

Company Registration No. 00884449

Wise Music Group Limited

Annual Report and Financial Statements

For the year ended 31 December 2021

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Wise Music Group Limited

Annual report and financial statements 2021

Contents

Officers and professional advisers	1
Strategic report	2
Directors' report	5
Directors' responsibilities statement	7
Independent auditor's report	8
Consolidated profit and loss account	11
Consolidated statement of comprehensive income	12
Consolidated balance sheet	13
Company balance sheet	14
Consolidated statement of changes in equity	15
Company statement of changes in equity	16
Consolidated cash flow statement	17
Notes to the financial statements	18

Wise Music Group Limited

Annual report and financial statements 2021

Officers and professional advisers

Directors

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

Company Secretary

N J M Kemp

Registered Office

14/15 Berners Street
London
United Kingdom
W1T 3LJ

Bankers

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

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

Auditor

SRLV Audit Limited
Chartered Accountants & Statutory Auditor
Elsley Court
20-22 Great Titchfield Street
London
W1W 8BE

Wise Music Group Limited

Strategic report Year ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

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 £27,108,965 (2020: £26,368,501), Group loss for the financial year was £2,166,242 (2020: £7,998,848) and headline EBITDA was £4,305,075 (2020: £3,162,908).

The balance sheet on page 13 shows that the shareholders’ funds at 31 December 2021 are £44,298,661 (2020: £47,084,290). The Group’s cash level at 31 December 2021 was £13,573,976 (2020: £17,597,361).

The year under review has seen growth in the Music Publishing businesses, with sales up £195,012 to £23,536,217. There has been continued growth in the Digital Education business where turnover was up £402,514 at £2,679,371.

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 the continuing impact of 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 2021

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 £7,200,000. 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 £2,166,242, but the level of underlying business is satisfactory with the Group generating Headline EBITDA of £4,305,075 in the year. The Group retains a strong balance sheet position with net assets of £44,847,673 and a positive cash balance of £13,573,976 as at 31 December 2021.

Due to the COVID-19 pandemic the economic environment for 2021 has been challenging. The Pandemic primarily impacted our live performance and rental income. To counter this revenue decline, significant cost savings were made, and headline EBITDA is above pre pandemic levels. There has been a meaningful recovery in 2022 where actual trading is expected to be in line with management forecasts. Looking forward to 2023, the Directors acknowledge that there remain number of macro-economic uncertainties. They continue to be optimistic however, expecting further recovery and growth, and consider the group to be well positioned to meet its business objectives.

Management have prepared projected cash flows and have undertaken a risk assessment to assess the Group and parent company's liquidity position given certain downside scenarios. This exercise included sensitivity analysis focusing on reduced sales. It covers a period of at least 12 months from the date of approval of the accounts. The sensitivity analysis shows that the group and parent company has sufficient funding to finance its operations, with cash headroom to weather any likely prospective further downturn during the foreseeable future.

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.

Wise Music Group Limited

Strategic report (continued) Year ended 31 December 2021

Research and Development

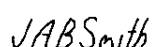
Charanga Limited, a subsidiary of Wise Music Group Limited, provides educational subscription programs to schools and those working in the music teaching profession. This involves design and development of cloud-based computer software and websites.

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 £4,305,075 in the year (2020: £3,162,908).

This report was approved by the Board of Directors on February 9 2023 and signed on behalf of the Board



J A B Smith
Chief Financial Officer

Wise Music Group Limited

Directors' report Year ended 31 December 2021

The directors present their annual report on the affairs of the Group and the audited financial statements for the year ended 31 December 2021.

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;
- Business review; 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
D Holley
I N Gilroy
C Duvivier (resigned 3 January 2023)
J A B Smith
J Castaldo

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.

Dividends

The directors recommend a dividend of £nil for 2021 (2020: £nil).

Charitable donations

Donations to charitable organisations amounted to £102,400 (2020: £105,000).

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.

Wise Music Group Limited

Directors' report (continued) Year ended 31 December 2021

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

Subsequent to the year end, SRLV Audit Limited were appointed auditor. Under section 487(2) of the Companies Act 2006, SRLV Audit Limited will be deemed to have been appointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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



J A B Smith
Chief Financial Officer

February 9 2023

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 2021, 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 statement of cash flows and the related notes, 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 2021 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the group 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 group strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

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 group strategic report or the directors' report.

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

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 consolidated financial statements.

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

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the entity's industry and sector, control environment, business performance and management incentives;
- the results of our specific enquiries of management and those charged with governance about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to;
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: the recognition of revenue and impairment of copyrights and other intangible assets. In response to these risks we undertook detailed cut-off testing, as well as considering the appropriateness and rationale for the impairment of copyrights and other intangible fixed assets. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override of controls.

We also obtained an understanding of the legal and regulatory frameworks in which the group operates, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

Audit response to risks identified

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls: testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Whilst the procedures above describe the extent to which our procedures are capable of detecting irregularities, including fraud, there are inherent limitations in these audit procedures. The further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, misrepresentation or through collusion. We are not responsible for preventing irregularities, including fraud, or non-compliance with laws and regulations and cannot be expected to detect all irregularities or non-compliance with all laws and regulations.

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.

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.

SRLV Audit Limited

Marc Voulters (~~Senior Statutory Auditor~~)

for and on behalf of

SRLV Audit Limited

Chartered Accountants

Statutory Auditor

London

9 February 2023

Wise Music Group Limited

Consolidated profit and loss account For the year ended 31 December 2021

	Notes	2021 £	2020 £
Turnover			
Group and share of joint venture	3	27,487,154	26,770,306
Less: share of joint venture turnover	16	(378,189)	(401,805)
		<u>27,108,965</u>	<u>26,368,501</u>
Cost of sales		<u>(10,592,942)</u>	<u>(11,167,479)</u>
Gross profit		16,516,023	15,201,022
Distribution costs		(5,294)	(5,899)
Administrative expenses		(19,138,614)	(23,915,191)
Other operating income	4	1,430,361	1,665,313
Net gain/(loss) on investment property	14	582,613	(299,648)
		<u>(614,907)</u>	<u>(7,354,403)</u>
Operating loss	6		
Share of profit in joint venture	16	59,540	68,189
		<u>(555,367)</u>	<u>(7,286,214)</u>
Loss before finance charges			
Interest receivable and similar income	7	389,838	78,957
Interest payable and similar expenses	8	(1,106,674)	(846,732)
		<u>(1,272,203)</u>	<u>(8,053,989)</u>
Loss before tax			
Tax on loss	9	(708,306)	249,611
		<u>(1,980,509)</u>	<u>(7,804,378)</u>
Loss after tax			
Equity minority interests		(185,733)	(194,470)
		<u>(2,166,242)</u>	<u>(7,998,848)</u>
Loss for the financial year			

	Notes	2021 £	2020 £
Loss before finance charges analysed as:			
Headline EBITDA		4,305,075	3,162,908
Depreciation of fixed assets	13	(569,565)	(414,284)
Amortisation of intangible assets	12	(3,990,376)	(4,380,776)
Fair value (loss)/gain on investment property	14	582,613	(299,648)
Impairment of amounts owed by related undertakings		-	(821,613)
Impairment of goodwill	12	(75,537)	(3,340,695)
Impairment of copyrights	12	(746,076)	(1,147,705)
Impairment of copyright advances		(62,501)	(44,401)
		<u>(555,367)</u>	<u>(7,286,214)</u>
Loss before finance charges			

The results for 2021 all relate to continuing operations.

The notes on pages 18 to 52 form part of these financial statements.

Wise Music Group Limited

Consolidated statement of comprehensive income For the year ended 31 December 2021

	2021	2020
	£	£
Loss for the financial year	(2,166,242)	(7,998,848)
Currency translation differences	(619,387)	1,143,974
Total comprehensive expense for the financial year	(2,785,629)	(6,854,874)

The notes on pages 18 to 52 form part of these financial statements.

Wise Music Group Limited

Consolidated balance sheet At 31 December 2021

	Notes	2021 £	2020 £
Fixed assets			
Intangible assets	12	38,917,745	38,501,572
Tangible assets	13	12,284,866	12,003,239
Investment properties	14	22,844,829	22,262,216
Joint ventures	16	870,833	867,492
Other investments	16	159,698	167,142
		<u>75,077,971</u>	<u>73,801,661</u>
Current assets			
Stocks	18	395,455	481,557
Debtors:			
Due within one year	19	20,661,229	15,748,118
Due after more than one year	19	218,176	205,885
Cash at bank and in hand		13,573,976	17,597,361
		<u>34,848,836</u>	<u>34,032,921</u>
Creditors: amounts falling due within one year	20	<u>(31,274,551)</u>	<u>(42,428,625)</u>
Net current /assets/(liabilities)		<u>3,574,285</u>	<u>(8,395,704)</u>
Total assets less current liabilities		<u>78,652,256</u>	<u>65,405,957</u>
Creditors: amounts falling due after more than one year	21	<u>(26,689,920)</u>	<u>(11,604,352)</u>
Provision for liabilities	23	<u>(7,114,663)</u>	<u>(6,354,015)</u>
Net assets		<u>44,847,673</u>	<u>47,447,590</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	17,089,661	19,875,290
Shareholders' funds		<u>44,298,661</u>	<u>47,084,290</u>
Non-controlling interest		<u>549,012</u>	<u>363,300</u>
Total capital employed		<u>44,847,673</u>	<u>47,447,590</u>

The financial statements of Wise Music Group Limited (registered number 00884449) were approved by the Board of Directors and authorised for issue on February 9 2023.

Signed on behalf of the Board of Directors

J A B Smith

J A B Smith
Chief Financial Officer

The notes on pages 18 to 52 form part of these financial statements.

Wise Music Group Limited

Company balance sheet At 31 December 2021

	Notes	2021 £	2020 £
Fixed assets			
Intangible assets	12	224,631	699,513
Tangible assets	13	135,451	166,480
Investments	16	16,684,008	14,091,013
		<u>17,044,090</u>	<u>14,957,006</u>
Current assets			
Debtors (due within one year)	19	10,602,645	10,230,942
Cash at bank and in hand		490,667	1,409,252
		<u>11,093,312</u>	<u>11,640,194</u>
Creditors: amounts falling due within one year	20	<u>(17,181,480)</u>	<u>(11,578,326)</u>
Net current (liabilities)/assets		<u>(6,088,168)</u>	<u>61,868</u>
Total assets less current liabilities		<u>10,955,922</u>	<u>15,018,874</u>
Creditors: amounts falling due after more than one year	21	<u>(9,971,810)</u>	<u>(9,971,810)</u>
Net assets		<u>984,112</u>	<u>5,047,064</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	861,629	4,924,581
Shareholders' funds		<u>984,112</u>	<u>5,047,064</u>

The loss for the year dealt within the financial statements of the parent company was £4,062,952 (2020: £2,234,378).

The financial statements of Wise Music Group Limited (registered number 00884449) were approved by the Board of Directors and authorised for issue on February 9 2023.

Signed on behalf of the Board of Directors

JABSmith

J A B Smith
Chief Financial Officer

The notes on pages 18 to 52 form part of these financial statements.

Wise Music Group Limited

Consolidated statement of changes in equity Year ended 31 December 2021

	Called-up share capital	Merger relief reserve	Capital redemption reserve	Other reserves	Profit and loss account	Total	Non- controlling interest	Total
	£	£	£	£	£	£	£	£
At 1 January 2020	109,983	27,067,517	12,500	19,000	26,730,164	53,939,164	168,814	54,107,978
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 income	-	-	-	-	(6,854,874)	(6,854,874)	194,486	(6,660,388)
At 31 December 2020	109,983	27,067,517	12,500	19,000	19,875,290	47,084,290	363,300	47,447,590
Loss for the financial year	-	-	-	-	(2,166,242)	(2,166,242)	185,733	(1,980,509)
Currency translation differences	-	-	-	-	(619,387)	(619,387)	(21)	(619,408)
Total comprehensive expense	-	-	-	-	(2,785,629)	(2,785,629)	185,712	(2,599,917)
At 31 December 2021	109,983	27,067,517	12,500	19,000	17,089,661	44,298,661	549,012	44,847,673

The notes on pages 18 to 52 form part of these financial statements.

Wise Music Group Limited

Company statement of changes in equity Year ended 31 December 2021

	Called-up share capital £	Capital Redemption reserve £	Profit and loss account £	Total £
At 1 January 2020	109,983	12,500	7,158,959	7,281,442
Loss for the financial year	-	-	(2,234,378)	(2,234,378)
Total comprehensive income	-	-	(2,234,378)	(2,234,378)
At 31 December 2020	109,983	12,500	4,924,581	5,047,064
Loss for the financial year	-	-	(4,062,952)	(4,062,952)
Total comprehensive expense	-	-	(4,062,952)	(4,062,952)
At 31 December 2021	109,983	12,500	861,629	984,112

The notes on pages 18 to 52 form part of these financial statements.

Wise Music Group Limited

Consolidated cash flow statement Year ended 31 December 2021

	Notes	2021 £	2020 £
Net cash inflow/(outflow) from operating activities	28	<u>1,763,048</u>	<u>(1,022,872)</u>
Cash flows from investing activities			
Proceeds from disposal of tangible fixed assets		-	-
Purchase of tangible fixed assets		(947,811)	(2,327,904)
Purchase of intangible fixed assets		(2,359,978)	(3,300,772)
Interest received		388,108	77,065
Acquisition of subsidiary (net of cash acquired)		(2,599,484)	(515,540)
Net cash flows (used in)/from investing activities		<u>(5,519,165)</u>	<u>(6,067,151)</u>
Cash flows from financing activities			
Interest paid		(1,106,674)	(846,732)
Dividends received from joint ventures and associates		15,000	29,896
Share of profit received from joint ventures		7,015	7,086
Repayment of borrowings		(4,067,377)	(1,368,867)
Bank loan/mortgage received		5,354,016	4,559,777
Directors' loans (repaid)/received		(231,600)	343,112
Net cash flows (used in)/from financing activities		<u>(29,620)</u>	<u>2,724,272</u>
Tax paid		<u>(237,648)</u>	<u>(268,997)</u>
Net decrease in cash and cash equivalents		<u>(4,023,385)</u>	<u>(4,634,748)</u>
Cash and cash equivalents at beginning of year		<u>17,597,361</u>	<u>22,232,109</u>
Cash and cash equivalents at end of year		<u>13,573,976</u>	<u>17,597,361</u>
Cash and cash equivalents			
Cash at bank and in hand		<u>13,573,976</u>	<u>17,597,361</u>
		<u>13,573,976</u>	<u>17,597,361</u>

The notes on pages 18 to 52 form part of these financial statements.

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

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 £2,166,242, but the level of underlying business is satisfactory with the Group generating Headline EBITDA of £4,305,075 in the year. The Group retains a strong balance sheet position with net assets of £44,847,673 and a positive cash balance of £13,573,976 as at 31 December 2021.

Due to the COVID-19 pandemic the economic environment for 2021 has been challenging. The Pandemic primarily impacted our live performance and rental income. To counter this revenue decline, significant cost savings were made, and headline EBITDA is above pre pandemic levels. There has been a meaningful recovery in 2022 where actual trading is expected to be in line with management forecasts. Looking forward to 2023, the Directors acknowledge that there remain number of macro-economic uncertainties. They continue to be optimistic however, expecting further recovery and growth, and consider the group to be well positioned to meet its business objectives.

Management have prepared projected cash flows and have undertaken a risk assessment to assess the Group and parent company's liquidity position given certain downside scenarios. This exercise included sensitivity analysis focusing on reduced sales. It covers a period of at least 12 months from the date of approval of the accounts. The sensitivity analysis shows that the group and parent company has sufficient funding to finance its operations, with 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 2021

1. Accounting policies (continued)

Going concern (continued)

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.

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.

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

1. Accounting policies (continued)

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.

Impairment of non-financial assets

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

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

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

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

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

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

1. Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the Group 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 Group 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 Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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

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

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

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

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

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

Debt instruments that have no stated interest rate (and do not constitute financing 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.

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

1. Accounting policies (continued)

Financial instruments (continued)

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, 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 Group are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(iv) Derivative financial instruments

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

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

(v) Fair value measurement

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

Stocks and work in progress

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

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

Writers' advances

The Group 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.

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

1. Accounting policies (continued)

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.

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.

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

1. Accounting policies (continued)

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 earnings multiple valuations.

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 earnings multiple valuations.

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 2021.

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 2021 was £63k (2020: £44k); refer to note 6.

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

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.

	2021 £	2020 £
Turnover by class of business		
Printed Music	1,271,566	1,152,244
Music Publishing – including joint ventures	23,536,217	23,341,205
Digital Education	2,679,371	2,276,857
	<u>27,487,154</u>	<u>26,770,306</u>

	2021 £	2020 £
Turnover by geographical market		
United Kingdom	3,487,314	2,949,026
Other European Countries	48,143	70,962
USA and Canada	400,112	390,317
Australia and New Zealand	14,906	15,222
Share of joint venture turnover	378,189	401,805
Music publishing – where geographical analysis is not meaningful	23,158,490	22,942,974
	<u>27,487,154</u>	<u>26,770,306</u>

	2021 £	2020 £
An analysis of the Group's turnover is as follows:		
Sale of goods	3,864,202	3,395,084
Royalties	23,622,952	23,375,222
	<u>27,487,154</u>	<u>26,770,306</u>

4. Other operating income

	2021 £	2020 £
An analysis of the Group's other operating income is as follows:		
Rent received	1,217,303	1,336,088
Furlough income	47,433	137,556
Administration fees	51,305	104,488
Other	114,320	87,181
	<u>1,430,361</u>	<u>1,665,313</u>

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

5. Information regarding directors and employees

	2021 £	2020 £
Directors' emoluments		
Emoluments receivable	1,754,244	2,035,379
Group contributions to money purchase schemes	99,687	95,285
	<u>1,853,931</u>	<u>2,130,664</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	409,956	384,666
Company pension contributions to money purchase schemes	-	-
	<u>409,956</u>	<u>384,666</u>

There was no key management personnel compensation other than Directors' emoluments.

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	104
	<u>119</u>	<u>119</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>62</u>

All staff costs are incurred by Group companies.

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

5. Information regarding directors and employees (continued)

	2021 £	2020 £
The aggregate payroll costs (including directors) were:		
Wages and salaries	7,574,959	7,614,010
Social security costs	1,221,018	1,211,550
Other pension costs	510,492	446,829
	<u>9,306,469</u>	<u>9,272,389</u>

6. Operating loss

	2021 £	2020 £
The operating loss is after charging:		
Depreciation of fixed assets	569,565	414,284
Loss on disposal of fixed assets	-	1
Amortisation of intangible assets	3,990,376	4,380,776
Impairment of goodwill	75,537	3,340,695
Impairment of copyrights	746,076	1,147,705
Impairment of copyright advances	62,501	44,401
Impairment of stock recognised as an expense	53,982	85,589
Foreign exchange gains	(18,846)	(414,634)
<u>Operating lease rentals:</u>		
Land and buildings	90,922	219,441
Plant and machinery	<u>17,544</u>	<u>26,684</u>

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

	2021 £	2020 £
Fees payable to the Group's auditor for the audit of the Group's annual accounts	130,000	120,000
Audit of the company's subsidiaries	15,000	173,750
Fees payable to the Group's auditor in respect of:		
Tax compliance services	-	45,000
Tax advisory services	-	23,270
Total auditor's remuneration	<u>145,000</u>	<u>362,020</u>

No services were provided pursuant to contingent fee arrangements (2020: none).

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

7. Interest receivable and similar income

	2021 £	2020 £
Bank interest receivable	16,604	36,805
Interest receivable from related parties	15,562	15,001
Gain on future value of interest rate swaps	357,672	27,151
	<u>389,838</u>	<u>78,957</u>

8. Interest payable and similar expenses

	2021 £	2020 £
Bank interest	1,083,854	820,210
Loan note interest	18,400	18,400
Interest payable to related parties	4,420	8,122
	<u>1,106,674</u>	<u>846,732</u>

9. Tax on loss

	2021 £	2020 £
Current tax on loss		
UK corporation tax	119,011	71,136
Double tax relief	(116,290)	(65,664)
	<u>2,721</u>	<u>5,472</u>
Foreign tax	356,775	248,517
	<u>359,496</u>	<u>253,989</u>
Adjustments in respect of prior periods		
UK corporation tax	(6,546)	(251,236)
Total current tax	<u>352,950</u>	<u>2,753</u>
Deferred tax		
Origination and reversal of timing differences	486,970	(230,988)
Adjustment in respect of prior periods	-	(21,266)
Effect of tax rate change on opening balance	(131,614)	(110)
Total deferred tax	<u>355,356</u>	<u>(252,364)</u>
Total tax on loss	<u>708,306</u>	<u>(249,611)</u>

The standard rate of tax applied to reported profit is 19 per cent (2020: 19 per cent).

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

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:

	2021 £	2020 £
Group loss before tax	<u>(1,272,203)</u>	<u>(8,053,989)</u>
Tax on Group loss at standard UK corporation tax rate of 19 per cent (2020: 19 per cent)	(241,719)	(1,530,258)
Effects of:		
Expenses not deductible for tax purposes	481,817	817,868
Income not taxable in determining taxable profit	(379)	191,704
Other permanent differences	(601)	(45)
Fixed asset differences	(157,266)	803,481
Other timing differences	(106,979)	(46,212)
Utilisation of tax losses not previously recognised	(119,644)	(32,775)
Change in unrecognised deferred tax assets	(152,822)	(232,115)
Higher tax rates on overseas earnings	66,965	(42,193)
Deferred tax not recognised	961,488	93,546
Adjustments to tax charge in respect of previous periods	<u>(22,554)</u>	<u>(272,612)</u>
Group total tax charge for year	<u>708,306</u>	<u>(249,611)</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%, with substantive enactment on 24 May 2021. Therefore, deferred tax has been recognised at the 25% tax rate.

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 loss 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 (2020: £nil).

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

12. Intangible assets

Group	Goodwill £	Copyrights £	Software & Software development £	Total £
Cost				
At 1 January 2021	29,401,708	56,270,980	7,046,889	92,719,577
Additions	24,076	836,264	1,499,638	2,359,978
On acquisition	610,107	2,669,055	4,276	3,283,438
Exchange movement	(150,307)	(998,072)	-	(1,148,379)
At 31 December 2021	29,885,584	58,778,227	8,550,803	97,214,614
Amortisation				
At 1 January 2021	16,709,058	32,202,171	5,306,776	54,218,005
Charge for the year	871,794	2,198,162	920,420	3,990,376
Impairment charge	75,537	746,076	-	821,613
Exchange movement	(98,129)	(634,996)	-	(733,125)
At 31 December 2021	17,558,260	34,511,413	6,227,196	58,296,869
Net book value				
At 31 December 2021	12,327,324	24,266,814	2,323,607	38,917,745
At 31 December 2020	12,692,650	24,068,809	1,740,113	38,501,572

Included within Software & Software development is Construction in progress of £378,394 (2020: £576,756).

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

12. Intangible assets (continued)

Company	Copyrights £	Software & Software development £	Total £
Cost			
At 1 January 2021	589,514	343,040	932,554
Additions	-	156,317	156,317
Transfers to subsidiary	(589,514)	-	(589,514)
At 31 December 2021	-	499,357	499,357
Amortisation			
At 1 January 2021	-	233,041	233,041
Charge for the year	-	41,865	41,865
At 31 December 2021	-	274,726	274,726
Net book value			
At 31 December 2021	-	224,631	224,631
At 31 December 2020	589,514	109,999	699,513

Included within Software & Software development is Construction in progress of £75,360 (2020: £80,515).

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

13. Tangible assets

Group

	Freehold land and buildings £	Leasehold improve- ments £	Office equipment, fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 January 2021	15,769,746	170,007	5,356,688	26,361	21,322,802
Additions	463,598	-	484,213	-	947,811
On acquisition	-	-	154	-	154
Exchange movement	(189,409)	(3,920)	(87,839)	(1,866)	(283,034)
At 31 December 2021	16,043,935	166,087	5,753,216	24,495	21,987,733
Depreciation					
At 1 January 2021	4,755,075	161,931	4,395,088	7,469	9,319,563
Charge for the year	290,156	2,043	272,326	5,040	569,565
Exchange movement	(116,844)	(3,787)	(64,960)	(670)	(186,261)
At 31 December 2021	4,928,387	160,187	4,602,454	11,839	9,702,867
Net book value					
At 31 December 2021	11,115,548	5,900	1,150,762	12,656	12,284,866
At 31 December 2020	11,014,671	8,076	961,600	18,892	12,003,239

Included within Freehold land and buildings is Construction in progress of £nil (2020: £2,300,564).

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

13. Tangible assets (continued)

Company	Leasehold improvements £	Office equipment, fixtures and fittings £	Total £
Cost			
At 1 January 2021	79,234	2,614,337	2,693,571
Additions	-	28,792	28,792
At 31 December 2021	79,234	2,643,129	2,722,363
Depreciation			
At 1 January 2021	73,018	2,454,073	2,527,091
Charge for the year	2,043	57,778	59,821
At 31 December 2021	75,061	2,511,851	2,586,912
Net book value			
At 31 December 2021	4,173	131,278	135,451
At 31 December 2020	6,216	160,264	166,480

14. Investment properties

Group	Total £
Valuation	
At 1 January 2021	22,262,216
Fair value gain	582,613
At 31 December 2021	22,844,829

The Group has property assets with a carrying value of £16,778,802 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 2021

15. Property leased under contract

As set out in note 4, property rental income earned during the year was £1,217,303 (2020: £1,336,088). No contingent rents have been recognised as income in the current year or prior year. At 31 December 2021 the group had contracted with tenants for the following future minimum lease payments:

	2021 £	2020 £
Within one year	1,016,579	1,069,789
2-5 years inclusive	2,015,963	2,319,815
After 5 years	1,414,583	1,899,583
Total	<u>4,447,125</u>	<u>5,289,187</u>

16. Investments held as fixed assets

Group	Unlisted total £
Cost	
At January 2021	212,312
Disposals	(7,444)
At 31 December 2021	<u>204,868</u>
Provisions for impairment	
At 1 January 2021 and 31 December 2021	<u>45,170</u>
Net book value	
At 31 December 2021	<u>159,698</u>
At 31 December 2020	<u>167,142</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:

	2021 £	2020 £
Turnover	378,189	401,805
Profit for the period	119,081	136,379
Group share of profit for the period	<u>59,540</u>	<u>68,189</u>
Gross assets	1,150,990	1,620,504
Gross liabilities	<u>(280,157)</u>	<u>(753,012)</u>
Net assets (represented by investment in joint venture)	<u>870,833</u>	<u>867,492</u>

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

16. Investments held as fixed assets (continued)

Company	Shares in Group undertakings £
Cost and net book value	
At January 2021	14,091,013
Additions	2,592,995
At 31 December 2021	16,684,008

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.

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
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
Moving Image Music Limited	United Kingdom	Ordinary	-	100	Music publishing
Novello & Company Limited	United Kingdom	Ordinary	-	100	Music publishing
Edition Wilhelm Hansen AS Copenhagen	Bornholmegade 1 A DK -1266, Copenhagen, Denmark	Ordinary	-	100	Music publishing
Storyville Records ApS	Esplanaden 8D DK - 1263 Denmark	Ordinary	-	100	Music publishing
Edition Wilhelm Hansen OY S/F	Merikasarminkatu 2 B 40, 00160 Helsinki Finland	Ordinary	-	100	Music publishing
Edition Wilhelm Hansen GmbH	Karlshofmann Strasse, 1a 40599 Dusseldorf Germany	Ordinary	-	100	Music publishing
Eaton Music GmbH	Frankenforter Strasse 21-25 51427 Bergisch Gladbach Germany	Ordinary	-	100	Music publishing

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

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
Baby Angel Music Srl	Via Visconti di Modrone 2 20122 Milan Italy	Ordinary	100	-	Music publishing
Campbell Connelly Inc	445 Bellvale 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 2021

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
Sabre Music Limited	United Kingdom	Ordinary	-	50	Music publishing
Ixon Publishing Limited	United Kingdom	Ordinary	-	50	Music publishing
Madena Publishing Limited	United Kingdom	Ordinary	-	50	Music publishing
Whitman Music Limited	United Kingdom	Ordinary	-	50	Music publishing
Connelly Basart Muziekuitgeverij BV	Holland	Ordinary	-	50	Music publishing
Robert Mellin Musikverlag GmbH & Co. KG	Dorotheenstr 3 10117 Berlin Germany	Ordinary	-	50	Music publishing
Hao Hao Music Sales Limited	Unit O 17/F International Industrial Centre, 2-8 Kwei Tei Street, Foton, Shatin, New Territories Hong Kong	Ordinary	-	50	Music and book publishing
Music Sales Furtados (India) Limited	T office Premises No 201 2 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 2021

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
Houmew 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 2021:

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 2021

17. Acquisition of subsidiary undertakings

On 17 December 2021, the Group acquired 100 per cent of the share capital of Baby Angel Music Srl for a purchase consideration of £2,592,995 paid in cash. The purchase has been accounted for using the acquisition method.

	Book value £	Fair value adjustment £	Fair value to Group £
Fixed Assets			
Intangible assets	78,064	2,340,117	2,418,181
Tangible assets	154	-	154
	<hr/> 78,218	<hr/> 2,340,117	<hr/> 2,418,335
Debtors	62,733	-	62,733
Cash at bank and in hand	251,086	-	251,086
	<hr/> 392,037	<hr/> 2,340,117	<hr/> 2,732,154
Creditors	(139,159)	-	(139,159)
Deferred tax liability	-	(561,628)	(561,628)
	<hr/> 252,878	<hr/> 1,778,489	<hr/> 2,031,367
Total identifiable net assets			
Goodwill			561,628
			<hr/> 2,592,995
Total consideration			
			<hr/> <hr/> 2,592,995
Satisfied by			
Cash			2,592,995
			<hr/> <hr/> 2,592,995

The contribution by the acquired business for the reporting period since acquisition was £nil.

Upon acquisition, the business had net assets with a fair value of £252,878. Intangible assets relating to the acquired business copyrights were identified and their fair value was measured at £2,340,117. 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 2021

17. Acquisition of subsidiary undertakings (continued)

On 16 December 2021, the Group acquired an additional 50 per cent of the share capital of Moving Image Music Limited, a company in which the Group already held a 50 per cent shareholding prior to the acquisition. The consideration was £260,000 paid in cash. The purchase has been accounted for using the acquisition method.

	Book value £	Fair value adjustment £	Fair value to Group £
Fixed Assets			
Intangible assets	-	255,150	255,150
	-	255,150	255,150
Debtors	221,172	-	221,172
	221,172	-	476,322
Creditors	(216,322)	-	(216,322)
Deferred tax liability	-	(48,479)	(48,479)
Total identifiable net assets	4,850	206,672	211,522
Goodwill			48,479
Total consideration			260,000
Satisfied by			
Cash			260,000

The contribution by the acquired business for the reporting period since acquisition was £nil.

Upon acquisition, the business had net assets with a fair value of £4,850. Intangible assets relating to the acquired business copyrights were identified and their fair value was measured at £255,150. 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 2021

18. Stocks

	2021 £	2020 £
Group		
Work in progress	55,548	85,316
Finished goods and goods for resale	339,907	396,241
	<u>395,455</u>	<u>481,557</u>

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

19. Debtors

	2021 £	2020 £
Group		
Amounts falling due within one year		
Trade debtors	3,190,474	2,761,414
Capitalised advances	8,230,236	7,103,270
Other debtors	1,681,887	966,211
Prepayments and accrued income	3,666,825	2,197,217
Amounts owed by related undertakings (note 34)	3,760,442	2,506,846
Deferred taxation (note 25)	-	77,448
Corporation tax	131,365	135,712
	<u>20,661,229</u>	<u>15,748,118</u>

Trade debtors and capital advances are stated after a provision of £2,651,072 (2020: £2,709,720). 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

	2021 £	2020 £
Other debtors	176,250	161,250
Amounts owed by related undertakings (note 34)	41,926	44,635
	<u>218,176</u>	<u>205,885</u>

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

19. Debtors (continued)

Company	2021 £	2020 £
Amounts falling due within one year		
Other debtors	769,466	952,357
Prepayments and accrued income	337,992	376,628
Amounts owed by group undertakings	7,753,757	7,674,866
Amounts owed by related undertakings	1,720,123	1,209,623
Deferred taxation (note 25)	21,307	17,468
	<u>10,602,645</u>	<u>10,230,942</u>

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

20. Creditors: amounts falling due within one year

Group	2021 £	2020 £
Bank loans	1,878,282	17,070,210
Loan notes to third parties	185,000	185,000
Loan notes to related parties (note 34)	183,000	183,000
Trade creditors	16,118,606	14,340,460
Amounts owed to related undertakings (note 34)	3,170,795	2,682,335
Corporation tax	70,455	163,095
Other taxation and social security	2,455,336	1,219,246
Other creditors	2,942,371	3,085,787
Accruals and deferred income	4,270,706	3,449,492
	<u>31,274,551</u>	<u>42,428,625</u>

The amount accrued in respect of payments into the UK defined contribution pension scheme totalled £101,211 (2020: £37,765).

Company	2021 £	2020 £
Trade creditors	682,502	424,402
Amounts owed to group undertakings	14,799,028	9,460,469
Amounts owed to related undertakings	1,243,753	1,375,090
Other taxation and social security	189,599	112,616
Other creditors	38,159	37,890
Accruals and deferred income	228,439	167,859
	<u>17,181,480</u>	<u>11,578,326</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 2021

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

Group	2021 £	2020 £
Bank loans	25,423,935	10,009,802
Amounts owed to related undertakings (note 34)	562,913	592,507
Derivative financial instruments with a negative fair value (note 26)	622,170	979,842
Other creditors	5,618	632
Accruals and deferred income	75,284	21,569
	<u>26,689,920</u>	<u>11,604,352</u>

Company	2021 £	2020 £
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 €10,700,000 repayable in annual instalments expiring in December 2025. Interest is charged at a ECB Rate + 3.00%. The loan is secured on the assets of the UK companies including Copyrights and Property.

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 £8,000,000 repayable in annual instalments, expiring in October 2025. Interest is charged at SONIA + 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 at 5.25%.

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

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

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

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

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

Bank loan of €800,000 repayable in annual instalments expiring in March 2031. Interest is charged at 1%.

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 (2020: six loan notes totalling £368,000) are repayable in full on or before 30 June 2022. Interest is charged on a quarterly basis at SONIA + 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 2021

22. Borrowings (continued)

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:

	2021 £	2020 £
Bank loans and loan notes		
Within one year	2,246,282	17,438,210
After one and within two years	2,046,109	1,520,592
After two and within five years	20,588,843	4,686,675
After five years	2,788,983	3,802,535
	<u>27,670,217</u>	<u>27,448,012</u>

23. Provisions for liabilities

	Deferred tax £	Litigation costs £	Total £
Balance at 1 January 2021	6,255,243	98,772	6,354,015
Increase/(decrease) in provision	859,420	(98,772)	760,648
Balance at 31 December 2021	<u>7,114,663</u>	<u>-</u>	<u>7,114,663</u>

24. Financial instruments

Group	2021 £	2020 £
Financial assets		
Carrying value of financial assets:		
Financial assets measured at amortised cost	30,786,556	31,276,699
Financial liabilities		
Carrying value of financial liabilities:		
Financial liabilities measured at amortised cost	(57,271,843)	(52,988,807)
Financial liabilities at fair value through profit and loss	(622,170)	(979,842)

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

25. Deferred tax

Group	£
Balance at 1 January 2021	(6,177,795)
Profit and loss account charge	(355,356)
On acquisition	(610,107)
Exchange movement	28,595
	<hr/>
Balance at 31 December 2021	<u>(7,114,663)</u>

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

	Recognised		Unrecognised	
	2021	2020	2021	2020
	£	£	£	£
Fixed asset timing differences	(5,155,041)	(4,267,045)	8,568	8,567
Investment property	(2,374,512)	(2,374,512)	-	-
Other timing differences	159,614	150,212	-	-
Tax losses	255,276	313,550	2,578,931	1,268,394
	<hr/>	<hr/>	<hr/>	<hr/>
	(7,114,663)	(6,177,795)	2,587,499	1,276,961
	<hr/>	<hr/>	<hr/>	<hr/>

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 2021	17,468
Profit and loss account credit	3,839
	<hr/>
Balance at 31 December 2021	<u>21,307</u>

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

	Recognised		Unrecognised	
	2021	2020	2021	2020
	£	£	£	£
Fixed asset timing differences	15,409	14,911	-	-
Other timing differences	5,898	2,557	-	-
Tax losses	-	-	2,568,938	1,232,989
	<hr/>	<hr/>	<hr/>	<hr/>
	21,307	17,468	2,568,938	1,232,989
	<hr/>	<hr/>	<hr/>	<hr/>

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

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	
	2021	2020	2021	2020
	£	£	£	£
5 years or more	7,200,000	3,825,064	(622,170)	(979,842)

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 £357,672 (2020: £26,994) on derivative financial liabilities measured at fair value through profit or loss were recognised in profit or loss.

27. Called-up share capital and reserves

	2021	2020
	£	£
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 shares have attached to them full voting, dividend and capital distribution (including on winding up) rights.

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

The merger relief reserve has been credited in place of a share premium account when merger relief is applied.

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 (2020: £19k)

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

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

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

	2021 £	2020 £
Operating loss	(614,907)	(7,354,403)
Adjustments for:		
Foreign exchange	(1,024,485)	311,078
Amortisation of intangible assets	3,990,376	4,380,776
Impairment provisions	821,613	4,488,400
Depreciation of tangible assets	569,565	414,284
Net (gain)/loss on investment properties	(582,613)	299,648
Loss on sale of tangible fixed assets	-	1
Loss on sale of fixed asset investments	7,444	-
Decrease/(Increase) in stocks	71,419	(56,684)
(Increase)/Decrease in debtors	(6,205,959)	1,400,685
Decrease/(Increase) in creditors	4,829,367	(5,005,429)
Other provisions	(98,772)	98,772
Net cash generated from operating activities	1,763,048	(1,022,872)

29. Analysis of changes in net debt

	At 1 Jan 2021 £	Cash flows £	Acquired £	Fair value & exchange movements £	Non-cash changes £	At 31 Dec 2021 £
Cash at bank and in hand	17,597,361	(4,023,385)	251,086	(251,086)	-	13,573,976
Bank loans	(27,080,012)	(202,784)	(6,582)	1,071,015	(1,083,854)	(27,302,217)
Loan notes	(368,000)	18,400	-	-	(18,400)	(368,000)
Derivative financial instruments	(979,842)	-	-	357,672	-	(622,170)
Total	(10,830,493)	(4,207,769)	244,504	1,177,601	(1,102,254)	(14,718,411)

30. Royalty commitments

Print and copyright royalty advance payment commitments exist amounting to £18,820 (2020: £22,820).
The commitments to make payments included in this sum expire as follows:

	2021 £	2020 £
In one year or less	18,820	18,820
Between one and five years	-	4,000
	18,820	22,820

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

31. Operating lease commitments

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

	Land and buildings		Other	
	2021	2020	2021	2020
	£	£	£	£
In one year or less	4,729	53,438	17,135	26,025
Between one and five years	-	4,446	35,764	52,900
	<u>4,729</u>	<u>57,884</u>	<u>52,899</u>	<u>78,925</u>

32. Capital commitments

At 31 December 2021 the Group had capital commitments that are not recognised on the balance sheet, falling due as follows:

	2021	2020
	£	£
In one year or less	1,000,000	1,312,500
Between one and five years	1,000,000	2,000,000
	<u>2,000,000</u>	<u>3,312,500</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 2021

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:

		2021	2020
Amounts owed to related party undertakings:	Category	£	£
Glad Music Limited	^	100,707	139,067
Twangy Music Limited	^	35,285	33,521
Veronica Music Limited	^	79,541	64,053
Moving Image Music Limited	^	-	203,627
Sabre Music Limited	^	24,206	23,010
Ixion Publishing Limited	^	14,976	14,884
Madena Publishing Limited	^	9,930	9,496
Whitman Music Limited	^	-	4
Connelly Basart Muziekuitgeverij BV	^	174,412	131,112
Music Sales Digital Limited	#	1	1
Music Sales Corporation	#	1,000,304	738,223
G. Schirmer Inc.	#	11,271	12,058
Music Sales (Pty) Limited	#	812,190	162,834
Chester NY	#	-	12,006
Focus on Sound Limited	#	39,950	120,438
Mistletoe Melodies Limited	#	1,394	-
Jersey Trust Company	'	145,983	154,943
BW Investments Limited	#	-	17,785
NTM Investments Limited	#	573	19,650
Newman Street Investments Limited	#	-	41,241
Wise IV Trust	#	-	8,817
Wise Investments SARL	#	122,425	-
Mr R Wise	"	-	137,175
Mrs M B Wise	"	597,647	638,390
		<u>3,170,795</u>	<u>2,682,335</u>
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
Music Sales Corporation	#	562,913	562,913
		<u>562,913</u>	<u>592,507</u>

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

34. Related party transactions (continued)

Amounts owed by related party undertakings:	Category	2021 £	2020 £
Glad Music Limited	^	-	15,219
Twangy Music Limited	^	1,611	1,611
Veronica Music Limited	^	23,352	22,648
Hao Hao Music Sales Limited	^	84,664	83,457
Moving Image Music Limited	^	-	114,793
Sabre Music Limited	^	4,896	4,396
Ixion Publishing Limited	^	6,872	4,862
Madena Publishing Limited	^	1,228	814
Whitman Music Limited	^	2,474	2,055
Connelly Basart Muziekuitgeverij BV	^	2,484	1,190
Music Sales Corporation	#	471,915	347,993
Music Sales Digital Services LLC	#	388,995	323,424
G Schirmer Inc	#	17,564	17,564
Focus on Sound Limited	#	61,745	-
O'Music Limited	#	42,122	22,127
Marquis Music Limited	#	28,073	-
Mistletoe Melodies Limited	#	35	-
Verulam Music Limited	#	130,345	-
Music Sales (Pty) Limited	#	1,238,352	708,303
Campbell Connelly Australia	#	23,979	-
Reba	'	20,642	20,642
Robert Mellin Musikverlag GmbH & Co. KG	#	169,453	-
Music Sales Charitable Trust	'	4,400	2,400
Wise Enterprises Espana SL	'	11,984	11,984
BW Investments Limited	#	53,527	43,221
Wise Investments SARL	#	527,879	361,206
Wise I Trust	#	-	36,674
Wise II Trust	#	87,625	67,294
Wise IV Trust	#	59,595	43,191
Newman Street Investments Limited	#	37,889	54,403
NTM Investments Limited	#	35,806	35,806
Mr R Wise	"	64,047	-
Mr C M Butler	"	-	6,050
Mr D B Rockberger	"	-	215
Mr M D Wise	"	156,297	153,304
Mr T Wise	"	592	-
		<u>3,760,442</u>	<u>2,506,846</u>
Amounts falling due after more than one year:			
Wise Investments SARL	#	<u>41,926</u>	<u>44,635</u>

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

34. Related party transactions (continued)

Details of related party transactions are given below:

	Category	2021 £	2020 £
Distribution and administration			
Music Sales Corporation	#	282,000	282,000
Focus on Sound Limited	#	20,000	20,000
Moving Image Music Limited	#	-	36,355
Sabre Music Limited	^	3,375	3,000
Ixion Publishing Limited	^	2,015	2,311
Madena Publishing Limited	^	209	179
Whitman Music Limited	^	20	26
Royalties received			
Music Sales Corporation	#	369,855	431,990
G Schirmer Inc	#	657,628	809,599
G Schirmer Australia Pty	#	116,630	104,648
Campbell Connelly Australia	#	110,203	124,944
Connelly Basart Muziekuitgeverij BV	^	102,995	151,497
Royalties paid			
Music Sales Corporation	#	764,777	894,652
G Schirmer Inc	#	154,509	175,207
G Schirmer Australia Pty	#	1,558	954
Campbell Connelly Australia	#	7,004	4,840
Loan interest receivable			
Music Sales Australia Pty	#	15,563	15,001
Loan interest payable			
Mr R Wise	“	784	4,486
Connelly Basart Muziekuitgeverij BV	^	3,636	3,636

The Wise Music Group of companies are related to the companies noted above through common management.

Transactions with directors

The Group rents an apartment in New York from Mrs M B Wise at an annual rent of \$82,400 (2020: \$82,400).

Mr R Wise has a director's loan with the Group. The loan bears interest at SONIA 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 £137,175. As at 31 December 2021, Mr R Wise owed the company £94,425 (2020: loan payable to Mr R Wise was £137,175).

Mrs M B Wise has a director's loan with the Group. The loan is repayable on demand. As at 31 December 2021, the loan payable to Mrs M B Wise was £597,647 (2020: £638,390).

Mr M D Wise has a director's loan with the Group. The loan is repayable on demand. As at 31 December 2021, the loan receivable from Mr M D Wise was £156,297 (2020: £153,304).

Mr T Wise has a director's loan with the Group. The loan is repayable on demand. As at 31 December 2021, the loan receivable from Mr T Wise was £592 (2020: £nil).

Wise Music Group Limited

Notes to the financial statements Year ended 31 December 2021

34. Related party transactions (continued)

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

35. 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.