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**Company Registration No. 00884449**

**Music Sales Group Limited**

**Annual Report and Financial Statements**

**For the year ended 31 December 2017**

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# **Music Sales Group Limited**

## **Report and financial statements 2017**

<b>Contents</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Strategic report</b>	<b>2</b>
<b>Directors' report</b>	<b>4</b>
<b>Directors' responsibilities statement</b>	<b>6</b>
<b>Independent auditor's report</b>	<b>7</b>
<b>Consolidated profit and loss account</b>	<b>10</b>
<b>Consolidated statement of comprehensive income</b>	<b>11</b>
<b>Consolidated balance sheet</b>	<b>12</b>
<b>Company balance sheet</b>	<b>13</b>
<b>Consolidated and Company statement of changes in equity</b>	<b>14</b>
<b>Consolidated cash flow statement</b>	<b>15</b>
<b>Notes to the financial statements</b>	<b>16</b>

# **Music Sales Group Limited**

## **Report and financial statements 2017**

### **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

#### **Company Secretary**

N J M Kemp

#### **Registered Office**

14/15 Bemers Street  
London  
United Kingdom  
W1T 3LJ

#### **Bankers**

Coutts & Co.  
440 Strand  
London  
United Kingdom  
WC2R 0QS

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

#### **Auditor**

Deloitte LLP  
Statutory Auditor  
London  
United Kingdom

# **Music Sales Group Limited**

## **Strategic report**

### **Year ended 31 December 2017**

The directors present their strategic report for the year ended 31 December 2017.

#### **Principal activities**

The Music Sales Group of companies (the “Group”) is engaged in the publishing, wholesaling and retailing of printed music and books, and 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 10.

As shown in the profit and loss account, Group turnover amounted to £66,586,491 (2016: £66,080,815), Group losses after tax were £2,311,879 (2016: £1,896,247) and headline EBITDA £4,785,622 (2016: £6,154,812).

The balance sheet on page 12 shows that the shareholders’ funds at 31 December 2017 are £39,225,952 (2016: £41,570,295). The Group’s cash level at 31 December 2017 was £5,861,749 (2016: £7,493,340).

The year under review has seen continuing growth in the Music Publishing businesses, particularly in the UK, with sales up £1,366,525 to £28,999,414. There has also been growth in the Digital Education business where turnover was up £157,714 to £1,507,162. In our Print Music Division sales were down £564,297 to £38,509,340 due to challenging conditions in retail and store closures.

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.

The Group’s activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The Group has used floating to fixed rate swaps to mitigate interest rate exposures, on loans amounting to £4,738,764. The Group does not use derivative financial instruments for speculative purposes.

## **Music Sales Group Limited**

### **Strategic report (continued) Year ended 31 December 2017**

#### **Credit risk**

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

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

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

#### **Cash flow risk**

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

#### **Liquidity risk**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of 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.

#### **Future developments**

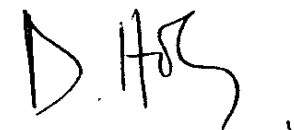
There have been no material changes to the nature of the Group's business operations during the year. The level of underlying business was considered satisfactory with the Group generating Headline EBITDA of £4,785,622 in the year (2016: £6,154,812).

After the year end on 1 April 2018 the group disposed of its Printed Music Division to the Hal Leonard Corporation for a cash purchase consideration. The turnover of the disposed assets was £34,353,865 (2016: £34,619,989), further details are given in note 31. Attention will now be focused on developing the Music Publishing side of the business. The Directors intend to invest most of the net proceeds from the sale of Printed Music Division into growth of the Music Publishing Division. They look to the future with confidence.

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

See Future Developments in the Strategic report above with regards to the sale of the Printed Music Division. There have been no other material post balance sheet events.

This report was approved by the Board of Directors on 24<sup>th</sup> September 2018 and signed on behalf of the Board



D Holley  
Director

# **Music Sales Group Limited**

## **Directors' report Year ended 31 December 2017**

The directors present their annual report and the audited financial statements for the year ended 31 December 2017.

### **Directors**

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

R Wise  
M B Wise  
T Wise  
M D Wise  
D B Rockberger  
C M Butler  
A E Latham (resigned 30 June 2018)  
J T C Rushton  
D Holley  
I N Gilroy (appointed 30 June 2017)  
C Duvivier (appointed 1 July 2017)

### **Directors' indemnities**

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

### **Going concern**

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

### **Strategic report**

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

### **Dividends**

The directors do not recommend the payment of a dividend for 2017 (2016: £nil).

### **Charitable donations**

Donations to charitable organisations amounted to £100,000 (2016: £100,000).

## **Music Sales Group Limited**

### **Directors' report (continued) Year ended 31 December 2017**

#### **Employee consultation**

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

#### **Disabled employees**

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

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

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

#### **Auditor**

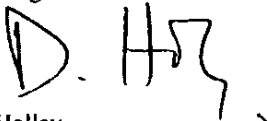
In the case of each of the persons who are directors of the Company at the date when this report is approved:

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

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

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

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



D Holley  
Director

24<sup>th</sup> September 2018

14/15 Berners Street  
London  
United Kingdom  
W1T 3LJ

## **Music Sales Group Limited**

### **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



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

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

### **Opinion**

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

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheet;s
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 31.

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

### **Basis for opinion**

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

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

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

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

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

We have nothing to report in respect of these matters.

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

### **Other information**

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

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

We have nothing to report in respect of these matters.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

### **Use of our report**

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



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

25 Sept . 2018

# Music Sales Group Limited

## Consolidated profit and loss account For the year ended 31 December 2017

	Notes	Continuing Operations £	Discontinuing Operations £	Total 2017 £	2016 £
<b>Turnover</b>					
Group and share of joint ventures – existing operations	3			69,015,916	68,055,974
Less: share of joint venture turnover	12			(2,429,425)	(1,975,159)
		32,232,626	34,353,865	66,586,491	66,080,815
<b>Cost of sales</b>		(14,747,076)	(19,785,327)	(34,532,403)	(34,820,239)
<b>Gross profit</b>		17,485,550	14,568,538	32,054,088	31,260,576
Distribution costs		(29,846)	(3,434,464)	(3,464,310)	(3,281,987)
Administrative expenses		(24,463,879)	(7,536,704)	(32,000,583)	(30,528,377)
Other operating income	3	1,890,927	49,632	1,940,559	1,864,212
<b>Operating loss</b>	5	(5,117,248)	3,647,002	(1,470,246)	(685,576)
Share of operating profit in joint venture net of tax		59,743	406,109	465,852	521,454
<b>Loss before finance charges</b>		(5,057,505)	4,053,111	(1,004,394)	(164,122)
Interest receivable and similar income	6	300,858	-	300,858	117,159
Interest payable and similar charges	7	(908,040)	-	(908,040)	(1,145,047)
<b>Loss before taxation</b>		(5,664,687)	4,053,111	(1,611,576)	(1,192,010)
Tax on loss	8	916,639	(1,521,682)	(605,043)	(615,263)
<b>Loss after taxation</b>		(4,748,048)	2,531,429	(2,216,619)	(1,807,273)
Equity minority interests		(95,260)	-	(95,260)	(88,974)
<b>Loss for the financial year</b>		(4,843,308)	2,531,429	(2,311,879)	(1,896,247)

Loss before finance charges analysed as:	£	£
<b>Headline EBITDA</b>	<b>4,785,622</b>	<b>6,154,812</b>
Acquisition integration/restructuring costs	(233,000)	(1,561,116)
Costs incurred for the sale of the print music division	(853,923)	-
Depreciation of owned fixed assets	(1,062,832)	(985,332)
Amortisation of owned intangible assets	(3,640,261)	(3,772,486)
<b>Loss before finance charges</b>	<b>(1,004,394)</b>	<b>(164,122)</b>

## **Music Sales Group Limited**

### **Consolidated statement of comprehensive income For the year ended 31 December 2017**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Consolidated loss for the financial year</b>	<b>(2,311,879)</b>	<b>(1,896,247)</b>
	<u>                    </u>	<u>                    </u>
<b>Foreign exchange loss on consolidation</b>	<b>(32,464)</b>	<b>(75,964)</b>
	<u>                    </u>	<u>                    </u>
<b>Total comprehensive expenditure</b>	<b>(2,344,343)</b>	<b>(1,972,211)</b>
	<u>                    </u>	<u>                    </u>

# Music Sales Group Limited

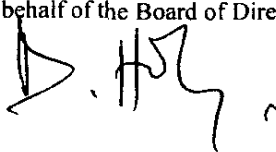
## Consolidated balance sheet At 31 December 2017

	Notes	2017 £	2016 £
<b>Fixed assets</b>			
Copyrights and software	10	27,517,056	25,940,247
Goodwill	10	13,231,407	14,011,341
Intangible assets	10	40,748,463	39,951,588
Tangible assets	11	17,401,166	18,116,950
Joint venture	12	1,279,820	1,365,095
Other investments	12	92,276	94,064
		<u>59,521,725</u>	<u>59,527,697</u>
<b>Current assets</b>			
Stocks	14	10,152,285	10,808,428
Debtors:			
Due within one year	15	25,909,151	24,947,702
Due after more than one year	15	43,787	43,787
Cash at bank and in hand		<u>5,861,749</u>	<u>7,493,340</u>
		41,966,972	43,293,257
Creditors: amounts falling due within one year	16	<u>(37,736,690)</u>	<u>(37,951,441)</u>
<b>Net current assets</b>		<u>4,230,282</u>	<u>5,341,816</u>
<b>Total assets less current liabilities</b>		<u>63,752,007</u>	<u>64,869,513</u>
Creditors: amounts falling due after more than one year	17	(24,635,407)	(23,507,696)
Provision for liabilities	19	(42,863)	(39,000)
<b>Net assets</b>		<u>39,073,737</u>	<u>41,322,817</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	(93,143)	(278,242)
Profit and loss account	23	<u>12,129,095</u>	<u>14,658,537</u>
<b>Shareholders' funds</b>		<u>39,225,952</u>	<u>41,570,295</u>
<b>Non-controlling interest</b>		<u>(152,215)</u>	<u>(247,478)</u>
<b>Total capital employed</b>		<u>39,073,737</u>	<u>41,322,817</u>

The financial statements of Music Sales Group Limited (registered number 00884449) were approved by the Board of Directors and authorised for issue on 24<sup>th</sup> September 2018.

Signed on behalf of the Board of Directors

D Holley  
Director



## Music Sales Group Limited

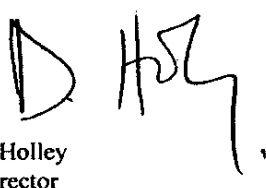
### Company balance sheet At 31 December 2017

	Notes	2017 £	2016 £
<b>Fixed assets</b>			
Investments	12	41,158,625	41,158,625
<b>Total assets</b>		41,158,625	41,158,625
<b>Creditors: amounts falling due after more than one year</b>	17	(9,971,810)	(9,971,810)
<b>Net assets</b>		31,186,815	31,186,815
<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	3,996,815	3,996,815
<b>Shareholders' funds</b>		31,186,815	31,186,815

The result for the year dealt with in the financial statements of the parent company was £nil (2016: £nil).

The financial statements of Music Sales Group Limited (registered number 00884449) were approved by the Board of Directors and authorised for issue on 24<sup>th</sup> September 2018.

Signed on behalf of the Board of Directors

  
D Holley  
Director

# Music Sales Group Limited

## Consolidated and Company statement of changes in equity Year ended 31 December 2017

	Called-up share capital	Share premium account	Capital redemption reserve	Other reserves	Profit and loss account	Total	Non-controlling interest	Total
	£	£	£	£	£	£	£	£
<b>Consolidated</b>								
At 1 January 2016	109,983	27,067,517	12,500	(36,618)	16,389,124	43,542,506	(336,493)	43,206,013
Loss for the financial year	-	-	-	-	(1,896,247)	(1,896,247)	88,974	(1,807,273)
Currency translation difference on foreign currency net investments	-	-	-	(241,624)	165,660	(75,964)	41	(75,923)
<b>Total comprehensive income</b>	-	-	-	(241,624)	(1,730,587)	(1,972,211)	89,015	(1,883,196)
<b>At 31 December 2016</b>	<u>109,983</u>	<u>27,067,517</u>	<u>12,500</u>	<u>(278,242)</u>	<u>14,658,537</u>	<u>41,570,295</u>	<u>(247,478)</u>	<u>41,322,817</u>
Loss for the financial year	-	-	-	-	(2,311,879)	(2,311,879)	95,260	(2,216,619)
Currency translation difference on foreign currency net investments	-	-	-	185,099	(217,563)	(32,464)	3	(32,461)
<b>Total comprehensive income</b>	-	-	-	185,099	(2,529,442)	(2,344,343)	95,263	(2,249,080)
<b>At 31 December 2017</b>	<u>109,983</u>	<u>27,067,517</u>	<u>12,500</u>	<u>(93,143)</u>	<u>12,129,095</u>	<u>39,225,952</u>	<u>(152,215)</u>	<u>39,073,737</u>

	Called-up share capital	Share premium account	Capital Redemption reserve	Profit and loss account	Total
	£	£	£	£	£
<b>Company</b>					
At 31 December 2015	109,983	27,067,517	12,500	3,996,815	31,186,815
<b>Total comprehensive income</b>	-	-	-	-	-
<b>At 31 December 2016</b>	<u>109,983</u>	<u>27,067,517</u>	<u>12,500</u>	<u>3,996,815</u>	<u>31,186,815</u>
<b>Total comprehensive income</b>	-	-	-	-	-
<b>At 31 December 2017</b>	<u>109,983</u>	<u>27,067,517</u>	<u>12,500</u>	<u>3,996,815</u>	<u>31,186,815</u>



# Music Sales Group Limited

## Consolidated cash flow statement Year ended 31 December 2017

	Notes	2017 £	2016 £
<b>Net cash inflow from operating activities</b>	24	<u>2,907,792</u>	<u>5,446,226</u>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of tangible fixed assets		26,845	48,470
Proceeds from disposal of intangible fixed assets		-	24,294
Purchase of tangible fixed assets		(338,024)	(369,581)
Purchase of intangible fixed assets		(1,808,389)	(1,771,054)
Interest received		376,328	114,712
Acquisition of subsidiary		(2,483,540)	(2,432,567)
<b>Net cash flows from investing activities</b>		<u>(4,226,780)</u>	<u>(4,385,726)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(907,909)	(1,144,906)
Dividends received from joint ventures and associates		386,694	319,504
Repayment of borrowings		(8,043,101)	(962,077)
Bank loan/ mortgage received		9,544,301	1,690,977
Director's loan repaid		(347,359)	(220,960)
<b>Net cash flows from financing activities</b>		<u>632,626</u>	<u>(317,462)</u>
<b>Tax paid</b>		<u>(943,298)</u>	<u>(378,469)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(1,629,660)	364,569
<b>Cash and cash equivalents at beginning of year</b>		<u>7,491,409</u>	<u>7,126,840</u>
<b>Cash and cash equivalents at end of year</b>		<u>5,861,749</u>	<u>7,491,409</u>
<b>Cash and cash equivalents</b>			
Cash at bank and in hand		5,861,749	7,493,340
Bank overdrafts		-	(1,931)
		<u>5,861,749</u>	<u>7,491,409</u>

# Music Sales Group Limited

## Notes to the financial statements Year ended 31 December 2017

### 1. Accounting policies

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

#### General information and basis of accounting

Music Sales Group Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Strategic report on pages 2 and 3.

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

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

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

#### Basis of consolidation

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

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

#### Going concern

Despite the Group making a loss in the year of £2,311,879 the level of underlying business is satisfactory with the Group generating Headline EBITDA of £4,785,622 in the year. The Group retains a strong balance sheet position with net assets of £39,073,737, a positive cash balance of £5,861,749 as at 31 December 2017 and a cash inflow from operating activities of £2,907,792 for the year.

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

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

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

# Music Sales Group Limited

## Notes to the financial statements Year ended 31 December 2017

### 1. Accounting policies (continued)

#### Joint ventures

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

#### Turnover

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

#### Intangible fixed assets

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

Intangible assets are amortised on a straight-line basis over their estimated useful lives. Amortisation of software development commences when the software is implemented for use by the business.

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

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

#### Tangible fixed assets

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

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

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

#### Fixed asset investments

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

# Music Sales Group Limited

## Notes to the financial statements Year ended 31 December 2017

### 1. Accounting policies (continued)

#### Financial instruments

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

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

#### (i) Financial assets and liabilities

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

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

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

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

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

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

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

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

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

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

# Music Sales Group Limited

## Notes to the financial statements Year ended 31 December 2017

### 1. Accounting policies (continued)

#### Financial instruments (continued)

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

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

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

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

#### (ii) Investments

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

#### (iii) Equity instruments

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

#### (iv) Derivative financial instruments

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

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

#### (v) Fair value measurement

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

#### Stocks and work in progress

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

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

#### Provisions

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

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

# **Music Sales Group Limited**

## **Notes to the financial statements Year ended 31 December 2017**

### **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 other comprehensive income. All other translation differences are included in the profit and loss account.

#### **Pension schemes**

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

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

# **Music Sales Group Limited**

## **Notes to the financial statements** **Year ended 31 December 2017**

### **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 – stock obsolescence**

Determining whether stock is obsolete or not requires an estimation of future sales. The Company takes the approach that any stock over three years old should be regarded as obsolete and fully provided for. The carrying value of Stocks at the Balance Sheet date was £10,152k (2016: £10,808k).

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

The life of intangible assets is estimated by the directors based on best judgements of future value. Intangible assets, including goodwill, are amortised in line with the economic lives set out in note 1. The amortisation charge in the accounts for the year ended 31 December 2017 was £638k (2016: £1,050k).

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

The life of intangible assets is estimated by the directors based on best judgements of future value. Intangible assets, including copyright, are amortised in line with the economic lives set out in note 1. The amortisation charge in the accounts for the year ended 31 December 2017 was £2,290k (2016: £2,221k).

#### **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 2017 was £98k (2016: £424k), refer to note 5.

# Music Sales Group Limited

## Notes to the financial statements Year ended 31 December 2017

### 3. Turnover and Other operating income

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

Turnover by class of business	2017 £	2016 £
Printed Music	38,509,340	39,073,637
Music Publishing – including joint venture	28,999,414	27,632,889
Digital Education	1,507,162	1,349,448
	<u>69,015,916</u>	<u>68,055,974</u>

Turnover by geographical market	2017 £	2016 £
United Kingdom	27,671,368	26,242,485
Other European Countries	8,981,250	11,066,211
USA and Canada	438,701	571,717
Australia and New Zealand	139,434	125,355
Other countries	742,580	850,076
Share of joint venture turnover	2,429,425	1,975,159
Music publishing – Where geographical analysis is not meaningful	28,613,158	27,224,971
	<u>69,015,916</u>	<u>68,055,974</u>

An analysis of the Group's turnover is as follows:	2017 £	2016 £
Sale of goods	38,278,062	38,840,539
Rendering of services	231,277	233,098
Royalties	29,510,760	27,864,959
Commissions	995,817	1,117,378
	<u>69,015,916</u>	<u>68,055,974</u>

An analysis of the Group's other income is as follows:	2017 £	2016 £
Rent received	998,924	1,116,812
Administration fees	105,738	66,084
Other	22,302	91,661
Recharges	813,595	589,655
	<u>1,940,559</u>	<u>1,864,212</u>



# Music Sales Group Limited

## Notes to the financial statements Year ended 31 December 2017

### 4. Information regarding directors and employees

	2017 £	2016 £
<b>Directors' emoluments</b>		
Emoluments receivable	3,142,340	2,366,239
Company pension contributions to money purchase schemes	98,425	37,185
	<u>3,240,765</u>	<u>2,403,424</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>3</u>
 <b>Emoluments of highest paid director:</b>	<b>£</b>	<b>£</b>
Emoluments	463,512	483,620
Company contributions to money purchase schemes	-	-
	<u>463,512</u>	<u>483,620</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	145	160
Administrative	180	162
	<u>325</u>	<u>322</u>

Music Sales Group Limited has no employees (2016: none).

All staff costs are incurred by Group companies.

	£	£
<b>The aggregate payroll costs (including directors) were:</b>		
Wages and salaries	13,962,587	12,831,163
Social security costs	1,936,319	1,681,122
Other pension costs	526,250	502,908
	<u>16,425,156</u>	<u>15,015,193</u>

# Music Sales Group Limited

## Notes to the financial statements Year ended 31 December 2017

### 5. Operating loss

	2017 £	2016 £
<b>Operating loss is after charging:</b>		
Depreciation of fixed assets	1,062,832	985,328
Loss on disposal of fixed assets	6,787	7,701
Amortisation of owned intangible assets	3,640,262	3,772,486
Impairment of copyright and print advances	98,019	423,870
Impairment of stock recognised as an expense	693,676	378,631
Foreign exchange (gains)/losses	(156,818)	269,985
<b>Operating lease rentals:</b>		
Land and buildings	534,431	622,208
Plant and machinery	134,418	126,412
Fees payable to the Company's auditor for the audit of the subsidiaries' accounts pursuant to legislation	178,279	144,747
Fees payable to the Company's auditor for the audit of the Group company accounts pursuant to legislation	13,500	13,500

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

	2017 £	2016 £
<b>Fees payable to the company's auditor for the audit of the company's annual accounts:</b>	13,500	13,500
<b>Fees payable to the company's auditor for other services to the Group</b>		
The audit of the company's subsidiaries	178,279	144,747
<b>Total audit fees</b>	191,779	158,247

No services were provided pursuant to contingent fee arrangements.

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2017

#### 6. Interest receivable and similar income

	2017 £	2016 £
Bank interest receivable	40,779	13,636
Interest receivable from related parties	13,432	13,002
Gain on future value of interest rate swaps	246,647	90,521
	<u>300,858</u>	<u>117,159</u>

#### 7. Interest payable and similar charges

	2017 £	2016 £
Bank loans and overdrafts	879,790	975,213
Loan notes	19,150	19,124
Interest payable to related parties	9,100	15,598
Loss on future value of interest rate swaps	-	135,112
	<u>908,040</u>	<u>1,145,047</u>

# Music Sales Group Limited

## Notes to the financial statements

Year ended 31 December 2017

### 8. Tax on loss

	2017 £	2016 £
<b>Current tax on loss</b>		
UK corporation tax	144,263	106,548
Double tax relief	(140,419)	(145,989)
	<u>3,844</u>	<u>(39,441)</u>
Foreign tax	773,894	908,458
	<u>777,738</u>	<u>869,017</u>
Adjustments in respect of prior years		
UK corporation tax	21,850	51,811
<b>Total current tax</b>	<u>799,588</u>	<u>920,828</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(146,369)	(119,179)
Effect of increase in tax rate on opening liability	-	74,754
Decrease in estimate of recoverable deferred tax asset	(48,176)	(261,140)
<b>Total deferred tax (see note 21)</b>	<u>(194,545)</u>	<u>(305,565)</u>
<b>Total tax on loss</b>	<u>605,043</u>	<u>615,263</u>

In recent years the UK Government has steadily reduced the rate of UK Corporation tax, with the latest rates substantively enacted by the balance sheet date being 20% with effect from 1 April 2015, 19% effective from 1 April 2017 and 17% effective from 1 April 2020.

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:

	2017 £	2016 £
<b>Group loss before tax</b>	<u>(1,611,576)</u>	<u>(1,192,010)</u>
Tax on Group loss at standard UK corporation tax rate of 19.25 per cent (2016: 20.00 per cent)	(310,228)	(238,402)
Effects of:		
Expenses not deductible for tax purposes	468,963	471,089
Income not taxable in determining taxable profit	17,935	123,961
Utilisation of tax losses not previously recognised	448,393	431,715
Change in unrecognised deferred tax assets	(194,545)	(305,565)
Higher tax rates on overseas earnings	216,610	255,382
Adjustments to tax charge in respect of previous periods	(42,085)	(122,917)
<b>Group total tax charge for year</b>	<u>605,043</u>	<u>615,263</u>

## Music Sales Group Limited

### Notes to the financial statements

#### Year ended 31 December 2017

#### 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. Intangible fixed assets

Group	Goodwill	Copyrights	Software & Software development	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2017	24,304,408	45,007,934	6,318,250	75,630,592
Additions	-	3,145,926	1,145,825	4,291,751
Exchange movement in the year	136,673	292,593	-	429,266
At 31 December 2017	24,441,081	48,446,453	7,464,075	80,351,609
<b>Amortisation</b>				
At 1 January 2017	10,293,067	21,655,122	3,730,815	35,679,004
Charge for the year	638,496	2,289,914	711,852	3,640,262
Exchange movement in the year	278,111	5,769	-	283,880
At 31 December 2017	11,209,674	23,950,805	4,442,667	39,603,146
<b>Net book value</b>				
At 31 December 2017	13,231,407	24,495,648	3,021,408	40,748,463
At 31 December 2016	14,011,341	23,352,812	2,587,435	39,951,588

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

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

# Music Sales Group Limited

## Notes to the financial statements Year ended 31 December 2017

### 11. Tangible fixed assets

Group	Freehold land and buildings £	Leasehold improve- ments £	Office equipment, fixtures and fittings £	Motor vehicles £	Total £
<b>Cost or valuation</b>					
At 1 January 2017	24,631,273	1,274,020	6,339,829	21,397	32,266,519
Additions	-	67,728	229,289	41,142	338,159
Disposals	-	(44,922)	(405,394)	(41,142)	(491,458)
Exchange movement in the year	72,252	1,483	39,641	687	114,063
At 31 December 2017	24,703,525	1,298,309	6,203,365	22,084	32,227,283
<b>Depreciation</b>					
At 1 January 2017	7,678,796	1,124,035	5,341,745	4,993	14,149,569
Charge for the year	650,769	61,146	334,662	16,255	1,062,832
Disposals	-	(44,922)	(399,190)	(13,714)	(457,826)
Exchange movement in the year	42,406	1,483	27,458	195	71,542
At 31 December 2017	8,371,971	1,141,742	5,304,675	7,729	14,826,117
<b>Net book value</b>					
At 31 December 2017	16,331,554	156,567	898,690	14,355	17,401,166
At 31 December 2016	16,952,477	149,985	998,084	16,404	18,116,950

Freehold properties with a net book value of £16,331,554 and a depreciation charge of £650,769 for the year have been leased out under operating lease arrangements.

The Group has property assets with a carrying value of £12,777,487 which are pledged as security for liabilities.

IT equipment with a net book value of £69,958 and a depreciation charge of £40,431 for the year are leased under finance lease arrangements.

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

#### Property leased under contract

As set out in note 3, property rental income earned during the year was £998,924 (2016 - £1,116,812). No contingent rents have been recognised as income in the current year or prior year. At 31 December 2017 the group had contracted with tenants for the following future minimum lease payments:

	2017 £	2016 £
Within one year	475,920	707,587
2-5 years inclusive	1,727,397	1,751,567
After 5 years	855,963	1,273,713
Total	3,059,280	3,732,867

# Music Sales Group Limited

## Notes to the financial statements Year ended 31 December 2017

### 12. Investments held as fixed assets

<b>Group</b>	<b>Unlisted total £</b>
<b>Cost</b>	
At 1 January 2017	139,234
Exchange movement in the year	(1,788)
At 31 December 2017	137,446
<b>Provisions for impairment</b>	
At 1 January 2017 and 31 December 2017	45,170
<b>Net book value</b>	
At 31 December 2017	92,276
At 31 December 2016	94,064

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>2017 £</b>	<b>2016 £</b>
Turnover	2,429,425	1,975,159
Profit for the period	931,704	1,042,908
Group share of profit for the period	465,852	521,454
Gross assets	2,441,371	2,675,869
Gross liabilities	(1,161,551)	(1,310,774)
Net assets (represented by investment in joint venture)	1,279,820	1,365,095

<b>Company</b>	<b>Shares in Group undertakings £</b>
<b>Cost and net book value</b>	
At 1 January 2017 and 31 December 2017	41,158,625

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2017

#### 12. 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 music and books
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 in Print Limited	United Kingdom	Ordinary	100	-	Record, music and instrument retailing
J Wood & Sons Limited	United Kingdom	Ordinary	-	100	Record, music and instrument retailing
Music Sales (Hong Kong) Limited	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	Bornholmsgade 1 A DK -1266, Copenhagen, Denmark	Ordinary	-	100	Music publishing
Storyville Records ApS	Esplnaden 8D DK - 1263 Denmark	Ordinary	-	100	Music publishing
Edition Wilhelm Hansen OY S/F	Merikasarminkatu 2 B 40, 00160 Helsinki Finland	Ordinary	-	100	Music publishing
Edition Wilhelm Hansen GmbH	Karlshohmann Strasse, 1a 40599 Dusseldorf Germany	Ordinary	-	100	Music publishing



# Music Sales Group Limited

## Notes to the financial statements Year ended 31 December 2017

### 12. 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
Eaton Music GmbH	Frankenfurter Strasse 21-25 51427 Bergisch Gladbach Germany	Ordinary	-	100	Music publishing
Bosworth Music GmbH	Dorotheenstr.3 10117 Berlin Germany	Ordinary	-	100	Music publishing
Musikverlag Progressive GbmH	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
Eaton Music (Australia) Pty Ltd	Lisgar House,30-32 Carrington Street, Sydney, NSW, 2000Australia	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	10 Rue de Grange Batliere 75009 Paris France	Ordinary	-	100	Music publishing, wholesale distribution
Bleu Blanc Rouge	10 Rue de Grange Batliere 75009 Paris France	Ordinary	-	100	Music publishing 31

# Music Sales Group Limited

## Notes to the financial statements Year ended 31 December 2017

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

	Country of incorporation or registration	Class of capital held	Proportion held by holding company %	Proportion held by subsidiary undertaking %	Nature of business
<b>Joint ventures:</b>					
Hal Leonard Joint Venture Music Limited (previously Hal Leonard Europe Limited)	United Kingdom	Ordinary	-	50	Music publishing
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 Muziekvitgeverij BV	Holland	Ordinary	-	50	Music publishing
Robert Mellin Musikverlag GmbH & Co. KG	Dorotheenstr. 3 10117 Berlin Germany	Ordinary	-	50	Music publishing
Hao Hao Music Sales Limited	Unit O 17/F International Industrial Centre, 2- 8 Kwei Tei Street, Foton, Shatin, New Territories Hong Kong	Ordinary	-	50	Music and book publishing
Music Sales Furtados (India) Limited	T office Premises No 201 2 <sup>nd</sup> Floor, Town Centre-11 Andheri Kurla Road, Mumbai MH400059 India	Ordinary	-	50	Music and book publishing
<b>Dormant entities:</b>					
Bobcat Books Limited	United Kingdom	Ordinary	-	100	Dormant
Book Sales Limited	United Kingdom	Ordinary	-	100	Dormant
Dorsey Brothers Music Limited	United Kingdom	Ordinary	-	100	Dormant
Edition Wilhelm Hansen (London) Ltd	United Kingdom	Ordinary	-	100	Dormant
Edwin Ashdown Limited	United Kingdom	Ordinary	-	100	Dormant
McCullough Piggott Music Shop Ltd	United Kingdom	Ordinary	-	100	Dormant
Music Games Limited	United Kingdom	Ordinary	-	100	Dormant
Music for Kids Limited	United Kingdom	Ordinary	-	100	Dormant
Music Sales International Limited	United Kingdom	Ordinary	-	100	Dormant
Nellie Limited	United Kingdom	Ordinary	-	100	Dormant
Powertabs Limited	United Kingdom	Ordinary	-	100	Dormant
Rae Macintosh (Music) Limited	41 Shandwick Place, Edinburgh, EH2 4RG United Kingdom	Ordinary	-	100	Dormant
Record and Tape Sales Limited	United Kingdom	Ordinary	-	100	Dormant
Sheet Music Direct Limited	United Kingdom	Ordinary	-	100	Dormant
Musicroom.com Limited	United Kingdom	Ordinary	-	100	Dormant
Banks & Son (Music) Limited	United Kingdom	Ordinary	-	100	Dormant
Chas J Fox (Organs) Limited	United Kingdom	Ordinary	-	100	Dormant
Early Music Shop Limited	United Kingdom	Ordinary	-	100	Dormant
Percy Prior's Music Limited	United Kingdom	Ordinary	-	100	Dormant
Garber Music Limited	United Kingdom	Ordinary	-	100	Dormant
G Schirmer Limited	United Kingdom	Ordinary	-	100	Dormant
Orange Sky Music Limited	United Kingdom	Ordinary	-	100	Dormant
Yellow Sky Music Limited	United Kingdom	Ordinary	-	100	Dormant
Noel Gay Music Company Limited	United Kingdom	Ordinary	-	100	Dormant
Richard Armitage Limited	United Kingdom	Ordinary	-	100	Dormant
Campbell Connelly Investments Ltd	United Kingdom	Ordinary	-	100	Dormant
Cinephonic Music Company Limited	United Kingdom	Ordinary	-	100	Dormant

## Music Sales Group Limited

### Notes to the financial statements

Year ended 31 December 2017

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

	Country of incorporation or registration	Class of capital held	Proportion held by holding company %	Proportion held by subsidiary undertaking %	Nature of business
<b>Dormant entities (continued):</b>					
Concord Records Limited	United Kingdom	Ordinary	-	100	Dormant
Cross Music Limited	United Kingdom	Ordinary	-	100	Dormant
Dash Music Company Limited	United Kingdom	Ordinary	-	100	Dormant
Evergreen Music Limited	United Kingdom	Ordinary	-	100	Dormant
Glendale Music Limited	United Kingdom	Ordinary	-	100	Dormant
Harrison Music Company Limited	United Kingdom	Ordinary	-	100	Dormant
High-Fye Music Limited	United Kingdom	Ordinary	-	100	Dormant
Hournew Music Limited	United Kingdom	Ordinary	-	100	Dormant
Ivy Music Limited	United Kingdom	Ordinary	-	100	Dormant
J Curwen and Sons Limited	United Kingdom	Ordinary	-	100	Dormant
Montclare Music Company Limited	United Kingdom	Ordinary	-	100	Dormant
Panther Productions Limited	United Kingdom	Ordinary	-	100	Dormant
Robert Kingston (Music) Limited	United Kingdom	Ordinary	-	100	Dormant
The Sparta Florida Music Group Ltd	United Kingdom	Ordinary	-	100	Dormant
Bosworth and Company Limited	United Kingdom	Ordinary	-	100	Dormant
Argee Music Limited	United Kingdom	Ordinary	-	100	Dormant
Elkin and Company Limited	United Kingdom	Ordinary	-	100	Dormant
Goodwin & Tabb Limited	United Kingdom	Ordinary	-	100	Dormant
Novello Records Limited	United Kingdom	Ordinary	-	100	Dormant
Patersons Publications Limited	6 Queensferry Street, Edinburgh, EH3 8EH	Ordinary	-	100	Dormant
Paxton Music Limited	United Kingdom	Ordinary	-	100	Dormant

The following subsidiaries within the consolidated Music Sales Group Limited have taken advantage of the audit exemption provisions under section 479A of the Companies Act 2006 in relation to their annual accounts for the year ended 31 December 2017:

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

# Music Sales Group Limited

## Notes to the financial statements Year ended 31 December 2017

### 13. Acquisition of subsidiary undertakings

On 1 January 2017, Le Chant Du Monde a 99.988% subsidiary of Music Sales Group purchased 100 per cent of the issued share capital of Bleu Blanc Rouge, a business which holds copyrights and collects royalties, for consideration of £2,071,022. The consideration was settled by means of a bank transfer. The acquisition has been accounted for under the acquisition method. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group at the date of acquisition:

	<b>Book value and Fair value to Group £</b>
<b>Fixed Assets</b>	
Tangible assets	2,745
Intangible assets - copyrights	2,480,560
	<hr/>
<b>Current assets</b>	2,483,305
Debtors	90,485
Cash at bank and in hand	208,675
	<hr/>
<b>Total assets</b>	2,782,465
Creditors	(711,443)
	<hr/>
<b>Net assets</b>	2,071,022
	<hr/>
<b>Satisfied by</b>	
Cash consideration	2,071,022
	<hr/>

Since acquisition the main financial impact is as follows:

	<b>2017 £</b>
Turnover	116,524
Gross profit	113,419
Operating profit	101,356
	<hr/>

The copyrights are being amortised over 10 years.

# Music Sales Group Limited

## Notes to the financial statements Year ended 31 December 2017

### 14. Stocks

	2017	2016
Group	£	£
Raw materials and consumables	414,544	27,677
Work in progress	513,060	528,738
Finished goods and goods for resale	9,224,681	10,252,013
	<u>10,152,285</u>	<u>10,808,428</u>

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

### 15. Debtors

	2017	2016
Group	£	£
<b>Amounts falling due within one year</b>		
Trade debtors	13,254,795	12,073,650
Other debtors	3,018,695	3,217,096
Prepayments and accrued income	5,813,347	5,027,503
Amounts owed by related undertakings (note 29)	2,340,317	3,403,420
Deferred taxation (note 21)	1,386,810	1,189,480
Corporation tax	95,187	36,553
	<u>25,909,151</u>	<u>24,947,702</u>
<b>Amounts falling due after more than one year</b>		
Amounts owed by related undertakings (note 29)	<u>43,787</u>	<u>43,787</u>

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

	2017	2016
Group	£	£
Bank loans	2,448,524	2,554,063
Bank overdrafts	-	1,931
Loan notes to third parties	200,000	200,000
Loan notes to related parties (note 29)	183,000	183,000
Trade creditors	23,113,734	22,992,338
Amounts owed to related undertakings (note 29)	1,464,546	2,850,635
Corporation tax	348,000	392,522
Other taxation and social security	1,446,404	1,273,042
Obligations under finance leases	47,601	51,242
Other creditors	4,340,073	3,672,991
Accruals and deferred income	4,144,808	3,779,677
	<u>37,736,690</u>	<u>37,951,441</u>

# Music Sales Group Limited

## Notes to the financial statements

Year ended 31 December 2017

### 16. Creditors: amounts falling due within one year (continued)

The amount accrued in respect of payments into the UK defined contribution pension scheme totalled £90,259 (2016: £90,259).

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

Group	2017 £	2016 £
Bank loans	22,460,105	20,561,288
Amounts owed to related undertakings (note 29)	847,181	1,330,692
Derivative financial instruments with a negative fair value	1,311,022	1,557,669
Obligations under finance leases	4,593	52,194
Other creditors	6,049	5,853
Accruals and deferred income	6,457	-
	<u>24,635,407</u>	<u>23,507,696</u>
 Company	 £	 £
Amounts owed to group undertakings	<u>9,971,810</u>	<u>9,971,810</u>

### 18. Borrowings

#### Group

The borrowings comprise bank loans and loan notes as follows:

Bank loan of €27,441 repayable in half yearly instalments expiring in June 2018. Interest is charged at a fixed rate of 4.9%.

Bank loan of £210,000 repayable in quarterly instalments and expiring in November 2019. Interest is charged at a fixed rate of 6.0125%.

Bank loan of £36,683 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 £4,738,763 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 £7,000,000 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 £636,160 repayable in quarterly instalments, expiring in July 2029. Interest is charged at LIBOR +1.15%.

# Music Sales Group Limited

## Notes to the financial statements Year ended 31 December 2017

### 18. Borrowings (continued)

Bank loan of £2,014,580 repayable in quarterly instalments expiring in May 2029. Interest is charged at LIBOR + 1.15%.

Six private loan notes totalling £383,000 (2016: six loan notes totalling £383,000) repayable in full on or before 30 June 2018. Interest is charged on a quarterly basis at LIBOR +4% subject to a minimum rate of 5% and a maximum rate of 10%. The loan notes are unsecured.

An unsecured loan of £4,000,000 was made by Mr R Wise to a subsidiary of the Group on 7 April 2010. The loan bears interest at LIBOR plus 150 basis points which is payable quarterly in arrears. The loan balance, which was £432,943 at 31 December 2017, is repayable in September 2019. More detail is given in note 29.

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:

	2017 £	2016 £
<b>Bank loans and loan notes</b>		
Within one year	2,831,524	2,937,063
After one and within two years	2,817,753	3,685,329
After two and within five years	6,187,641	6,975,345
After five years	13,454,711	9,900,614
	<u>25,291,629</u>	<u>23,498,351</u>
	£	£
<b>Finance leases</b>		
Within one year	47,601	51,242
After one and within two years	4,593	47,601
After two and within five years	-	4,593
	<u>52,194</u>	<u>103,436</u>

### 19. Provisions for liabilities

	Provision for dilapidations £	Provision for closure costs £	Total £
Balance at 1 January 2017	39,000	-	39,000
Release of provision	(29,000)	-	(29,000)
Increase in provision	-	32,863	32,863
Balance at 31 December 2017	<u>10,000</u>	<u>32,863</u>	<u>42,863</u>

The provision for dilapidations relates to the closure of Leeds in October 2016. The brought forward provision of £29,000 for Bristol has been settled in full in 2017.

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

# Music Sales Group Limited

## Notes to the financial statements Year ended 31 December 2017

### 20. Financial Instruments

	2017 £	2016 £
<b>Categories of financial instruments</b>		
Carrying value of financial assets:		
Cash and cash equivalents	5,954,025	7,587,404
Trade and other receivables	18,752,786	18,774,506
Loans and receivables at amortised cost	24,706,811	26,361,910
<b>Total financial assets</b>	<b>24,706,811</b>	<b>26,361,910</b>
Carrying value of financial liabilities:		
Trade creditors	23,113,734	22,992,338
Accruals and other payables	12,307,712	13,016,326
Borrowings	25,291,629	23,500,282
Provisions for liabilities	42,863	39,000
Corporation tax payable	348,000	392,522
Financial liabilities at amortised cost	61,103,938	59,940,468
Derivative financial instruments	1,311,022	1,557,669
<b>Total financial liabilities</b>	<b>62,414,960</b>	<b>61,498,137</b>

### 21. Deferred tax

	£
Balance at 1 January 2017	1,189,480
Profit and loss account credit	194,545
Acquisition of a subsidiary	7,710
Exchange movement	(4,925)
Balance at 31 December 2017	<u>1,386,810</u>

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

	Recognised		Unrecognised	
	2017 £	2016 £	2017 £	2016 £
Depreciation in advance of tax allowances	(182,240)	(156,231)	17,153	-
Other timing differences	238,430	268,564	345	-
Losses debtor	1,330,620	1,077,147	214,657	-
	<u>1,386,810</u>	<u>1,189,480</u>	<u>232,155</u>	<u>-</u>

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



# Music Sales Group Limited

## Notes to the financial statements Year ended 31 December 2017

### 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	
	2017	2016	2017	2016
	£	£	£	£
5 years or more	<u>4,738,764</u>	<u>5,005,243</u>	<u>(1,311,023)</u>	<u>(1,557,669)</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 246,647 (2016: loss of £135,112) 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

	2017	2016
	£	£
<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 (£74k)

Statutory and legal reserves (19k)

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

# Music Sales Group Limited

## Notes to the financial statements Year ended 31 December 2017

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

	2017 £	2016 £
Operating loss	(1,470,246)	(685,576)
Adjustment for movements in foreign exchange	55,314	(492,147)
Amortisation provisions	3,354,147	3,481,002
Impairment provisions	286,102	291,484
Depreciation	1,062,832	985,328
Loss on sale of tangible fixed assets	6,787	7,701
Decrease in stocks	725,481	1,095,754
(Increase)/decrease in debtors	(1,247,114)	2,308,040
Increase/(decrease) in creditors	134,489	(1,545,360)
Cash generated by operations	<u>2,907,792</u>	<u>5,446,226</u>

### 25. Royalty commitments

Print and copyright royalty advance payment commitments exist amounting to £4,063,500 (2016: £6,610,849). The commitments to make payments included in this sum expire as follows:

	2017 £	2016 £
In one year or less	1,165,500	2,010,585
Between two and within five years	2,898,000	4,600,264
	<u>4,063,500</u>	<u>6,610,849</u>

### 26. Operating lease commitments

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

	Land and buildings		Other	
	2017 £	2016 £	2017 £	2016 £
In one year or less	425,706	497,646	111,395	113,530
Between one and five years	1,228,176	1,199,422	124,411	176,448
After more than five years	440,189	406,658	-	-
	<u>2,094,071</u>	<u>2,103,726</u>	<u>235,806</u>	<u>289,978</u>

### 27. Capital commitments

At 31 December 2017 the Group had no capital commitments (2016: £nil).

### 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 Music Sales Group companies' unpaid debts in this connection.

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

# Music Sales Group Limited

## Notes to the financial statements Year ended 31 December 2017

### 29. Related party transactions

Music Sales Group Limited has taken advantage of the exemption within Financial Reporting Standard 102 Section 33 'Related party disclosures' with respect to the disclosure of transactions in the year with related parties which are part of the Music Sales Group. Any transactions with other wholly-owned subsidiaries within Music Sales Group, previously outside of the Group and disclosed as prior year comparatives, have not been reported for the current financial year.

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

	Category	2017 £	2016 £
<b>Amounts owed to related party undertakings:</b>			
Glad Music Limited	^	97,629	154,412
Twangy Music Limited	^	23,411	50,678
Veronica Music Limited	^	86,115	181,423
Moving Image Music Limited	^	112,581	126,816
Sabre Music Limited	^	12,457	47,049
Ixion Publishing Limited	^	8,093	118,865
Madena Publishing Limited	^	10,218	16,462
Whitman Music Limited	^	4	1,092
Connelly-Basart Muziekuitgeverij	^	198,868	198,868
Hal Leonard Europe Limited	^	595,870	384,992
Wise Investments	#	-	21
Music Sales Digital Limited	#	1	1
Music Sales Corporation	#	127,835	409,143
Music Sales Digital Services LLP	#	-	967,991
G. Schirmer Inc.	#	23,352	5,857
Chester NY	#	12,006	12,006
Rising Software Pty	#	843	843
Editions Musicales Francaises	#	2,624	25,472
Jersey Trust Company	‘	152,639	148,644
		<u>1,464,546</u>	<u>2,850,635</u>
<b>Loan notes owed to related parties</b>			
Mr R Wise	“	85,000	85,000
Mrs M Wise	‘	80,000	80,000
Mrs P Rockberger	‘	12,000	12,000
Mrs D Kemp	‘	6,000	6,000
		<u>183,000</u>	<u>183,000</u>
<b>Amounts owed after more than one year:</b>			
Mr R Wise	“	432,943	767,779
Music Sales Corporation	#	414,238	562,913
		<u>847,181</u>	<u>1,330,692</u>

# Music Sales Group Limited

## Notes to the financial statements Year ended 31 December 2017

### 29. Related party transactions (continued)

Amounts owed by related party undertakings:	Category	2017 £	2016 £
Glad Music Limited	^	192	62,680
Twangy Music Limited	^	102	29,310
Veronica Music Limited	^	93	98,039
Hao Hao Music Sales Limited	^	844,764	927,270
Moving Image Music Limited	^	16,338	62,066
Sabre Music Limited	^	-	37,150
Ixion Publishing Limited	^	-	110,818
Madena Publishing Limited	^	108	5,558
Whitman Music Limited	^	2,322	3,180
Music Sales Corporation	#	174,873	1,178,005
Music Sales Digital Services LLP	#	2,265	2,589
G Schirmer Inc	#	4,143	1,431
Focus on Sound Limited	#	484	6,439
O'Music Limited	#	769	3,103
Music Sales (Pty) Limited	#	877,059	606,150
Reba	'	20,642	20,642
Wise Enterprises Espana SL	'	11,984	11,984
BW Investments Limited	#	38,466	31,345
Wise Investments SARL	#	150,429	36,482
Wise I Trust	#	20,464	16,755
Wise II Trust	#	44,440	40,948
Wise IV Trust	#	41,166	37,823
Newman Street Investments Limited	#	49,648	42,927
NTM Investments Limited	#	31,051	24,298
Mr R Wise	"	6,814	5,933
Editions Transatlantic	'	1,701	495
		<u>2,340,317</u>	<u>3,403,420</u>
<b>Amounts falling due after more than one year:</b>			
Wise Investments SARL	#	<u>43,787</u>	<u>43,787</u>

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

## Music Sales Group Limited

### Notes to the financial statements Year ended 31 December 2017

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

	Category	2017 £	2016 £
Details of related party transactions are given below:			
<b>Sales</b>			
Music Sales Corporation	#	499	795
Music Sales America	#	436,822	570,922
Music Sales (Pty) Limited	#	228,460	198,919
<b>Distribution and administration</b>			
Hal Leonard Europe Limited	^	651,187	513,734
Music Sales Corporation	#	96,935	91,960
Music Sales (Pty) Limited	#	38,097	14,988
Focus on Sound	#	20,000	20,000
Moving Image Music Limited	#	10,621	21,500
Sabre Music Limited	^	2,500	750
Ixion Publishing Limited	^	587	-
Madena Publishing Limited	^	975	375
Whitman Music Limited	^	28	-
<b>Royalties received</b>			
Music Sales Corporation	#	369,634	360,009
G Schirmer Inc	#	1,225,453	817,050
G Schirmer Australia Pty	#	380,041	139,005
Campbell Connelly Australia	#	66,450	125,775
<b>Royalties paid</b>			
Music Sales Corporation	#	677,705	643,809
G Schirmer Inc	#	177,773	192,695
G Schirmer Australia Pty	#	319	860
Campbell Connelly Australia	#	6,484	4,403
<b>Rent payable</b>			
Wise Enterprises Espana	#	-	50,673
	Category	2017 £	2016 £
<b>Loan interest receivable</b>			
Music Sales Australia Pty	#	13,342	12,947
<b>Loan interest payable</b>			
Mr R Wise	"	9,097	16,233

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

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

# Music Sales Group Limited

## Notes to the financial statements Year ended 31 December 2017

### 29. Related party transactions (continued)

#### Transactions with directors

A Group company rents an apartment in New York from Mrs M B Wise at an annual rent of \$82,400 (2016: \$82,400).

An unsecured loan of £4,000,000 was made by Mr R Wise, to a subsidiary of the Group on 7 April 2010. The loan bears interest at LIBOR plus 150 basis points which is payable quarterly in arrears. None of this interest has been written off. The maximum amount outstanding during the year was £764,353 and the loan balance, which was £432,943 at 31 December 2017 (2016: £767,779), is repayable in September 2019.

### 30. Ultimate controlling party

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

### 31. Sale of Printed Music Business

On 1 April 2018 The Music Sales Group sold the substantial majority of the Printed Music assets to the Hal Leonard Corporation for a cash purchase. Details of the impact of those assets within these accounts are given below:

	2017 £	2016 £
Turnover	34,353,865	34,619,989
Gross profit	14,568,538	14,624,634
Operating profit	<u>3,647,002</u>	<u>4,043,983</u>

On 1 August 2018 The Music Sales Group also sold J Woods Limited to Mr C Butler, a director, for cash at arms length. The details of the impact of these transactions are below:

	2017 £	2016 £
Turnover	1,579,882	1,605,309
Gross profit	717,164	688,873
Operating profit	<u>142,745</u>	<u>63,994</u>