

Demon Music Group Limited

Registered number: 01622224

Annual Report and Financial Statements

for the year ending 31 March 2021

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Strategic Report

The Directors present their Strategic report of Demon Music Group Limited (the "Company") for the year ending 31 March 2021.

Principal activity and business review

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

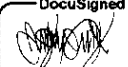
The Directors consider that the Company's main performance indicator is profit. Profit on ordinary activities before taxation was £1.3m (2020: £4.1m). Profit has decreased year on year due to increased administrative expenses arising from exchange rate differences. Turnover at £10.5m has decreased slightly from the prior year (2020: £11.0m). Gross margin increased by 3% to 41% (2020: 38%) primarily as a result of a decrease in costs due to a change in the sales mix.

Principal risks and uncertainties

The physical 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.

By order of the Board

DocuSigned by:

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Anthony Corriette
Company Secretary
06 September 2021

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

Demon Music Group Limited
Registered number: 01622224
31 March 2021

Directors' Report

Directors

The Directors who served during the year and up to the date of this report were as follows:

- Stephen Davies
- Adrian Sear

The Company Secretary is Anthony Corriette.

Political and charitable donations

The Company did not make any charitable or political donations during the year (2020: £nil).

Results for the year

Profit after taxation for the year was £1.1m (2020: £3.3m).

Dividends

Dividends of £4.0m were declared and paid during the year (2020: £nil).

Going concern

As set out on page 8, the Directors have a reasonable expectation that the business has adequate resources to continue in operational existence for the foreseeable future, and accordingly the going concern basis continues to be 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 between 1 April 2020 and 31 March 2021. 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.

By order of the Board,

DocuSigned by:



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Anthony Corriette

Company Secretary

06 September 2021

Registered Office:

1 Television Centre

101 Wood Lane

London

W12 7FA

Demon Music Group Limited

Registered number: 01622224

31 March 2021

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.
- 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 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.

Income Statement

For the year ending 31 March 2021

		2021 £'000	2020 £'000
	Note		
Revenue		10,523	11,003
Cost of sales		(6,212)	(6,813)
Gross Profit		4,311	4,190
Distribution costs		(699)	(849)
Net foreign exchange (losses)/gains		(1,655)	1,044
Administrative expenses		(641)	(323)
Profit on ordinary activities before taxation		1,316	4,062
Taxation	3a	(243)	(752)
Profit for the year		1,073	3,310

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

There are no recognised gains or losses other than those shown above and therefore no separate statement of comprehensive income is presented.

Balance Sheet

As at 31 March		2021	2020
	Note	£'000	£'000
Fixed assets			
Investments	4	3,659	3,659
		3,659	3,659
Current assets			
Stocks	5	1,093	2,040
Debtors	6	15,161	19,125
Bank		3	-
		16,257	21,165
Creditors: amounts falling due within one year	7	(14,466)	(16,447)
Net current assets		1,791	4,718
Net assets		5,450	8,377
Capital and reserves			
Called up share capital	8	-	-
Retained earnings		5,450	8,377
Total shareholders' funds		5,450	8,377

The prior year figures for investments and debtors have been restated to better reflect the nature of certain balances

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 2021 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 of Demon Music Group Limited, registered number: 01622224, were approved by the Directors, authorised for issue and were signed on its behalf by:

DocuSigned by:

 8FD147A8EE3B482
 Stephen Davies

Director
 06 September 2021

Demon Music Group Limited
 Registered number: 01622224
 31 March 2021

Statement of Changes in Equity
for the year ending 31 March 2021

	Called up share capital £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 April 2019	-	5,067	5,067
Total comprehensive income for the year			
Profit for the year	-	3,310	3,310
Total comprehensive income for the year	-	3,310	3,310
Transactions with owners, recorded directly in equity			
Dividends	-	-	-
Total distributions to owners	-	-	-
Balance at 31 March 2020	-	8,377	8,377
Total comprehensive income for the year			
Profit for the year	-	1,073	1,073
Total comprehensive income for the year	-	1,073	1,073
Transactions with owners, recorded directly in equity			
Dividends	-	(4,000)	(4,000)
Total distributions to owners	-	(4,000)	(4,000)
Balance at 31 March 2021	-	5,450	5,450

Notes to the financial statements

1 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.

1a 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 Commercial Holdings Limited. The Group accounts of BBC Commercial Holdings Limited are available to the public and can be obtained as set out in note 10.

1b Going concern

The Directors have considered the funding and liquidity position of the Company and of its intermediate parent company, 2 Entertain Limited. Following this review, the Directors consider it appropriate to continue to prepare the financial statements on the going concern basis.

1c 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 Commercial Holdings Limited, incorporated in Great Britain and registered in England and Wales.

1d Revenue

Company revenue represents wholesale sales to retailers, sub-licensing royalties, digital download, streaming and other income earned during the year. The basis upon which revenue 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 revenue 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)

1d Revenue (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. Revenue excludes value added tax and trade discounts and is recognised at the fair value of consideration receivable.

1e 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.

1f Fixed asset investments

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

1g Stocks

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

1h Advance royalties

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

1i 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 (2020: £nil). All employee costs in relation to the Company are incurred and borne by the parent company, BBC Studios Distribution Limited.

3 Taxation

3a Analysis of charge for the year

The charge for the year, based on a rate of corporation tax of 19% (2020: 19%), comprised:

	2021	2020
	£'000	£'000
UK Corporation tax:		
Current tax:		
UK corporation tax on profit for the year	250	778
Total current tax charge (note 3b)	250	778
Deferred tax:		
Adjustment in respect of previous years	(7)	(26)
Total deferred tax charge	(7)	(26)
Total charge for the year	243	752

3b Factors affecting the tax charge

The current tax charge for the year is the same as (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained as follows:

	2021	2020
	£'000	£'000
Profit on ordinary activities before tax	1,316	4,062
Current tax at 19% (2020: 19%)	250	772
Effects of other disallowable expenditure	-	6
Adjustments in respect of previous years	-	(26)
Current tax charge for the year (note 3a)	250	752

Notes to the financial statements (continued)

3 Taxation (continued)

3c Analysis of deferred tax balance

The Company provides for all deferred tax liabilities in full less available deferred tax assets.

	2021	2020
	£'000	£'000
Net deferred tax provision		
Net provision at the start of year	(28)	(2)
Deferred tax charge (note 3a)	(7)	(26)
Net provision at end of year (note 6)	(35)	(28)

Deferred tax balances comprise:

	2021	2020
	£'000	£'000
Difference between accumulated depreciation		
Amortisation and capital allowances	(2)	(2)
Other timing differences	(33)	(26)
	(35)	(28)

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

4 Investments

	2021	2020
	£'000	£'000
Cost	4,442	4,442
Provision	(783)	(783)
	3,659	3,659

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 and Wales. None of the subsidiary undertakings traded during the current and prior year.

Notes to the financial statements (continued)**5 Stocks**

	2021	2020
	£'000	£'000
Finished Goods	1,093	2,040

Stocks are presented net of stock provisions.

6 Debtors

	2021	2020
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	340	317
Advance royalties (prepaid)	1,854	3,313
Amounts owed by group undertakings	11,684	14,395
Other tax and social security	41	-
Withholding tax	319	28
Deferred taxation	35	28
Prepayments and accrued income	888	1,044
	15,161	19,125

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

7 Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Overdraft	-	187
Contributor costs and royalties payable	3,424	3,954
Amounts owed to group undertakings	-	6,577
Amounts owed to immediate parent undertaking	9,486	-
Other tax and social security	-	2,546
Accruals and deferred income	1,332	1,806
Corporation tax	224	1,377
	14,466	16,447

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

8 Called up share capital

	2021	2020
	£	£
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

Notes to the financial statements (continued)

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 forms 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 Commercial Holdings Limited incorporated in England and Wales.

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