

Parent for: 315155

**Company Registration No. 00884449**

**Wise Music Group Limited**  
**(formerly known as Music Sales Group Limited)**

**Annual Report and Financial Statements**

**For the year ended 31 December 2019**

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## **Wise Music Group Limited**

### **Annual report and financial statements 2019**

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## **Wise Music Group Limited**

### **Annual report and financial statements 2019**

#### **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  
J Castaldo

##### **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  
49 Bishopsgate  
London  
United Kingdom  
EC2M 3UR

##### **Auditor**

Grant Thornton UK LLP  
199 Avebury Blvd  
Milton Keynes  
MK9 1AU

## **Wise Music Group Limited**

### **Strategic report Year ended 31 December 2019**

The directors present their strategic report for the year ended 31 December 2019.

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

#### **Principal activities**

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

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

In order to better aid understanding of the underlying performance of the Group, the commentary in this review includes reference to Headline EBITDA, which represents the 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 11.

As shown in the consolidated profit and loss account, Group turnover amounted to £34,572,313 (2018: £40,390,324), Group loss for the financial year was £3,991,545 (2018: profit of £11,014,393) and headline EBITDA £2,104,469 (2018: £1,517,467).

The balance sheet on page 13 shows that the shareholders' funds at 31 December 2019 are £40,980,275 (2018: £50,449,264). The Group's cash level at 31 December 2019 was £22,232,109 (2018: £23,675,400).

The year under review has seen growth in the Music Publishing businesses, with sales up £3,427,173 to £31,824,731. There has been continued growth in the Digital Education business where turnover was up £178,550 at £1,975,445.

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.

## **Wise Music Group Limited**

### **Strategic report (continued) Year ended 31 December 2019**

#### **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 £4,149,849. 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 18.

#### **Going concern**

The Group made a loss in the year of £3,991,545, but the level of underlying business is satisfactory with the Group generating Headline EBITDA of £2,104,469 in the year. The Group retains a strong balance sheet position with net assets of £41,149,089, a positive cash balance of £22,232,109 as at 31 December 2019 and a net cash inflow from operating activities of £4,106,797 for the year.

Due to the COVID-19 pandemic the economic environment for 2020 has been challenging and the Directors believe that it will remain so at least for the first half of 2021. The impact on the Group and parent company has primarily been in the area of sales and in particular our live related business.

In response to the COVID-19 pandemic, management undertook a risk assessment and re-forecasting exercise to assess the Group and parent company's liquidity position and covenant compliance testing. This exercise included sensitivity analysis focusing on reduced sales and reverse stress testing. Due to there being no historical precedent to use to assess potential COVID-19 impacts, management prepared a forecast which assumed an initial reduction in sales of 14% in 2020. However due to the inherent lags in Music Publishing pipeline income management anticipated that the pandemic impact will be worse in 2021 than 2020 with a further 8% sales decline expected in 2021 and a strong bounce back then predicted for 2022.

Actual trading in 2020 has been positive with sales exceeding forecast by 7%, significant cost savings being achieved and EBITDA exceeding forecast by 36%. Subject to the paragraph below, the re-forecasting exercise including the sensitivity analysis and reverse stress testing shows that the group and parent company has sufficient funding to finance its operations, with the cash headroom to weather any likely prospective further downturn during the foreseeable future.

The Group has bank borrowing under a revolving loan facility as at 31 December 2019 of £15,108,000. The loans are secured on the assets of the UK and French companies including Copyrights and Property. The forecast shows that the Group is likely to be in breach of the cashflow to debt servicing covenant at the March 2021 measurement date and for a number of measurement points at least until March 2022. In the event the breach cannot be remedied within 21 days the Bank may choose to declare the loan facility and accrued interest immediately due and payable albeit the directors do not expect the bank to exercise its right to do so. This represents a material uncertainty that may cast doubt on the Group and parent company's ability to continue as a going concern.

## **Wise Music Group Limited**

### **Strategic report (continued) Year ended 31 December 2019**

#### **Going concern (continued)**

The Directors are confident that the Group and parent company has sufficient cash to service its debts for the duration of the forecast period. Following conversations with the Bank the Directors are also confident that in the event of a covenant breach the Bank will continue to support the Group and parent company. In the unlikely event that this support is not forth coming, and the Bank seeks to recover the loan facility, the Group would raise the necessary funds through disposal of assets, re-mortgage its properties, acceleration of pipeline income from the collection societies, and raising funds from related parties. The Group's Music Copyrights and Property assets have been independently valued at far more than their book value recorded in the financial statements and even in a distressed market funds could be raised to cover the outstanding loans.

Based on the above the directors have a reasonable expectation that the Group and parent company 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.

#### **Research and Development**

Charanga Limited, a subsidiary of Wise Music 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**

Since the sale of the Print business in 2018, attention continues to be focused on developing the Music Publishing side of the business. The Directors are investing 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 £2,104,469 in the year (2018: £1,517,467).

This report was approved by the Board of Directors on 26 March 2021 and signed on behalf of the Board



J A B Smith  
Chief Financial Officer

## **Wise Music Group Limited**

### **Directors' report Year ended 31 December 2019**

The directors present their annual report on the affairs of the Group and the audited financial statements for the year ended 31 December 2019.

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;
- Research and Development;
- Future developments; and
- Going concern.

#### **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  
J T C Rushton  
D Holley  
N Gilroy  
C Duvivier  
J A B Smith (appointed 1 March 2019)  
J Castaldo (appointed 13 October 2020)

#### **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.

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

Since the year end, the Covid-19 pandemic has severely impacted many local economies around the globe. The group has determined that this event is a non-adjusting post balance sheet event. Accordingly, the financial position and result of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect the impact. The group is unable to make a reasonable estimate of the financial impact of the non-adjusting event.

#### **Dividends**

The directors recommend a dividend of £nil for 2019 (2018: £5,000,000).

A dividend of £nil was declared and paid from Music Sales Limited to Wise Music Group Ltd for 2019 (2018: £10,000,000).

#### **Charitable donations**

Donations to charitable organisations amounted to £100,000 (2018: £100,000).

## **Wise Music Group Limited**

### **Directors' report (continued) Year ended 31 December 2019**

#### **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.

#### **Disclosure of information to auditor**

The directors confirm that:

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

#### **Auditor**

Grant Thornton UK 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  
26 March 2021

14/15 Berners Street  
London  
United Kingdom  
W1T 3LJ



## **Wise Music 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, comprising 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 and profit or loss of the company and group 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 United Kingdom 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 and group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditor's report to the members of Wise Music Group Limited**

### **Opinion**

We have audited the financial statements of Wise Music Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019, which comprise the Consolidated Profit and Loss account, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Cash flow Statement and notes to the financial statements, including a summary of significant accounting policies. 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **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 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.

### **Material uncertainty related to going concern**

We draw attention to note 1 in the financial statements, which indicates that the group and parent company are anticipating a breach of banking covenants in March 2021 and at various points thereafter. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the group and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **The impact of macro-economic uncertainties on our audit**

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group and the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, 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 this regard.

### **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.

### **Matter on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified 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 in relation to which 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.

### **Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 7, 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.

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

### **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 Financial Reporting Council's website at: [www.frc.org.uk/auditresponsibilities](http://www.frc.org.uk/auditresponsibilities). This description forms part of our auditor's report.

### **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.



Tim Broadway  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Milton Keynes  
26 March 2021

# Wise Music Group Limited

## Consolidated profit and loss account For the year ended 31 December 2019

	Notes	Total 2019 £	Continuing Operations £	Discontinued Operations £	Total 2018 £
<b>Turnover</b>					
Group and share of joint venture	3	34,991,703	30,177,890	10,698,768	40,876,658
Less: share of joint venture turnover	13	(419,390)	(486,334)	-	(486,334)
		<u>34,572,313</u>	<u>29,691,556</u>	<u>10,698,768</u>	<u>40,390,324</u>
<b>Cost of sales</b>		<u>(17,049,429)</u>	<u>(15,637,577)</u>	<u>(6,046,342)</u>	<u>(21,683,919)</u>
<b>Gross profit</b>		<u>17,522,884</u>	<u>14,053,979</u>	<u>4,652,426</u>	<u>18,706,405</u>
Distribution costs		(5,737)	(43,671)	(1,272,222)	(1,315,893)
Administrative expenses		(22,054,978)	(20,032,604)	(2,673,558)	(22,706,162)
Other operating income	3	<u>2,157,576</u>	<u>2,171,543</u>	<u>7,085</u>	<u>2,178,628</u>
<b>Operating loss</b>	5	<u>(2,380,255)</u>	<u>(3,850,753)</u>	<u>713,731</u>	<u>(3,137,022)</u>
Profit on disposal of operations		-	-	16,968,134	16,968,134
Share of profit in joint venture		<u>75,116</u>	<u>100,157</u>	<u>-</u>	<u>100,157</u>
<b>(Loss)/profit before finance charges</b>		<u>(2,305,139)</u>	<u>(3,750,596)</u>	<u>17,681,865</u>	<u>13,931,269</u>
Interest receivable and similar income	6	253,549	311,102	-	311,102
Interest payable and similar expenses	7	<u>(1,070,208)</u>	<u>(1,144,878)</u>	<u>-</u>	<u>(1,144,878)</u>
<b>(Loss)/profit before taxation</b>		<u>(3,121,798)</u>	<u>(4,584,372)</u>	<u>17,681,865</u>	<u>13,097,493</u>
Tax on (loss)/profit	8	<u>(755,964)</u>	<u>(1,875,844)</u>	<u>-</u>	<u>(1,875,844)</u>
<b>(Loss)/profit after taxation</b>		<u>(3,877,762)</u>	<u>(6,460,216)</u>	<u>17,681,865</u>	<u>11,221,649</u>
Equity minority interests		<u>(113,783)</u>	<u>(207,256)</u>	<u>-</u>	<u>(207,256)</u>
<b>(Loss)/profit for the financial year</b>		<u><u>(3,991,545)</u></u>	<u><u>(6,667,472)</u></u>	<u><u>17,681,865</u></u>	<u><u>11,014,393</u></u>

	Notes	2019 £	2018 £
(Loss)/profit before finance charges analysed as:			
<b>Headline EBITDA</b>		<b>2,104,469</b>	<b>1,517,467</b>
Profit on disposal of print and retail music division		-	16,968,134
Depreciation of fixed assets	12	(896,566)	(796,376)
Amortisation of intangible assets	11	<u>(3,513,042)</u>	<u>(3,757,956)</u>
<b>(Loss)/profit before finance charges</b>		<u><u>(2,305,139)</u></u>	<u><u>13,931,269</u></u>

The results for 2019 all relate to continuing operations.

The notes on pages 17 to 48 form part of these financial statements.

## Wise Music Group Limited

### Consolidated statement of comprehensive income For the year ended 31 December 2019

	2019 £	2018 £
(Loss)/profit for the financial year	<u>(3,991,545)</u>	<u>11,014,393</u>
Currency translation differences	<u>(477,444)</u>	<u>208,919</u>
<b>Total comprehensive (expense)/income for the financial year</b>	<b><u><u>(4,468,989)</u></u></b>	<b><u><u>11,223,312</u></u></b>

The notes on pages 17 to 48 form part of these financial statements.

# Wise Music Group Limited

## Consolidated balance sheet At 31 December 2019

	Notes	2019 £	2018 £
<b>Fixed assets</b>			
Copyrights and software	11	24,379,189	25,912,115
Goodwill	11	11,683,465	12,566,920
Intangible assets	11	36,062,654	38,479,035
Tangible assets	12	18,584,286	17,997,227
Joint venture	13	843,776	978,518
Other investments	13	167,792	168,493
		<u>55,658,508</u>	<u>57,623,273</u>
<b>Current assets</b>			
Stocks	14	412,154	488,142
Debtors:			
Due within one year	15	19,229,390	30,500,954
Due after more than one year	15	205,037	43,787
Cash at bank and in hand		22,232,109	23,675,400
		<u>42,078,690</u>	<u>54,708,283</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(33,373,552)</u>	<u>(38,463,711)</u>
<b>Net current assets</b>		<u>8,705,138</u>	<u>16,244,572</u>
<b>Total assets less current liabilities</b>		<u>64,363,646</u>	<u>73,867,845</u>
<b>Creditors: amounts falling due after more than one year</b>	17	<u>(23,214,557)</u>	<u>(23,264,921)</u>
<b>Provision for liabilities</b>	19	<u>-</u>	<u>(98,612)</u>
<b>Net assets</b>		<u>41,149,089</u>	<u>50,504,312</u>
<b>Capital and reserves</b>			
Called-up share capital	23	109,983	109,983
Share premium account	23	27,067,517	27,067,517
Share capital redemption reserve	23	12,500	12,500
Other reserves	23	(95,084)	(139,314)
Profit and loss account	23	13,885,359	23,398,578
<b>Shareholders' funds</b>		<u>40,980,275</u>	<u>50,449,264</u>
<b>Non-controlling interest</b>		<u>168,814</u>	<u>55,048</u>
<b>Total capital employed</b>		<u>41,149,089</u>	<u>50,504,312</u>

The financial statements of Wise Music Group Limited (registered number 00884449) were approved by the Board of Directors and authorised for issue on 26 March 2021.

Signed on behalf of the Board of Directors



J A B Smith  
Chief Financial Officer

The notes on pages 17 to 48 form part of these financial statements.

## Wise Music Group Limited

### Company balance sheet At 31 December 2019

	Notes	2019 £	2018 £
<b>Fixed assets</b>			
Intangible assets	11	44,874	82,704
Tangible assets	12	126,188	221,802
Investments	13	41,158,530	41,158,530
		<u>41,329,592</u>	<u>41,463,036</u>
<b>Current assets</b>			
Debtors (due within one year)	15	13,927,167	16,039,824
Cash at bank and in hand		1,533	51,080
		<u>13,928,700</u>	<u>16,090,904</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(10,937,523)</u>	<u>(5,112,170)</u>
<b>Net current assets</b>		<u>2,991,177</u>	<u>10,978,734</u>
<b>Total assets less current liabilities</b>		<u>44,320,769</u>	<u>52,441,770</u>
<b>Creditors: amounts falling due after more than one year</b>	17	<u>(9,971,810)</u>	<u>(9,971,810)</u>
<b>Net assets</b>		<u>34,348,959</u>	<u>42,469,960</u>
<b>Capital and reserves</b>			
Called-up share capital	23	109,983	109,983
Share premium account	23	27,067,517	27,067,517
Capital redemption reserve	23	12,500	12,500
Profit and loss account	23	7,158,959	15,279,960
<b>Shareholders' funds</b>		<u>34,348,959</u>	<u>42,469,960</u>

The loss for the year dealt within the financial statements of the parent company was £3,121,001 (2018: profit of £11,283,145).

The financial statements of Wise Music Group Limited (registered number 00884449) were approved by the Board of Directors and authorised for issue on 26 March 2021.

Signed on behalf of the Board of Directors



J A B Smith  
Chief Financial Officer

The notes on pages 17 to 48 form part of these financial statements.



## Wise Music Group Limited

### Consolidated and Company statements of changes in equity Year ended 31 December 2019

	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 2018</b>	109,983	27,067,517	12,500	(93,143)	12,129,095	39,225,952	(152,215)	39,073,737
Profit for the financial year	-	-	-	-	11,014,393	11,014,393	207,256	11,221,649
Currency translation differences	-	-	-	(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
Loss for the financial year	-	-	-	-	(3,991,545)	(3,991,545)	113,783	(3,877,762)
Currency translation differences	-	-	-	44,230	(521,674)	(477,444)	(17)	(477,461)
<b>Total comprehensive expense</b>	-	-	-	44,230	(4,513,219)	(4,468,989)	113,766	(4,355,223)
Dividends paid	-	-	-	-	(5,000,000)	(5,000,000)	-	(5,000,000)
<b>At 31 December 2019</b>	109,983	27,067,517	12,500	(95,084)	13,885,359	40,980,275	168,814	41,149,089

	Called-up share capital	Share premium account	Capital Redemption reserve	Profit and loss account	Total
Company	£	£	£	£	£
<b>At 1 January 2018</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
Loss for the financial year	-	-	-	(3,121,001)	(3,121,001)
<b>Total comprehensive expense</b>	-	-	-	(3,121,001)	(3,121,001)
Dividends paid	-	-	-	(5,000,000)	(5,000,000)
<b>At 31 December 2019</b>	109,983	27,067,517	12,500	7,158,959	34,348,959

The notes on pages 17 to 48 form part of these financial statements.

## Wise Music Group Limited

### Consolidated cash flow statement Year ended 31 December 2019

	Notes	2019 £	2018 £
<b>Net cash inflow from operating activities</b>	24	4,106,797	9,810,692
<b>Cash flows from investing activities</b>			
Proceeds from disposal of tangible fixed assets		3,715	2,958,148
Purchase of tangible fixed assets		(1,573,699)	(1,668,408)
Purchase of intangible fixed assets		(1,480,849)	(4,387,997)
Interest received		346,952	315,764
Acquisition of subsidiary		-	(45,000)
Disposal of operations		-	17,330,645
<b>Net cash flows (used in)/from investing activities</b>		(2,703,881)	14,503,152
<b>Cash flows from financing activities</b>			
Interest paid		(1,070,208)	(1,144,504)
Dividends received from joint ventures and associates		83,047	15,850
Purchase of non-controlling interest		-	(75,000)
Repayment of borrowings		(872,512)	(1,834,989)
Bank loan/mortgage received		164,298	1,341,232
Director's loan received/(paid)		3,968,881	(3,959,678)
Increase/(Decrease) in other loans		(15,000)	-
Dividends paid		(5,000,000)	-
<b>Net cash flows used in financing activities</b>		(2,741,494)	(5,657,089)
<b>Tax paid</b>		(104,713)	(843,104)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(1,443,291)	17,813,651
<b>Cash and cash equivalents at beginning of year</b>		23,675,400	5,861,749
<b>Cash and cash equivalents at end of year</b>		22,232,109	23,675,400
<b>Cash and cash equivalents</b>			
Cash at bank and in hand		22,232,109	23,675,400
		22,232,109	23,675,400

The notes on pages 17 to 48 form part of these financial statements.

## **Wise Music Group Limited**

### **Notes to the financial statements Year ended 31 December 2019**

#### **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**

Wise Music 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, 3 and 4.

The financial statements have been prepared on a going concern basis, 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 Wise Music 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.

Wise Music 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 loss in the year of £3,991,545, but the level of underlying business is satisfactory with the Group generating Headline EBITDA of £2,104,469 in the year. The Group retains a strong balance sheet position with net assets of £41,149,089, a positive cash balance of £22,232,109 as at 31 December 2019 and a net cash inflow from operating activities of £4,106,797 for the year.

Due to the COVID-19 pandemic the economic environment for 2020 has been challenging and the Directors believe that it will remain so at least for the first half of 2021. The impact on the Group and parent company has primarily been in the area of sales and in particular our live related business.

In response to the COVID-19 pandemic, management undertook a risk assessment and re-forecasting exercise to assess the Group and parent company's liquidity position and covenant compliance testing. This exercise included sensitivity analysis focusing on reduced sales and reverse stress testing. Due to there being no historical precedent to use to assess potential COVID-19 impacts, management prepared a forecast which assumed an initial reduction in sales of 14% in 2020. However due to the inherent lags in Music Publishing pipeline income management anticipated that the pandemic impact will be worse in 2021 than 2020 with a further 8% sales decline expected in 2021 and a strong bounce back then predicted for 2022.

Actual trading in 2020 has been positive with sales exceeding forecast by 7%, significant cost savings being achieved and EBITDA exceeding forecast by 36%. Subject to the paragraph below, the re-forecasting exercise including the sensitivity analysis and reverse stress testing shows that the group and parent company has sufficient funding to finance its operations, with the cash headroom to weather any likely prospective further downturn during the foreseeable future.

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

#### 1. Accounting policies (continued)

##### Going concern (continued)

The Group has bank borrowing under a revolving loan facility as at 31 December 2019 of £15,108,000. The loans are secured on the assets of the UK and French companies including Copyrights and Property. The forecast shows that the Group is likely to be in breach of the cashflow to debt servicing covenant at the March 2021 measurement date and for a number of measurement points at least until March 2022. In the event the breach cannot be remedied within 21 days the Bank may choose to declare the loan facility and accrued interest immediately due and payable albeit the directors do not expect the bank to exercise its right to do so. This represents a material uncertainty that may cast doubt on the Group and parent company's ability to continue as a going concern.

The Directors are confident that the Group and parent company has sufficient cash to service its debts for the duration of the forecast period. Following conversations with the Bank the Directors are also confident that in the event of a covenant breach the Bank will continue to support the Group and parent company. In the unlikely event that this support is not forth coming, and the Bank seeks to recover the loan facility, the Group would raise the necessary funds through disposal of assets, re-mortgage its properties, acceleration of pipeline income from the collection societies, and raising funds from related parties. The Group's Music Copyrights and Property assets have been independently valued at far more than their book value recorded in the financial statements and even in a distressed market funds could be raised to cover the outstanding loans.

Based on the above the directors have a reasonable expectation that the Group and parent company 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.

##### 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 measured at fair value of the consideration received or recoverable and represents the 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. The group recognises turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Group retains no continuing involvement or controls over the goods; (c) the amount of turnover can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the Group's sales channels have been met. 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 delivered 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

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

#### 1. Accounting policies (continued)

##### Intangible fixed assets (continued)

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 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.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

##### 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.

##### Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit's) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

Goodwill is allocated on acquisition to the cash generating unit expected to benefit from the synergies of the combination. Goodwill is included in the carrying value of cash generating units for impairment testing.

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

#### 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.

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.

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

#### 1. Accounting policies (continued)

##### Financial instruments (continued)

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.

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

#### 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

*The Group 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 Group.*

*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.*

##### Interest payable and similar expenses

*Interest payable and similar expenses are charged to the profit and loss account over the term of the debt using the effective interest method so that the amounts charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.*

##### Cash and cash equivalents

*Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.*

##### Related party transactions

*The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated, unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transaction in the Group financial statements.*



## **Wise Music Group Limited**

### **Notes to the financial statements Year ended 31 December 2019**

#### **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 copyrights**

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 2019 was £24k (2018: £114k); refer to note 5.

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

#### 3. Turnover and Other operating income

Turnover is attributable to the 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.

	2019 £	2018 £
<b>Turnover by class of business</b>		
Printed Music	1,191,527	10,682,205
Music Publishing – including joint ventures	31,824,731	28,397,558
Digital Education	1,975,445	1,796,895
	<u>34,991,703</u>	<u>40,876,658</u>

	2019 £	2018 £
<b>Turnover by geographical market</b>		
United Kingdom	2,978,045	8,910,969
Other European Countries	35,724	3,210,982
USA and Canada	125,097	179,828
Australia and New Zealand	20,421	19,447
Other countries	-	149,542
Share of joint venture turnover	419,390	486,335
Music publishing – where geographical analysis is not meaningful	31,413,026	27,919,555
	<u>34,991,703</u>	<u>40,876,658</u>

	2019 £	2018 £
<b>An analysis of the Group's turnover is as follows:</b>		
Sale of goods	3,111,311	11,862,705
Rendering of services	-	56,770
Royalties	31,880,392	28,716,129
Commissions	-	241,054
	<u>34,991,703</u>	<u>40,876,658</u>

	2019 £	2018 £
<b>An analysis of the Group's other operating income is as follows:</b>		
Rent received	974,183	1,252,081
Administration fees	291,519	163,244
Other	53,523	19,835
Recharges from related undertakings	838,351	743,468
	<u>2,157,576</u>	<u>2,178,628</u>

# Wise Music Group Limited

## Notes to the financial statements Year ended 31 December 2019

### 4. Information regarding directors and employees

	2019 £	2018 £
<b>Directors' emoluments</b>		
Emoluments receivable	2,173,234	3,726,843
Company pension contributions to money purchase schemes	79,634	95,575
	<u>2,252,868</u>	<u>3,822,418</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>3</u>	<u>4</u>
<b>Emoluments of highest paid director:</b>	<b>£</b>	<b>£</b>
Emoluments	384,372	927,806
Company pension contributions to money purchase schemes	-	-
	<u>384,372</u>	<u>927,806</u>

Any transactions with directors during the period are disclosed within note 29, 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	15	79
Administrative	107	134
	<u>122</u>	<u>213</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	66	120
	<u>66</u>	<u>197</u>

All staff costs are incurred by Group companies.

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

#### 4. Information regarding directors and employees (continued)

	2019 £	2018 £
<b>The aggregate payroll costs (including directors) were:</b>		
Wages and salaries	8,340,996	11,751,508
Social security costs	1,356,441	1,599,464
Other pension costs	466,413	563,350
	<u>10,163,850</u>	<u>13,914,322</u>

#### 5. Operating loss

	Notes	2019 £	2018 £
The operating loss is after charging:			
Depreciation of fixed assets	12	896,566	796,376
Loss on disposal of fixed assets		6,937	282,897
Amortisation of intangible assets	11	3,513,042	3,757,956
Impairment of copyright and print advances		24,169	114,214
Impairment of stock recognised as an expense		172,018	845,895
Foreign exchange gains		(221,350)	(118,141)
<u>Operating lease rentals:</u>			
Land and buildings		230,481	300,967
Plant and machinery		<u>12,281</u>	<u>27,621</u>

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

	2019 £	2018 £
Fees payable to the Group's auditor for the audit of the Group's annual accounts	60,000	13,500
Audit of the company's subsidiaries	75,000	150,000
Fees payable to the Group's auditor in respect of:		
Tax compliance services	45,000	-
Tax advisory services	23,440	-
<b>Total auditor's remuneration</b>	<u>203,440</u>	<u>163,500</u>

No services were provided pursuant to contingent fee arrangements (2018: none).

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

#### 6. Interest receivable and similar income

	2019 £	2018 £
Bank interest receivable	168,176	63,894
Interest receivable from related parties	14,459	13,936
Gain on future value of interest rate swaps	70,914	233,272
	<u>253,549</u>	<u>311,102</u>

#### 7. Interest payable and similar expenses

	2019 £	2018 £
Bank interest	1,042,328	1,122,251
Loan note interest	18,772	19,150
Interest payable to related parties	9,108	3,477
	<u>1,070,208</u>	<u>1,144,878</u>

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

	2019 £	2018 £
<b>Current tax on (loss)/profit</b>		
UK corporation tax	44,986	119,018
Double tax relief	(40,066)	(115,771)
	<u>4,920</u>	<u>3,247</u>
Foreign tax	161,297	816,824
	<u>166,217</u>	<u>820,071</u>
Adjustments in respect of prior periods		
UK corporation tax	592,336	(90,236)
<b>Total current tax</b>	<u>758,553</u>	<u>729,835</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	98,989	1,192,153
Adjustment in respect of prior periods	(45,835)	(46,144)
Effect of tax rate change on opening balance	(55,743)	-
<b>Total deferred tax (see note 21)</b>	<u>(2,589)</u>	<u>1,146,009</u>
<b>Total tax on (loss)/profit</b>	<u>755,964</u>	<u>1,875,844</u>

The standard rate of tax applied to reported profit is 19 per cent (2018: 19 per cent).

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

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

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:

	2019	2018
	£	£
<b>Group (loss)/profit before tax</b>	<b>(3,121,798)</b>	<b>13,097,493</b>
Tax on Group (loss)/profit at standard UK corporation tax rate of 19 per cent (2018: 19 per cent)	(593,142)	2,488,523
Effects of:		
Expenses not deductible for tax purposes	449,125	1,098,919
Income not taxable in determining taxable profit	56,642	(4,862,562)
Fixed asset differences	112,126	86,950
Other timing differences	(118,474)	1,750,250
Utilisation of tax losses not previously recognised	(42,638)	46,360
Change in unrecognised deferred tax assets	43,246	1,146,009
Higher tax rates on overseas earnings	302,578	257,775
Adjustments to tax charge in respect of previous periods	546,501	(136,380)
<b>Group total tax charge for year</b>	<b>755,964</b>	<b>1,875,844</b>

#### Factors that may affect future tax charges

The closing deferred tax assets and liabilities have been calculated at 17%, being the substantively enacted rate as at the balance sheet date, on the basis that this is the rate at which these assets and liabilities are expected to unwind. However, the UK government announced, in their budget held on 11 March 2020, that the corporation tax rate applicable from 1 April 2020 is now to remain at 19%. This change was substantively enacted on 17 March 2020. This change in the corporation tax rate should not have a material effect on the deferred tax balances recognised in these financial statements.

#### 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

A dividend of £5,000,000 was declared and paid during the year (2018: £nil).

A dividend of £nil was declared and paid from Music Sales Limited to Wise Music Group Ltd for 2019 (2018: £10,000,000).

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

#### 11. Intangible assets

Group	Goodwill	Copyrights	Software & Software development	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2019	23,575,169	51,027,201	5,053,703	79,656,073
Additions	-	699,074	781,775	1,480,849
Disposals	-	(3,192)	-	(3,192)
Exchange movement in the year	(212,409)	(725,980)	-	(938,389)
At 31 December 2019	23,362,760	50,997,103	5,835,478	80,195,341
<b>Amortisation</b>				
At 1 January 2019	11,008,249	25,925,052	4,243,737	41,177,038
Charge for the year	744,814	2,266,986	501,242	3,513,042
Disposals	-	(3,192)	-	(3,192)
Exchange movement in the year	(73,768)	(480,433)	-	(554,201)
At 31 December 2019	11,679,295	27,708,413	4,744,979	44,132,687
<b>Net book value</b>				
At 31 December 2019	11,683,465	23,288,690	1,090,499	36,062,654
At 31 December 2018	12,566,920	25,102,149	809,966	38,479,035

## **Wise Music Group Limited**

### **Notes to the financial statements Year ended 31 December 2019**

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

<b>Company</b>	<b>Software &amp; Software development £</b>
<b>Cost</b>	
At 1 January 2019	262,525
Additions	-
At 31 December 2019	<u>262,525</u>
<b>Amortisation</b>	
At 1 January 2019	179,821
Charge for the year	<u>37,830</u>
At 31 December 2019	<u>217,651</u>
<b>Net book value</b>	
At 31 December 2019	<u>44,874</u>
At 31 December 2018	<u>82,704</u>



## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

#### 12. Tangible assets

Group	Freehold land and buildings £	Leasehold improve- ments £	Office equipment, fixtures and fittings £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 January 2019	26,171,498	169,866	4,735,077	22,440	31,098,881
Additions	1,453,880	-	95,071	24,748	1,573,699
Disposals	-	-	(19,767)	(21,129)	(40,896)
Exchange movement in the year	(145,674)	(3,217)	(71,740)	(1,310)	(221,941)
At 31 December 2019	27,479,704	166,649	4,738,641	24,749	32,409,743
<b>Depreciation</b>					
At 1 January 2019	8,920,776	155,839	4,014,567	10,472	13,101,654
Charge for the year	658,454	3,879	232,102	2,131	896,566
Disposals	-	-	(19,767)	(9,860)	(29,627)
Exchange movement in the year	(88,225)	(3,082)	(51,149)	(680)	(143,136)
At 31 December 2019	9,491,005	156,636	4,175,753	2,063	13,825,457
<b>Net book value</b>					
At 31 December 2019	17,988,699	10,013	562,888	22,686	18,584,286
At 31 December 2018	17,250,722	14,027	720,510	11,968	17,997,227

Freehold properties with a net book value of £16,316,928 and a depreciation charge of £560,908 for the year have been leased out under operating lease arrangements.

The Group has property assets with a carrying value of £12,772,056 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 £974,183 (2018: £1,252,081). No contingent rents have been recognised as income in the current year or prior year. At 31 December 2019 the group had contracted with tenants for the following future minimum lease payments:

	2019 £	2018 £
Within one year	1,149,044	884,984
2-5 years inclusive	2,662,878	2,990,112
After 5 years	2,384,583	1,106,125
Total	6,196,505	4,981,221

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

#### 12. Tangible assets (continued)

Company	Leasehold improvements £	Office equipment, fixtures and fittings £	Total £
<b>Cost</b>			
At 1 January 2019	79,234	2,425,269	2,504,503
Additions	-	44,122	44,122
Disposals	-	-	-
At 31 December 2019	79,234	2,469,391	2,548,625
<b>Depreciation</b>			
At 1 January 2019	68,932	2,213,769	2,282,701
Charge for the year	2,043	137,693	139,736
Disposals	-	-	-
At 31 December 2019	70,975	2,351,462	2,422,437
<b>Net book value</b>			
At 31 December 2019	8,259	117,929	126,188
At 31 December 2018	10,302	211,500	221,802

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

#### 13. Investments held as fixed assets

<b>Group</b>	<b>Unlisted total £</b>
<b>Cost</b>	
At January 2019	213,663
Additions	-
Exchange movement in the year	(701)
At 31 December 2019	<u>212,962</u>
<b>Provisions for impairment</b>	
At 1 January 2019 and 31 December 2019	<u>45,170</u>
<b>Net book value</b>	
At 31 December 2019	<u>167,792</u>
At 31 December 2018	<u>168,493</u>

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

The Group's share in its joint ventures comprises:

	<b>2019 £</b>	<b>2018 £</b>
Turnover	419,390	486,334
Profit for the period	150,231	200,314
Group share of profit for the period	<u>75,116</u>	<u>100,157</u>
Gross assets	1,621,538	1,790,141
Gross liabilities	<u>(777,762)</u>	<u>(811,623)</u>
Net assets (represented by investment in joint venture)	<u>843,776</u>	<u>978,518</u>

<b>Company</b>	<b>Shares in Group undertakings £</b>
<b>Cost and net book value</b>	
At January 2019	41,158,530
Disposals	-
At 31 December 2019	<u>41,158,530</u>

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

#### 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, Foton, 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	Bornholmegade 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	Karlshofmann 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

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

#### 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 GesmbH	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	F10 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
Bramsdene Music Corporation	565-5th Ave New York NY10017 USA	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
Caribe 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 SARL	10 Rue de Grange Batliere 75009 Paris France	Ordinary	-	100	Music publishing, wholesale distribution
Bleu Blanc Rouge SARL	10 Rue de Grange Batliere 75009 Paris France	Ordinary	-	100	Music publishing

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

#### 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
Cadenza Music (UK) 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
Wise Music Group Limited (now known as Wise Records 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

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

#### 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
Arrgee Music Limited	United Kingdom	Ordinary	-	100	Dormant
Elkin and Company Limited	United Kingdom	Ordinary	-	100	Dormant
Goodwin & Tabb Limited	United Kingdom	Ordinary	-	100	Dormant
Novello Records Limited	United Kingdom	Ordinary	-	100	Dormant
Patersons Publications Limited	6 Queensferry Street, Edinburgh, EH3 8EH	Ordinary	-	100	Dormant
Paxton Music Limited	United Kingdom	Ordinary	-	100	Dormant

The following subsidiaries within the consolidated Wise Music 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 2019:

Subsidiary	Company registered no.
Campbell Connelly & Co Ltd	00239696
Chester Music Limited	00162623
Eaton Music Limited	01213072
Music Sales Limited	00315155
Music Sales Properties Limited	02293657
Music Sales Properties No.2 Limited	05081334
Music Sales Properties No.3 Ltd	06989918
Novello And Company Limited	00056942
Novello Publishing Limited	02779795

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

#### 14. Stocks

	2019	2018
Group	£	£
Raw materials and consumables	1,304	1,384
Work in progress	92,767	212,870
Finished goods and goods for resale	318,083	273,888
	<u>412,154</u>	<u>488,142</u>

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

#### 15. Debtors

	2019	2018
Group	£	£
<b>Amounts falling due within one year</b>		
Trade debtors	8,464,280	10,240,213
Other debtors	3,276,233	6,234,764
Prepayments and accrued income	3,056,343	6,940,431
Amounts owed by related undertakings (note 29)	4,119,483	6,769,447
Deferred taxation (note 21)	173,230	151,553
Corporation tax	139,821	164,546
	<u>19,229,390</u>	<u>30,500,954</u>

Trade debtors are stated after a provision of £2,757,918 (2018: £2,852,785).

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

Other debtors	161,250	-
Amounts owed by related undertakings (note 29)	43,787	43,787
	<u>205,037</u>	<u>43,787</u>

	2019	2018
Company	£	£
<b>Amounts falling due within one year</b>		
Other debtors	822,615	2,709,563
Prepayments and accrued income	430,666	326,588
Amounts owed by group undertakings	10,034,684	7,912,184
Amounts owed by related undertakings	2,613,479	5,087,468
Deferred taxation (note 21)	25,723	4,021
	<u>13,927,167</u>	<u>16,039,824</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.



## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

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

Group	2019 £	2018 £
Bank loans	1,679,165	3,034,176
Loan notes to third parties	185,000	200,000
Loan notes to related parties (note 29)	183,000	183,000
Trade creditors	17,160,931	21,821,790
Amounts owed to related undertakings (note 29)	3,009,553	970,341
Corporation tax	429,361	391,619
Other taxation and social security	1,461,656	1,306,040
Obligations under finance leases	-	4,592
Other creditors	5,493,100	5,965,610
Accruals and deferred income	3,771,786	4,586,543
	<u>33,373,552</u>	<u>38,463,711</u>

The amount accrued in respect of payments into the UK defined contribution pension scheme totalled £30,195 (2018: £37,657).

Company	2019 £	2018 £
Trade creditors	491,634	597,224
Amounts owed to group undertakings	9,135,842	2,963,235
Amounts owed to related undertakings	624,594	65,277
Corporation tax	22,599	-
Other taxation and social security	61,836	574,629
Other creditors	307,124	506,185
Accruals and deferred income	293,894	405,620
	<u>10,937,523</u>	<u>5,112,170</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

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

Group	2019 £	2018 £
Bank loans	21,569,613	21,569,938
Amounts owed to related undertakings (note 29)	588,021	578,913
Derivative financial instruments with a negative fair value	1,006,836	1,077,750
Other creditors	26,488	6,166
Accruals and deferred income	23,599	32,154
	<u>23,214,557</u>	<u>23,264,921</u>

  

Company	2019 £	2018 £
Amounts owed to group undertakings	<u>9,971,810</u>	<u>9,971,810</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

#### 18. Borrowings

##### Group

The borrowings comprise bank loans and loan notes as follows:

Bank loan of £10,019 repayable in quarterly instalments expiring in July 2020. Interest is charged at LIBOR +1.15%.

Bank loan of €7,500,000 repayable in annual instalments expiring in December 2027. Interest is charged at a EUR LIBOR + 3.00%.

Bank loan of £4,149,849 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 €1,275,000 repayable in annual instalments expiring in June 2028. Interest is charged at 3.50%.

Bank loan of €404,219 repayable in annual instalments expiring in November 2025. Interest is charged 5.25%.

Bank loan of £525,520 repayable in quarterly instalments, expiring in July 2029. Interest is charged at LIBOR +1.15%.

Bank loan of £1,664,218 repayable in quarterly instalments expiring in May 2029. Interest is charged at LIBOR + 1.15%.

Bank loan of £361,873 repayable in quarterly instalments expiring in May 2029. Interest is charged at LIBOR +1.15%.

Six private loan notes totalling £368,000 (2018: six loan notes totalling £383,000) are repayable in full on or before 30 June 2020. 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:

	2019	2018
	£	£
<b>Bank loans and loan notes</b>		
Within one year	2,047,165	3,417,176
After one and within two years	2,107,525	2,697,768
After two and within five years	4,771,848	6,274,266
After five years	14,690,240	12,597,904
	<u>23,616,778</u>	<u>24,987,114</u>
	£	£
<b>Finance leases</b>		
Within one year	-	4,592
After one and within two years	-	-
	<u>-</u>	<u>4,592</u>

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

#### 19. Provisions for liabilities

	Provision for closure costs £	Provision for tax costs £	Total £
Balance at 1 January 2019	66,992	31,620	98,612
Utilisation	(66,992)	(31,620)	(98,612)
Balance at 31 December 2019	-	-	-

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

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

#### 20. Financial instruments

Group	2019 £	2018 £
<b>Categories of financial instruments</b>		
Carrying value of financial assets:		
Cash and cash equivalents	22,232,109	23,675,400
Trade and other receivables	16,923,015	23,452,757
Loans and receivables at amortised cost	39,155,124	47,128,157
<b>Total financial assets</b>	<b>39,155,124</b>	<b>47,128,157</b>
Carrying value of financial liabilities:		
Trade creditors	17,160,931	21,821,790
Accruals and other payables	14,374,203	13,450,359
Borrowings	23,616,778	24,987,114
Provisions for liabilities	-	98,612
Financial liabilities at amortised cost	55,151,912	60,357,875
Derivative financial instruments	1,006,836	1,077,750
<b>Total financial liabilities</b>	<b>56,158,748</b>	<b>61,435,625</b>

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

#### 21. Deferred tax

Group	£
Balance at 1 January 2019	151,553
Profit and loss account charge	(43,246)
Exchange movement	19,088
Adjustment in respect of prior periods	45,835
Balance at 31 December 2019	<u>173,230</u>

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

	Recognised		Unrecognised	
	2019	2018	2019	2018
	£	£	£	£
Depreciation in advance of tax allowances	(330,738)	(262,338)	8,570	(20)
Other timing differences	184,657	413,500	-	-
Tax losses	319,311	391	1,194,943	723,046
	<u>173,230</u>	<u>151,553</u>	<u>1,203,513</u>	<u>723,026</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 2019	4,021
Profit and loss account credit	14,581
Adjustment in respect of prior periods	7,121
Balance at 31 December 2019	<u>25,723</u>

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

	Recognised		Unrecognised	
	2019	2018	2019	2018
	£	£	£	£
Depreciation in advance of tax allowances	23,518	4,021	-	-
Other timing differences	2,205	-	-	-
Tax losses	-	-	1,146,574	664,776
	<u>25,723</u>	<u>4,021</u>	<u>1,146,574</u>	<u>664,776</u>

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

#### 22. 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	
	2019 £	2018 £	2019 £	2018 £
5 years or more	<u>4,149,849</u>	<u>4,454,117</u>	<u>(1,006,836)</u>	<u>(1,077,750)</u>

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

A swap agreement has been entered into converting the variable interest 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 £70,914 (2018: £233,272) on derivative financial liabilities measured at fair value through profit or loss were recognised in profit or loss.

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

	2019 £	2018 £
<b>Authorised</b>		
110,000 ordinary shares of £1 each	<u>110,000</u>	<u>110,000</u>
<b>Called-up, allotted and fully paid</b>		
109,983 ordinary shares of £1 each	<u>109,983</u>	<u>109,983</u>

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 £76k (2018: £120k)

Statutory and legal reserves of £19k (2018: £19k)

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

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

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

	2019 £	2018 £
Operating loss	(2,380,255)	(3,137,077)
Adjustment for movements in foreign exchange	(877,947)	391,723
Amortisation	3,513,042	3,757,956
Impairment provisions	-	(1)
Depreciation	896,566	796,376
Loss on sale of tangible fixed assets	6,937	282,897
Decrease in stocks	57,829	9,704,600
Increase in debtors	9,873,780	(3,932,606)
Increase in creditors	(6,983,155)	1,946,769
<b>Cash generated by operations</b>	<b>4,106,797</b>	<b>9,810,692</b>

#### 25. Royalty commitments

Print and copyright royalty advance payment commitments exist amounting to £22,750 (2018: £45,000).  
The commitments to make payments included in this sum expire as follows:

	2019 £	2018 £
In one year or less	22,750	37,000
Between one and five years	-	8,000
	<b>22,750</b>	<b>45,000</b>

#### 26. Operating lease commitments

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

	Land and buildings		Other	
	2019 £	2018 £	2019 £	2018 £
In one year or less	167,472	167,365	33,134	90,193
Between one and five years	56,699	223,945	29,815	92,143
	<b>224,171</b>	<b>391,310</b>	<b>62,949</b>	<b>182,336</b>

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

#### 27. Capital commitments

At 31 December 2019 the Group had capital payment commitments that are not recognised on the balance sheet, falling due as follows:

	2019 £	2018 £
In one year or less	1,312,500	312,500
Between one and five years	3,312,500	625,000
	<u>4,625,000</u>	<u>937,500</u>

#### 28. 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 Wise Music Group companies' unpaid debts in this connection.

Certain of the Wise Music 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.

#### 29. Related party transactions

Wise Music 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 Wise Music Group. Any transactions with other wholly owned subsidiaries within Wise Music 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:

Amounts owed to related party undertakings:	Category	2019 £	2018 £
Glad Music Limited	^	127,275	98,377
Twangy Music Limited	^	29,834	27,545
Veronica Music Limited	^	107,346	87,626
Moving Image Music Limited	^	173,086	146,920
Sabre Music Limited	^	15,650	16,984
Ixion Publishing Limited	^	13,208	14,086
Madena Publishing Limited	^	9,290	11,341
Whitman Music Limited	^	4	4
Connelly-Basart Muziekuitgeverij	^	178,993	198,868
Music Sales Digital Limited	#	1	1
Music Sales Corporation	#	842,551	121,601
G. Schirmer Inc.	#	25,371	14,265
Music Sales (Pty) Limited	#	555,837	-
Chester NY	#	12,006	12,006
Focus on Sound Limited	#	41,185	65,652
O Music Limited	#	-	55
Jersey Trust Company	'	147,751	155,010
BW Investments Limited	#	38,076	-
NTM Investments Limited	#	27,159	-
Newman Street Investments Limited	#	49,342	-
Wise IV Trust	#	40,515	-
Wise Investments SARL	#	145,450	-
Mr R Wise	"	429,623	-
		<u>3,009,553</u>	<u>970,341</u>

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

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

	Category	2019 £	2018 £
<b>Loan notes owed to related parties</b>			
Mr R Wise	"	85,000	85,000
Mrs M B 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	"	25,108	16,000
Music Sales Corporation	#	562,913	562,913
		<u>588,021</u>	<u>578,913</u>
<b>Amounts owed by related party undertakings (restated):</b>			
Glad Music Limited	^	15,216	10,029
Twangy Music Limited	^	1,611	1,611
Veronica Music Limited	^	21,136	17,399
Hao Hao Music Sales Limited	^	847,320	849,853
Moving Image Music Limited	^	110,788	83,552
Sabre Music Limited	^	4,396	2,225
Ixion Publishing Limited	^	4,862	4,862
Madena Publishing Limited	^	825	738
Whitman Music Limited	^	2,186	2,224
Music Sales Corporation	#	1,218,516	167,285
Music Sales Digital Services LLP	#	178,357	63,888
G Schirmer Inc	#	17,564	-
Focus on Sound Limited	#	2,494	389
O'Music Limited	#	5,101	45
Music Sales (Pty) Limited	#	1,014,767	1,033,521
Reba	"	20,642	20,642
Robert King Inc	"	-	499,822
Wise Enterprises Espana SL	"	11,984	11,984
BW Investments Limited	#	43,221	47,580
Wise Investments SARL	#	371,107	184,167
Wise I Trust	#	29,626	24,272
Wise II Trust	#	57,519	52,373
Wise IV Trust	#	43,191	45,735
Newman Street Investments Limited	#	54,403	60,189
NTM Investments Limited	#	35,806	38,959
Mr R Wise	"	6,845	3,546,103
		<u>4,119,483</u>	<u>6,769,447</u>



## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

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

The amounts owed by Mr R Wise as at 31 December 2018 was understated by £3,539,258 in error. There is no impact on the balance sheet as this amount was correctly included.

	Category	2019 £	2018 £
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 America	#	-	179,845
Music Sales (Pty) Limited	#	-	39,276
<b>Distribution and administration</b>			
Music Sales Corporation	#	669,237	483,298
Music Sales (Pty) Limited	#	-	19,290
Focus on Sound Limited	#	20,000	20,000
Moving Image Music Limited	#	34,124	35,966
Sabre Music Limited	^	3,000	1,150
Ixion Publishing Limited	^	1,753	2,268
Madena Publishing Limited	^	149	552
Whitman Music Limited	^	13	17
<b>Royalties received</b>			
Music Sales Corporation	#	531,552	378,724
G Schirmer Inc	#	1,051,392	960,476
G Schirmer Australia Pty	#	395,012	344,883
Campbell Connelly Australia	#	75,680	113,169
Connelly-Basart Muziekuitgeverij	^	155,036	239,025
<b>Royalties paid</b>			
Music Sales Corporation	#	543,887	843,627
G Schirmer Inc	#	220,037	194,739
G Schirmer Australia Pty	#	151	190
Campbell Connelly Australia	#	4,679	4,678

## Wise Music Group Limited

### Notes to the financial statements Year ended 31 December 2019

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

	Category	2019 £	2018 £
<b>Loan interest receivable</b>			
Music Sales Australia Pty	#	14,459	10,452
<b>Loan interest payable</b>			
Mr R Wise	"	9,108	3,477

The Wise Music 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 (2018: \$82,400).

Mr R Wise has a director's loan with the Group. 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 payable during the year was £776,403 and the maximum amount overdrawn during the year was £3,539,258. As at 31 December 2019, the loan payable to Mr R Wise was £429,623 (2018: £3,539,258 receivable from Mr R Wise).

A dividend of £nil was declared and paid from Music Sales Limited to Wise Music Group Ltd for 2019 (2018: £10,000,000).

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

#### 30. Post balance sheet events

Since the year end, the Covid-19 pandemic has severely impacted many local economies around the globe. The group has determined that this event is a non-adjusting post balance sheet event. Accordingly, the financial position and result of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect the impact. The group is unable to make a reasonable estimate of the financial impact of the non-adjusting event.

#### 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. Wise Music 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.