

Company Registration No. 00884449

Music Sales Group Limited

Report and Financial Statements

31 December 2014

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Music Sales Group Limited

Report and financial statements 2014

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Music Sales Group Limited

Report and financial statements 2014

Officers and professional advisers

Directors

R Wise
M B Wise
T Wise
M D Wise
D B Rockberger
C M Butler
A E Latham
J T C Rushton
D Holley

Company Secretary

N J M Kemp

Registered Office

14/15 Berners Street
London
United Kingdom
W1T 3LJ

Bankers

Coutts & Co
440 Strand
London
United Kingdom
WC2R 0QS

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

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

Music Sales Group Limited

Strategic Report Year ended 31 December 2014

The directors present their strategic report for the year ended 31 December 2014

These audited financial statements cover a period of 12 months, 1 January 2014 to 31 December 2014, whereas the comparative period is for 18 months, 1 July 2012 to 31 December 2013

Principal activities

The Group is principally engaged in the publishing, wholesaling and retailing of printed music and books, and represents many of the large UK and US music publishers for their printed music. The Group is also a publisher of standard and classical music copyrights.

Business review

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 underlying earnings of the Group before finance costs, taxation, depreciation, amortisation, impairments, acquisition integration/restructuring costs and certain other non-recurring items. A reconciliation between Headline EBITDA and the statutory result on ordinary activities before finance charges is set out on the face of the profit and loss account on page 9.

As shown in the profit and loss account, Group turnover for the year amounted to £64,165,781 (18 months to 31 December 2013 £82,226,981). Headline EBITDA for the year amounted to £4,709,089 (18 months to 31 December 2013 £5,682,598).

The balance sheet on page 11 shows that the shareholders' funds at 31 December 2014 are £47,534,357 (18 months to 31 December 2013 £22,894,661). The Group's cash level at 31 December 2014 was £7,683,173 (18 months to 31 December 2013 £5,486,822).

As part of a Group restructure undertaken to drive both commercial and operational benefits, effective as of 1 January 2014, Music Sales Group Limited acquired 100 per cent of the share capital of Caribe Entertainment Limited, the ultimate controlling party of the Novello Publishing and Premiere Music group of companies, for consideration of £25,890,000, and 100 per cent of the share capital of Worldwide Music Corporation, a minority shareholder in Premiere Music, for consideration of £1,200,000. The consideration was settled by means of a share issue by Music Sales Group Limited to NTM Investments Limited.

The year under review has been impacted by the ongoing challenges in the UK and Eurozone economies, in particular within the UK wholesale and retail sectors. The business has also seen continued investment in the Group's digital and digital education businesses, along with a focus on the integration of recent key acquisitions, notably the Leduc Group in France.

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 highly 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 despite the current economic climate. The Group makes sales to customers in a number of territories and therefore is exposed to movements in exchange rates. The Group sources some of its products in local territories and minimises the risk of exchange rate fluctuations by operating local currency bank accounts.

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The Group has used floating to fixed rate swaps to hedge interest rate exposure, on loans amounting to £8,439,755. The Group does not use derivative financial instruments for speculative purposes.

Music Sales Group Limited

Strategic Report Year ended 31 December 2014 (continued)

Credit risk

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

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

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

Cash flow risk

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

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt finance. The Group has certain long-term committed loan facilities, the majority of which are at fixed interest rates as summarised in note 17

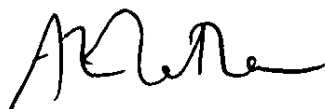
Future Developments

Whilst the acquisition of the Caribe Entertainment Limited and Worldwide Music Corporation businesses has seen an increase in the size of the Group, there have been no material changes to the nature of the Group's business operations during the year and none are expected in the coming period. The level of underlying business is satisfactory with the Group generating Headline EBITDA of £4,709,089 in the year (18 months to 31 December 2013: £5,682,598). The Directors look to the future with confidence

Post balance sheet events

As part of the Music Sales Group Limited restructure, on 1 January 2015, Campbell, Connelly & Co Limited sold all of its trade and net assets to Chester Music Limited, its immediate parent company and a 100% owned subsidiary of Music Sales Group Limited, for their net book value. The trading business, previously operated by Campbell, Connelly & Co Limited now operates out of Chester Music Limited and from this date Campbell, Connelly & Co Limited became a dormant Company

This report was approved by the Board of Directors on 7 October 2015 and signed on behalf of the Board



A E Latham
Director

Music Sales Group Limited

Directors' report Year ended 31 December 2014

The directors present their annual report and the audited financial statements for the year ended 31 December 2014

These audited financial statements cover a period of 12 months, 1 January 2014 to 31 December 2014, whereas the comparative period is for 18 months, 1 July 2012 to 31 December 2013

Directors

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

R Wise
M B Wise
T Wise
M D Wise
D B Rockberger
C M Butler
A E Latham
J T C Rushton
D Holley (appointed 2 January 2015)

Going concern

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

Strategic report

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

Dividends

The directors do not recommend the payment of a dividend for 2014 (2013: £nil)

Charitable donations

Donations to charitable organisations amounted to £100,000 (2013: £nil)

Employees

The Group has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the Group. The Group supports the employment of disabled people wherever possible

Music Sales Group Limited

Directors' report Year ended 31 December 2014 (continued)

Auditor

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

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

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

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

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



A E Latham
Director

7 October 2015

14/15 Berners Street
London
United Kingdom
W1T 3LJ

Music Sales Group Limited

Statement of directors' responsibilities

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 period. 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). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

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

We have audited the financial statements of Music Sales Group Limited for the year ended 31 December 2014 which comprise the consolidated profit and loss account the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the Company balance sheet, the consolidated cash flow statement and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 2014 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.

Opinion on other matter prescribed by the Companies Act 2006

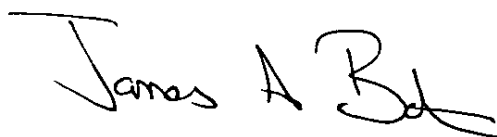
In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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

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



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

7 October 2015

Music Sales Group Limited

Consolidated profit and loss account Year ended 31 December 2014

	Notes	12 months to 31 December 2014 £	18 months to 31 December 2013 £
Turnover			
Group and share of joint ventures – existing operations	2	55,151,214	85,081,243
Group and share of joint ventures - acquisitions	2	11,114,649	-
Less share of joint ventures turnover	2	(2,100,082)	(2,854,262)
		<u>64,165,781</u>	<u>82,226,981</u>
Cost of sales		(35,153,568)	(43,967,221)
Gross profit		29,012,213	38,259,760
Distribution costs		(3,290,020)	(4,278,529)
Administrative expenses		(29,360,032)	(36,078,024)
Other operating income		<u>1,953,178</u>	<u>2,969,035</u>
Operating (loss)/profit - existing operations	4	(876,409)	872,242
Operating (loss)/profit - acquisitions	4	(808,252)	-
Operating (loss) / profit		(1,684,661)	872,242
Share of operating profit in joint venture		<u>670,588</u>	<u>725,730</u>
(Loss)/profit on ordinary activities before finance charges		(1,014,073)	1,597,972
Interest receivable and similar income	5	10,954	226,539
Interest payable and similar charges	6	(1,351,133)	(1,237,077)
(Loss)/profit on ordinary activities before taxation		(2,354,252)	587,434
Tax on (loss)/profit on ordinary activities	7	(196,970)	(587,420)
(Loss)/profit on ordinary activities after taxation		(2,551,222)	14
Equity minority interests	23	<u>23,416</u>	<u>170,741</u>
(Loss)/profit for the financial year/period	21	(2,527,806)	170,755

(Loss)/profit on ordinary activities before finance charges analysed as	£	£
Headline EBITDA	4,709,089	5,682,598
Acquisition integration/restructuring costs	(982,751)	(115,235)
Corporate acquisition costs	(98,564)	-
Bank facility arrangement fees	-	(157,289)
Depreciation of owned fixed assets	(1,005,385)	(1,484,098)
Amortisation of owned intangible assets	(3,595,986)	(2,328,004)
Impairment of third party investments	(40,476)	-
(Loss)/profit on ordinary activities before finance charges	(1,014,073)	1,597,972

Music Sales Group Limited

Consolidated statement of total recognised gains and losses Year ended 31 December 2014

	12 months to 31 December 2014 £	18 months to 31 December 2013 £
(Loss)/profit for the financial year/period	(2,527,806)	170,755
Foreign exchange profit/(loss) on consolidation	77,502	(8,572)
Total gains and losses recognised since last financial statements	<u>(2,450,304)</u>	<u>162,183</u>

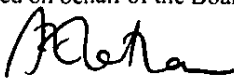
Music Sales Group Limited

Consolidated balance sheet At 31 December 2014

	Notes	31 December 2014 £	31 December 2013 £
Fixed assets			
Copyrights and software	9	8,426,007	8,217,092
Goodwill	9	33,253,189	3,579,615
Intangible assets		41,679,196	11,796,707
Tangible assets	10	18,982,853	17,984,843
Joint ventures	11	1,482,530	645,843
Other investments	11	8,943	49,419
		<u>62,153,522</u>	<u>30,476,812</u>
Current assets			
Stocks	13	11,619,220	8,557,531
Debtors			
Due within one year	14	21,340,806	20,292,782
Due after more than one year	14	45,881	2,474,672
Cash at bank and in hand		7,683,173	5,486,822
		<u>40,689,080</u>	<u>36,811,807</u>
Creditors: amounts falling due within one year	15	(31,025,091)	(26,902,340)
Net current assets		<u>9,663,989</u>	<u>9,909,467</u>
Total assets less current liabilities		<u>71,817,511</u>	<u>40,386,279</u>
Creditors: amounts falling due after more than one year	16	(24,130,954)	(17,287,973)
Provision for liabilities	18	(530,690)	(559,014)
Net assets		<u>47,155,867</u>	<u>22,539,292</u>
Capital and reserves			
Called-up share capital	20	109,983	87,500
Share premium account	21	27,067,517	-
Share capital redemption reserve	21	12,500	12,500
Other reserves	21	126,836	139,378
Profit and loss account	21	20,217,521	22,655,283
Shareholders' funds	22	<u>47,534,357</u>	<u>22,894,661</u>
Minority interests	23	(378,490)	(355,369)
Total capital employed		<u>47,155,867</u>	<u>22,539,292</u>

The financial statements of Music Sales Group Limited (registered number 00884449) were approved by the Board of Directors and authorised for issue on 7 October 2015

Signed on behalf of the Board of Directors


A E Latham
Director

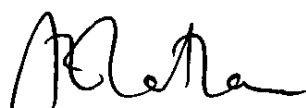
Music Sales Group Limited

Company balance sheet At 31 December 2014

	Notes	31 December 2014 £	31 December 2013 £
Fixed assets			
Investments	11	41 158,625	11 800,625
Current assets			
Debtors	14	-	1 725 292
Total assets		41 158,625	13 525,917
Creditors, amounts falling due after more than one year	16	(9 971 810)	(11,697 102)
Net assets		<u>31,186,815</u>	<u>1,828 815</u>
Capital and reserves			
Called-up share capital	20	109,983	87 500
Share Premium account	21	27,067,517	-
Capital redemption reserve	21	12 500	12 500
Profit and loss account	21	<u>3,996,815</u>	<u>1,728,815</u>
Shareholders' funds		<u>31 186,815</u>	<u>1 828 815</u>

The financial statements of Music Sales Group Limited (registered number 00884449) were approved by the Board of Directors and authorised for issue on 7 October 2015

Signed on behalf of the Board of Directors



A E Latham
Director

Music Sales Group Limited

Consolidated cash flow statement Year ended 31 December 2014

	Notes	12 months to 31 December 2014 £	18 months to 31 December 2013 £
Net cash inflow from operating activities	24	5,536,097	3,294,169
Dividends from joint ventures and associates			
Dividends received		676,516	451,170
Returns on investments and servicing of finance			
Interest received		9,458	225,021
Interest paid		(1,351,021)	(1,237,028)
Dividends paid to minority interests		-	(7,129)
Net cash outflow from returns on investments and servicing of finance		(1,341,563)	(1,019,136)
Taxation			
UK corporation tax paid		(77,422)	(17,496)
Overseas tax paid		(1,461,149)	(224,116)
Tax refunded		99,627	9,047
Net cash outflow from taxation		(1,438,944)	(232,565)
Capital expenditure and financial investment			
Purchase of tangible/intangible fixed assets		(1,808,007)	(4,159,673)
Sale of intangible/tangible fixed assets		12,686	332,718
Net cash outflow from capital expenditure and financial investment		(1,795,321)	(3,826,955)
Acquisitions and disposals			
Cash acquired with subsidiary undertakings		3,010,125	(154,896)
Net cash inflow/(outflow) before financing		4,646,910	(1,488,213)
Financing			
Decrease in loan notes		-	(75,000)
Repayments of borrowing		(2,941,451)	(781,233)
Bank loan/mortgage received		585,389	3,606,709
Director's loan repaid		(94,497)	(336,583)
Net cash (outflow)/inflow from financing		(2,450,559)	2,413,893
Increase in cash and cash equivalents	25, 26	2,196,351	925,680

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

1 Accounting policies

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

Change of accounting date

These audited financial statements cover a period of 12 months, 1 January 2014 to 31 December 2014, whereas the comparative period is for 18 months, 1 July 2012 to 31 December 2013.

Basis of preparation

The financial statements are prepared on the going concern basis under the historical cost convention modified to include listed investments which are included at market value where this is lower than cost and in accordance with applicable United Kingdom accounting standards.

Going concern

Despite the Group making a loss in the year of £2,527,806, the level of underlying business is satisfactory with the Group generating Headline EBITDA of £4,709,089 in the year. The Group retains a strong balance sheet position with net assets of £47,155,867, a positive cash balance of £7,683,173 as at 31 December 2014 and a cash inflow of £2,196,351 for the year.

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

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

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

Consolidation

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings. The financial statements of each subsidiary have been prepared to 31 December 2014. The results of subsidiaries acquired are consolidated from the date on which control passed. Acquisitions are accounted for under the acquisition method. All intra-group profits and balances are eliminated on consolidation.

Joint ventures

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

Turnover

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

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

1 Accounting policies (continued)

Intangible fixed assets

Intangible fixed assets comprise software development purchased 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. Certain of the intangibles of the Group are amortised over a period exceeding 20 years. This is considered appropriate on the basis of the underlying cashflow and impairment reviews are performed annually in preparing the Group's financial statements

Software development	2-10 years
Copyrights	10-20 years
Goodwill	20-30 years

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
Short leaseholds and improvements	over term of lease
Plant and machinery	5 years
Fixtures and fittings	3-5 years
Office equipment	3-5 years
Motor vehicles	4 years

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

Fixed asset investments

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

Stocks and work in progress

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

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

Provisions

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

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

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

1 Accounting policies (continued)

Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis. Rental income received under operating leases are recognised in the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences arising on the opening net assets and the results of overseas subsidiaries are dealt with in the statement of total recognised gains and losses. All other translation differences are included in the profit and loss account.

Pension schemes

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

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

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

2 Turnover and profit on ordinary activities before taxation

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

a) Printed music, music software and books

Turnover by destination	12 months to 31 December 2014 £	18 months to 31 December 2013 £
United Kingdom	28,228,802	44,028,354
Other European countries	10,423,273	7,573,201
USA and Canada	496,205	768,241
Australia and New Zealand	97,854	305,483
Other countries	802,827	1,103,370
Group turnover	40,048,961	53,778,649
Share of joint ventures' turnover	1,728,000	2,490,892
	<u>41,776,961</u>	<u>56,269,541</u>
Loss on ordinary activities before taxation	<u>(1,356,769)</u>	<u>(2,505,698)</u>

b) Music publishing

	12 months to 31 December 2014 £	18 months to 31 December 2013 £
Group turnover	23,317,513	27,518,241
Share of joint ventures' turnover	372,082	363,370
	<u>23,689,595</u>	<u>27,881,611</u>
Profit on ordinary activities before taxation	<u>423,102</u>	<u>3,333,923</u>

No analysis of music publishing turnover by geographical market has been provided due to the complexities of obtaining royalty income information of this kind.

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

2 Turnover and profit on ordinary activities before taxation (continued)

c) Digital education

Turnover by destination	12 months to 31 December 2014 £	18 months to 31 December 2013 £
United Kingdom	763,585	922,141
Other European countries	29,397	1,385
USA and Canada	6,325	6,565
	<u>799,307</u>	<u>930,091</u>
Loss on ordinary activities before taxation	<u>(115,328)</u>	<u>(512,020)</u>

d) Property

Turnover by destination	12 months to 31 December 2014 £	18 months to 31 December 2013 £
United Kingdom	-	-
(Loss)/profit on ordinary activities before taxation	<u>(94,413)</u>	<u>271,229</u>

e) Investment holding

Turnover by destination	12 months to 31 December 2014 £	18 months to 31 December 2013 £
United Kingdom	-	-
Loss on ordinary activities before taxation	<u>(1,210,843)</u>	<u>-</u>

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

2 Turnover and profit on ordinary activities before taxation (continued)

f) Acquisitions

The analyses presented above include the following amounts in respect of the acquisition of Caribe Entertainment Limited, Worldwide Music Corporation and their respective subsidiaries

Turnover by destination	Printed music, music software and books £	Music publishing £	Property £	Investment holding £
United Kingdom	1,430,395	516,387	-	-
Other European countries	3,984,277	5,083,029	-	-
Group turnover	5,414,672	5,599,416	-	-
Share of joint ventures' turnover	-	100,561	-	-
	5,414,672	5,699,977	-	-
Profit/(loss) on ordinary activities before taxation	923,826	(956,792)	30,405	(1,210,843)

3 Information regarding directors and employees

	12 months to 31 December 2014 £	18 months to 31 December 2013 £
Directors' emoluments		
Emoluments receivable	1,993,200	2,661,030
Company pension contributions to money purchase schemes	58,847	193,082
	2,052,047	2,854,112
The number of directors who accrued benefits under Company pension schemes was as follows	No.	No
Money purchase schemes	3	4
Emoluments of highest paid director.	£	£
Emoluments	446,067	664,411
Company contributions to money purchase schemes	-	49,903
	446,067	714,314

Any transactions with directors during the period are disclosed within note 31, related party transactions

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

3 Information regarding directors and employees (continued)

	12 months to 31 December 2014 No	18 months to 31 December 2013 No
The average number of staff employed by the Group (including directors) during the financial period amounted to:		
Selling/distribution	162	154
Administrative	177	170
	<u>339</u>	<u>324</u>

Music Sales Group Limited has no employees (2013 none)

All staff costs are incurred by Group companies

	12 months to 31 December 2014 £	18 months to 31 December 2013 £
The aggregate payroll costs (including directors) were:		
Wages and salaries	12,599,165	17,194,172
Social security costs	1,638,903	1,760,430
Other pension costs	558,451	778,964
	<u>14,796,519</u>	<u>19,733,566</u>

4 Operating (loss)/profit

	12 months to 31 December 2014 £	18 months to 31 December 2013 £
Operating (loss)/profit is after charging/(crediting)		
Depreciation of owned fixed assets	1,005,385	1,484,098
Loss/(profit) on disposal of fixed assets	135	(228,111)
Amortisation of owned intangible assets	3,595,986	2,328,004
Impairment of copyrights and advances	255,082	279,587
Foreign exchange losses	19,388	3,522
<u>Operating lease rentals</u>		
Land and buildings	780,684	1,116,757
Plant and machinery	213,424	341,897
Fees payable to the Company's auditor for the audit of the Company's annual accounts and the Company's subsidiaries pursuant to legislation	<u>154,000</u>	<u>144,250</u>

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

5 Interest receivable and similar income

	12 months to 31 December 2014 £	18 months to 31 December 2013 £
Bank interest receivable	9,905	17,587
Interest receivable from related parties	1,049	208,952
	<u>10,954</u>	<u>226,539</u>

6 Interest payable and similar charges

	12 months to 31 December 2014 £	18 months to 31 December 2013 £
Bank loans and overdrafts	1,149,898	1,176,202
Loan notes	19,150	32,666
Finance leases	24,128	28,209
Interest payable to related parties	157,957	-
	<u>1,351,133</u>	<u>1,237,077</u>

7 Tax on (loss)/profit on ordinary activities

	12 months to 31 December 2014 £	18 months to 31 December 2013 £
Current tax		
United Kingdom corporation tax based on the result for the year at 21.49% (2013 23.50%)	197,382	279,091
Overseas taxation	239,081	420,890
Double taxation relief	(102,302)	(172,452)
Group relief payable	(59,402)	(50,943)
Adjustment in respect of prior period	(20,028)	(3,379)
	<u>254,731</u>	<u>473,207</u>
Deferred tax		
Origination and reversal of timing differences	(91,313)	50,699
Adjustment in respect of prior period	33,552	63,514
	<u>196,970</u>	<u>587,420</u>
Tax on (loss)/profit on ordinary activities		
	<u>196,970</u>	<u>587,420</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 21.49%
(2013 23.50%)

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

7 Tax on (loss)/profit on ordinary activities

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

	12 months to 31 December 2014 £	18 months to 31 December 2013 £
(Loss)/profit on ordinary activities before tax	(2,354,252)	587,434
Tax on (loss)/profit on ordinary activities at standard rate	(505,995)	138,041
Factors affecting charge for the year		
Expenses not deductible for tax purposes	330,157	104,627
Other permanent differences	(1,497)	(2,143)
Capital allowances in excess of depreciation	(90,359)	(32,874)
Fixed asset differences	101,509	124,374
Other timing differences	(40,011)	(42,279)
Differences between overseas rate and local rate	60,809	68,617
Adjustments in respect of prior period	(20,028)	(3,191)
Unrelieved losses	381,172	116,741
Group relief	-	(2,417)
Marginal relief	31,909	(6,412)
Foreign tax credits	7,065	10,123
	<u>254,731</u>	<u>473,207</u>

8 Profit of parent company

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements

Music Sales Group Limited profit for the year is £2,268,000 (2013 £nil) relating to dividend income from a subsidiary undertaking

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

9. Intangible fixed assets

Group	Goodwill	Copyrights	Software	Total
	£	£	£	£
Cost				
At 1 January 2014	8,225,665	15,194,651	3,985,735	27,406,051
Additions	20,684,699	235,987	785,114	21,705,800
Acquisition of subsidiary	13,762,838	6,671,860	-	20,434,698
Exchange movement in the year	(11,606)	(165,759)	-	(177,365)
At 31 December 2014	42,661,596	21,936,739	4,770,849	69,369,184
Amortisation				
At 1 January 2014	4,646,050	8,815,508	2,147,786	15,609,344
Charge for the year	1,719,950	1,331,317	544,719	3,595,986
Acquisition of subsidiary	3,055,659	5,527,726	-	8,583,385
Exchange movement in the year	(13,252)	(85,475)	-	(98,727)
At 31 December 2014	9,408,407	15,589,076	2,692,505	27,689,988
Net book value				
At 31 December 2014	33,253,189	6,347,663	2,078,344	41,679,196
At 31 December 2013	3,579,615	6,379,143	1,837,949	11,796,707

Software with a cost of £461,190 is leased under finance lease arrangements. As at 31 December 2014 this software has not been implemented consequently there was no depreciation in the year.

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

10. Tangible fixed assets

Group	Freehold land and buildings £	Leasehold improve- ments £	Office equipment, fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2014	22,047,892	1,865,780	7,445,650	32,878	31,392,200
Additions	457,848	102,804	226,254	-	786,906
Disposals	-	-	(26,663)	(16,709)	(43,372)
Acquisition of subsidiary	1,869,634	-	4,950,843	-	6,820,477
Exchange movement in the year	-	(3,248)	(52,175)	(1,117)	(56,540)
At 31 December 2014	<u>24,375,374</u>	<u>1,965,336</u>	<u>12,543,909</u>	<u>15,052</u>	<u>38,899,671</u>
Depreciation					
At 1 January 2014	5,091,588	1,608,021	6,684,283	23,465	13,407,357
Charge for the year	531,585	101,806	369,735	2,259	1,005,385
Disposals	-	-	(20,526)	(10,025)	(30,551)
Acquisition of subsidiary	843,532	-	4,735,684	-	5,579,216
Exchange movement in the year	(2,298)	(3,248)	(38,396)	(647)	(44,589)
At 31 December 2014	<u>6,464,407</u>	<u>1,706,579</u>	<u>11,730,780</u>	<u>15,052</u>	<u>19,916,818</u>
Net book value					
At 31 December 2014	<u>17,910,967</u>	<u>258,757</u>	<u>813,129</u>	<u>-</u>	<u>18,982,853</u>
At 31 December 2013	<u>16,956,304</u>	<u>257,759</u>	<u>761,367</u>	<u>9,413</u>	<u>17,984,843</u>

Freehold properties with a net book value of £17,910,967 and a depreciation charge of £531,585 for the year have been leased out under operating lease arrangements

IT Equipment with a net book value of £14,625 and a depreciation charge of £13,500 for the year are leased under finance lease arrangements

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

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

11. Investments held as fixed assets

Group	Unlisted Total £
Cost	
At 1 January 2014 & 31 December 2014	54,113
Provisions for impairment	
At 1 January 2014	4,694
Charge for the year	40,476
At 31 December 2014	45,170
Net book value	
At 31 December 2014	8,943
At 31 December 2013	49,419

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

	31 December 2014 £	31 December 2013 £
Turnover	2,100,082	2,854,262
Gross assets	2,631,118	1,520,281
Gross liabilities	(1,148,588)	(874,438)
Net assets (represented by investment in joint venture)	1,482,530	645,843

Company	Shares in Group undertakings £
Cost and net book value	
At 31 December 2014	41,158,625
At 31 December 2013	11,800,625

On 1 January 2014 Music Sales Group Limited purchased, by means of a share issue, 100 per cent of the issued share capital of Caribe Entertainment Limited and Worldwide Music Corporation for consideration of £25,890,000 and £1,200,000 respectively (refer to note 12). Subsequent to the acquisition, on 31 October 2014, Worldwide Music Corporation issued a further 3,628,346 shares to Music Sales Group Limited for £2,268,000.

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

11. Investments held as fixed assets (continued)

Subsidiaries	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 music and books
Novello Publishing Limited	United Kingdom	Ordinary	-	100	Wholesale distribution of printed music and books
Alphonse Leduc Editions Musicales	France	Ordinary	-	100	Music publishing wholesale distribution
Music in Print Limited	United Kingdom	Ordinary	100	-	Record, music and instrument retailing
J Wood & Sons Limited	United Kingdom	Ordinary	-	100	Record music and instrument retailing
Music Sales (Hong Kong) Limited	Hong Kong	Ordinary	-	100	Instrument gifts and accessories procurement
Chester Music Limited	United Kingdom	Ordinary	100	-	Music publishing
Campbell Connolly & Co Limited	United Kingdom	Ordinary	-	100	Music publishing
Eaton Music Limited	United Kingdom	Ordinary	-	100	Music publishing
Novello & Company Limited	United Kingdom	Ordinary	-	100	Music publishing
Edition Wilhelm Hansen AS Copenhagen	Denmark	Ordinary	-	100	Music publishing
Storyville Records ApS	Denmark	Ordinary	-	100	Music publishing
Edition Wilhelm Hansen OY S/F	Finland	Ordinary	-	100	Music publishing
Edition Wilhelm Hansen GmbH	Germany	Ordinary	-	100	Music publishing
Laton Music GmbH	Germany	Ordinary	-	100	Music publishing
Bosworth Music GmbH	Germany	Ordinary	-	100	Music publishing
Musikverlag Progressive GmbH	Germany	Ordinary	-	100	Music publishing
Bosworth & Co Limited GesmbH	Austria	Ordinary	-	100	Music publishing
Eaton Music Italy Srl	Italy	Ordinary	-	100	Music publishing
Union Musical Ediciones SL	Spain	Ordinary	-	99.98	Music publishing
Eaton Music France SARL	France	Ordinary	-	100	Music Publishing
Campbell Connolly France SARL	France	Ordinary	-	100	Music Publishing
Premiere Music Group SARL	France	Ordinary	-	99.988	Music Publishing
Campbell Connolly Inc	USA	Ordinary	-	100	Music Publishing
Bramsdene Music Corporation	USA	Ordinary	-	100	Music Publishing
Eaton Music (Australia) Pty Ltd	Australia	Ordinary	-	100	Music Publishing
Kabushiki Kaisha Music Sales	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	Germany	Ordinary	-	100	Property company
Charanga Limited	United Kingdom	Ordinary	-	60	Digital Education
Caribe Entertainment Limited	Commonwealth of the Bahamas	Ordinary	100	-	Investment holding
Worldwide Music Corporation	Commonwealth of the Bahamas	Ordinary	100	-	Investment holding

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

11 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					
Hal Leonard Europe Limited	United Kingdom	Ordinary	-	50	Music publishing
Glad Music Limited	United Kingdom	Ordinary	-	50	Music publishing
Twangy Music Limited	United Kingdom	Ordinary	-	50	Music publishing
Veronica Music Limited	United Kingdom	Ordinary	-	50	Music publishing
Moving Image Music Limited	United Kingdom	Ordinary	-	50	Music publishing
Sabre Music Limited	United Kingdom	Ordinary	-	50	Music publishing
Lyion 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
Connolly Basart Muziekuitgeverij BV	Holland	Ordinary	-	50	Music publishing
Robert Mellin Musikverlag GmbH & Co KG	Germany	Ordinary	-	50	Music publishing
Hao Hao Music Sales Limited	Hong Kong	Ordinary	-	50	Music and book publishing
Music Salesurtados (India) Limited	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
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
Rac Macintosh (Music) Limited	United Kingdom	Ordinary	-	100	Dormant
Record and Tape Sales Limited	United Kingdom	Ordinary	-	100	Dormant
Sheet Music Direct Limited	United Kingdom	Ordinary	-	100	Dormant
Musicroom.com Limited	United Kingdom	Ordinary	-	100	Dormant
Banks & Son (Music) Limited	United Kingdom	Ordinary	-	100	Dormant
Chas J Fox (Organs) Limited	United Kingdom	Ordinary	-	100	Dormant
Early Music Shop Limited	United Kingdom	Ordinary	-	100	Dormant
Percy Prior's Music Limited	United Kingdom	Ordinary	-	100	Dormant
Garber Music Limited	United Kingdom	Ordinary	-	100	Dormant
G Schirmer Limited	United Kingdom	Ordinary	-	100	Dormant
Orange Sky Music Limited	United Kingdom	Ordinary	-	100	Dormant
Yellow Sky Music Limited	United Kingdom	Ordinary	-	100	Dormant
Noel Gay Music Company Limited	United Kingdom	Ordinary	-	100	Dormant
Richard Armitage Limited	United Kingdom	Ordinary	-	100	Dormant
Campbell Connolly Investments Ltd	United Kingdom	Ordinary	-	100	Dormant
Cinephonic Music Company Limited	United Kingdom	Ordinary	-	100	Dormant
Concord Records Limited	United Kingdom	Ordinary	-	100	Dormant
Cross Music Limited	United Kingdom	Ordinary	-	100	Dormant
Dash Music Company Limited	United Kingdom	Ordinary	-	100	Dormant
Evergreen Music Limited	United Kingdom	Ordinary	-	100	Dormant
Glendale Music Limited	United Kingdom	Ordinary	-	100	Dormant
Harrison Music Company Limited	United Kingdom	Ordinary	-	100	Dormant
High-Fye Music Limited	United Kingdom	Ordinary	-	100	Dormant
Hournew Music Limited	United Kingdom	Ordinary	-	100	Dormant
Ivy Music Limited	United Kingdom	Ordinary	-	100	Dormant
J Curwen and Sons Limited	United Kingdom	Ordinary	-	100	Dormant
Montclare Music Company Limited	United Kingdom	Ordinary	-	100	Dormant
Panther Productions Limited	United Kingdom	Ordinary	-	100	Dormant
Robert Kingston (Music) Limited	United Kingdom	Ordinary	-	100	Dormant
The Sparta Florida Music Group Ltd	United Kingdom	Ordinary	-	100	Dormant

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

11 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)					
Bosworth and Company Limited	United Kingdom	Ordinary	-	100	Dormant
Arrgce 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	United Kingdom	Ordinary	-	100	Dormant
Paxton Music Limited	United Kingdom	Ordinary	-	100	Dormant

The following subsidiaries within the consolidated Music Sales Group Limited have taken advantage of the audit exemption provisions under section 479A of the Companies Act 2006 in relation to their annual accounts for the year ended 31 December 2014

Subsidiary	Company registered no
Bobcat Books Limited	1010165
Dorsey Brothers Music Limited	0509254
Rae Macintosh (Music) Limited	SC052470
Percy Prior's Music Limited	5461954
Noel Gay Music Company Limited	0345568
G Schirmer Limited	0053588
Garber Music Limited	0953087
Orange Sky Music Limited	0365648
Yellow Sky Music Limited	0629815
Cinephonic Music Company Limited	0277951
Cross Music Limited	0662108
Campbell Connelly Investments Limited	1089881
Dash Music Company Ltd	0267277
Evergreen Music Limited	0538269
Glendale Music Limited	0896094
Harrison Music Company Limited	0724294
High-Fye Music Limited	0612019
Hournew Music Limited	0874689
J Curwen & Sons Limited	0591220
Ivy Music Limited	0665869
Montclare Music Company Limited	0533959
Robert Kingston (Music) Limited	1304444

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

12 Acquisition of subsidiary undertakings

On 1 January 2014, Music Sales Group Limited purchased 100 per cent of the issued share capital of Caribe Entertainment Limited and Worldwide Music Corporation for consideration of £25,890,000 and £1,200,000 respectively. The consideration was settled by means of a share issue by Music Sales Group Limited to NTM Investments Limited. These combinations have been accounted for as acquisitions and are based on book values due to the companies acquired being under common control.

Professional costs totalling £98,564, incurred as a direct result of these acquisitions, have been charged through the profit and loss account in the year.

The following table sets out the book value of the identifiable assets and liabilities acquired. No fair value adjustments arose as part of the acquisition.

	Book value £
Fixed assets	
Intangible assets	12,086,418
Tangible assets	1,495,926
Joint ventures	986,703
	<hr/>
	14,569,047
Current assets	
Stocks	2,968,163
Debtors	10,437,996
Cash at bank and in hand	3,010,127
	<hr/>
	16,416,286
Creditors	(24,580,032)
	<hr/>
Net assets	6,405,301
Goodwill	20,684,699
	<hr/>
	27,090,000
	<hr/>
Satisfied by	
Shares issued	27,090,000
	<hr/>

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

13 Stocks

Group	31 December 2014 £	31 December 2013 £
Raw materials and consumables	43,955	50,535
Work in progress	641,516	479,344
Finished goods and goods for resale	10,933,749	8,027,652
	<u>11,619,220</u>	<u>8,557,531</u>

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

14 Debtors

Group	31 December 2014 £	31 December 2013 £
Amounts falling due within one year		
Trade debtors	14,099,504	10,733,493
Other debtors	2,246,285	1,808,431
Prepayments and accrued income	2,254,271	2,273,490
Amounts owed by related undertakings (note 31)	1,867,016	5,043,435
Deferred taxation (note 19)	555,866	433,933
Corporation tax	317,864	-
	<u>21,340,806</u>	<u>20,292,782</u>
Amounts falling due after more than one year		
Amounts owed by related undertakings (note 31)	43,787	2,402,143
Other debtors	2,094	72,529
	<u>45,881</u>	<u>2,474,672</u>
Company		
Amounts falling due within one year	£	£
Amounts owed by group undertakings	-	1,725,292

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

15. Creditors: amounts falling due within one year

Group	31 December 2014 £	31 December 2013 £
Bank loans	2,186,189	1,201,462
Loan notes	383,000	-
Trade creditors	19,638,364	13,307,815
Amounts owed to related undertakings (note 31)	1,722,385	6,954,577
Corporation tax	-	23,692
Other taxation and social security	674,372	571,507
Obligations under finance leases	105,122	105,918
Other creditors	2,693,604	2,197,989
Accruals and deferred income	3,622,055	2,539,380
	<u>31,025,091</u>	<u>26,902,340</u>

The amount accrued in respect of payments into the UK defined contribution pension scheme totalled £53,095 (2013 £54,760)

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

Group	31 December 2014 £	31 December 2013 £
Bank loans	22,177,330	14,760,613
Loan notes	-	383,000
Amounts owed to related undertakings (note 31)	1,931,018	2,025,515
Obligations under finance leases	17,279	113,162
Other creditors	5,327	5,683
	<u>24,130,954</u>	<u>17,287,973</u>

Company	£	£
Amounts owed to group undertakings	<u>9,971,810</u>	<u>11,697,102</u>

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

17. Borrowings

Group

The borrowings comprise bank loans and loan notes as follows

Bank loan of €260,000, repayable in quarterly instalments expiring in December 2015 Interest is charged at a fixed rate of 3.00%

Bank loan of €523,223 repayable in quarterly instalments expiring in March 2016 Interest is charged at 5.15%

Bank loan of £315,000 repayable annually in equal instalments, expiring July 2016 Interest is charged at LIBOR + 3.0%

Revolving credit facility of £4,515,535 which matures in November 2016 Interest is charged at LIBOR + 3.0%

Bank loan of €400,000 repayable in half yearly instalments expiring in June 2017 Interest is charged at a fixed rate of 4.4%

Bank loan of €325,931, repayable in quarterly instalments expiring in August 2017 Interest is charged at a fixed rate of 4.10%

Bank loan of €140,000, repayable in half yearly instalments expiring in June 2018 Interest is charged at a fixed rate of 4.9%

Bank loan of €750,000 repayable in half yearly instalments expiring in June 2018 Interest is charged at 2.75%

Bank loan of £510,000 repayable in quarterly instalments and expiring in November 2019 Interest is charged at a fixed rate of 6.0125%

Bank loan of £76,667 repayable in quarterly instalments expiring in July 2020 Interest is charged at LIBOR + 1.15%

Bank loan of €9,371,951 repayable in annual instalments expiring in December 2021 Interest is charged at a EUR LIBOR + 3.00%

Bank loan of €662,210 repayable in annual instalments expiring in December 2025 Interest is charged at a fixed rate of 5.3%

Bank loan of £5,488,268 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 £802,120 repayable in quarterly instalments expiring in July 2029 Interest is charged at LIBOR + 1.15%

Bank loan of £2,951,487 repayable in quarterly instalments expiring in August 2029 A swap agreement has been entered into converting the variable interest of LIBOR + 1.15% to a fixed rate of 5.45% + 1.15%

Six private loan notes totalling £383,000 (2013 six loan notes totalling £383,000) repayable in full on or before 30 June 2015 Interest is charged on a quarterly basis at LIBOR + 4% subject to a minimum rate of 5% and a maximum rate of 10% The loan notes are unsecured

An unsecured loan of £4,000,000 was made by Mr R Wise to a subsidiary of the Group on 7 April 2010 The loan bears interest at LIBOR plus 150 basis points which is payable quarterly in arrears The loan balance, which was £1,368,105 at 31 December 2014, is repayable in September 2019

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

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

17 Borrowings (continued)

Borrowings are repayable as follows

	31 December 2014 £	31 December 2013 £
Bank loans and loan notes		
Within one year	2,569,189	1,201,462
After one and within two years	3,907,391	1,226,785
After two and within five years	6,838,688	3,732,487
After five years	11,431,251	10,184,341
	<u>24,746,519</u>	<u>16,345,075</u>
Finance leases		
Within one year	105,122	105,918
After one and within two years	17,279	95,883
After two and within five years	-	17,279
	<u>122,401</u>	<u>219,080</u>

18 Provisions for liabilities

	Provision for Dilapidations £	Deferred consideration £	Total £
Balance at 1 January 2014	37,500	521,514	559,014
Profit and loss account credit	(28,324)	-	(28,324)
Balance at 31 December 2014	<u>9,176</u>	<u>521,514</u>	<u>530,690</u>

The provision for dilapidations relates to the closure of the Hatfield retail store in February 2015. This has been settled in full.

The provision for deferred consideration is in respect of the acquisition of Eaton Music Limited, is payable in March 2016 and is management's best estimate. The actual amount payable will depend on the post-acquisition profits of the acquired company in the 12 months to 31 December 2015 and the net asset position of the overseas subsidiaries as at this date.

19. Deferred tax

	£
Balance at 1 January 2014	433,933
Profit and loss account charge	57,759
Acquisition of a subsidiary	14,294
Exchange movement	9,390
Prior period adjustment	40,490
Balance at 31 December 2014	<u>555,866</u>

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

19. Deferred tax (continued)

The deferred tax included in the balance sheet is as follows

	Recognised		Unrecognised	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	£	£	£	£
Depreciation in advance of tax allowances	89,944	165,002	-	-
Other timing differences	20,076	30,305	-	-
Losses debtor/(creditor)	445,846	238,626	561,232	617,159
	<u>555,866</u>	<u>433,933</u>	<u>561,232</u>	<u>617,159</u>

The deferred tax asset in respect of losses carried forward has been recognised on the basis of anticipated available profits in the future to utilise these losses

20. Called-up share capital

	31 December 2014	31 December 2013
	£	£
Authorised		
110,000 ordinary shares of £1 each	<u>110,000</u>	<u>110,000</u>
Called-up, allotted and fully paid		
Ordinary shares of £1 each	<u>109,983</u>	<u>87,500</u>

During the year the Company allotted 22,483 ordinary shares with a nominal value of £22,483 in connection with the acquisitions of Caribe Entertainment Limited and Worldwide Music Corporation

21 Statement of movement on reserves

	Profit and loss account	Share Premium Account	Capital redemption reserve	Other reserves	Total
	£	£	£	£	£
Group					
At 1 January 2014	22,655,283	-	12,500	139,378	22,807,161
Loss for the financial year	(2,527,806)	-	-	-	(2,527,806)
Issue of ordinary share capital	-	27,067,517	-	-	27,067,517
Foreign exchange gain/(loss)	90,044	-	-	(12,542)	77,502
At 31 December 2014	<u>20,217,521</u>	<u>27,067,517</u>	<u>12,500</u>	<u>126,836</u>	<u>47,424,374</u>
Company					
At 1 January 2014	1,728,815	-	12,500	-	1,741,315
Profit for the financial year	2,268,000	-	-	-	2,268,000
Issue of ordinary share capital	-	27,067,517	-	-	27,067,517
At 31 December 2014	<u>3,996,815</u>	<u>27,067,517</u>	<u>12,500</u>	<u>-</u>	<u>31,076,832</u>

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

22 Reconciliation of movements in Group shareholders' funds

	31 December 2014 £	31 December 2013 £
(Loss)/profit for the financial year/period	(2,527,806)	170,755
Other recognised gains/(losses)	77,502	(8,572)
Issue of ordinary share capital	27,090,000	-
Net increase in shareholders' funds	24,639,696	162,183
Opening shareholders' funds	22,894,661	22,732,478
Closing shareholders' funds	47,534,357	22,894,661

23. Minority interests

	£
At 1 January 2014	(355,369)
Minority interest on acquisition	314
Loss on ordinary activities after taxation	(23,416)
Foreign exchange	(19)
At 31 December 2014	(378,490)

24 Reconciliation of operating (loss)/profit to operating cash flows

	31 December 2014 £	31 December 2013 £
Operating (loss)/profit	(1,684,661)	872,242
Foreign exchange adjustment	(118,549)	(209,208)
Amortisation/impairment provisions	3,636,462	2,328,004
Depreciation	1,005,385	1,484,098
(Profit)/loss on sale of tangible fixed assets	135	(228,111)
(Increase)/decrease in stocks	(275,407)	1,059,398
Decrease/(increase) in debtors	1,836,511	(4,224,067)
Increase in creditors	1,136,221	2,211,813
Net cash inflow from operating activities	5,536,097	3,294,169

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

25 Reconciliation of net cash flow to movement in net debt

	31 December 2014 £	31 December 2013 £
Increase in cash in the year/period	2,196,351	925,680
Cash inflow from change in debt and financing	(7,744,034)	(2,413,893)
Movement in net debt in the year/period	(5,547,683)	(1,488,213)
Opening net debt	(12,883,768)	(11,395,555)
Closing net debt	(18,431,451)	(12,883,768)

Net debt is defined as bank borrowings and loan notes, net of cash and cash equivalents

26 Analysis of changes in net debt

	At 1 January 2014 £	Cash flow £	At 31 December 2014 £
Cash at bank and in hand	5,486,822	2,196,351	7,683,173
Bank overdrafts	-	-	-
	5,486,822	2,196,351	7,683,173
Debt due in less than one year	(1,201,462)	(1,367,727)	(2,569,189)
Debt due in more than one year	(17,169,128)	(6,376,307)	(23,545,435)
	(12,883,768)	(5,547,683)	(18,431,451)

27. Royalty commitments

Print and copyright royalty advance payment commitments exist amounting to £2,355,228 (2013 £4,563,529)

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

	31 December 2014 £	31 December 2013 £
In one year or less	938,379	2,258,051
Between two and within five years	1,416,849	2,305,478
In five years or more	-	-
	2,355,228	4,563,529

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

28 Operating lease commitments

At 31 December 2014 the Company had annual commitments under non-cancellable operating leases which expire as set out below

	Land and buildings		Other	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	£	£	£	£
Leases which expire				
In one year or less	52,720	120,000	57,285	59,954
Between two and five years	212,320	137,500	59,235	130,817
In five years or more	467,545	494,228	52,000	-
	<u>732,585</u>	<u>751,728</u>	<u>168,520</u>	<u>190,771</u>

29. Capital commitments

At 31 December 2014 the Group had no capital commitments (2013: £nil)

30. Contingent liabilities

There is an unrecognised contingent liability of £410,000 (2013: £410,000) in respect of rollover relief available against a gain made by a Group undertaking

A number of subsidiary companies are included in Group registrations for VAT purposes and are therefore jointly and severally liable for all other Music Sales Group companies' unpaid debts in this connection

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

31 Related party transactions

On 1 January 2014, the Novello Publishing and Premiere Music group of companies were acquired by Music Sales Group Limited through the acquisition of their immediate parent companies Caribe Entertainment Limited and Worldwide Music Corporation

Consequently, as wholly-owned subsidiaries, Music Sales Group Limited has taken advantage of the exemption within Financial Reporting Standard No 8 'Related party disclosures' with respect to the disclosure of transactions in the year with related parties which are part of the Music Sales Group. Any transactions with other wholly-owned subsidiaries within Music Sales Group, previously outside of the Group and disclosed as prior year comparatives, have not been reported for the current financial year

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

31. Related party transactions (continued)

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

	31 December 2014	31 December 2013
Amounts owed to related party undertakings	£	£
Glad Music Limited	117,193	102,159
Twangy Music Limited	35,080	32,234
Veronica Music Limited	60,926	43,896
Moving Image Music Limited	59,687	40,432
Sabre Music Limited	34,735	23,661
Ixion Publishing Limited	14,444	8,332
Madena Publishing Limited	10,738	8,808
Whitman Music Limited	524	177
Campbell Connelly Holland BV	91,782	91,781
Hal Leonard Europe Limited	261,998	-
Novello Publishing Limited	-	960,545
Novello & Company Limited	-	4,642,456
Bosworth GmbH	-	33,127
Premiere Music Group SARL	-	67,005
Music Sales Digital Limited	1	-
Music Sales (Pty) Limited	81,830	70,225
Music Sales Corporation	506,352	691,930
Music Sales Digital Services LLP	239,688	107,953
G Schirmer Inc	27,537	-
Chester NY	12,006	16,488
O'Music Limited	2,202	-
Rising Software Pty	637	82
Editions Musicales Francaises	-	8,699
P C Fletcher	2,087	4,587
Jersey Trust Company	149,587	-
Hebbes Music Group Pty Limited	13,351	-
	<u>1,722,385</u>	<u>6,954,577</u>
 Amounts owed after more than one year		
Mr R Wise	1,368,105	2,025,515
Music Sales Corporation	562,913	-
	<u>1,931,018</u>	<u>2,025,515</u>

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

31 Related party transactions (continued)

Amounts owed by related party undertakings	31 December 2014 £	31 December 2013 £
Hal Leonard Europe Limited	-	76,871
Glad Music Limited	17,725	-
Twangy Music Limited	22,662	17,508
Veronica Music Limited	38,035	2,362
Hao Hao Music Sales Limited	728,500	684,153
Moving Image Music Limited	29,987	21,741
Sabre Music Limited	18,653	10,434
Ixion Publishing Limited	5,318	1,738
Madena Publishing Limited	1,637	260
Whitman Music Limited	2,928	2,689
Caribe Entertainment Limited	-	22,270
Worldwide Music Corporation	-	19,637
Novello Publishing Limited	-	101,241
Novello & Company Limited	-	2,276,873
Bosworth & Company Limited	-	29,010
Premiere Music Group SARL	-	950,035
Music Sales Corporation	217,172	141
Music Sales Digital Services LLP	1,221	-
G Schirmer Inc	17,214	17,464
Music Sales Digital Limited	-	227,775
Focus on Sound	110,441	36,731
O'Music Limited	18,558	-
Music Sales (Pty) Limited	382,251	302,828
Campbell Connelly Australia Pty	-	78,472
Editions Musicales Francaises	12,242	-
Reba	20,642	20,642
Mr H Hei	5,291	7,054
Wise Enterprises Espana SL	11,984	11,984
BW Investments	15,603	15,603
Wise Investments SARL	71,712	-
Wise I	17,483	17,483
Wise II	44,292	44,292
Wise IV	20,327	19,436
Newman Street Investments Limited	26,604	18,174
NTM Investments Limited	8,534	8,534
	<u>1,867,016</u>	<u>5,043,435</u>

Amounts falling due after more than one year:

Novello Publishing Limited	-	147,532
Wise Properties GmbH	-	143,780
Worldwide Music Corporation	-	2,065,280
Wise Investments SARL	43,787	43,787
Mr H Hei	-	1,764
	<u>43,787</u>	<u>2,402,143</u>

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

31. Related party transactions (continued)

Details of related party transactions are given below

	12 months to 31 December 2014 £	18 months to 31 December 2013 £
Sales		
Music Sales Corporation	69,929	130,539
Music Sales America	439,761	637,701
Music Sales (Pty) Limited	227,701	282,181
	<hr/>	<hr/>
Distribution and administration		
Novello Publishing Limited	-	516,281
Novello & Company Limited	-	1,096,310
Bosworth GmbH	-	388,201
Hal Leonard Europe Limited	504,542	722,957
Music Sales Corporation	115,243	191,519
Music Sales America	33,873	30,680
Music Sales (Pty) Limited	32,950	55,770
Focus on Sound	20,000	30,000
Moving Image Music Limited	9,359	5,250
Sabre Music Limited	1,000	950
Ixon Publishing Limited	981	1,075
Madena Publishing Limited	1,447	510
Whitman Music Limited	61	32
	<hr/>	<hr/>
Royalties Received		
Novello & Company Limited	-	1,420
Premiere Music Group SARL	-	510,314
Bosworth GmbH	-	306,537
Campbell Connelly Holland	144,603	117,751
Music Sales Corporation	392,052	618,251
G Schirmer Inc	703,161	815,293
G Schirmer Australia Pty	14,985	129,982
Campbell Connelly Australia	141,435	263,364
	<hr/>	<hr/>
Royalties paid		
Novello & Company Limited	-	170,854
Premiere Music Group SARL	-	511,816
Bosworth GmbH	-	15,177
Music Sales Corporation	1,036,079	1,487,099
G Schirmer Inc	475,458	464,501
G Schirmer Australia Pty	546	6,880
Campbell Connelly Australia	5,414	3,640
	<hr/>	<hr/>
Rent payable		
Wise Properties GmbH	-	107,459
Premiere Music Group SARL	-	95,612
Wise Enterprises Espana	50,363	92,669
	<hr/>	<hr/>

Music Sales Group Limited

Notes to the financial statements Year ended 31 December 2014

31 Related party transactions (continued)

	12 months to 31 December 2014 £	18 months to 31 December 2013 £
Loan interest receivable		
Worldwide Music Corporation	-	175,729
Novello Publishing Limited	-	20,364
Bosworth GmbH	-	10,428
Premiere Music Group SARL	-	1,857
Music Sales Australia Pty	950	-
Mr H Hei	99	574
	<hr/>	<hr/>
Loan interest payable		
Mr R Wise	157,957	-
	<hr/>	<hr/>

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

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

Transactions with directors

A Group company rents an apartment in New York from Mrs M B Wise at an annual rent of \$75,000 (2013 \$75,000)

An unsecured loan of £4,000,000 was made by Mr R Wise to a subsidiary of the Group on 7 April 2010. The loan bears interest at LIBOR plus 150 basis points which is payable quarterly in arrears. The maximum amount outstanding during the year was £1,932,757 and the loan balance, which was £1,368,105 at 31 December 2014 (31 December 2013 £2,025,515), is repayable in September 2019.

32 Subsequent events

As a remaining stage of the Music Sales Group Limited restructure, on 1 January 2015, Campbell, Connelly & Co Limited sold all of its trade and net assets to Chester Music Limited, its immediate parent company and a 100% owned subsidiary of Music Sales Group Limited, for their net book value. The trading business, previously operated by Campbell, Connelly & Co Limited now operates out of Chester Music Limited and from this date Campbell, Connelly & Co Limited became a dormant Company.

33. 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.