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**Company Registration No. 00884449**

**Music Sales Group Limited**

**Annual Report and Financial Statements**

**For the year ended 31 December 2018**

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# **Music Sales Group Limited**

## **Annual report and financial statements 2018**

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# **Music Sales Group Limited**

## **Annual report and financial statements 2018**

### **Officers and professional advisers**

#### **Directors**

R Wise  
M B Wise  
T Wise  
M D Wise  
D B Rockberger  
C M Butler  
J T C Rushton  
D Holley  
I N Gilroy  
C Duvivier  
J A B Smith

#### **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  
Statutory Auditor  
London  
United Kingdom

## **Music Sales Group Limited**

### **Strategic report Year ended 31 December 2018**

The directors present their strategic report for the year ended 31 December 2018.

This strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Music Sales Group Limited and its subsidiary undertakings when viewed as a whole.

#### **Principal activities**

The Music Sales Group of companies (the "Group") is a publisher of standard and classical music copyrights.

#### **Review of the business**

On 1 April 2018, the Group disposed of its Printed Music and Retail Divisions for a cash purchase consideration. The turnover of the disposed assets was £10,698,768 in 2018. Further details are given in note 32.

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 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 before finance charges is set out on the face of the profit and loss account on page 10.

As shown in the consolidated profit and loss account, Group turnover amounted to £40,390,324 (2017: £66,586,491), Group profit after tax was £11,014,393 (2017: loss of £2,311,879) and headline EBITDA £1,517,467 (2017: £4,785,622).

The balance sheet on page 12 shows that the shareholders' funds at 31 December 2018 are £50,449,264 (2017: £39,225,952). The Group's cash level at 31 December 2018 was £23,675,400 (2017: £5,861,749).

The year under review has seen a decline in the Music Publishing businesses, particularly in the UK, with sales down £601,856 to £28,397,558. There has been continued growth in the Digital Education business where turnover was up £289,733 at £1,796,895.

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 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. 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.

While susceptible to challenges from broader economic uncertainties, management do not consider Brexit to pose a specific threat affecting the Group's business model or to be a direct risk to the Group's assets and liabilities.

## **Music Sales Group Limited**

### **Strategic report (continued)** **Year ended 31 December 2018**

#### **Financial risk management objectives and policies**

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

##### ***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.

The Group has used floating to fixed rate swaps to mitigate interest rate exposures, on loans amounting to £4,738,763. The Group does not use derivative financial instruments for speculative purposes.

##### ***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 short, medium and long-term debt finance. During the year the Company entered into new loan arrangements with its bankers thereby securing the majority of its debt financing over the short and medium term. The Group also has certain long-term committed loan facilities, the majority of which are at fixed interest rates as summarised in note 19.

#### **Research and Development**

Charanga Limited, a subsidiary of Music Sales Group Limited, provides educational subscription programs to schools and those working in the music teaching profession. This involves design and development of cloud-based computer software and websites.

#### **Future developments**

Given the sale of the Print business, attention will now be focused on developing the Music Publishing side of the business. The Directors intend to invest most of the net proceeds from the sale of Printed Music and Retail Divisions into the growth of the Music Publishing Division. They look to the future with confidence.

The level of underlying business was considered satisfactory with the Group generating Headline EBITDA of £1,517,467 in the year (2017: £4,785,622).

#### **Post balance sheet events**

There have been no material post balance sheet events.

This report was approved by the Board of Directors on **31 October** 2019 and signed on behalf of the Board



J A B Smith  
Chief Financial Officer

## **Music Sales Group Limited**

### **Directors' report Year ended 31 December 2018**

The directors present their annual report on the affairs of the Group and the audited financial statements for the year ended 31 December 2018.

The directors have included in the strategic report the following matters that are otherwise required by regulations made under s416(4) to be disclosed in the directors' report as the directors consider those matters to be of strategic importance to the company:

- Financial risk management objectives and policies;
- Events which have occurred since the end of the financial year;
- Research and Development; and
- Future developments.

#### **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 (resigned 30 June 2018)  
J T C Rushton  
D Holley  
N Gilroy  
C Duvivier  
J A B Smith (appointed 1 March 2019)

#### **Directors' indemnities**

The Group and Company have made qualifying third-party indemnity provisions for the benefit of all 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.

#### **Dividends**

The directors recommend a dividend of £5,000,000 (4,546p per ordinary share) for 2018 (2017: £nil).

A dividend of £10,000,000 (47,619p per ordinary share) for 2018 (2017: £nil) was declared and paid from Music Sales Limited to Music Sales Group Ltd on 31 October 2018.

#### **Charitable donations**

Donations to charitable organisations amounted to £100,000 (2017: £100,000).

## **Music Sales Group Limited**

### **Directors' report (continued) Year ended 31 December 2018**

#### **Employee consultation**

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the Company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

#### **Disabled employees**

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities.

In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Group may continue.

It is the policy of the group that training, career development and promotion opportunities should be made available to all employees.

#### **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 appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

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



J A B Smith  
Chief Financial Officer

**31 October** 2019

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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements of Music Sales Group Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 32.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

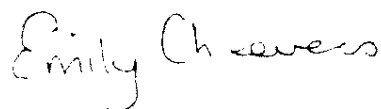
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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.

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

### **Use of our report**

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.



Emily Cheevers (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

31 October 2019

# Music Sales Group Limited

## Consolidated profit and loss account For the year ended 31 December 2018

	Notes	Continuing Operations £	Discontinued Operations £	Total 2018 £	Continuing Operations £	Discontinued Operations £	Total 2017 £
<b>Turnover</b>							
Group and share of joint venture	3	30,177,890	10,698,768	40,876,658	32,626,790	36,389,126	69,015,916
Less: share of joint venture turnover	13	(486,334)	-	(486,334)	(394,164)	(2,035,261)	(2,429,425)
		29,691,556	10,698,768	40,390,324	32,232,626	34,353,865	66,586,491
<b>Cost of sales</b>		(15,637,577)	(6,046,342)	(21,683,919)	(14,747,076)	(19,785,327)	(34,532,403)
<b>Gross profit</b>		14,053,979	4,652,426	18,706,405	17,485,550	14,568,538	32,054,088
Distribution costs		(43,671)	(1,272,222)	(1,315,893)	(29,846)	(3,434,464)	(3,464,310)
Administrative expenses		(20,032,604)	(2,673,558)	(22,706,162)	(21,463,879)	(7,536,704)	(32,000,583)
Other operating income	3	2,171,543	7,085	2,178,628	1,890,927	49,632	1,940,559
<b>Operating loss</b>	5	(3,850,753)	713,731	(3,137,022)	(5,117,248)	3,647,002	(1,470,246)
Profit on disposal of operations	32	-	16,968,134	16,968,134	-	-	-
Share of profit in joint venture		100,157	-	100,157	59,743	406,109	465,852
<b>Profit/(Loss) before finance charges</b>		(3,750,596)	17,681,865	13,931,269	(5,057,505)	4,053,111	(1,004,394)
Interest receivable and similar income	6	311,102	-	311,102	300,858	-	300,858
Interest payable and similar charges	7	(1,144,878)	-	(1,144,878)	(908,040)	-	(908,040)
<b>Profit/(Loss) before taxation</b>		(4,584,372)	17,681,865	13,097,493	(5,664,687)	4,053,111	(1,611,576)
Tax on profit/(loss)	8	(1,875,844)	-	(1,875,844)	916,639	(1,521,682)	(605,043)
<b>Profit/(Loss) after taxation</b>		(6,460,216)	17,681,865	11,221,649	(4,748,048)	2,531,429	(2,216,619)
Equity minority interests		(207,256)	-	(207,256)	(95,260)	-	(95,260)
<b>Profit/(Loss) for the financial year</b>		(6,667,472)	17,681,865	11,014,393	(4,843,308)	2,531,429	(2,311,879)

Profit/(Loss) before finance charges analysed as:	Notes	£	£
<b>Headline EBITDA</b>		<b>1,517,467</b>	<b>4,785,622</b>
Acquisition integration/restructuring costs		-	(233,000)
Profit on disposal of print and retail music division		16,968,134	-
Costs incurred for the sale of the print and retail music division		-	(853,923)
Depreciation of owned fixed assets	12	(796,376)	(1,062,832)
Amortisation of owned intangible assets	11	(3,757,956)	(3,640,261)
<b>Profit/(Loss) before finance charges</b>		<b>13,931,269</b>	<b>(1,004,394)</b>

## **Music Sales Group Limited**

### **Consolidated statement of comprehensive income For the year ended 31 December 2018**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Consolidated profit/(loss) for the financial year</b>	<b>11,014,393</b>	<b>(2,311,879)</b>
	<u>          </u>	<u>          </u>
Foreign exchange gain/(loss) on consolidation	208,919	(32,464)
	<u>          </u>	<u>          </u>
<b>Total comprehensive income/(loss)</b>	<b>11,223,312</b>	<b>(2,344,343)</b>
	<u>          </u>	<u>          </u>

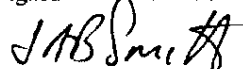
# Music Sales Group Limited

## Consolidated balance sheet At 31 December 2018

	Notes	2018 £	2017 £
<b>Fixed assets</b>			
Copyrights and software	11	25,912,115	27,517,056
Goodwill	11	12,566,920	13,231,407
Intangible assets	11	38,479,035	40,748,463
Tangible assets	12	17,997,227	17,401,166
Joint venture	13	978,518	1,279,820
Other investments	13	168,493	92,276
		<u>57,623,273</u>	<u>59,521,725</u>
<b>Current assets</b>			
Stocks	15	488,142	10,152,285
Debtors:			
Due within one year	16	30,500,954	25,909,151
Due after more than one year	16	43,787	43,787
Cash at bank and in hand		23,675,400	5,861,749
		<u>54,708,283</u>	<u>41,966,972</u>
<b>Creditors: amounts falling due within one year</b>	17	<u>(38,463,711)</u>	<u>(37,736,690)</u>
<b>Net current assets</b>		<u>16,244,572</u>	<u>4,230,282</u>
<b>Total assets less current liabilities</b>		<u>73,867,845</u>	<u>63,752,007</u>
<b>Creditors: amounts falling due after more than one year</b>	18	(23,264,921)	(24,635,407)
<b>Provision for liabilities</b>	20	(98,612)	(42,863)
<b>Net assets</b>		<u>50,504,312</u>	<u>39,073,737</u>
<b>Capital and reserves</b>			
Called-up share capital	24	109,983	109,983
Share premium account	24	27,067,517	27,067,517
Share capital redemption reserve	24	12,500	12,500
Other reserves	24	(139,314)	(93,143)
Profit and loss account	24	23,398,578	12,129,095
<b>Shareholders' funds</b>		<u>50,449,264</u>	<u>39,225,952</u>
<b>Non-controlling interest</b>		<u>55,048</u>	<u>(152,215)</u>
<b>Total capital employed</b>		<u>50,504,312</u>	<u>39,073,737</u>

The financial statements of Music Sales Group Limited (registered number 00884449) were approved by the Board of Directors and authorised for issue on 31 October 2019.

Signed on behalf of the Board of Directors



J A B Smith  
Chief Financial Officer

## Music Sales Group Limited

### Company balance sheet At 31 December 2018

	Notes	2018 £	2017 £
<b>Fixed assets</b>			
Intangible assets	11	82,704	-
Tangible assets	12	221,802	-
Investments	13	41,158,530	41,158,625
		<u>41,463,036</u>	<u>41,158,625</u>
<b>Current assets</b>			
Debtors (due within one year)	16	16,039,824	-
Cash at bank and in hand		51,080	-
		<u>16,090,904</u>	<u>-</u>
<b>Creditors: amounts falling due within one year</b>	17	<u>(5,112,170)</u>	<u>-</u>
<b>Net current assets</b>		<u>10,978,734</u>	<u>-</u>
<b>Total assets less current liabilities</b>		<u>52,441,770</u>	<u>41,158,625</u>
<b>Creditors: amounts falling due after more than one year</b>	18	<u>(9,971,810)</u>	<u>(9,971,810)</u>
<b>Net assets</b>		<u>42,469,960</u>	<u>31,186,815</u>
<b>Capital and reserves</b>			
Called-up share capital	24	109,983	109,983
Share premium account	24	27,067,517	27,067,517
Capital redemption reserve	24	12,500	12,500
Profit and loss account	24	15,279,960	3,996,815
<b>Shareholders' funds</b>		<u>42,469,960</u>	<u>31,186,815</u>

The profit for the year dealt within the financial statements of the parent company was £11,283,145 (2017: £nil).

The financial statements of Music Sales Group Limited (registered number 00884449) were approved by the Board of Directors and authorised for issue on *31 October* 2019.

Signed on behalf of the Board of Directors



J A B Smith  
Chief Financial Officer

## Music Sales Group Limited

### Consolidated and Company statements of changes in equity Year ended 31 December 2018

	Called-up share capital	Share premium account	Capital redemption reserve	Other reserves	Profit and loss account	Total	Non- controlling interest	Total
Consolidated	£	£	£	£	£	£	£	£
<b>At 1 January 2017</b>	109,983	27,067,517	12,500	(278,242)	14,658,537	41,570,295	(247,478)	41,322,817
Loss for the financial year	-	-	-	-	(2,311,879)	(2,311,879)	95,260	(2,216,619)
Currency translation difference on foreign currency net investments	-	-	-	185,099	(217,563)	(32,464)	3	(32,461)
<b>Total comprehensive loss</b>	-	-	-	185,099	(2,529,442)	(2,344,343)	95,263	(2,249,080)
<b>At 31 December 2017</b>	109,983	27,067,517	12,500	(93,143)	12,129,095	39,225,952	(132,215)	39,073,737
Profit for the financial year	-	-	-	-	11,014,393	11,014,393	207,256	11,221,649
Currency translation difference on foreign currency net investments	-	-	-	(46,171)	255,090	208,919	7	208,926
<b>Total comprehensive income</b>	-	-	-	(46,171)	11,269,483	11,223,312	207,263	11,430,575
<b>At 31 December 2018</b>	109,983	27,067,517	12,500	(139,314)	23,398,578	50,449,264	55,048	50,504,312

	Called-up share capital	Share premium account	Capital Redemption reserve	Profit and loss account	Total
Company	£	£	£	£	£
<b>At 1 January 2017</b>	109,983	27,067,517	12,500	3,996,815	31,186,815
<b>Total comprehensive income</b>	-	-	-	-	-
<b>At 31 December 2017</b>	109,983	27,067,517	12,500	3,996,815	31,186,815
Profit for the financial year	-	-	-	11,283,145	11,283,145
<b>Total comprehensive income</b>	-	-	-	11,283,145	11,283,145
<b>At 31 December 2018</b>	109,983	27,067,517	12,500	15,279,960	42,469,960



## Music Sales Group Limited

### Consolidated cash flow statement Year ended 31 December 2018

	Notes	2018 £	2017 £
<b>Net cash inflow from operating activities</b>	25	9,810,692	2,907,792
<b>Cash flows from investing activities</b>			
Proceeds from disposal of tangible fixed assets		2,958,148	26,845
Purchase of tangible fixed assets	12	(1,668,408)	(338,024)
Purchase of intangible fixed assets	11	(4,387,997)	(1,808,389)
Interest received		315,764	376,328
Acquisition of subsidiary		(45,000)	(2,483,540)
Disposal of operations		17,330,645	-
<b>Net cash flows from/(used in) investing activities</b>		14,503,152	(4,226,780)
<b>Cash flows from financing activities</b>			
Interest paid		(1,144,504)	(907,909)
Dividends received from joint ventures and associates		15,850	386,694
Purchase of non-controlling interest		(75,000)	-
Repayment of borrowings		(1,834,989)	(8,043,101)
Bank loan/ mortgage received		1,341,232	9,544,301
Director's loan paid		(3,959,678)	(347,359)
<b>Net cash flows (used in)/from financing activities</b>		(5,657,089)	632,626
<b>Tax paid</b>		(843,104)	(943,298)
<b>Net increase/(decrease) in cash and cash equivalents</b>		17,813,651	(1,629,660)
<b>Cash and cash equivalents at beginning of year</b>		5,861,749	7,491,409
<b>Cash and cash equivalents at end of year</b>		23,675,400	5,861,749
<b>Cash and cash equivalents</b>			
Cash at bank and in hand		23,675,400	5,861,749
		<u>23,675,400</u>	<u>5,861,749</u>

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

#### 1. Accounting policies

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

##### General information and basis of accounting

Music Sales Group Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. 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 and 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 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.

##### Going concern

The Group made a profit in the year of £11,014,393, and the level of underlying business is satisfactory with the Group generating Headline EBITDA of £1,517,467 in the year. The Group retains a strong balance sheet position with net assets of £50,504,312, a positive cash balance of £23,675,100 as at 31 December 2018 and a cash inflow from operating activities of £9,810,692 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 pages 2 and 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 and within the parameters and restrictions of all covenants.

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. 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 2018**

#### **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 sale of goods, 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, 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.

Software and software development	2-10 years
Copyrights	10-20 years
Goodwill	20 years

Amortisation charge is presented within administration expenses. Some software development costs have been capitalised in accordance with FRS102, section 18 and are therefore not expensed.

##### **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 2018

#### 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 balance sheet 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 2018

#### 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 2018**

#### **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 comprehensive income. 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 2018**

#### **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**

Other than the judgements made in estimating the items identified below, no further critical judgements were made in the application of the Group's accounting policies.

#### **Key source of estimation uncertainty - impairment of goodwill**

Goodwill is reviewed annually for indicators of impairment in accordance with the accounting policy set out above. The recoverable amount is determined based on the recoverable amount being the higher of net realisable value and value in use. The recoverable amount calculations require the use of estimates including projected future discounted cash flows.

#### **Key source of estimation uncertainty – impairment of copyright**

Copyrights are reviewed annually for indicators of impairment in accordance with the accounting policy set out above. The recoverable amount is determined based on the recoverable amount being the higher of net realisable value and value in use. The recoverable amount calculations require the use of estimates including projected future discounted cash flows.

#### **Key source of estimation uncertainty – impairment of investments**

Investments are reviewed annually for indicators of impairment in accordance with the accounting policy set out above. The recoverable amount is determined based on the recoverable amount being the higher of net realisable value and value in use. The recoverable amount calculations require the use of estimates including projected future discounted cash flows.

#### **Key source of estimation uncertainty – carrying value of advances**

The carrying value of advances is estimated by the directors based on best judgements of future recoverability based on average annual recoupment of the advance and the remaining term of the contract. The provision charge in the accounts for the year ended 31 December 2018 was £114k (2017: £98k); refer to note 5.

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

#### 3. Turnover and Other operating income

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

	2018 £	2017 £
<b>Turnover by class of business</b>		
Printed Music	10,682,205	38,509,340
Music Publishing – including joint ventures	28,397,558	28,999,414
Digital Education	1,796,895	1,507,162
	<u>40,876,658</u>	<u>69,015,916</u>

	2018 £	2017 £
<b>Turnover by geographical market</b>		
United Kingdom	8,910,969	27,671,368
Other European Countries	3,210,982	8,981,250
USA and Canada	179,828	438,701
Australia and New Zealand	19,447	139,434
Other countries	149,542	742,580
Share of joint venture turnover	486,335	2,429,425
Music publishing – Where geographical analysis is not meaningful	27,919,555	28,613,158
	<u>40,876,658</u>	<u>69,015,916</u>

	2018 £	2017 £
<b>An analysis of the Group's turnover is as follows:</b>		
Sale of goods	11,862,705	38,278,062
Rendering of services	56,770	231,277
Royalties	28,716,129	29,510,760
Commissions	241,054	995,817
	<u>40,876,658</u>	<u>69,015,916</u>

	2018 £	2017 £
<b>An analysis of the Group's other operating income is as follows:</b>		
Rent received	1,252,081	998,924
Administration fees	163,244	105,738
Other	19,835	22,302
Recharges	743,468	813,595
	<u>2,178,628</u>	<u>1,940,559</u>
<b>Total revenue</b>	<u>43,055,286</u>	<u>70,956,475</u>



## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

#### 4. Information regarding directors and employees

	2018 £	2017 £
<b>Directors' emoluments</b>		
Emoluments receivable	3,726,843	3,142,340
Company pension contributions to money purchase schemes	95,575	98,425
	<u>3,822,418</u>	<u>3,240,765</u>
<b>The number of directors who accrued benefits under Company pension schemes was as follows:</b>	<b>No.</b>	<b>No.</b>
Money purchase schemes	<u>4</u>	<u>3</u>
<b>Emoluments of highest paid director:</b>	<b>£</b>	<b>£</b>
Emoluments	927,806	463,512
Company pension contributions to money purchase schemes	-	-
	<u>927,806</u>	<u>463,512</u>

Any transactions with directors during the period are disclosed within note 30, 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	79	145
Administrative	134	180
	<u>213</u>	<u>325</u>

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

	No.	No.
Selling/distribution	77	-
Administrative	120	-
	<u>197</u>	<u>-</u>

All staff costs are incurred by Group companies.

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

4. Information regarding directors and employees (continued)	2018	2017
	£	£
<b>The aggregate payroll costs (including directors) were:</b>		
Wages and salaries	11,751,508	13,962,587
Social security costs	1,599,464	1,936,319
Other pension costs	563,350	526,250
	<u>13,914,322</u>	<u>16,425,156</u>

#### 5. Operating loss

	Notes	2018 £	2017 £
<b>Operating loss is after charging:</b>			
Depreciation of fixed assets	12	796,376	1,062,832
Loss on disposal of fixed assets		282,897	6,787
Amortisation of owned intangible assets	11	3,757,956	3,640,262
Impairment of copyright and print advances		114,214	98,019
Impairment of stock recognised as an expense		845,895	693,676
Foreign exchange gains		(118,141)	(156,818)
<u>Operating lease rentals:</u>			
Land and buildings		300,967	534,431
Plant and machinery		27,621	134,418
Fees payable to the Company's auditor for the audit of the subsidiaries' accounts pursuant to legislation		<u>150,000</u>	<u>150,000</u>

The analysis of the auditor's remuneration is as follows:

	2018 £	2017 £
<b>Fees payable to the company's auditor for the audit of the company's annual accounts:</b>		
Fees payable to the company's auditor for other services to the Group	13,500	13,500
The audit of the company's subsidiaries	<u>150,000</u>	<u>178,279</u>
<b>Total audit fees</b>	<u>163,500</u>	<u>191,779</u>

No non-audit services were provided (2017: none).

No services were provided pursuant to contingent fee arrangements (2017: none).

## **Music Sales Group Limited**

### **Notes to the financial statements Year ended 31 December 2018**

#### **6. Interest receivable and similar income**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Bank interest receivable	63,894	40,779
Interest receivable from related parties	13,936	13,432
Gain on future value of interest rate swaps	233,272	246,647
	<u>311,102</u>	<u>300,858</u>

#### **7. Interest payable and similar charges**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	1,122,251	879,790
Loan notes	19,150	19,150
Interest payable to related parties	3,477	9,100
	<u>1,144,878</u>	<u>908,040</u>

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

#### 8. Tax on profit/(loss)

	2018 £	2017 £
<b>Current tax on profit/(loss)</b>		
UK corporation tax	119,018	144,263
Double tax relief	(115,771)	(140,419)
	<u>3,247</u>	<u>3,844</u>
Foreign tax	816,824	773,894
	<u>820,071</u>	<u>777,738</u>
Adjustments in respect of prior years		
UK corporation tax	(90,236)	21,850
<b>Total current tax</b>	<u>729,835</u>	<u>799,588</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	1,192,153	(146,369)
Decrease in estimate of recoverable deferred tax asset	(46,144)	(48,176)
	<u>1,146,009</u>	<u>(194,545)</u>
<b>Total deferred tax (see note 22)</b>		
<b>Total tax on profit/(loss)</b>	<u>1,875,844</u>	<u>605,043</u>

The standard rate of tax applied to reported profit is 19 per cent (2017: 19.25 per cent).

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

	2018 £	2017 £
<b>Group profit/(loss) before tax</b>	<u>13,097,493</u>	<u>(1,611,576)</u>
Tax on Group profit/(loss) at standard UK corporation tax rate of 19 per cent (2017: 19.25 per cent)	2,488,523	(310,228)
Effects of:		
Expenses not deductible for tax purposes	1,098,919	468,963
Income not taxable in determining taxable profit	(4,862,562)	17,935
Fixed asset differences	86,950	-
Other timing differences	1,750,250	-
Utilisation of tax losses not previously recognised	46,360	448,393
Change in unrecognised deferred tax assets	1,146,009	(194,545)
Higher tax rates on overseas earnings	257,775	216,610
Adjustments to tax charge in respect of previous periods	(136,380)	(42,085)
	<u>1,875,844</u>	<u>605,043</u>
<b>Group total tax charge for year</b>		

#### Factors that may affect future tax charges

The Finance Act 2019, which received Royal Assent in February 2019, will result in the applicable rate being 17% from 1 April 2020. This will reduce the company's future current tax charge accordingly.

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

#### 9. Profit of parent company

As permitted by Section 408 of the Companies Act 2006 no separate profit and loss account or statement of comprehensive income is presented in respect of the parent company. The profit attributed to the Company is disclosed in the footnote to the Company's balance sheet.

#### 10. Dividends on equity shares

The directors recommend a dividend of £5,000,000 (4,546p per ordinary share) for 2018 (2017: £nil).

During the year a dividend of £10,000,000 (47,619p per ordinary share) for 2018 (2017: £nil) was declared and paid from Music Sales Limited to Music Sales Group Ltd on 31 October 2018.

#### 11. Intangible fixed assets

Group	Goodwill	Copyrights	Software & Software development	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2018	24,441,081	48,446,453	7,464,075	80,351,609
Additions	314,037	3,576,298	497,662	4,387,997
On acquisition of subsidiary	-	45,000	-	45,000
Disposals	(1,261,059)	(1,216,021)	(2,908,034)	(5,385,114)
Exchange movement in the year	81,110	175,471	-	256,581
At 31 December 2018	23,575,169	51,027,201	5,053,703	79,656,073
<b>Amortisation</b>				
At 1 January 2018	11,209,674	23,950,805	4,442,667	39,603,146
Charge for the year	917,955	2,272,457	567,544	3,757,956
Disposals	(922,309)	(751,787)	(766,474)	(2,440,570)
Reclassifications	-	75,000	-	75,000
Exchange movement in the year	(197,071)	378,577	-	181,506
At 31 December 2018	11,008,249	25,925,052	4,243,737	41,177,038
<b>Net book value</b>				
At 31 December 2018	12,566,920	25,102,149	809,966	38,479,035
At 31 December 2017	13,231,407	24,495,648	3,021,408	40,748,463

The recognition criteria for intangible assets arising from development under FRS 102 have been considered and it has been determined that the Company's software development costs continue to meet the criteria for capitalisation.

The average remaining useful economic life of the assets included in software development with a carrying value of £809,966 (2017: £3,021,408) at the year end date is 1.6 years (2017: 3.2 years).

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

#### 11. Intangible fixed assets (continued)

Company	Software & Software development £
<b>Cost</b>	
At 1 January 2018	-
Additions	198
Transfer	262,327
At 31 December 2018	262,525
<b>Amortisation</b>	
At 1 January 2018	-
Charge for the year	33,000
Transfers	146,821
At 31 December 2018	179,821
<b>Net book value</b>	
At 31 December 2018	82,704
At 31 December 2017	-

During the year, software and software development assets with a net book value of £115,506 were transferred into Music Sales Group Limited from subsidiary companies.

## Music Sales Group Limited

### Notes to the financial statements

Year ended 31 December 2018

#### 12. Tangible fixed assets

Group	Freehold land and buildings £	Leasehold improve- ments £	Office equipment, fixtures and fittings £	Motor vehicles £	Total £
<b>Cost or valuation</b>					
At 1 January 2018	24,703,525	1,298,309	6,203,365	22,084	32,227,283
Additions	1,425,091	2,236	241,081	-	1,668,408
Disposals	-	(1,131,548)	(1,731,152)	-	(2,862,700)
Exchange movement in the year	42,882	869	21,783	356	65,890
At 31 December 2018	26,171,498	169,866	4,735,077	22,440	31,098,881
<b>Depreciation</b>					
At 1 January 2018	8,371,971	1,141,742	5,304,675	7,729	14,826,117
Charge for the year	520,425	19,439	253,950	2,562	796,376
Disposals	-	(1,006,186)	(1,560,010)	-	(2,566,196)
Exchange movement in the year	28,380	844	15,952	181	45,357
At 31 December 2018	8,920,776	155,839	4,014,567	10,472	13,101,654
<b>Net book value</b>					
At 31 December 2018	17,250,722	14,027	720,510	11,968	17,997,227
At 31 December 2017	16,331,554	156,567	898,690	14,355	17,401,166

Freehold properties with a net book value of £14,286,120 and a depreciation charge of £397,937 for the year have been leased out under operating lease arrangements.

The Group has property assets with a carrying value of £12,750,788 which are pledged as security for liabilities.

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.

#### Property leased under contract

As set out in note 3, property rental income earned during the year was £1,252,081 (2017: £998,924). No contingent rents have been recognised as income in the current year or prior year. At 31 December 2018 the group had contracted with tenants for the following future minimum lease payments:

	2018 £	2017 £
Within one year	884,984	475,920
2-5 years inclusive	2,990,112	1,727,397
After 5 years	1,106,125	855,963
Total	4,981,221	3,059,280

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

#### 12. Tangible fixed assets (continued)

Company	Leasehold improvements £	Office equipment, fixtures and fittings £	Total £
<b>Cost or valuation</b>			
At 1 January 2018	-	-	-
Additions	-	124,881	124,881
Transfers	79,234	2,408,463	2,487,697
Disposals	-	(108,075)	(108,075)
At 31 December 2018	79,234	2,425,269	2,504,503
<b>Depreciation</b>			
At 1 January 2018	-	-	-
Charge for the year	1,532	107,350	108,882
Transfers	67,400	2,154,145	2,221,545
Disposals	-	(47,726)	(47,726)
At 31 December 2018	68,932	2,213,769	2,282,701
<b>Net book value</b>			
At 31 December 2018	10,302	211,500	221,802
At 31 December 2017	-	-	-

During the year, leasehold improvements and office equipment, fixtures and fittings, with net book values of £11,834 and £254,317 respectively, were transferred into Music Sales Group Limited from subsidiary companies.



## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

#### 13. Investments held as fixed assets

<b>Group</b>	<b>Unlisted total £</b>
<b>Cost</b>	
At January 2018	137,446
Additions	75,000
Exchange movement in the year	1,217
At 31 December 2018	<u>213,663</u>
<b>Provisions for impairment</b>	
At 1 January 2018 and 31 December 2018	<u>45,170</u>
<b>Net book value</b>	
At 31 December 2018	<u>168,493</u>
At 31 December 2017	<u>92,276</u>

During the year, the Group disposed of subsidiaries Music Sales Print Limited, Music In Print Limited and J Wood & Sons Limited. The Group also disposed of its share in joint venture Hal Leonard Joint Venture Music Limited. Further details are given in note 32.

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:

	<b>2018 £</b>	<b>2017 £</b>
Turnover	486,334	2,429,425
Profit for the period	200,314	931,704
Group share of profit for the period	<u>100,157</u>	<u>465,852</u>
Gross assets	1,790,141	2,441,371
Gross liabilities	<u>(811,623)</u>	<u>(1,161,551)</u>
Net assets (represented by investment in joint venture)	<u>978,518</u>	<u>1,279,820</u>

<b>Company</b>	<b>Shares in Group undertakings £</b>
<b>Cost and net book value</b>	
At January 2018	41,158,625
Transfers	7
Disposals	<u>(102)</u>
At 31 December 2018	<u>41,158,530</u>

## Music Sales Group Limited

### Notes to the financial statements

Year ended 31 December 2018

#### 13. Investments held as fixed assets (continued)

The registered offices and company of incorporation of all fixed assets investments are listed below. For all but two of the companies incorporated in the United Kingdom the registered office is 14/15 Berners Street, London, WC2R 0QS. Where Berners Street is not the registered office the address is reported against the company concerned.

	Registered Office and country of incorporation or registration	Class of capital held	Proportion held by holding company %	Proportion held by subsidiary undertaking %	Nature of business
<b>Subsidiaries:</b>					
Music Sales Limited	United Kingdom	Ordinary	100	-	Wholesale distribution of printed books about music
Novello Publishing Limited	United Kingdom	Ordinary	-	100	Wholesale distribution of printed music and books
Alphonse Leduc Editions Musicales	10 Rue de Grange Batliere 75009 Paris France	Ordinary	-	100	Music publishing, wholesale distribution
Music Sales (Hong Kong) Limited	Unit O 17/F International Industrial Centre, 2- 8 Kwei Tei Street, Folon, Shatin, New Territories 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	Bornholmsgade 1 A DK -1266, Copenhagen, Denmark	Ordinary	-	100	Music publishing
Storyville Records ApS	Esplanaden 8D DK - 1263 Denmark	Ordinary	-	100	Music publishing
Edition Wilhelm Hansen OY S/F	Merikasarminkatu 2 B 40, 00160 Helsinki Finland	Ordinary	-	100	Music publishing
Edition Wilhelm Hansen GmbH	Karlshohmann Strasse, 1a 40599 Dusseldorf Germany	Ordinary	-	100	Music publishing
Eaton Music GmbH	Frankenforter Strasse 21-25 51427 Bergisch Gladbach Germany	Ordinary	-	100	Music publishing
Bosworth Music GmbH	Dorotheenstr.3 10117 Berlin Germany	Ordinary	-	100	Music publishing

## Music Sales Group Limited

### Notes to the financial statements

Year ended 31 December 2018

#### 13. Investments held as fixed assets (continued)

Subsidiaries	Registered Office and country of incorporation or registration	Class of capital held	Proportion held by holding company %	Proportion held by subsidiary undertaking %	Nature of business
Musikverlag Progressive GmbH	Dorotheenstr.3 10117 Berlin Germany	Ordinary	-	100	Music publishing
Bosworth & Co. Limited GmbH	Pöchlarnstraße 20/33 1200 Vienna Austria	Ordinary	-	100	Music publishing
Eaton Music Italy Srl	Galleria Del Corso 4 20122 Milan Italy	Ordinary	-	100	Music publishing
Union Musical Ediciones SL	Marques de la Ensenada, 4 28004 Spain	Ordinary	-	99.98	Music publishing
Eaton Music France SARL	10 Rue de Grange Batliere 75009 Paris France	Ordinary	-	100	Music publishing
Campbell Connelly France SARL	10 Rue de Grange Batliere 75009 Paris France	Ordinary	-	100	Music publishing
Premiere Music Group SARL	10 Rue de Grange Batliere 75009 Paris France	Ordinary	-	99.99	Music publishing
Campbell Connelly Inc.	445 Bellvue Road Chester NY 10918 USA	Ordinary	-	100	Music publishing
Bramstone Music Corporation	565-5th Ave New York NY10017 USA	Ordinary	-	100	Music publishing
Eaton Music (Australia) Pty Ltd	Lisgar House,30-32 Carrington Street, Sydney, NSW, 2000 Australia	Ordinary	-	100	Music publishing
Kabushiki Kaisha Music Sales	Tokyo Tatemono Aoyama Bldg, 6F 3-3-5 Kita Aoyama, Minato-Ku, Tokyo 107-006 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	Dorotheenstr.3 10117 Berlin Germany	Ordinary	-	100	Property company
Charanga Limited	United Kingdom	Ordinary	-	60	Digital Education
Canbe Entertainment Limited	Shirley House,50 Shirley Street, Nassau, New Providence Commonwealth of the Bahamas	Ordinary	100	-	Investment holding
Worldwide Music Corporation	Shirley House,50 Shirley Street, Nassau, New Providence Commonwealth of the Bahamas	Ordinary	100	-	Investment holding
Chant Du Monde	10 Rue de Grange Batliere 75009 Paris France	Ordinary	-	100	Music publishing, wholesale distribution
Bleu Blanc Rouge	10 Rue de Grange Batliere 75009 Paris France	Ordinary	-	100	Music publishing

# Music Sales Group Limited

## Notes to the financial statements Year ended 31 December 2018

### 13. 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
<b>Joint ventures:</b>					
Glad Music Limited	United Kingdom	Ordinary	-	50	Music publishing
Twangy 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
Ixion 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	Dorotheenstr. 3 10117 Berlin Germany	Ordinary	-	50	Music publishing
Hao Hao Music Sales Limited	Unit O 17/F International Industrial Centre, 2- 8 Kwei Tei Street, Foton, Shatin, New Territories Hong Kong	Ordinary	-	50	Music and book publishing
Music Sales Furtados (India) Limited	T office Premises No 201 2 <sup>nd</sup> Floor, Town Centre-11 Andheri Kurla Road, Mumbai MH400059 India	Ordinary	-	50	Music and book publishing
<b>Dormant entities:</b>					
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	41 Shandwick Place, Edinburgh, EH2 4RG United Kingdom	Ordinary	-	100	Dormant
Record and Tape Sales Limited	United Kingdom	Ordinary	-	100	Dormant
Sheet Music Direct Limited (now known as Wise Music Group 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
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

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

#### 13. 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
<b>Dormant entities (continued):</b>					
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
Bosworth and Company Limited	United Kingdom	Ordinary	-	100	Dormant
Argee 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	6 Queensferry Street, Edinburgh, EH3 8EH	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 2018:

Subsidiary	Company registered no.
Campbell Connelly & Co Ltd	239696
Chester Music Limited	162623
Eaton Music Limited	1213072
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

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

#### 14. Acquisition of subsidiary undertakings

On 1 March 2018, Chester Music Limited, a 100% subsidiary of Music Sales Group, purchased 100 per cent of the issued share capital of Cadenza Music (UK) Limited, a business which holds copyrights and collects royalties, for consideration of £45,000. The consideration was settled by means of a bank transfer. The acquisition has been accounted for under the acquisition method. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group at the date of acquisition:

	<b>Book value and Fair value to Group £</b>
<b>Fixed Assets</b>	
Intangible assets - copyrights	45,000
	<u>45,000</u>
<b>Current assets</b>	
Debtors	-
Cash at bank and in hand	-
	<u>-</u>
<b>Total assets</b>	45,000
Creditors	-
	<u>-</u>
<b>Net assets</b>	<u>45,000</u>
<b>Satisfied by</b>	
Cash consideration	<u>45,000</u>

Since acquisition, the main financial impact is as follows:

	<b>2018 £</b>
Turnover	-
Gross profit	-
Operating profit	<u>-</u>

The copyrights are being amortised over 10 years.

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

#### 15. Stocks

	2018	2017
Group	£	£
Raw materials and consumables	1,384	414,544
Work in progress	212,870	513,060
Finished goods and goods for resale	273,888	9,224,681
	<u>488,142</u>	<u>10,152,285</u>

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

#### 16. Debtors

Group	2018	2017
	£	£
<b>Amounts falling due within one year</b>		
Trade debtors	10,240,213	13,254,795
Other debtors	6,234,764	3,018,695
Prepayments and accrued income	6,940,431	5,813,347
Amounts owed by related undertakings (note 30)	6,769,447	2,340,317
Deferred taxation (note 22)	151,553	1,386,810
Corporation tax	164,546	95,187
	<u>30,500,954</u>	<u>25,909,151</u>

#### Amounts falling due after more than one year

Amounts owed by related undertakings (note 30)	43,787	43,787
--	--------	--------

Company	2018	2017
	£	£
<b>Amounts falling due within one year</b>		
Other debtors	2,709,563	-
Prepayments and accrued income	326,588	-
Amounts owed by group undertakings	7,912,184	-
Amounts owed by related undertakings	5,087,468	-
Deferred taxation (note 22)	4,021	-
	<u>16,039,824</u>	<u>-</u>

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

#### 17. Creditors: amounts falling due within one year

Group	2018 £	2017 £
Bank loans	3,034,176	2,448,524
Loan notes to third parties	200,000	200,000
Loan notes to related parties (note 30)	183,000	183,000
Trade creditors	21,821,790	23,113,734
Amounts owed to related undertakings (note 30)	970,341	1,464,546
Corporation tax	391,619	348,000
Other taxation and social security	1,306,040	1,446,404
Obligations under finance leases	4,592	47,601
Other creditors	5,965,610	4,340,073
Accruals and deferred income	4,586,543	4,144,808
	<u>38,463,711</u>	<u>37,736,690</u>

The amount accrued in respect of payments into the UK defined contribution pension scheme totalled £37,657 (2017: £90,259).

Company	2018 £	2017 £
Trade creditors	597,224	-
Amounts owed to group undertakings	2,963,235	-
Amounts owed to related undertakings	65,277	-
Other taxation and social security	574,629	-
Other creditors	506,185	-
Accruals and deferred income	405,620	-
	<u>5,112,170</u>	<u>-</u>

#### 18. Creditors: amounts falling due after more than one year

Group	2018 £	2017 £
Bank loans	21,569,938	22,460,105
Amounts owed to related undertakings (note 30)	578,913	847,181
Derivative financial instruments with a negative fair value	1,077,750	1,311,022
Obligations under finance leases	-	4,593
Other creditors	6,166	6,049
Accruals and deferred income	32,154	6,457
	<u>23,264,921</u>	<u>24,635,407</u>

Company	2018 £	2017 £
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 2018

#### 19. Borrowings

##### Group

The borrowings comprise bank loans and loan notes as follows:

Bank loan of £110,000 repayable in quarterly instalments and expiring in November 2019. Interest is charged at a fixed rate of 6.0125%.

Bank loan of £23,351 repayable in quarterly instalments expiring in July 2020. Interest is charged at LIBOR + 1.15%.

Bank loan of €7,187,763 repayable in annual instalments expiring in December 2027. Interest is charged at a EUR LIBOR + 3.00%.

Bank loan of £4,454,117 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 £6,000,000 repayable in annual instalments, expiring in May 2023. Interest is charged at LIBOR + 3.00%.

Bank loan of €3,200,000 repayable in annual instalments expiring in December 2027. Interest is charged at a EUR LIBOR + 3.00%.

Bank loan of €1,425,000 repayable in annual instalments expiring in June 2028. Interest is charged at 3.50%.

Bank loan of €461,360 repayable in annual instalments expiring in November 2025. Interest is charged 5.25%.

Bank loan of £580,840 repayable in quarterly instalments, expiring in July 2029. Interest is charged at LIBOR + 1.15%.

Bank loan of £1,839,399 repayable in quarterly instalments expiring in May 2029. Interest is charged at LIBOR + 1.15%.

Bank loan of £399,964 repayable in quarterly instalments expiring in May 2029. Interest is charged at LIBOR + 1.15%.

Six private loan notes totalling £383,000 (2017: six loan notes totalling £383,000) are repayable in full on or before 30 June 2019. 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.

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.

Borrowings are repayable as follows:

	2018 £	2017 £
<b>Bank loans and loan notes</b>		
Within one year	3,417,176	2,831,524
After one and within two years	2,697,768	2,817,753
After two and within five years	6,274,266	6,187,641
After five years	12,597,904	13,454,711
	<u>24,987,114</u>	<u>25,291,629</u>
	£	£
<b>Finance leases</b>		
Within one year	4,592	47,601
After one and within two years	-	4,593
	<u>4,592</u>	<u>52,194</u>

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

#### 20. Provisions for liabilities

	Provision for dilapidations £	Provision for closure costs £	Provision for tax costs £	Total £
Balance at 1 January 2018	10,000	32,863	-	42,863
Release of provision on disposal of subsidiary	(10,000)	-	-	(10,000)
Increase in provision	-	34,129	31,620	65,749
Balance at 31 December 2018	-	66,992	31,620	98,612

The brought forward provision for dilapidations relates to the closure of Leeds in October 2016.

The provision for closure costs relates to the purchase of Le Chant Du Monde in June 2016.

The provision for tax costs relates to Alphonse Leduc Editions Musicales.

#### 21. Financial instruments

Group	2018 £	2017 £
<b>Categories of financial instruments</b>		
Carrying value of financial assets:		
Cash and cash equivalents	23,843,893	5,954,025
Trade and other receivables	23,452,757	18,752,781
Loans and receivables at amortised cost	47,296,650	24,706,806
<b>Total financial assets</b>	<b>47,296,650</b>	<b>24,706,806</b>
Carrying value of financial liabilities:		
Trade creditors	21,821,790	23,113,734
Accruals and other payables	13,450,359	12,307,712
Borrowings	24,987,114	25,291,629
Provisions for liabilities	98,612	42,863
Corporation tax payable	391,619	348,000
Financial liabilities at amortised cost	60,749,494	61,103,938
Derivative financial instruments	1,077,750	1,311,022
<b>Total financial liabilities</b>	<b>61,827,244</b>	<b>62,414,960</b>

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

#### 22. Deferred tax

Group	£
Balance at 1 January 2018	1,386,810
Profit and loss account charge	(1,146,009)
Disposal of a subsidiary	(79,377)
Exchange movement	(4,414)
Prior period adjustment	(5,457)
Balance at 31 December 2018	<u>151,553</u>

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

	Recognised		Unrecognised	
	2018	2017	2018	2017
	£	£	£	£
Depreciation in advance of tax allowances	(262,338)	(182,240)	(20)	17,153
Other timing differences	413,500	238,430	-	345
Losses debtor	391	1,330,620	723,046	214,657
	<u>151,553</u>	<u>1,386,810</u>	<u>723,026</u>	<u>232,155</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.

Company	£
Balance at 1 January 2018	-
Profit and loss account credit	4,021
Balance at 31 December 2018	<u>4,021</u>

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

	Recognised		Unrecognised	
	2018	2017	2018	2017
	£	£	£	£
Depreciation in advance of tax allowances	4,021	-	-	-
Losses debtor	-	-	664,776	-
	<u>4,021</u>	<u>-</u>	<u>664,776</u>	<u>-</u>

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

#### 23. 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	
	2018	2017	2018	2017
	£	£	£	£
5 years or more	4,454,117	4,738,764	(1,077,750)	(1,311,023)

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 to a fixed rate of 5.48%. 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 £233,272 (2017: gain of £246,647) on derivative financial liabilities measured at fair value through profit or loss were recognised in profit or loss.

#### 24. Called-up share capital and reserves

	2018	2017
	£	£
<b>Authorised</b>		
110,000 ordinary shares of £1 each	110,000	110,000
<b>Called-up, allotted and fully paid</b>		
109,983 ordinary shares of £1 each	109,983	109,983

The group and company's other reserves are as follows:

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

The share capital redemption reserve of £12,500 relates to the purchase of own shares in 2010.

The other reserves consist of the following reserves across the Group:

Foreign exchange of £120k (2017: £74k)

Statutory and legal reserves of £19k (2017: £19k)

The profit and loss reserve represents profits or losses, net of dividends paid and other adjustments.

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

#### 25. Reconciliation of operating loss to cash flows generated by operation

	2018 £	2017 £
Operating loss	(3,137,022)	(1,470,246)
Adjustment for movements in foreign exchange	391,723	55,314
Amortisation provisions	3,757,956	3,354,147
Impairment provisions	(1)	286,102
Depreciation	796,376	1,062,832
Loss on sale of tangible fixed assets	282,897	6,787
Decrease in stocks	9,704,600	725,481
Increase in debtors	(3,932,606)	(1,247,114)
Increase in creditors	1,946,769	134,489
Cash generated by operations	9,810,692	2,907,792

#### 26. Royalty commitments

Print and copyright royalty advance payment commitments exist amounting to £45,000 (2017: £4,063,500).

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

	2018 £	2017 £
In one year or less	37,000	1,165,500
Between one and five years	8,000	2,898,000
	45,000	4,063,500

#### 27. Operating lease commitments

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

	Land and buildings		Other	
	2018 £	2017 £	2018 £	2017 £
In one year or less	167,365	425,706	90,193	111,395
Between one and five years	223,945	1,228,176	92,143	124,411
After more than five years	-	440,189	-	-
	391,310	2,094,071	182,336	235,806

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

#### 28. Capital commitments

At 31 December 2018 the Group had capital payment commitments that are not recognised on the balance sheet, falling due as follows:

	2018 £	2017 £
In one year or less	312,500	-
Between one and five years	625,000	-
	<u>937,500</u>	<u>-</u>

#### 29. 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.

#### 30. Related party transactions

Music Sales Group Limited has taken advantage of the exemption within Financial Reporting Standard 102 Section 33 '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.

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

	Category	2018 £	2017 £
<b>Amounts owed to related party undertakings:</b>			
Glad Music Limited	^	98,377	97,629
Twangy Music Limited	^	27,545	23,411
Veronica Music Limited	^	87,626	86,115
Moving Image Music Limited	^	146,920	112,581
Sabre Music Limited	^	16,984	12,457
Ixion Publishing Limited	^	14,086	8,093
Madena Publishing Limited	^	11,341	10,218
Whitman Music Limited	^	4	4
Connelly-Basart Muziekuitgeverij	^	198,868	198,868
Music Sales Digital Limited	#	1	1
Music Sales Corporation	#	121,601	127,835
Music Sales Digital Services LLP	#	-	-
G. Schirmer Inc.	#	14,265	23,352
Chester NY	#	12,006	12,006
Rising Software Pty	#	-	843
Editions Musicales Francaises	#	-	2,624
Focus on Sound Limited	#	65,652	-
O Music Limited	#	55	-
Jersey Trust Company	.	155,010	152,639
		<u>970,341</u>	<u>868,676</u>

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

30. Related party transactions (continued)	Category	2018 £	2017 £
<b>Loan notes owed to related parties</b>			
Mr R Wise	..	85,000	85,000
Mrs M Wise	.	80,000	80,000
Mrs P Rockberger	.	12,000	12,000
Mrs D Kemp	.	6,000	6,000
		<u>183,000</u>	<u>183,000</u>
<b>Amounts owed after more than one year:</b>			
Mr R Wise	..	16,000	432,943
Music Sales Corporation	#	562,913	414,238
		<u>578,913</u>	<u>847,181</u>
<b>Amounts owed by related party undertakings:</b>			
Glad Music Limited	^	10,029	192
Twangy Music Limited	^	1,611	102
Veronica Music Limited	^	17,399	93
Hao Hao Music Sales Limited	^	849,853	844,764
Moving Image Music Limited	^	83,552	16,338
Sabre Music Limited	^	2,225	-
Ixon Publishing Limited	^	4,862	-
Madena Publishing Limited	^	738	108
Whitman Music Limited	^	2,224	2,322
Music Sales Corporation	#	167,285	174,873
Music Sales Digital Services LLP	#	63,888	2,265
G Schirmer Inc	#	-	4,143
Focus on Sound Limited	#	389	484
O'Music Limited	#	45	769
Music Sales (Pty) Limited	#	1,033,521	877,059
Reba	.	20,642	20,642
Robert King Inc	.	499,822	-
Wise Enterprises Espana SL	.	11,984	11,984
BW Investments Limited	#	47,580	38,466
Wise Investments SARL	#	184,167	150,429
Wise I Trust	#	24,272	20,464
Wise II Trust	#	52,373	44,440
Wise IV Trust	#	45,735	41,166
Newman Street Investments Limited	#	60,189	49,648
NTM Investments Limited	#	38,959	31,051
Mr R Wise	..	6,845	6,814
Editions Transatlantic	.	-	1,701
		<u>3,230,189</u>	<u>2,340,317</u>

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

30. Related party transactions (continued)	Category	2018 £	2017 £
Details of related party transactions are given below:			
<b>Amounts falling due after more than one year:</b>			
Wise Investments SARL	#	43,787	43,787
<b>Sales</b>			
Music Sales Corporation	#	-	499
Music Sales America	#	179,845	436,822
Music Sales (Pty) Limited	#	39,276	228,460
<b>Distribution and administration</b>			
Music Sales Corporation	#	483,298	96,935
Music Sales (Pty) Limited	#	19,290	38,097
Focus on Sound Limited	#	20,000	20,000
Moving Image Music Limited	#	35,966	10,621
Sabre Music Limited	^	1,150	2,500
Ixion Publishing Limited	^	2,268	587
Madena Publishing Limited	^	552	975
Whitman Music Limited	^	17	28
<b>Royalties received</b>			
Music Sales Corporation	#	378,724	445,869
G Schirmer Inc	#	960,476	1,225,453
G Schirmer Australia Pty	#	344,883	380,041
Campbell Connelly Australia	#	113,169	66,450
Connelly-Basart Muziekuitgeverij	^	239,025	177,957
<b>Royalties paid</b>			
Music Sales Corporation	#	843,627	677,705
G Schirmer Inc	#	194,739	177,773
G Schirmer Australia Pty	#	190	319
Campbell Connelly Australia	#	4,678	6,484



## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

#### 30. Related party transactions (continued)

	Category	2018 £	2017 £
<b>Loan interest receivable</b>			
Music Sales Australia Pty	#	10,452	13,342
<b>Loan interest payable</b>			
Mr R Wise	..	3,477	9,097

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 \$82,400 (2017: \$82,400).

An unsecured loan of £4,000,000 was made by Mr R Wise to the Group on 7 April 2010. The loan bears interest at LIBOR plus 150 basis points which is payable quarterly in arrears. None of this interest has been written off. The maximum amount outstanding during the year was £230,422. As at 31 December 2018, the loan account was £3,539,258 overdrawn (2017: £432,943 payable to Mr R Wise), which was also the maximum amount overdrawn during the year.

A dividend of £10,000,000 (47,619p per ordinary share) for 2018 (2017: £nil) was declared and paid from Music Sales Limited to Music Sales Group Ltd on 31 October 2018.

Key to categorisation of related parties	Symbol
Joint venture	^
Associate	#
Key management personnel	..
Other related party	.

#### 31. 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.

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

#### 32. Sale of Printed Music and Retail Business

On 1 February 2018, the trade and assets of Music Sales Limited's Print business were hived down into Music Sales Print Limited.

On 1 April 2018, the Music Sales Group sold its Printed Music and Retail Divisions to the Hal Leonard Corporation for a cash purchase. This included the sale of subsidiaries Music Sales Print Limited and Music In Print Limited, and the joint venture Hal Leonard Joint Venture Music Limited. The operating profit up to the date of disposal was £753,083, and for the last financial year was £2,531,429.

Net assets disposed of and the related sale proceeds were as follows:

	£
Fixed assets	3,748,599
Current assets	13,715,546
Creditors	(6,230,878)
Provisions for liabilities	(10,000)
<b>Net assets</b>	<b>11,223,267</b>
Non-controlling interest	-
Related goodwill	-
	<b>11,223,267</b>
Profit on sale	17,750,020
Costs on disposal	4,763,954
<b>Sale proceeds</b>	<b>33,737,241</b>
Satisfied by:	
Cash and cash equivalents	33,737,241
Deferred consideration	-
	<b>33,737,241</b>
Net cash inflows in respect of the sale comprised:	
Cash and cash equivalents	33,737,241
Less: cash and cash equivalents disposed of	-
	<b>33,737,241</b>

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2018

#### 32. Sale of Printed Music and Retail Business (continued)

On 1 July 2018 The Music Sales Group also sold J Wood & Sons Limited to Mr C Butler, a director, for cash at arm's length. The (loss)/profit of J Wood & Sons Limited up to the date of disposal was £(39,352), and for its last financial year was £119,469.

Net assets disposed of and the related sale proceeds were as follows:

	£
Fixed assets	46,826
Current assets	1,283,931
Creditors	(198,871)
<b>Net assets</b>	<b>1,131,886</b>
Non-controlling interest	-
Related goodwill	-
	<b>1,131,886</b>
Loss on sale	(781,886)
<b>Sale proceeds</b>	<b>350,000</b>
Satisfied by:	
Cash and cash equivalents	350,000
Deferred consideration	-
	<b>350,000</b>
Net cash inflows in respect of the sale comprised:	
Cash and cash equivalents	350,000
Less: cash and cash equivalents disposed of	-
	<b>350,000</b>

There were no disposals of subsidiaries in 2017. The profit on sale is included in the results of discontinued operations.