights commences in the month following purchase, amortisation of software development commences when the software is implemented and being used by the business to generate revenues or operate and control business processes. Provision is made for any impairment.

Music Sales Limited

Notes to the financial statements 18-month period ended 31 December 2013

1. Accounting policies (continued)

Tangible fixed assets

Tangible assets are stated at cost, net of depreciation and provision for impairment. Depreciation is calculated to write off the cost of an asset, less its estimated residual value, over the useful economic life of the asset as follows:

Leasehold property	10 years
Fixtures, fittings and equipment	3-5 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents 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.

Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the year of the lease. Rentals under operating leases are charged on a straight-line basis over the term of the lease.

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 years 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.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Pension costs

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the profit and loss account.

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 are dealt with in the profit and loss account.

Music Sales Limited

Notes to the financial statements 18-month period ended 31 December 2013

2. Turnover

The turnover and loss before taxation have been derived from the Company's continuing activities and are attributable to the publishing, wholesale and retail distribution of printed music and books.

An analysis of turnover by geographical market is given below:	18 months to 31 December 2013 £	12 months to 30 June 2012 £
United Kingdom	24,471,149	16,295,083
Other European countries	5,254,725	3,718,982
USA and Canada	768,241	651,882
Australia and New Zealand	305,483	377,899
Other countries	1,103,370	823,359
	<u>31,902,968</u>	<u>21,867,205</u>

3. Information regarding directors and employees

	18 months to 31 December 2013 £	12 months to 30 June 2012 £
Directors' emoluments		
Emoluments receivable	2,834,120	2,036,462
Value of Company pension contributions to money purchase schemes	185,356	131,883
	<u>3,019,476</u>	<u>2,168,345</u>
Emoluments of highest paid director		
Total emoluments (excluding pension contributions)	<u>664,411</u>	<u>454,841</u>
	No.	No.
The number of directors who accrued benefits under Company pension schemes was as follows:		
Money purchase schemes	<u>4</u>	<u>5</u>
The average number of staff, including directors, employed by the Company during the financial period amounted to:	No.	No.
Distribution	64	57
Administrative	110	116
	<u>174</u>	<u>173</u>
	£	£
The aggregate payroll costs of the above were:		
Wages and salaries	9,808,833	6,701,163
Social security costs	1,076,251	740,754
Other pension costs	459,460	328,535
	<u>11,344,544</u>	<u>7,770,452</u>

All employees are employed by Music Sales Limited. A proportion of the above costs are recharged to group and related companies in respect of services provided by these employees to those companies.

Music Sales Limited

Notes to the financial statements 18-month period ended 31 December 2013

4. Operating loss

	18 months to 31 December 2013 £	12 months to 30 June 2012 £
Operating loss is after charging/(crediting):		
Amortisation of owned fixed assets	596,411	150,528
Depreciation of owned fixed assets	391,450	383,823
Gain on disposal of fixed assets	(7,952)	(1,696)
Write down of investment	35,000	-
Fees payable to the Company's auditor for the audit of the Company's annual accounts	51,550	97,475
Tax services	54,000	117,000
Operating lease rentals		
Land and buildings	1,868,851	946,970
Other	339,101	238,248
Net loss on foreign currency translation	90,192	7,788

5. Income from shares in group undertakings

	18 months to 31 December 2013 £	12 months to 30 June 2012 £
Dividends receivable from group undertakings	467,068	164,435

6. Income from participating interests

	18 months to 31 December 2013 £	12 months to 30 June 2012 £
Dividends receivable from participating interests	400,000	800,000

7. Interest receivable and similar income

	18 months to 31 December 2013 £	12 months to 30 June 2012 £
Bank interest receivable	2,068	19,275
Interest receivable from group undertakings	58,764	23,588
Interest receivable from related party undertakings (note 23)	208,952	130,230
	269,784	173,093

Music Sales Limited

Notes to the financial statements 18-month period ended 31 December 2013

8. Interest payable and similar charges

	18 months to 31 December 2013 £	12 months to 30 June 2012 £
Bank loans and overdrafts	95,483	70,552
Finance leases and hire purchase contracts	28,209	3,099
Interest payable to group undertakings	44,263	37,731
Other similar charges	27	-
	<u>167,982</u>	<u>111,382</u>

9. Tax on loss on ordinary activities

	18 months to 31 December 2013 £	12 months to 30 June 2012 £
Current		
United Kingdom corporation tax based on the result for the period at 23.5% (2012: 25.5%)	(785,906)	(385,075)
Adjustment to prior periods	(40,079)	(307,791)
Foreign taxation	2,381	14,014
	<u>(823,604)</u>	<u>(678,852)</u>
Deferred taxation		
Origination and reversal of timing differences	54,310	(55,867)
Adjustment to prior periods	(3,610)	119,266
Effect of tax change on opening balance	80,520	35,304
	<u>(692,384)</u>	<u>(580,149)</u>
Tax credit on loss on ordinary activities		

Music Sales Limited

Notes to the financial statements 18-month period ended 31 December 2013

9. Tax on loss on ordinary activities (continued)

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 23.5% (2012: 25.5%). The actual tax charge for the current period and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation:

	18 months to 31 December 2013 £	12 months to 30 June 2012 £
Loss on ordinary activities before tax	(2,388,785)	(993,346)
Tax on losses on ordinary activities at standard rate	(561,012)	(253,330)
Factors affecting charge for the period:		
(Income)/expenses not deductible for tax purposes	(165,225)	(184,140)
Capital allowances in excess of depreciation	(40,190)	(17,354)
Group relief surrendered	781,529	378,104
Receipt for group relief	(785,956)	(385,075)
Adjustments to tax charge in respect of previous years	(40,079)	(307,791)
Foreign tax credits	2,381	14,014
Other short term timing differences	(23,622)	(11,404)
Unrelieved tax losses and other deductions arising in the period	8,570	88,124
Total actual amount of current tax	(823,604)	(678,852)

10. Intangible fixed assets

	Software Development £	Copyrights/ Print rights £	Total £
Cost			
At 1 July 2012	27,831	1,735,312	1,763,143
Reclassifications	898,401	75,000	973,401
Additions	557,925	16,669	574,594
Transfers	-	680,000	680,000
At 31 December 2013	1,484,157	2,506,981	3,991,138
Amortisation			
At 1 July 2012	-	781,416	781,416
Reclassifications	226,278	-	226,278
Transfers	-	426,674	426,674
Charge for the period	260,739	335,672	596,411
At 31 December 2013	487,017	1,543,762	2,030,779
Net book value			
At 31 December 2013	997,140	963,219	1,960,359
At 30 June 2012	27,831	953,896	981,727

On 1 July 2012, Bobcat Books Limited transferred its assets to Music Sales Limited and ceased trading. The print catalogue was traded within Music Sales Limited throughout the 18-month period.

The reclassification of assets during the period relates to business systems software development previously reported within tangible fixed assets.

Music Sales Limited

Notes to the financial statements 18-month period ended 31 December 2013

11. Tangible fixed assets

	Leasehold land and buildings improvements £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost				
At 1 July 2012	309,094	5,485,841	15,052	5,809,987
Reclassifications	-	(898,401)	-	(898,401)
Additions	-	213,800	-	213,800
Transfers	-	(42,997)	-	(42,997)
Disposals	-	(37,349)	-	(37,349)
At 31 December 2013	309,094	4,720,894	15,052	5,045,040
Depreciation				
At 1 July 2012	286,813	4,289,515	7,840	4,584,168
Reclassifications	-	(226,278)	-	(226,278)
Transfers	-	(37,952)	-	(37,952)
Charge for the period	5,456	380,350	5,644	391,450
On Disposals	-	(33,301)	-	(33,301)
At 31 December 2013	292,269	4,372,334	13,484	4,678,087
Net book value				
At 31 December 2013	16,825	348,560	1,568	366,953
At 30 June 2012	22,281	1,196,326	7,212	1,225,819

The reclassification of assets during the period relates to business systems software development.

12. Investments held as fixed assets

	Subsidiary undertakings £	Associate companies £	Unlisted investments £	Total £
Cost				
At 1 July 2012	22,446,803	44,629	52,614	22,544,046
Addition in period	2	-	-	2
Transfer	(16,166,215)	-	-	(16,166,215)
At 31 December 2013	6,280,590	44,629	52,614	6,377,833
Amounts written off				
At 1 July 2012	843,463	-	4,694	848,157
Transfer	(529,253)	-	-	(529,253)
Written off in the period	35,000	-	-	35,000
At 31 December 2013	349,210	-	4,694	353,904
Net book value				
At 31 December 2013	5,931,380	44,629	47,920	6,023,929
At 30 June 2012	21,603,340	44,629	47,920	21,695,889

In the opinion of the directors the aggregate value of the shares in the group undertakings is not less than the aggregate amount at which those assets are stated in Music Sales Limited's balance sheet.

Music Sales Limited

Notes to the financial statements 18-month period ended 31 December 2013

12. Investments held as fixed assets (continued)

On 1 July 2012, investments held by Music Sales Limited were transferred, at net book value, to other companies within the group as follows:

- the investments in Music in Print Limited and Chester Music Limited were transferred to Music Sales Group Limited;
- the investments in Campbell, Connelly & Co Limited, Noel Gay Music Limited, G Schirmer Limited, Orange Sky Music Limited and Yellow Sky Music Limited were transferred to Chester Music Limited; and
- the investment in Musicroom.com Limited was transferred to Music in Print Limited.

Key Subsidiaries	Country of registration	Proportion held	Nature of business
Music Sales Properties Limited	United Kingdom	100% directly	Property Company
Music Sales Properties No.2 Limited	United Kingdom	100% indirectly	Property Company
Music Sales Properties No.3 Limited	United Kingdom	100% directly	Property Company
Charanga Limited	United Kingdom	60% directly	Digital Education
Edition Wilhelm Hansen AS Copenhagen	Denmark	100% directly	Music publishing
Storyville Records ApS	Denmark	100% indirectly	Music publishing
Edition Wilhelm Hansen GmbH	Germany	100% directly	Music publishing
Union Musical Ediciones SL	Spain	99.98% directly	Music publishing
K.K. Music Sales	Japan	100% directly	Music publishing

Associates and joint ventures

Hal Leonard Europe Limited	United Kingdom	50% directly	Music publishing
Hao Hao Music Sales Ltd	United Kingdom	50% indirectly	Music publishing
Music Sales Furtados India PVT Ltd	United Kingdom	50% directly	Music publishing

A complete list of the subsidiary and associated undertakings (trading and dormant) will be attached to the Annual Return made to the Registrar of Companies. Unless otherwise stated all shares held are ordinary shares.

The following subsidiaries of Music Sales 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 18-month financial period ended 31 December 2013:

Bobcat Books Limited
Dorsey Brothers Music Limited
Rae Macintosh (Music) Limited

13. Stocks

	31 December 2013 £	30 June 2012 £
Raw materials	50,535	199,696
Work in progress	479,344	529,535
Finished goods	4,321,174	4,973,196
	<u>4,851,053</u>	<u>5,702,427</u>

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

Music Sales Limited

Notes to the financial statements 18-month period ended 31 December 2013

14. Debtors

	31 December 2013 £	30 June 2012 £
Amounts falling due within one year		
Trade debtors	7,736,057	5,457,360
Amounts owed by group undertakings	12,848,563	13,383,772
Amounts owed by related party undertakings (note 23)	2,585,048	2,617,286
Prepayments and accrued income	723,605	653,286
Other taxation and social security	-	76,482
Taxation recoverable	19,333	-
Other debtors	329,236	407,029
Deferred taxation (note 16)	348,290	479,510
	<u>24,590,132</u>	<u>23,074,725</u>
Amounts falling due after more than one year		
Trade debtors	70,295	-
Amounts owed by group undertakings	15,854,355	568,592
Amounts owed by related party undertakings (note 23)	2,402,143	2,315,358
	<u>18,326,793</u>	<u>2,883,950</u>

15. Creditors

	31 December 2013 £	30 June 2012 £
Amounts falling due within one year		
Trade creditors	4,056,870	3,116,452
Amounts owed to group undertakings	15,682,739	14,008,827
Amounts owed to related undertakings (note 23)	6,399,164	5,156,422
Other taxation and social security	236,750	259,575
Other creditors	342,868	176,459
Accruals and deferred income	858,532	611,696
Bank loan	156,667	1,870,000
Obligations under finance leases	105,918	136,100
	<u>27,839,508</u>	<u>25,335,531</u>
Amounts falling due after more than one year		
Bank loans	2,054,868	382,500
Obligations under finance leases	113,162	82,758
Amounts owed to group undertakings	327,426	433,294
Amounts owed to related undertakings (note 23)	2,025,515	2,362,098
	<u>4,520,971</u>	<u>3,260,650</u>

Bank loans comprise a Loan of £470,000 which is repayable annually over three equal instalments expiring July 2015 with interest charged at 3% above LIBOR and a Revolving Credit facility of £1,741,535 which matures in November 2016 with interest charged at 3% above LIBOR. The bank loans are secured.

Music Sales Limited

Notes to the financial statements 18-month period ended 31 December 2013

15. Creditors (continued)

Borrowings are repayable as follows:

	31 December 2013 £	30 June 2012 £
Bank loans		
Within one year	156,667	1,870,000
In more than one year but not more than two years	156,667	170,000
In more than two years but not more than five years	1,898,201	212,500
	<u>2,211,535</u>	<u>2,252,500</u>
Finance leases		
Within one year	105,918	136,100
In more than one year but not more than two years	95,883	77,858
In more than two years but not more than five years	17,279	4,900
	<u>219,080</u>	<u>218,858</u>

16. Deferred taxation

The deferred tax included in the balance sheet is as follows:

	£
At 1 July 2012	479,510
Profit and loss account charge	(131,220)
	<u>348,290</u>
At 31 December 2013	

The balance consists of:

	Recognised		Unrecognised	
	31 December 2013 £	30 June 2012 £	31 December 2013 £	30 June 2012 £
✓ Capital allowances in excess of depreciation	190,593	287,091	-	-
Other timing differences	18,479	22,060	-	-
Losses and other deductions	139,218	170,359	-	-
	<u>348,290</u>	<u>479,510</u>	<u>-</u>	<u>-</u>

17. Called-up share capital

	31 December 2013 £	30 June 2012 £
Authorised, called-up, allotted and fully paid		
21,000 ordinary shares of £1 each	<u>21,000</u>	<u>21,000</u>

Music Sales Limited

Notes to the financial statements 18-month period ended 31 December 2013

18. Profit and loss account

	£
At 1 July 2012	28,229,635
Loss for the financial period	(1,696,401)
At 31 December 2013	<u>26,533,234</u>

19. Reconciliation of movements in shareholders' funds

	31 December 2013 £	30 June 2012 £
Loss for the financial period	(1,696,401)	(413,197)
Net decrease in shareholders' funds	(1,696,401)	(413,197)
Opening shareholders' funds	<u>28,250,635</u>	<u>28,663,832</u>
Closing shareholders' funds	<u>26,554,234</u>	<u>28,250,635</u>

20. Royalty commitments

Royalty advance payment commitments that are not recognised on the balance sheet fall due as follows:

	31 December 2013 £	30 June 2012 £
Within one year	2,190,551	2,281,271
After one and within five years	<u>1,294,478</u>	<u>3,925,794</u>
	<u>3,485,029</u>	<u>6,207,065</u>

21. Operating lease commitments

At 31 December 2013 the Company had annual commitments under non-cancellable operating leases which expire as set out below:

	Land and buildings		Other items	
	31 December 2013 £	30 June 2012 £	31 December 2013 £	30 June 2012 £
Leases which expire:				
Within one year	-	-	59,954	18,011
Between two and five years	-	-	126,031	201,375
After more than five years	<u>1,236,503</u>	<u>1,255,513</u>	<u>-</u>	<u>557</u>
	<u>1,236,503</u>	<u>1,255,513</u>	<u>185,985</u>	<u>219,943</u>

Music Sales Limited

Notes to the financial statements 18-month period ended 31 December 2013

22. Contingent liabilities

The Company is included in a group registration for VAT purposes and is 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 basis, all present and future group indebtedness in respect to the group overdraft facility.

23. Related party transactions

As a wholly-owned subsidiary of Music Sales Group Limited, the Company has taken advantage of the exemption within Financial Reporting Standard No 8 'Related party disclosures' with respect to the disclosure of transactions with related parties which are part of the Music Sales Group.

Amounts owed by related party undertakings:	31 December 2013 £	30 June 2012 £
Twangy Music Ltd	17,508	7,721
Veronica Music Ltd	2,362	-
Hal Leonard Europe Ltd	76,871	466,588
Hao Hao Music Sales Ltd	616,085	647,280
Moving Image Music Ltd	21,741	-
Sabre Music Ltd	10,434	-
Ixion Publishing Ltd	1,738	-
Madena Publishing Ltd	260	-
Caribe Entertainment Ltd	22,270	-
Novello Publishing Ltd	75,834	72,223
Bosworth and Co. Ltd	22,273	22,273
Premier Music Group SARL	950,035	-
Music Sales Pty Ltd	302,828	1,052,211
Music Sales Corporation	-	178,860
Music Sales America	-	110,705
Music Sales Digital Ltd	227,775	-
G. Schirmer Inc.	17,464	17,214
Focus on'Sound Ltd	36,731	-
B.W. Investments Ltd	15,603	-
Newman Street Investments Ltd	18,174	-
Reba Music Sales	20,642	20,642
NTM Investments	8,534	-
Wise I	17,483	-
Wise II	44,292	2,147
Wise IV	19,436	-
Worldwide Music Corporation	19,637	-
Wise Enterprises S.L.	11,984	11,984
Mr H Hei	7,054	7,438
	<u>2,585,048</u>	<u>2,617,286</u>

Music Sales Limited

Notes to the financial statements 18-month period ended 31 December 2013

23. Related party transactions (continued)

	31 December 2013 £	30 June 2012 £
Amounts falling due after more than one year		
Novello Publishing Ltd	147,532	223,366
Wise Properties GmbH	143,780	143,780
Worldwide Music Corporation	2,065,280	1,889,550
Wise Investments SARL	43,787	43,787
Mr H Hei	1,764	14,875
	<u>2,402,143</u>	<u>2,315,358</u>
Amounts owed to related party undertakings:		
	31 December 2013 £	30 June 2012 £
Glad Music Ltd	18,184	11,836
Veronica Music Limited	-	25,305
Connelly Basart Muziek BV	91,781	31,726
Novello Publishing Limited	960,545	816,816
Novello & Company Limited	4,642,456	3,994,777
Bosworth GmbH	32,682	60,003
Premier Music Group SARL	-	7,616
Music Sales Corporation	454,602	160,135
Music Sales Digital Services LLC	107,953	-
Hansen/Chester New York	12,006	12,006
Music Sales Pty Ltd	70,174	-
Rising Software Pty	82	-
Editions Musicales Francaises	8,699	36,202
	<u>6,399,164</u>	<u>5,156,422</u>
Amounts owed after more than one year		
Mr R Wise	<u>2,025,515</u>	<u>2,362,098</u>

Music Sales Limited

Notes to the financial statements 18-month period ended 31 December 2013

23. Related party transactions (continued)

During the 18-month period Music Sales Limited entered into arms-length transactions and arrangements on normal commercial terms with the following related parties. The Company is related to the companies noted below by common management:

	31 December 2013 £	30 June 2012 £
Goods sold by Music Sales Limited to:		
Music Sales Corporation	130,539	160,953
Music Sales (Pty) Limited	282,181	598,180
	<u> </u>	<u> </u>
Goods purchased by Music Sales Limited from:		
Music Sales Corporation	-	4,565
Music Sales (Pty) Limited	-	10,137
	<u> </u>	<u> </u>
Loan interest charged to:		
Novello Publishing Limited	20,364	19,917
Bosworth GmbH	10,428	-
Premier Music Group SARL	1,857	-
Worldwide Music Corporation	175,729	110,313
Mr H Hei	574	-
	<u> </u>	<u> </u>

During the 18-month period the Company recharged expenses and charged management fees to the following related companies:

	31 December 2013 £	30 June 2012 £
Recharges and management fees charged to:		
Hal Leonard Europe Ltd	722,957	456,124
Novello Publishing Ltd	516,281	311,672
Novello & Company Ltd	416,288	255,520
Bosworth GmbH	388,201	239,113
Music Sales Corporation	191,519	106,641
Music Sales America	30,680	17,580
Focus on Sound	30,000	-
Music Sales (Pty) Ltd	25,150	6,954
	<u> </u>	<u> </u>

The Company rents an apartment in New York from M B Wise at an annual rent of \$75,000 (2012: \$75,000).

24. Ultimate controlling party

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