

Demon Music Group Limited
Annual Report and Financial Statements
for the year ended 31 March 2018



Contents

Strategic report	2
Directors' report	3
Statement of directors' responsibilities	4
Profit and loss account	5
Statement of comprehensive income	5
Balance sheet	6
Statement of changes in equity	7
Notes to the financial statements	8

Strategic report

The Directors present their Strategic report of Demon Music Group Limited (the "Company") for the year ended 31 March 2018.

Principal activity, business review and future developments

The principal activity of the Company is the publishing and marketing of music through compact discs, all digital formats and licensing of music rights.

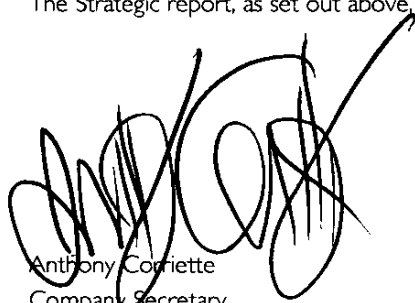
The Directors consider that its main performance indicator is profit. Operating profit was £3.0m (2017: £0.7m). Operating profit has increased year on year due to the discontinuation of management fee recharges previously recognised in administration expenses. Turnover at £11.9m was consistent with the prior year (2017: £11.9m). However, gross margin increased by 5% to 36% (2017: 31%) primarily as a result of decreased provisioning for unsaleable stock and royalty advances.

Principal risks and uncertainties

The physical CD music market, in which Demon Music Group Limited operates continues to decline both in volume and increased downward pressure on prices from retailers.

Market risks and uncertainties are mitigated by management controls around release schedules, through tracking weekly sales performance against forecast and monthly financial reviews.

The Strategic report, as set out above, was approved by the Directors and signed on their behalf by:



Anthony Corriette
Company Secretary
19 DECEMBER 2018

Directors' report

The Directors present their report and the financial statements of Demon Music Group Limited (the "Company") for the year ended 31 March 2018.

Directors

The Directors who served during the year and subsequent to the year end were as follows:

Stephen Davies
Andrew Moultrie

The Company Secretary is Anthony Corriette.

Donations

The Company made a £500 charitable donation to Sports Relief during the year (2017: £nil).

Results and dividends

Profit after taxation for the year was £2,456,000 (2017: £565,000).

Dividends of £600,000 (2017: £4,400,000) were declared and paid during the year and no further dividends have been proposed by the Directors post year end.

Going concern

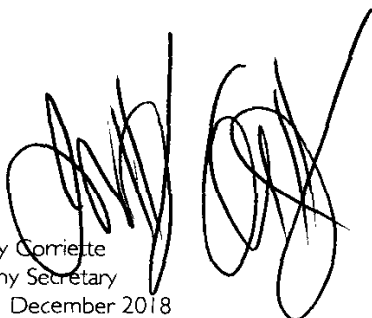
Notwithstanding the Company's net current liabilities, the Directors have received confirmation from the Directors of the parent company that they will not demand immediate repayment of debts owed to them and will continue to support the Company financially to enable it to meet its liabilities as and when they fall due, for a period not less than one year from the date of approval of these financial statements and accordingly the going concern basis continues has been adopted in the preparation of the accounts.

Directors' interest and indemnities

The Directors had no interest in the share capital of Demon Music Group Limited at 1 April 2017 or 31 March 2018. No rights to subscribe for shares in or debentures of the Company were granted to the Directors or their immediate families, or exercised by them, during the financial year. The Directors are covered by Directors' and officers' insurance in place throughout the financial year as appropriate under the BBC group scheme.

On behalf of the Board,

Anthony Corriette
Company Secretary
19 December 2018



Registered Office:
1 Television Centre
101 Wood Lane
London
W12 7FA

Statement of directors' responsibilities

The Directors are responsible for preparing the Strategic report, Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 year.

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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Profit and loss account

	31 March 2018 £'000	31 March 2017 £'000
Note		
Turnover	11,877	11,915
Cost of sales	(7,612)	(8,256)
Gross Profit	4,265	3,659
Distribution costs	(1,286)	(1,170)
Administrative expenses	53	(1,783)
Operating profit	3,032	706
Profit on ordinary activities before taxation	3,032	706
Tax on profit on ordinary activities	3a (576)	(141)
Profit for the financial year	2,456	565

Statement of comprehensive income

	2018 £'000	2017 £'000
Note		
Profit for the financial year	2,456	565
Other comprehensive income for the year	-	-
Total comprehensive income for the year	2,456	565

The profit for the current year and prior year were from continuing operations.

Balance Sheet

As at 31 March	Note	*Restated	
		2018 £'000	2017 £'000
Fixed assets			
Investments	4	3,916	3,836
		3,916	3,836
Current assets			
Stocks	5	1,876	2,261
Debtors	6	8,379	5,429
		10,255	7,690
Creditors: amounts falling due within one year	7	(11,670)	(10,881)
Net current liability		(1,415)	(3,191)
Net assets		2,501	645
Capital and reserves			
Called up share capital	8	-	-
Retained earnings		2,501	645
Total shareholders' funds		2,501	645

* The balance sheet as at 31 March 2017 was restated to reclassify production costs from Debtors to Investments.

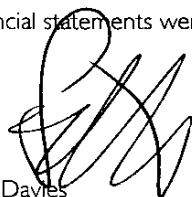
The notes on pages 8 to 13 form an integral part of these financial statements.

The Directors:

- (a) confirm that the Company was entitled to exemption under section 479A of the Companies Act 2006 from the requirement to have its accounts for the financial year ended 31 March 2018 audited.
- (b) confirm that members have not required the Company to obtain an audit of its accounts for that financial year in accordance with sub-section (2) of section 476 of that Act.
- (c) acknowledge their responsibilities for:
 - ensuring that the Company keeps accounting records which comply with section 386 of the Companies Act 2006, and
 - preparing accounts which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of section 394 of that Act, and which otherwise comply with the requirements of that Act relating to accounts, so far as applicable to the Company.

The financial statements were approved by the Board of Directors on 19 December 2018 and were signed on its behalf by:

Stephen Davies
Director



Statement of changes in equity

	Called up share capital £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 April 2016	-	4,480	4,480
Total comprehensive income for the year			
Profit	-	565	565
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	565	565
Transactions with owners, recorded directly in equity			
Dividends	-	(4,400)	(4,400)
Total distributions to owners	-	(4,400)	(4,400)
Balance at 31 March 2017	-	645	645
Total comprehensive income for the year			
Profit	-	2,456	2,456
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	2,456	2,456
Transactions with owners, recorded directly in equity			
Dividends	-	(600)	(600)
Total distributions to owners	-	(600)	(600)
Balance at 31 March 2018	-	2,501	2,501

Notes to the financial statements

I Principal accounting policies

A summary of the Company's principal accounting policies is set out below. These accounting policies have been applied consistently throughout the current and preceding years to items considered material to the financial statements.

Ia Basis of preparation

Demon Music Group Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 3. The nature of the Company's operations and its principal activities are set out in the Strategic report on page 2.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The Company has applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements have been prepared under the historical cost basis.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available in relation to business combinations, share-based payments, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures for the exemption adopted are given in the Group accounts of BBC Studios Distribution Limited. The Group accounts of BBC Studios Distribution Limited are available to the public and can be obtained as set out in note 10.

Ib Going concern

Notwithstanding the Company's net current liabilities, the Directors have received confirmation from the Directors of the parent undertaking that they will continue to support the Company financially to enable it to meet its liabilities as and when they fall due, for a period not less than one year from the date of approval of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

Ic Group financial statements

The financial statements present information about the Company as an individual undertaking and not about its group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare group financial statements on the grounds that it is a wholly owned subsidiary undertaking of BBC Studios Distribution Limited, incorporated in Great Britain and registered in England and Wales.

Id Turnover

Company turnover represents wholesale sales to retailers, sub-licensing royalties, digital download, streaming and other income earned during the year.

The basis upon which turnover is recognised is as follows:

Wholesale sales to retailers are recognised on delivery of the product and are recorded at the fair value of consideration receivable, net of discounts and after deduction of the sales value of actual and estimated returned goods.

Licensing royalties are recognised as turnover when the following criteria are all met:

- (i) the licence agreement has been executed by all parties;
- (ii) the licence term has commenced;
- (iii) the collection of licensing royalties is reasonably assured.

Notes to the financial statements (continued)

Id Turnover (continued)

All licensing royalties received in advance are included within deferred income until the above criteria are met.

Other income, including sales commission, is recognised on an accruals basis to match the provision of the related goods or services.

Turnover excludes value added tax and trade discounts and is recognised at the fair value of consideration receivable.

Ie Foreign currency translation

Transactions in foreign currencies are translated into sterling using the rate of exchange ruling at the date of the transaction. Balances held at year-end in foreign currencies are translated at the balance sheet date.

If Fixed asset investments

Fixed asset investments are recorded at cost less provision for impairment.

Ig Stocks

Stocks are stated at the lower of cost and net realisable value.

Ih Advance royalties

Advance royalties are stated at cost less amounts recouped against royalties payable on sales and provision for any anticipated un-recoupable amounts.

Ii Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profit. Except where otherwise required by accounting standards full provision without discounting is made for all temporary differences that have arisen but not reversed at the balance sheet date.

Deferred tax assets are recognised to the extent that, on the basis of all available evidence, it is more likely than not that they will be recovered. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements (continued)

2 Staff Costs

The Company had no employees during the current or preceding year. No Director of the Company received any remuneration for qualifying services to the Company during the year (2017: £nil).

3 Taxation

3a Analysis of charge for the year

The charge for the year, based on a rate of corporation tax of 19% (2017: 20%), comprised:

	2018 £'000	2017 £'000
UK Corporation tax:		
Current tax:		
Group relief payment	505	141
UK corporation tax on profit for the year	71	-
Total current tax charge (note 3b)	576	141
Total tax charge	576	141

Notes to the financial statements (continued)

3 Taxation (continued)

3b Factors affecting the tax charge

The current tax charge for the year is higher (2017: same) than the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained as follows:

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	3,032	706
Current tax at 19% (2017: 20%)	576	141
Current tax charge for the year (note 3a)	576	141

3c Analysis of deferred tax balance

In accordance with IAS 12: *Income Taxes*, the Company provides for all deferred tax liabilities in full less available deferred tax assets.

	2018 £'000	2017 £'000
Net deferred tax provision	£'000	£'000
Net provision at the start of year	(2)	(2)
Deferred tax charge (note 3a)	-	-
Net provision at end of year (note 6)	(2)	(2)

Deferred tax balances comprise:

	2018 £'000	2017 £'000
Difference between accumulated depreciation Amortisation and capital allowances	(2)	(2)
Other timing differences	-	-
	(2)	(2)

UK and foreign timing differences relate to differences between the treatment of certain revenue and expense items for taxation and accounting purposes.

3d Factors that may affect future tax charges

The UK corporation tax rate reduced from 20% to 19% on 1 April 2017.

The Finance Bill 2016 was enacted on 6 September 2016. This reduced the rate of corporation tax to 17% from 1 April 2020. As this reduction to the rate has been substantively enacted at the balance sheet date, the deferred tax assets have been calculated at 17% in line with when the company anticipates temporary differences to unwind.

As part of the 2016 Budget the Chancellor announced the Business Tax Road Map, which included measures to limit the utilisation of brought forward losses and interest deductions. These were included in Finance (No.2) Act 2017, which was substantively enacted on 31 October 2017, and apply from 1 April 2017.

Notes to the financial statements (continued)

There are many future changes to worldwide taxation systems as a result of the potential adoption by the UK and individual territories of measures relating to the OECD Base Erosion and Profit Shifting Actions. The company continues to actively monitor any developments and evaluate their potential impact. The company does not expect the future tax rate to be materially impacted by these changes to the international tax landscape.

4 Investments

	2018	*Restated 2017
	£'000	£'000
Cost	5,347	5,172
Provision	(1,431)	(1,336)
	3,916	3,836

* Investments have been restated due to production costs being reclassified from Debtors into Investments.

Investments in subsidiary undertakings are stated at cost less provisions for any impairment.

The Company owns 100% of the share capital of Crimson Productions Limited, Demon Records Limited and F Beat Records Limited.

All the subsidiary undertakings are registered in England. All of the subsidiary undertakings did not trade during the current and prior period.

5 Stocks

	2018	2017
	£'000	£'000
Finished Goods	1,876	2,261

Stocks are presented net of stock provisions.

6 Debtors

	2018	*Restated 2017
	£'000	£'000
Amounts falling due within one year:		
Advance royalties (prepaid)	3,027	2,991
Amounts owed by group undertakings	4,614	2,087
Withholding tax	22	16
Deferred taxation	2	2
Prepayments and accrued income	714	333
	8,379	5,429

The amounts owed by group undertakings are current and do not attract interest.

* Advance royalties and prepayments and accrued income have been restated due to Production costs being reclassified to investments.

Notes to the financial statements (continued)

7 Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Contributor costs and royalties payable	3,766	3,700
Amounts owed to group undertakings	6,668	6,133
Other tax and social security	13	81
Accruals and deferred income	1,154	967
Corporation tax	69	-
	11,670	10,881

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

8 Called up share capital

	2018	2017
	£	£
Authorised		
1,000 Ordinary shares of £1	1,000	1,000
Issued, allocated, called up and fully		
170 ordinary shares of £1 each	170	170

9 Related party transactions

The Company is a wholly owned subsidiary of the British Broadcasting Corporation ('BBC') and has taken exemption under FRS 101 from the requirements of IAS 24 as the Company is a wholly owned entity which forming part of the BBC group.

There are no other transactions with related parties that require disclosure.

10 Parent undertaking and controlling party

The Company's immediate parent is 2 entertain Limited and the Company's ultimate parent undertaking and controlling party is the BBC which is incorporated in the United Kingdom by Royal Charter. The largest group in which the results of the Company are consolidated is that headed by the BBC. The smallest group in which they are consolidated is that headed by BBC Studios Distribution Limited incorporated in the United Kingdom. The accounts of BBC Studios Distribution Limited may be obtained at www.bbcstudios.com/annual-review.

The consolidated accounts of BBC may be obtained online at www.bbc.co.uk/annualreport.