

Company Registration No. 00884449

Wise Music Group Limited

Annual Report and Financial Statements

For the year ended 31 December 2020

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Wise Music Group Limited

Annual report and financial statements 2020

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Wise Music Group Limited

Annual report and financial statements 2020

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 (resigned 31 December 2020)
D Holley
I N Gilroy
C Duvivier
J A B Smith
J Castaldo (appointed 13 October 2020)

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 2020

The directors present their strategic report for the year ended 31 December 2020.

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, impairment charges, 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 £26,368,501 (2019: £30,863,216), Group loss for the financial year was £7,998,848 (2019: £2,242,416) and headline EBITDA was £3,162,908 (2019: £1,864,580).

The balance sheet on page 13 shows that the shareholders’ funds at 31 December 2020 are £47,084,290 (2019: £53,939,164). The Group’s cash level at 31 December 2020 was £17,597,361 (2019: £22,232,109).

The year under review has seen decline in the Music Publishing businesses, with sales down £4,774,429 to £23,341,205. There has been continued growth in the Digital Education business where turnover was up £301,412 at £2,276,857.

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 2020

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 £3,825,064. 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 22.

Going concern

The Group made a loss in the year of £7,998,848, but the level of underlying business is satisfactory with the Group generating Headline EBITDA of £3,162,908 in the year. The Group retains a strong balance sheet position with net assets of £47,447,590 and a positive cash balance of £17,597,361 as at 31 December 2020.

Due to the COVID-19 pandemic the economic environment for 2020 has been challenging and the Directors believe that it will remain so for 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 ongoing 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 a reduction in sales of 9% in 2021. Recovery is expected in 2022 with sales forecast to grow 11% and a full recovery by 2023.

Actual trading in 2021 has been positive with sales exceeding forecast by 7%, significant cost savings being achieved and EBITDA exceeding forecast by 30%. 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.

£9,661,400 of bank borrowing at 31 December 2020, which would have fallen due in the forecast period, have been successfully renegotiated for a further four years. The loans are secured on the assets of the UK companies including Copyrights and Property.

Wise Music Group Limited

Strategic report (continued) Year ended 31 December 2020

Going concern (continued)

The cashflow to debt servicing covenant calculations relating to £15,661,400 of bank borrowing contain a number of adjustments to the cashflow number as a result of a verbal agreement with the bank that has been in place for a number of years, these adjustments are not in accordance with the written bank facility agreement but the bank has visibility of them. If these adjustments are removed then this shows that there has been a breach at a number of measurement dates in 2020 and for a number of measurement points in the going concern forecast period and no formal waiver has been obtained from the bank. In the circumstances that the breach could not 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 significant 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 forthcoming, 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

Attention continues to be focused on developing the Music Publishing side of the business. The Directors continue to seek investment opportunities into growing 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 £3,162,908 in the year (2019: £1,864,580).

This report was approved by the Board of Directors on 16/6/2022 and signed on behalf of the Board



J A B Smith
Chief Financial Officer

Wise Music Group Limited

Directors' report Year ended 31 December 2020

The directors present their annual report on the affairs of the Group and the audited financial statements for the year ended 31 December 2020.

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 (resigned 31 December 2020)
D Holley
I N Gilroy
C Duvivier
J A B Smith
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

In December 2021, £9,661,400 of bank borrowing at 31 December 2020 was successfully renegotiated for a further four years. The loans are secured on the assets of the UK companies including Copyrights and Property.

Dividends

The directors recommend a dividend of £nil for 2020 (2019: £nil).

Charitable donations

Donations to charitable organisations amounted to £105,000 (2019: £100,000).

Wise Music Group Limited

Directors' report (continued) Year ended 31 December 2020

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

16/6/2022

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, 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 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 2020, 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 2020 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 has breached a bank covenant in 2020 and are anticipating further breaches of the same bank covenant at various points in the going concern forecast period. 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.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

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.

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

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, 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

- We obtained an understanding of the legal and regulatory frameworks applicable to the Group and parent Company and industry in which it operates through our general commercial and sector experience, discussions with management and review of board minutes. We determined that the following laws and regulations were most significant: FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Companies Act 2006 and the relevant tax compliance regulations in the UK. In addition, we concluded that there are certain laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements such as health and safety and employee matters.
- We enquired of management concerning the Group and the parent Company's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and those charged with governance, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Group and the parent Company's financial statements to material misstatement, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the engagement team included:
 - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - challenge assumptions and judgements made by management in its significant accounting estimates; and
 - identifying and testing journal entries, in particular journal entries posted with unusual account combinations that increased revenues or that reduced costs in the profit and loss account; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The assessment of the appropriateness of the collective competence and capabilities of the engagement team including consideration of the engagement team's:
 - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the client operates; and
 - understanding of the legal and regulatory requirements specific to the entity including, the provisions of the applicable legislation and the applicable statutory provision.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

16/6/2022

Wise Music Group Limited

Consolidated profit and loss account For the year ended 31 December 2020

	Notes	2020 £	Restated 2019 £
Turnover			
Group and share of joint venture	3	26,770,306	31,282,606
Less: share of joint venture turnover	16	(401,805)	(419,390)
		<hr/>	<hr/>
		26,368,501	30,863,216
Cost of sales		(11,167,479)	(13,340,332)
		<hr/>	<hr/>
Gross profit		15,201,022	17,522,884
Distribution costs		(5,899)	(5,737)
Administrative expenses		(23,915,191)	(22,542,658)
Other operating income	4	1,665,313	2,157,576
Net (loss)/gain/ on investment property	14	(299,648)	1,959,732
		<hr/>	<hr/>
Operating loss	6	(7,354,403)	(908,203)
Share of profit in joint venture	16	68,189	75,116
		<hr/>	<hr/>
Loss before finance charges		(7,286,214)	(833,087)
Interest receivable and similar income	7	78,957	253,549
Interest payable and similar expenses	8	(846,732)	(1,070,208)
		<hr/>	<hr/>
Loss before tax		(8,053,989)	(1,649,746)
Tax on loss	9	249,611	(478,887)
		<hr/>	<hr/>
Loss after tax		(7,804,378)	(2,128,633)
Equity minority interests		(194,470)	(113,783)
		<hr/>	<hr/>
Loss for the financial year		(7,998,848)	(2,242,416)
		<hr/>	<hr/>

	Notes	2020 £	Restated 2019 £
Loss before finance charges analysed as:			
Headline EBITDA		3,162,908	1,864,580
Depreciation of fixed assets	13	(414,284)	(516,441)
Amortisation of intangible assets	12	(4,380,776)	(4,140,958)
Fair value (loss)/gain on investment property		(299,648)	1,959,732
Impairment of amounts owed by related undertakings		(821,613)	-
Impairment of goodwill	12	(3,340,695)	-
Impairment of copyrights	12	(1,147,705)	-
Impairment of copyright advances		(44,401)	-
		<hr/>	<hr/>
Loss before finance charges		(7,286,214)	(833,087)
		<hr/>	<hr/>

The results for 2020 all relate to continuing operations.

The notes on pages 18 to 53 form part of these financial statements.

Wise Music Group Limited

Consolidated statement of comprehensive income For the year ended 31 December 2020

	2020 £	Restated 2019 £
Loss for the financial year	(7,998,848)	(2,242,416)
Currency translation differences	1,143,974	(1,804,214)
Total comprehensive expense for the financial year	(6,854,874)	(4,046,630)

The notes on pages 18 to 53 form part of these financial statements.

Wise Music Group Limited

Consolidated balance sheet At 31 December 2020

	Notes	2020 £	Restated 2019 £
Fixed assets			
Intangible assets	12	38,501,572	42,151,709
Tangible assets	13	12,003,239	10,002,162
Investment properties	14	22,262,216	22,561,864
Joint venture	16	867,492	843,776
Other investments	16	167,142	167,792
		<u>73,801,661</u>	<u>75,727,303</u>
Current assets			
Stocks	18	481,557	412,154
Debtors:			
Due within one year	19	15,748,118	15,954,807
Due after more than one year	19	205,885	205,037
Cash at bank and in hand		17,597,361	22,232,109
		<u>34,032,921</u>	<u>38,804,107</u>
Creditors: amounts falling due within one year	20	<u>(42,428,625)</u>	<u>(45,519,408)</u>
Net current (liabilities)/assets		<u>(8,395,704)</u>	<u>(6,715,301)</u>
Total assets less current liabilities		65,405,957	69,012,002
Creditors: amounts falling due after more than one year	21	(11,604,352)	(8,419,123)
Provision for liabilities	23	(6,354,015)	(6,484,901)
Net assets		<u>47,447,590</u>	<u>54,107,978</u>
Capital and reserves			
Called-up share capital	27	109,983	109,983
Merger relief reserve	27	27,067,517	27,067,517
Share capital redemption reserve	27	12,500	12,500
Other reserves	27	19,000	19,000
Profit and loss account	27	19,875,290	26,730,164
Shareholders' funds		<u>47,084,290</u>	<u>53,939,164</u>
Non-controlling interest		<u>363,300</u>	<u>168,814</u>
Total capital employed		<u>47,447,590</u>	<u>54,107,978</u>

The financial statements of Wise Music Group Limited (registered number 00884449) were approved by the Board of Directors and authorised for issue on 16/6/2022

Signed on behalf of the Board of Directors



J A B Smith
Chief Financial Officer

The notes on pages 18 to 53 form part of these financial statements.

Wise Music Group Limited

Company balance sheet At 31 December 2020

	Notes	2020 £	Restated 2019 £
Fixed assets			
Intangible assets	12	699,513	44,874
Tangible assets	13	166,480	126,188
Investments	16	14,091,013	14,091,013
		<u>14,957,006</u>	<u>14,262,075</u>
Current assets			
Debtors (due within one year)	19	10,230,942	13,927,167
Cash at bank and in hand		1,409,252	1,533
		<u>11,640,194</u>	<u>13,928,700</u>
Creditors: amounts falling due within one year	20	<u>(11,578,326)</u>	<u>(10,937,523)</u>
Net current assets		<u>61,868</u>	<u>2,991,177</u>
Total assets less current liabilities		<u>15,018,874</u>	<u>17,253,252</u>
Creditors: amounts falling due after more than one year	21	<u>(9,971,810)</u>	<u>(9,971,810)</u>
Net assets		<u>5,047,064</u>	<u>7,281,442</u>
Capital and reserves			
Called-up share capital	27	109,983	109,983
Capital redemption reserve	27	12,500	12,500
Profit and loss account	27	4,924,581	7,158,959
Shareholders' funds		<u>5,047,064</u>	<u>7,281,442</u>

The loss for the year dealt within the financial statements of the parent company was £2,234,378 (2019: £3,121,001).

The financial statements of Wise Music Group Limited (registered number 00884449) were approved by the Board of Directors and authorised for issue on 16/6/2022

Signed on behalf of the Board of Directors



J A B Smith
Chief Financial Officer

The notes on pages 18 to 53 form part of these financial statements.

Wise Music Group Limited

Consolidated statement of changes in equity Year ended 31 December 2020

	Called-up share capital	Share premium account	Merger relief reserve	Capital redemption reserve	Other reserves	Profit and loss account	Total	Non- controlling interest	Restated Total
	£	£	£	£	£	£	£	£	£
At 1 January 2019	109,983	27,067,517	-	12,500	(139,314)	23,398,578	50,449,264	55,048	50,504,312
Restatement	-	(27,067,517)	27,067,517	-	158,314	12,378,216	12,536,530	-	12,536,530
At 1 January 2019	<u>109,983</u>	<u>-</u>	<u>27,067,517</u>	<u>12,500</u>	<u>19,000</u>	<u>35,776,794</u>	<u>62,985,794</u>	<u>55,048</u>	<u>63,040,842</u>
Loss for the financial year	-	-	-	-	-	(2,242,416)	(2,242,416)	113,783	(2,128,633)
Currency translation differences	-	-	-	-	-	(1,804,214)	(1,804,214)	(17)	(1,804,231)
Total comprehensive income	-	-	-	-	-	(4,046,630)	(4,046,630)	113,766	(3,932,864)
Dividends paid	-	-	-	-	-	(5,000,000)	(5,000,000)	-	(5,000,000)
At 31 December 2019	<u>109,983</u>	<u>-</u>	<u>27,067,517</u>	<u>12,500</u>	<u>19,000</u>	<u>26,730,164</u>	<u>53,939,164</u>	<u>168,814</u>	<u>54,107,978</u>
Loss for the financial year	-	-	-	-	-	(7,998,848)	(7,998,848)	194,470	(7,804,378)
Currency translation differences	-	-	-	-	-	1,143,974	1,143,974	16	1,143,990
Total comprehensive expense	-	-	-	-	-	(6,854,874)	(6,854,874)	194,486	(6,660,388)
Dividends paid	-	-	-	-	-	-	-	-	-
At 31 December 2020	<u>109,983</u>	<u>-</u>	<u>27,067,517</u>	<u>12,500</u>	<u>19,000</u>	<u>19,875,290</u>	<u>47,084,290</u>	<u>363,300</u>	<u>47,447,590</u>

The notes on pages 18 to 53 form part of these financial statements.

Wise Music Group Limited

Company statement of changes in equity Year ended 31 December 2020

	Called-up share capital £	Share premium account £	Capital Redemption reserve £	Profit and loss account £	Restated Total £
At 1 January 2019	109,983	27,067,517	12,500	15,279,960	42,469,960
Restatement	-	(27,067,517)	-	-	(27,067,517)
At 1 January 2019	<u>109,983</u>	<u>-</u>	<u>12,500</u>	<u>15,279,960</u>	<u>15,402,443</u>
Loss for the financial year	-	-	-	(3,121,001)	(3,121,001)
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,121,001)</u>	<u>(3,121,001)</u>
Dividends paid	-	-	-	(5,000,000)	(5,000,000)
At 31 December 2019	<u>109,983</u>	<u>-</u>	<u>12,500</u>	<u>7,158,959</u>	<u>7,281,442</u>
Loss for the financial year	-	-	-	(2,234,378)	(2,234,378)
Total comprehensive expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,234,378)</u>	<u>(2,234,378)</u>
At 31 December 2020	<u>109,983</u>	<u>-</u>	<u>12,500</u>	<u>4,924,581</u>	<u>5,047,064</u>

The notes on pages 18 to 53 form part of these financial statements.

Wise Music Group Limited

Consolidated cash flow statement Year ended 31 December 2020

	Notes	2020 £	Restated 2019 £
Net cash (outflow)/inflow from operating activities	28	(1,022,872)	3,866,907
Cash flows from investing activities			
Proceeds from disposal of tangible fixed assets		-	3,715
Purchase of tangible fixed assets		(2,327,904)	(1,333,810)
Purchase of intangible fixed assets		(3,300,772)	(1,480,849)
Interest received		77,065	346,953
Acquisition of subsidiary (net of cash acquired)		(515,540)	-
Net cash flows (used in)/from investing activities		(6,067,151)	(2,463,991)
Cash flows from financing activities			
Interest paid		(846,732)	(1,070,208)
Dividends received from joint ventures and associates		29,896	83,047
Share of profit/(loss) received from joint ventures		7,086	-
Repayment of borrowings		(1,368,867)	(872,512)
Bank loan/mortgage received		4,559,777	164,298
Director's loan received		343,112	3,968,881
Increase/(Decrease) in other loans		-	(15,000)
Dividends paid		-	(5,000,000)
Net cash flows used in financing activities		2,724,272	(2,741,494)
Tax paid		(268,997)	(104,713)
Net (decrease)/increase in cash and cash equivalents		(4,634,748)	(1,443,291)
Cash and cash equivalents at beginning of year		22,232,109	23,675,400
Cash and cash equivalents at end of year		17,597,361	22,232,109
Cash and cash equivalents			
Cash at bank and in hand		17,597,361	22,232,109
		17,597,361	22,232,109

The notes on pages 18 to 53 form part of these financial statements.

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

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 £7,998,848, but the level of underlying business is satisfactory with the Group generating Headline EBITDA of £3,162,908 in the year. The Group retains a strong balance sheet position with net assets of £47,447,590 and a positive cash balance of £17,597,361 as at 31 December 2020.

Due to the COVID-19 pandemic the economic environment for 2020 has been challenging and the Directors believe that it will remain so for 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 ongoing 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 a reduction in sales of 9% in 2021. Recovery is expected in 2022 with sales forecast to grow 11% and a full recovery by 2023.

Actual trading in 2021 has been positive with sales exceeding forecast by 7%, significant cost savings being achieved and EBITDA exceeding forecast by 30%. 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 2020

1. Accounting policies (continued)

Going concern (continued)

£9,661,400 of bank borrowing at 31 December 2020, which would have fallen due in the forecast period, have been successfully renegotiated for a further four years. The loans are secured on the assets of the UK companies including Copyrights and Property.

The cashflow to debt servicing covenant calculations relating to £15,661,400 of bank borrowing contain a number of adjustments to the cashflow number as a result of a verbal agreement with the bank that has been in place for a number of years, these adjustments are not in accordance with the written bank facility agreement but the bank has visibility of them. If these adjustments are removed then this shows that there has been a breach at a number of measurement dates in 2020 and for a number of measurement points in the going concern forecast period and no formal waiver has been obtained from the bank. In the circumstances that the breach could not 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 significant 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 forthcoming, 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 can be 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.

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

1. Accounting policies (continued)

Intangible fixed assets (continued)

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

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

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

Tangible fixed assets

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

Freehold buildings	50 years
Freehold improvements	10 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.

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.

Investment property

Investment properties are carried at fair value. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost expenditures which are capitalised as and when activities that are necessary to get the investment properties ready for use for the purpose they are intended. The carrying amount excludes the costs of day-to-day servicing of investment properties. Subsequent to initial recognition, investment properties are stated at fair value which reflects market conditions at the reporting date.

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as discounted cash flow projections. Valuations are performed by independent professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements. The fair value of investment properties reflect, among other things, income from similar assets at their current highest and best use and assumptions about income from future operations in the light of current market conditions. Gains or losses arising from changes in the fair values of investment properties are included in the Consolidated Profit and Loss Account in the year they arise. Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised within the Consolidated Profit and Loss Account in the period of derecognition.

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.

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

1. Accounting policies (continued)

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

Impairment of non-financial assets (continued)

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.

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.

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

1. Accounting policies (continued)

Financial instruments (continued)

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 transactions) 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.

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.

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

1. Accounting policies (continued)

Financial instruments (continued)

(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.

Writers' advances

The company pays advances to its writers which are recoverable from their future royalty earnings. All advance payments are capitalised and reviewed on a regular basis as to their recoverability.

Provisions

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated profit and loss account in the year that the Group become aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

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.

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

1. Accounting policies (continued)

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.

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.

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

2. Critical accounting judgements and key sources of estimating uncertainty (continued)

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 – valuation of investment property

Investment property is stated at fair value based on the valuation performed by an independent professional valuer Eddisons, Chartered Surveyors with recent experience in the location and category of property valued. The valuer used observable market prices adjusted as necessary for any difference in the future, location or condition of the specific asset. However, the Covid-19 pandemic has caused significant disruption and uncertainty in the property market which has inevitably increased the degree of judgement involved in the property valuation at 31 December 2020.

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 2020 was £44k (2019: £24k); refer to note 6.

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

3. Turnover

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.

Turnover by class of business	2020 £	Restated 2019 £
Printed Music	1,152,244	1,191,527
Music Publishing – including joint ventures	23,341,205	28,115,634
Digital Education	2,276,857	1,975,445
	<u>26,770,306</u>	<u>31,282,606</u>

Turnover by geographical market	2020 £	2019 £
United Kingdom	2,949,026	2,978,045
Other European Countries	70,962	35,724
USA and Canada	390,317	125,097
Australia and New Zealand	15,222	20,421
Share of joint venture turnover	401,805	419,390
Music publishing – where geographical analysis is not meaningful	22,942,974	27,703,929
	<u>26,770,306</u>	<u>31,282,606</u>

An analysis of the Group's turnover is as follows:	2020 £	2019 £
Sale of goods	3,395,084	3,111,311
Royalties	23,375,222	28,171,295
	<u>26,770,306</u>	<u>31,282,606</u>

4. Other operating income

An analysis of the Group's other operating income is as follows:	2020 £	2019 £
Rent received	1,336,088	974,183
Furlough income	137,556	-
Administration fees	104,488	291,519
Other	87,181	53,523
Recharges from related undertakings	-	838,351
	<u>1,665,313</u>	<u>2,157,576</u>

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

5. Information regarding directors and employees

	2020 £	2019 £
Directors' emoluments		
Emoluments receivable	2,035,379	2,173,234
Group contributions to money purchase schemes	95,285	79,634
	<u>2,130,664</u>	<u>2,252,868</u>

The number of directors who accrued benefits under Company pension schemes was as follows:	No.	No.
---	------------	------------

Money purchase schemes	<u>3</u>	<u>3</u>
------------------------	----------	----------

Emoluments of highest paid director:	£	£
Emoluments	384,666	384,372
Company pension contributions to money purchase schemes	-	-
	<u>384,666</u>	<u>384,372</u>

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

	No.	No.
Selling/distribution	15	15
Administrative	104	107
	<u>119</u>	<u>122</u>

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

	No.	No.
Administrative	<u>62</u>	<u>66</u>

All staff costs are incurred by Group companies.

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

5. Information regarding directors and employees (continued)

	2020 £	2019 £
The aggregate payroll costs (including directors) were:		
Wages and salaries	7,614,010	8,340,996
Social security costs	1,211,550	1,356,441
Other pension costs	446,829	466,413
	<u>9,272,389</u>	<u>10,163,850</u>

6. Operating loss

	2020 £	Restated 2019 £
The operating loss is after charging:		
Depreciation of fixed assets	414,284	516,441
Loss on disposal of fixed assets	1	6,937
Amortisation of intangible assets	4,380,776	4,140,958
Impairment of goodwill	3,340,695	-
Impairment of copyrights	1,147,705	-
Impairment of copyright advances	44,401	24,169
Impairment of stock recognised as an expense	85,589	172,018
Foreign exchange gains	(414,634)	313,878
<u>Operating lease rentals:</u>		
Land and buildings	219,441	230,481
Plant and machinery	26,684	12,281

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

	2020 £	2019 £
Fees payable to the Group's auditor for the audit of the Group's annual accounts	120,000	60,000
Audit of the company's subsidiaries	173,750	75,000
Fees payable to the Group's auditor in respect of:		
Tax compliance services	45,000	45,000
Tax advisory services	23,270	23,440
Total auditor's remuneration	<u>362,020</u>	<u>203,440</u>

No services were provided pursuant to contingent fee arrangements (2019: none).

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

7. Interest receivable and similar income

	2020 £	2019 £
Bank interest receivable	36,805	168,176
Interest receivable from related parties	15,001	14,459
Gain on future value of interest rate swaps	27,151	70,914
	<u>78,957</u>	<u>253,549</u>

8. Interest payable and similar expenses

	2020 £	2019 £
Bank interest	820,210	1,042,328
Loan note interest	18,400	18,772
Interest payable to related parties	8,122	9,108
	<u>846,732</u>	<u>1,070,208</u>

9. Tax on loss

	2020 £	Restated 2019 £
Current tax on loss		
UK corporation tax	71,136	44,986
Double tax relief	(65,664)	(40,066)
	<u>5,472</u>	<u>4,920</u>
Foreign tax	248,517	161,297
	<u>253,989</u>	<u>166,217</u>
Adjustments in respect of prior periods		
UK corporation tax	(251,236)	592,336
Total current tax	<u>2,753</u>	<u>758,553</u>
Deferred tax		
Origination and reversal of timing differences	(230,988)	(178,088)
Adjustment in respect of prior periods	(21,266)	(45,835)
Effect of tax rate change on opening balance	(110)	(55,743)
Total deferred tax	<u>(252,364)</u>	<u>(279,666)</u>
Total tax on loss	<u>(249,611)</u>	<u>478,887</u>

The standard rate of tax applied to reported profit is 19 per cent (2019: 19 per cent).

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

9. Tax on loss (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:

	2020 £	Restated 2019 £
Group loss before tax	<u>(8,053,989)</u>	<u>(1,649,746)</u>
Tax on Group (loss)/profit at standard UK corporation tax rate of 19 per cent (2019: 19 per cent)	(1,530,258)	(313,452)
Effects of:		
Expenses not deductible for tax purposes	817,868	449,124
Income not taxable in determining taxable profit	191,704	(958,820)
Other permanent differences	(45)	-
Fixed asset differences	803,481	570,822
Other timing differences	(46,212)	(118,474)
Utilisation of tax losses not previously recognised	(32,775)	(42,638)
Change in unrecognised deferred tax assets	(232,115)	43,246
Higher tax rates on overseas earnings	(42,193)	302,578
Deferred tax not recognised	93,546	-
Adjustments to tax charge in respect of previous periods	<u>(272,612)</u>	<u>546,501</u>
Group total tax charge for year	<u>(249,611)</u>	<u>478,887</u>

Factors that may affect future tax charges

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. At the balance sheet date, the proposal to increase the rate to 25% had not been substantively enacted. Substantive enactment occurred on 24 May 2021, therefore its effects are not included in these financial statements.

10. 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.

11. Dividends on equity shares

A dividend of £nil was declared and paid during the year (2019: £5,000,000).

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

12. Intangible assets

Group	Goodwill £	Copyrights £	Software & Software development £	Restated Total £
Cost				
At 1 January 2020	28,156,350	52,359,501	5,835,478	86,351,329
Additions	-	1,776,860	1,211,411	2,988,271
On acquisition	134,074	478,837	-	612,911
Exchange movement	1,111,284	1,655,782	-	2,767,066
At 31 December 2020	29,401,708	56,270,980	7,046,889	92,719,577
Amortisation				
At 1 January 2020	11,397,405	28,057,234	4,744,981	44,199,620
Charge for the year	1,610,639	2,208,342	561,795	4,380,776
Impairment charge	3,340,695	1,147,705	-	4,488,400
Exchange movement	360,319	788,890	-	1,149,209
At 31 December 2020	16,709,058	32,202,171	5,306,776	54,218,005
Net book value				
At 31 December 2020	12,692,650	24,068,809	1,740,113	38,501,572
At 31 December 2019	16,758,945	24,302,267	1,090,497	42,151,709

Included within Software & Software development is Construction in progress of £576,756 (2019: £281,500).

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

12. Intangible assets (continued)

Company	Copyrights £	Software & Software development £	Total £
Cost			
At 1 January 2020	-	262,525	262,525
Additions	481,653	80,515	562,168
Transfers from subsidiary	107,861	-	107,861
	<hr/>	<hr/>	<hr/>
At 31 December 2020	589,514	343,040	932,554
	<hr/>	<hr/>	<hr/>
Amortisation			
At 1 January 2020	-	217,651	217,651
Charge for the year	-	15,390	15,390
	<hr/>	<hr/>	<hr/>
At 31 December 2020	-	233,041	233,041
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2020	589,514	109,999	699,513
	<hr/>	<hr/>	<hr/>
At 31 December 2019	-	44,874	44,874
	<hr/>	<hr/>	<hr/>

Included within Software & Software development is Construction in progress of £80,515 (2019: £nil).

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

13. Tangible assets

Group

	Freehold land and buildings £	Leasehold improve- ments £	Office equipment, fixtures and fittings £	Motor vehicles £	Restated Total £
Cost					
At 1 January 2020	13,890,928	166,649	4,738,642	24,749	18,820,968
Additions	1,731,797	-	606,054	-	2,337,851
Disposals	-	-	(59,986)	-	(59,986)
Exchange movement	147,021	3,358	71,978	1,612	223,969
At 31 December 2020	15,769,746	170,007	5,356,688	26,361	21,322,802
Depreciation					
At 1 January 2020	4,484,354	156,636	4,175,753	2,063	8,818,806
Charge for the year	180,177	2,043	226,903	5,161	414,284
Disposals	-	-	(59,985)	-	(59,985)
Exchange movement	90,544	3,252	52,417	245	146,458
At 31 December 2020	4,755,075	161,931	4,395,088	7,469	9,319,563
Net book value					
At 31 December 2020	11,014,671	8,076	961,600	18,892	12,003,239
At 31 December 2019	9,406,574	10,013	562,889	22,686	10,002,162

Included within Freehold land and buildings is Construction in progress of £2,300,564 (2019: £889,237).

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

13. Tangible assets (continued)

Company	Leasehold improvements £	Office equipment, fixtures and fittings £	Total £
Cost			
At 1 January 2020	79,234	2,469,391	2,548,625
Additions	-	144,946	144,946
At 31 December 2020	79,234	2,614,337	2,693,571
Depreciation			
At 1 January 2020	70,975	2,351,462	2,422,437
Charge for the year	2,043	102,611	104,654
At 31 December 2020	73,018	2,454,073	2,527,091
Net book value			
At 31 December 2020	6,216	160,264	166,480
At 31 December 2019	8,259	117,929	126,188

14. Investment properties

Group	Total £
Valuation	
At 1 January 2020 (as Restated)	22,561,864
Fair value loss	(299,648)
At 31 December 2020	22,262,216

The Group has property assets with a carrying value of £16,810,618 which are pledged as security for liabilities.

A deferred tax provision has been made in respect of the estimated corporation tax that would be payable on disposal of properties at a surplus.

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

15. Property leased under contract

As set out in note 4, property rental income earned during the year was £1,336,088 (2019: £974,183). No contingent rents have been recognised as income in the current year or prior year. At 31 December 2020 the group had contracted with tenants for the following future minimum lease payments:

	2020 £	2019 £
Within one year	1,069,789	1,149,044
2-5 years inclusive	2,319,815	2,662,878
After 5 years	1,899,583	2,384,583
Total	<u>5,289,187</u>	<u>6,196,505</u>

16. Investments held as fixed assets

Group	Unlisted total £
Cost	
At January 2020	212,962
Additions	-
Exchange movement	(650)
At 31 December 2020	<u>212,312</u>
Provisions for impairment	
At 1 January 2020 and 31 December 2020	<u>45,170</u>
Net book value	
At 31 December 2020	<u>167,142</u>
At 31 December 2019	<u>167,792</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:

	2020 £	2019 £
Turnover	401,805	419,390
Profit for the period	136,379	150,231
Group share of profit for the period	<u>68,189</u>	<u>75,116</u>
Gross assets	1,620,504	1,621,538
Gross liabilities	<u>(753,012)</u>	<u>(777,762)</u>
Net assets (represented by investment in joint venture)	<u>867,492</u>	<u>843,776</u>

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

16. Investments held as fixed assets (continued)

Company	Restated Shares in Group undertakings £
Cost and net book value	
At January 2020	14,091,013
Disposals	-
At 31 December 2020	<u>14,091,013</u>

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
Subsidiaries:					
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	Bornholmsgade 1 A DK -1266, Copenhagen, Denmark	Ordinary	-	100	Music publishing
Storyville Records ApS	Esplanaden 8D DK - 1263 Denmark	Ordinary	-	100	Music publishing
Edition Wilhelm Hansen OY S/F	Merikasarminkatu 2 B 40, 00160 Helsinki Finland	Ordinary	-	100	Music publishing
Edition Wilhelm Hansen GmbH	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

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

16. 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
Bosworth Music GmbH	Dorotheenstr.3 10117 Berlin Germany	Ordinary	-	100	Music publishing
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
Wise Music Italia Srl	Via Visconti di Modrone 2 20122 Milan Italy	Ordinary	-	100	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
All You Need Is Songs	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 2020

16. Investments held as fixed assets (continued)

	Country of incorporation or registration	Class of capital held	Proportion held by holding company %	Proportion held by subsidiary undertaking %	Nature of business
Joint ventures:					
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 nd Floor, Town Centre-11 Andheri Kurla Road, Mumbai MH400059 India	Ordinary	-	50	Music and book publishing
Dormant entities:					
Bobcat Books Limited	United Kingdom	Ordinary	-	100	Dormant
Book Sales Limited	United Kingdom	Ordinary	-	100	Dormant
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 2020

16. Investments held as fixed assets (continued)

	Country of incorporation or registration	Class of capital held	Proportion held by holding company %	Proportion held by subsidiary undertaking %	Nature of business
Dormant entities (continued):					
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 2020:

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 2020

17. Acquisition of subsidiary undertakings

On 1 July 2020, the Group acquired 100 per cent of the share capital of All You Need Is Songs for a purchase consideration of £544,498 paid in cash.

	Book value £	Fair value adjustment £	Fair value to Group £
Fixed Assets			
Intangible assets	-	478,837	478,837
Tangible assets	10,031	-	10,031
	<u>10,031</u>	<u>478,837</u>	<u>488,868</u>
Debtors	86,933	-	86,933
Cash at bank and in hand	<u>28,647</u>	<u>-</u>	<u>28,647</u>
	125,611	478,837	604,448
Creditors	(59,950)	-	(59,950)
Deferred tax liability	<u>-</u>	<u>(134,074)</u>	<u>(134,074)</u>
Total identifiable net assets	65,661	344,763	410,424
Goodwill			<u>134,074</u>
Total consideration			<u><u>544,498</u></u>
Satisfied by			
Cash			<u><u>544,498</u></u>

The contribution by the acquired business for the reporting period since acquisition:

	2020 £
Turnover	74,689
Profit/(loss)	<u><u>(14,510)</u></u>

Upon acquisition, the business had net assets with a fair value of £65,661. Intangible assets relating to the acquired business copyrights were identified and their fair value was measured at £478,837. A deferred tax liability has been recognised on the intangible assets which has been added to goodwill. The copyrights have been attributed a useful life of 20 years.

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

18. Stocks

Group	2020 £	2019 £
Raw materials and consumables	-	1,304
Work in progress	85,316	92,767
Finished goods and goods for resale	396,241	318,083
	<u>481,557</u>	<u>412,154</u>

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

19. Debtors

Group	2020 £	Restated 2019 £
Amounts falling due within one year		
Trade debtors	2,761,414	4,118,660
Capitalised advances	7,103,270	3,004,607
Other debtors	966,211	2,827,689
Prepayments and accrued income	2,197,217	1,304,458
Amounts owed by related undertakings (note 34)	2,506,846	4,386,342
Deferred taxation (note 25)	77,448	173,230
Corporation tax	135,712	139,821
	<u>15,748,118</u>	<u>15,954,807</u>

Trade debtors and capital advances are stated after a provision of £2,709,720 (2019: £2,757,918). Included within capital advances to writers and publishers are certain amounts that due to their nature may not be recouped within a year. The amount cannot be estimated and therefore is included as current.

Amounts falling due after more than one year

	2020 £	2019 £
Other debtors	161,250	161,250
Amounts owed by related undertakings (note 34)	44,635	43,787
	<u>205,885</u>	<u>205,037</u>

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

19. Debtors (continued)

Company	2020 £	2019 £
Amounts falling due within one year		
Other debtors	952,357	555,756
Prepayments and accrued income	376,628	430,666
Amounts owed by group undertakings	7,674,866	10,034,684
Amounts owed by related undertakings	1,209,623	2,880,338
Deferred taxation (note 25)	17,468	25,723
	<u>10,230,942</u>	<u>13,927,167</u>

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

20. Creditors: amounts falling due within one year

Group	2020 £	Restated 2019 £
Bank loans	17,070,210	16,787,099
Loan notes to third parties	185,000	185,000
Loan notes to related parties (note 34)	183,000	183,000
Trade creditors	14,340,460	14,815,201
Amounts owed to related undertakings (note 34)	2,682,335	3,175,938
Corporation tax	163,095	429,361
Other taxation and social security	1,219,246	1,461,656
Other creditors	3,085,787	4,710,367
Accruals and deferred income	3,499,492	3,771,786
	<u>42,428,625</u>	<u>45,519,408</u>

The amount accrued in respect of payments into the UK defined contribution pension scheme totalled £37,765 (2019: £30,195).

Company	2020 £	Restated 2019 £
Trade creditors	424,402	491,634
Amounts owed to group undertakings	9,460,469	9,135,842
Amounts owed to related undertakings	1,375,090	790,979
Corporation tax	-	22,599
Other taxation and social security	112,616	61,836
Other creditors	37,890	140,739
Accruals and deferred income	167,859	293,894
	<u>11,578,326</u>	<u>10,937,523</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 2020

21. Creditors: amounts falling due after more than one year

Group	2020 £	Restated 2019 £
Bank loans	10,009,802	6,461,679
Amounts owed to related undertakings (note 34)	592,507	588,021
Derivative financial instruments with a negative fair value	979,842	1,006,836
Other creditors	632	338,988
Accruals and deferred income	21,569	23,599
	<u>11,604,352</u>	<u>8,419,123</u>
	2020 £	2019 £
Company		
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.

22. Borrowings

Group

The borrowings comprise bank loans and loan notes as follows:

Bank loan of €7,500,000 repayable in annual instalments expiring in December 2021. Interest is charged at a EUR LIBOR + 3.00%.

Bank loan of £7,200,000 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 2021. Interest is charged at a EUR LIBOR + 3.00%.

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

Bank loan of €1,000,000 repayable in annual instalments expiring in November 2025. Interest is charged 5.25%.

Bank loan of £1,300,000 repayable in quarterly instalments, expiring in July 2029. Interest is charged at LIBOR + 1.15%.

Bank loan of £2,700,000 repayable in quarterly instalments expiring in May 2029. Interest is charged at LIBOR + 1.15%.

Bank loan of £740,000 repayable in quarterly instalments expiring in May 2029. Interest is charged at LIBOR + 1.15%.

Bank loan of €720,000 repayable in annual instalments expiring in December 2024. Interest is charged at a EUR LIBOR + 3.50%.

Bank loan of €500,000 repayable in annual instalments expiring in March 2026. Interest is charged at a EUR LIBOR + 3.50%.

Bank loan of 25,000,000 kr. repayable in annual instalments expiring in March 2027. Interest is charged at 2.98%.

Bank loan of 3,500,000 kr. repayable in annual instalments expiring in April 2027. Interest is charged at 2.25%.

Six private loan notes totalling £368,000 (2019: six loan notes totalling £368,000) are repayable in full on or before 30 June 2021. 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.

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

22. Borrowings (continued)

In December 2021, £9,661,400 of bank borrowing at 31 December 2020 was successfully renegotiated for a further four years. The loans are secured on the assets of the UK companies including Copyrights and Property.

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:

	2020 £	Restated 2019 £
Bank loans and loan notes		
Within one year	17,438,210	17,155,099
After one and within two years	1,520,592	969,118
After two and within five years	4,686,675	1,995,035
After five years	3,802,535	3,497,526
	<u>27,448,012</u>	<u>23,616,778</u>

As a result of the material uncertainty relating to going concern as set out in note 1, bank loans of £5,500,000 have been reclassified to falling due within one year in the table above and in note 20.

23. Provisions for liabilities

	Deferred tax £	Litigation costs £	Restated Total £
Balance at 1 January 2020	6,484,901	-	6,484,901
Increase/(decrease) in provision	(229,658)	98,772	(130,886)
Balance at 31 December 2020	<u>6,255,243</u>	<u>98,772</u>	<u>6,354,015</u>

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

24. Financial instruments

Group	2020 £	Restated 2019 £
Financial assets		
Carrying value of financial assets:		
Financial assets measured at amortised cost	31,276,699	36,914,265
Financial liabilities		
Carrying value of financial liabilities:		
Financial liabilities measured at amortised cost	(52,988,807)	(52,502,327)
Financial liabilities at fair value through profit and loss	(979,842)	(1,006,836)

25. Deferred tax

Group	Restated £
Balance at 1 January 2020	(6,311,671)
Profit and loss account charge	230,988
On acquisition	(134,074)
Exchange movement	15,586
Adjustment in respect of prior periods	21,376
Balance at 31 December 2020	<u>(6,177,795)</u>

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

	Restated Recognised		Restated Unrecognised	
	2020 £	2019 £	2020 £	2019 £
Fixed asset timing differences	(4,267,045)	(4,384,193)	8,567	8,570
Investment property	(2,374,512)	(2,431,445)	-	-
Other timing differences	150,212	184,656	-	-
Tax losses	313,550	319,311	1,268,394	1,194,943
	<u>(6,177,795)</u>	<u>(6,311,671)</u>	<u>1,276,961</u>	<u>1,203,513</u>

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

25. Deferred tax (continued)

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 2020	25,723
Profit and loss account credit	(8,255)
Adjustment in respect of prior periods	-
Balance at 31 December 2020	<u>17,468</u>

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

	Recognised		Unrecognised	
	2020	2019	2020	2019
	£	£	£	£
Depreciation in advance of tax allowances	14,911	23,518	-	-
Other timing differences	2,557	2,205	-	-
Tax losses	-	-	1,232,989	1,146,574
	<u>17,468</u>	<u>25,723</u>	<u>1,232,989</u>	<u>1,146,574</u>

26. 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	
	2020	2019	2020	2019
	£	£	£	£
5 years or more	<u>3,825,064</u>	<u>4,149,849</u>	<u>(979,842)</u>	<u>(1,006,836)</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 £26,994 (2019: £70,914) on derivative financial liabilities measured at fair value through profit or loss were recognised in profit or loss.

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

27. Called-up share capital and reserves

	2020 £	2019 £
Authorised		
110,000 ordinary shares of £1 each	110,000	110,000
Called-up, allotted and fully paid		
109,983 ordinary shares of £1 each	109,983	109,983

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

The merger relief 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:

Statutory and legal reserves of £19k (2019: £19k)

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

28. Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	2020 £	Restated 2019 £
Operating loss	(7,354,403)	(908,203)
Adjustments for:		
Foreign exchange	311,078	(877,948)
Amortisation of intangible assets	4,380,776	4,140,958
Impairment provisions	4,488,400	-
Depreciation of tangible assets	414,284	516,441
Net (gain)/loss on investment properties	299,648	(1,959,732)
Loss on sale of tangible fixed assets	1	6,937
(Increase)/Decrease in stocks	(56,684)	57,829
Increase in debtors	1,400,685	13,148,365
Increase in creditors	(5,005,429)	(10,257,740)
Other provisions	98,772	-
Net cash generated from operating activities	(1,022,872)	3,866,907

29. Analysis of changes in net debt

	At 1 Jan 2020 £	Cash flows £	Acquired £	Fair value & exchange movements £	Non-cash changes £	At 31 Dec 2020 £
Cash at bank and in hand	22,232,109	(4,634,748)	28,647	(28,647)	-	17,597,361
Bank loans	(23,248,778)	(2,370,699)	-	(640,325)	(820,210)	(27,080,012)
Loan notes	(368,000)	18,400	-	-	(18,400)	(368,000)
Derivative financial instruments	(1,006,836)	-	-	26,994	-	(979,842)
Total	(2,391,505)	(6,987,047)	28,647	(641,978)	(838,610)	(10,830,493)

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

30. Royalty commitments

Print and copyright royalty advance payment commitments exist amounting to £22,820 (2019: £22,750). The commitments to make payments included in this sum expire as follows:

	2020 £	2019 £
In one year or less	18,820	22,750
Between one and five years	4,000	-
	<u>22,820</u>	<u>22,750</u>

31. Operating lease commitments

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

	Land and buildings		Other	
	2020 £	2019 £	2020 £	2019 £
In one year or less	53,438	167,472	26,025	33,134
Between one and five years	4,446	56,699	52,900	29,815
	<u>57,884</u>	<u>224,171</u>	<u>78,925</u>	<u>62,949</u>

32. Capital commitments

At 31 December 2020 the Group had capital commitments that are not recognised on the balance sheet, falling due as follows:

	2020 £	2019 £
In one year or less	1,312,500	1,312,500
Between one and five years	2,000,000	3,312,500
	<u>3,312,500</u>	<u>4,625,000</u>

33. 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.

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

34. 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	2020 £	Restated 2019 £
Glad Music Limited	^	139,067	127,275
Twangy Music Limited	^	33,521	29,834
Veronica Music Limited	^	64,053	107,346
Moving Image Music Limited	^	203,627	173,086
Sabre Music Limited	^	23,010	15,650
Ixon Publishing Limited	^	14,884	13,208
Madena Publishing Limited	^	9,496	9,290
Whitman Music Limited	^	4	4
Connelly-Basart Muziekuitgeverij	^	131,112	178,993
Music Sales Digital Limited	#	1	1
Music Sales Corporation	#	738,223	842,551
G. Schirmer Inc.	#	12,058	25,371
Music Sales (Pty) Limited	#	162,834	555,837
Chester NY	#	12,006	12,006
Focus on Sound Limited	#	120,438	41,185
Jersey Trust Company	'	154,943	147,751
BW Investments Limited	#	17,785	38,076
NTM Investments Limited	#	19,650	27,159
Newman Street Investments Limited	#	41,241	49,342
Wise IV Trust	#	8,817	40,515
Wise Investments SARL	#	-	145,450
Mr R Wise	"	137,175	429,623
Mrs M B Wise	"	638,390	166,385
		<u>2,682,335</u>	<u>3,175,938</u>

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

34. Related party transactions (continued)

	Category	2020 £	Restated 2019 £
Loan notes owed to related parties			
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>
Amounts owed after more than one year:			
Mr R Wise	“	29,594	25,108
Music Sales Corporation	#	562,913	562,913
		<u>592,507</u>	<u>588,021</u>
Amounts owed by related party undertakings:			
Glad Music Limited	^	15,219	15,216
Twangy Music Limited	^	1,611	1,611
Veronica Music Limited	^	22,648	21,136
Hao Hao Music Sales Limited	^	83,457	847,320
Moving Image Music Limited	^	114,793	110,788
Sabre Music Limited	^	4,396	4,396
Ixion Publishing Limited	^	4,862	4,862
Madena Publishing Limited	^	814	825
Whitman Music Limited	^	2,055	2,186
Connelly-Basart Muziekuitgeverij	^	1,190	-
Music Sales Corporation	#	347,993	1,218,516
Music Sales Digital Services LLC	#	323,424	178,357
G Schirmer Inc	#	17,564	17,564
Focus on Sound Limited	#	-	2,494
O'Music Limited	#	22,127	5,101
Music Sales (Pty) Limited	#	708,303	1,014,767
Reba	‘	20,642	20,642
Music Sales Charitable Trust	‘	2,400	-
Wise Enterprises Espana SL	‘	11,984	11,984
BW Investments Limited	#	43,221	43,221
Wise Investments SARL	#	361,206	371,107
Wise I Trust	#	36,674	29,626
Wise II Trust	#	67,294	57,519
Wise IV Trust	#	43,191	43,191
Newman Street Investments Limited	#	54,403	54,403
NTM Investments Limited	#	35,806	35,806
Mr R Wise	“	-	6,845
Mr C M Butler	“	6,050	-
Mr D B Rockberger	“	215	-
Mr M D Wise	“	153,304	266,859
		<u>2,506,846</u>	<u>4,386,342</u>

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

34. Related party transactions (continued)

	Category	2020 £	2019 £
Details of related party transactions are given below:			
Amounts falling due after more than one year:			
Wise Investments SARL	#	44,635	43,787
Distribution and administration			
Music Sales Corporation	#	282,000	669,237
Focus on Sound Limited	#	20,000	20,000
Moving Image Music Limited	#	36,355	34,124
Sabre Music Limited	^	3,000	3,000
Ixion Publishing Limited	^	2,311	1,753
Madena Publishing Limited	^	179	149
Whitman Music Limited	^	26	13
Royalties received			
Music Sales Corporation	#	431,990	531,552
G Schirmer Inc	#	809,599	1,051,392
G Schirmer Australia Pty	#	104,648	395,012
Campbell Connelly Australia	#	124,944	75,680
Connelly-Basart Muziekuitgeverij	^	151,497	155,036
Royalties paid			
Music Sales Corporation	#	894,652	543,887
G Schirmer Inc	#	175,207	220,037
G Schirmer Australia Pty	#	954	151
Campbell Connelly Australia	#	4,840	4,679
Loan interest receivable			
Music Sales Australia Pty	#	15,001	14,459
Loan interest payable			
Mr R Wise	"	4,486	9,108
Connelly-Basart Muziekuitgeverij	^	3,636	-

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 (2019: \$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 £429,623. As at 31 December 2020, the loan payable to Mr R Wise was £137,175 (2019: £429,623).

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

34. Related party transactions (continued)

Transactions with directors (continued)

Mrs M B Wise has a director's loan with the Group. The loan is repayable on demand. As at 31 December 2020, the loan payable to Mrs M B Wise was £638,390 (2019: £166,385).

Mr M D Wise has a director's loan with the Group. The loan is repayable on demand. As at 31 December 2020, the loan receivable from Mr M D Wise was £153,304 (2019: £266,859).

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

35. Post balance sheet events

In December 2021, £9,661,400 of bank borrowing at 31 December 2020 was successfully renegotiated for a further four years. The loans are secured on the assets of the UK companies including Copyrights and Property.

36. Prior year adjustments

The year ending 31 December 2019 has been restated to correct a number of items that had been incorrectly accounted for or disclosed.

Investment properties

A number of freehold properties were not being held for use in the production or supply of goods or services or for administrative purposes, hence they should have been classified as investment properties rather than property, plant and equipment. The impact of this correction has been to recognise investment property of £22,561,864 as at 31 December 2019, to de-recognise property, plant and equipment by £9,624,549, to recognise deferred tax of £2,431,445, to recognise a net gain on investment property of £1,959,732 and to reduce administrative expenses by £140,235.

The impact on the profit and loss reserve at 1 January 2019 is an increase of £9,820,677.

Intercompany eliminations

A number of errors have been identified in the consolidation workings whereby intercompany balances have not been eliminated. The impact on the consolidated profit and loss account is a decrease in revenue of £3,709,097 and a corresponding decrease in cost of sales, there is no impact on the profit for the year. The impact on the consolidated balance sheet is a reduction in trade debtors of £3,251,848, a reduction in trade creditors of £2,345,730 and a reduction in other creditors of £906,118.

Acquisition accounting

On 1 January 2014 the Group acquired Caribe Entertainment Limited and Worldwide Music Corporation. There were a number of errors identified with the accounting for this transaction as follows:

Consolidated level

There were differences in the fair value of assets acquired, non-recognition of deferred tax on the fair value of copyrights acquired, purchases goodwill not being replaced with the acquisition goodwill and the non designation of certain copyright and goodwill balances as foreign currency assets. We also noted that, as a result of the errors identified at the company level (see below), the share premium account should not have existed but a merger relief reserve should have been recognised.

The correction of these errors as at 31 December 2019 resulted in an increase in copyrights of £516,180, an increase in goodwill of £5,075,479, an increase in the deferred tax liability of £4,053,456, an increase in the amortisation charge of £578,437 and an increase in the currency translation differences in the consolidated statement of comprehensive income of £1,326,770.

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2020

36. Prior year adjustments (continued)

The impact on opening reserves at 1 January 2019 is an increase in the profit and loss reserve of £2,635,664, a decrease in the share premium account of £27,067,517 and an increase in the merger relief reserve of £27,067,517.

Company level

The Company issued shares at a premium as the consideration for the acquisition. The company incorrectly recorded share premium whereas the merger relief conditions as set out in Section 612 Companies Act 2006 were satisfied and should therefore have been applied.

The accounting policy for investments is to record them at cost less amounts written off. The investment value relating to the acquisition should therefore have been recorded at nominal value not at fair value.

The correction of both of these errors as at 31 December 2019 and also as at 1 January 2019 results in a decrease in investments of £27,067,517 and a corresponding decrease in share premium.

Debt classification

The going concern assessment included within Note 1 states that, as a result of a breach in bank covenants, there is a material uncertainty that may cast significant doubt on the Group and parent company's ability to continue as a going concern. Accordingly, the bank loans attached to the covenant has been re-classified as being due in less than one year as at 31 December 2020. The prior year financial statements also had a material uncertainty for the same reason however the bank loans were not re-classified. The correction of this error results an increase in bank loans less than one year of £15,107,934 and a corresponding decrease in bank loans greater than one year.

Intangible assets

A music catalogue was acquired on 1 April 2018 and the consideration payable was in four equal annual installments. The accounting for the transaction has been done on an installment basis so as to capitalise and amortise each installment as it is paid rather than capitalising the whole amount on 1 April 2018 and establishing a creditor for the outstanding consideration due.

The correction of this error as at 31 December 2019 has resulted in an increase in copyrights of £497,396, an increase in other creditors less than one year of £312,500, an increase in other creditors greater than one year of £312,500 and a increase in the amortisation expense of £49,479. The impact on the profit and loss reserve at 1 January 2019 is a decrease of £78,125.

Related party balances

An amount of £166,385 owed to Mrs M B Wise, a related party, as at 31 December 2019 was incorrectly disclosed within other creditors rather than amounts owed to related undertakings, it was also not included in the related party disclosures.

An amount of £266,859 owed by Mr M D Wise, a related party, as at 31 December 2019 was incorrectly disclosed within other debtors rather than amounts owed by related undertakings, it was also not included in the related party disclosures.

Capitalised advances

Capitalised advances have been inconsistently disclosed within debtors. The correction of this error has resulted in a separate line item being created in the debtors note called capitalised advances, the impact being £3,004,607 at 31 December 2019 with decreases in trade debtors of £1,093,772, other debtors of £181,686, prepayments of £1,751,885 and other creditors of £22,737.

37. 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.