

Company Registration No. 02072285

World Circuit Limited

Reports and Financial Statements

9 month period ended 31 December 2018



World Circuit Limited

Reports and Financial Statements 2018

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World Circuit Limited

Reports and Financial Statements 2018

Officers and professional advisers

Directors

Jonathan Baker
Maximilian Dressendörfer
Benjamin Katovsky
Hartwig Masuch
Peter Stack
Paul Wilson

Registered Office

8th Floor
5 Merchant Square
London
United Kingdom
W2 1AS

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

World Circuit Limited

Strategic report

The directors present their Strategic report for the 9 month period ended 31 December 2018 for World Circuit Limited (the "Company").

Business review

The Company is a wholly-owned United Kingdom subsidiary of BMG Rights Management (UK) Limited which acquired the Company on 5 October 2018. The Company owns and administers rights to musical compositions, exploits and markets these compositions and receives royalties or fees for their use.

Following the acquisition, the accounting reference date was changed from 31 March to 31 December. These financial statements are prepared for the 9 month period from 1 April 2018 to 31 December 2018.

Strategy

The Company is part of an international group of companies focused on the management of music rights. The Company will continue to exploit its rights in conjunction with other members of the BMG group.

Key performance indicators

The directors monitor the Company's performance in a number of ways including key performance indicators such as reported revenue, gross profit and operating profit, Earnings Before Interest and Taxes; ("EBIT") and EBITDA (as adjusted for depreciation and amortisation). The Company is financed through intercompany funding from its group parent companies and through equity. The Company continues to perform in line with expectations.

Business performance

As shown in the Company's Statement of comprehensive income on page 9, the Company reported revenues of £1,289,000 (year ended 31 March 2018: £2,127,000) and gross profit of £147,000 (year ended 31 March 2018: £922,000). The operating loss for the period was £596,000 (year ended 31 March 2018: profit of £588,000).

The net assets as at 31 December 2018 were £1,447,000 (year ended 31 March 2018: £1,928,000).

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of BMG Rights Management (UK) Limited and its subsidiaries and are not managed separately. Accordingly, the principal risks and uncertainties of BMG Rights Management (UK) Limited, which include those of the Company, are discussed in those financial statements and does not form part of this report. BMG Rights Management (UK) Limited's financial statements are publicly available and can be accessed at Companies House.

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



Paul Wilson
Director

7 March 2019

World Circuit Limited

Directors' report

The directors present their Directors' report and audited financial statements for the 9 month period ended 31 December 2018 for World Circuit Limited (the "Company").

Principal activities

The principal business of the Company during the period ended 31 December 2018 was the collection and payment of royalties.

On a selective basis, the Company also signs self-contained artists for new recordings, typically in combination with the signing of a publishing deal. In return for the licensing and administering the creative output of a recording artist, World Circuit Limited retains a share of revenues generated from the use of the recording.

Outlook

The directors do not anticipate any significant change in the activities of the Company.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in Note 1 to the financial statements.

Financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Company's business. The Company's exposure to financial instruments are discussed in the notes to the financial statements under the heading "Financial instruments".

Employees

Disabled employees

We confirm that World Circuit Limited complies with the Disability Discrimination Act 1995, which replaced the Disabled Persons (Employment) Act 1944.

Where existing employees become disabled, it is the Company's policy wherever practical to provide continuing employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate.

Employment involvement

During the year, the policy of providing employees with information about the Company has continued and employees are encouraged to present their suggestions and views on the Company's performance. Regular meetings are held between management and employees to allow a free flow of information and ideas.

Directors

The directors of the Company who were in office during the period and up to the date of signing the financial statements were as follows:

Jonathan Baker (appointed 31 December 2018)
Maximilian Dressendörfer (appointed 5 October 2018)
Nicholas Gold (resigned 5 October 2018)
Benjamin Katovsky (appointed 31 December 2018)
Hartwig Masuch (appointed 5 October 2018)
Peter Stack (appointed 5 October 2018)
Paul Wilson (appointed 5 October 2018)

World Circuit Limited

Directors' report (continued)

Dividends

The directors of the Company declared and paid dividends of £nil (period ended 31 March 2018: £160,000).

Political and charitable contributions

The Company made no political contributions or incurred any political expenditure during the period (period ended 31 March 2018: £nil). The Company made charitable contributions of £5,000 during the year (period ended 31 March 2018: £8,000).

UK accounting standards

These financial statements reflect the adoption of International Financial Reporting Standards ("IFRS") on 1 January 2017. After a review of comparative figures for the year ended 31 December 2017, the transition from FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS102") to IFRS has not resulted in any material accounting policy changes.

Independent Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors.

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



Paul Wilson
Director

7 March 2019

World Circuit Limited

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Reports and Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

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

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



Paul Wilson
Director

7 March 2019

World Circuit Limited

Independent auditors' report to the members of World Circuit Limited

Report on the audit of the financial statements

Opinion

In our opinion, World Circuit Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss and cash flows for the 9 month period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Reports and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2018; the Statement of comprehensive income, the Statement of cash flows and the Statement of changes in equity for the 9 month period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

World Circuit Limited

Independent auditors' report to the members of World Circuit Limited (continued)

Reporting on other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

World Circuit Limited

Independent auditors' report to the members of World Circuit Limited (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Other Matter

The financial statements for the year ended 31 March 2018, forming the corresponding figures of the financial statements for the 9 month period ended 31 December 2018, are unaudited.



Jonathan Ford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 March 2019

World Circuit Limited

Statement of comprehensive income for the 9 month period ended 31 December 2018

	Note	9-month period ended 31 December 2018 £'000	Unaudited year ended 31 March 2018 £'000
Revenue	2	1,289	2,127
Cost of sales		(1,142)	(1,205)
Gross profit		147	922
Administrative expenses		(743)	(334)
(Loss)/profit from operations	3	(596)	588
Finance income	5	2	-
(Loss)/profit before taxation		(594)	588
Taxation	6	113	(111)
(Loss)/profit and total comprehensive (expense)/income for the period		(481)	477

The accompanying notes on pages 13 to 27 are an integral part of this Statement of comprehensive income. For the period ended 31 December 2018, the Company did not have any items of other comprehensive income. All results relate to continuing operations.

World Circuit Limited

Statement of financial position as at 31 December 2018

	Note	31 December 2018 £'000	Unaudited 31 March 2018 £'000	Unaudited 31 March 2017 £'000
Non-current assets				
Tangible Assets	7	-	27	23
Total non-current assets		-	27	23
Current assets				
Trade and other receivables	8	2,831	681	446
Inventory	9	100	404	289
Cash at bank and in hand	10	11	1,682	1,609
Total current assets		2,942	2,767	2,344
Total assets		2,942	2,794	2,367
Current liabilities				
Trade and other payables	11	(1,495)	(861)	(751)
Total current liabilities		(1,495)	(861)	(751)
Non-current liabilities				
Deferred Tax	6	-	(5)	(5)
Total non-current liabilities		-	(5)	(5)
Total liabilities		(1,495)	(866)	(756)
Net assets		1,447	1,928	1,611
Equity				
Share capital	12	-	-	-
Retained earnings		1,447	1,928	1,611
Total equity		1,447	1,928	1,611

The accompanying notes on pages 13 to 27 are an integral part of this Statement of financial position.

The financial statements, on pages 9 to 27, of World Circuit Limited, registered number 02072285, were approved by the Board of Directors on 7 March 2019.

Signed on behalf of the Board of Directors,



Paul Wilson
Director

World Circuit Limited

Statement of changes in equity for the 9 month period ended 31 December 2018

	Note	Share Capital £'000	Retained earnings £'000	Total equity £'000
As at 1 April 2017 (unaudited)		-	1,611	1,611
Profit and total comprehensive income for the year (unaudited)		-	477	477
Dividends paid (unaudited)	15	-	(160)	(160)
As at 31 March 2018 (unaudited)		-	1,928	1,928
Loss and total comprehensive loss for the 9 month period		-	(481)	(481)
As at 31 December 2018		-	1,447	1,447

The accompanying notes are an integral part of this Statement of changes in equity.

World Circuit Limited

Statement of cash flows for the 9 month period ended 31 December 2018

	9 month Period ended 31 December 2018 £'000	Year ended 31 March 2018 £'000
(Loss)/profit before taxation	(594)	588
Adjustment for:		
Finance income	(2)	-
Gain on disposal of tangible assets	-	(5)
Depreciation of tangible assets	28	7
Impairment of inventories	139	15
Changes in provisions	23	-
Operating (loss)/profit before movements in working capital	(406)	605
Increase in trade and other receivables	(1,954)	(200)
Increase/(decrease) in trade and other payables	498	(88)
Decrease/(increase) in inventories	78	(144)
Tax paid	111	66
Cash used in operations	(1,267)	(366)
Net cash (used in)/generated from operating activities	(1,673)	239
Cash flows from investing activities		
Proceeds from sale of tangible assets	-	12
Acquisition of tangible assets	-	(18)
Finance income	2	-
Net cash used in investing activities	2	(6)
Cash flows from financing activities		
Dividends paid	-	(160)
Net cash used in financing activities	-	(160)
Net (decrease)/increase in cash and cash equivalents	(1,671)	73
Cash and cash equivalents at the beginning of the period	1,682	1,609
Cash and cash equivalents at the end of the period	11	1,682

The accompanying notes are an integral part of this Statement of cash flows.

World Circuit Limited

Notes to the financial statements for the 9 month period ended 31 December 2018

1. Accounting policies

World Circuit Limited (the "Company") is a private company incorporated in the United Kingdom.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Transition to International Financial Reporting Standards ("IFRS")

These financial statements, for the period ended 31 December 2018, are the first financial statements of the Company that comply with IFRS. The date of the transition to IFRS is 1 April 2017. After review, the transition from FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS102") to IFRS has not resulted in any accounting policy changes. The financial statements comply with the accounting policies selected in accordance with IFRS for the comparative reporting period ended 31 March 2018 and at 1 April 2018.

Basis of preparation

The financial statements are presented in pounds sterling, rounded to the nearest thousand. They are prepared on the historical cost basis except for financial instruments which are recognised as per the measurement convention below.

The financial statements have been prepared in accordance with Companies Act 2006 and European Union ("EU") adopted International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRS which requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Measurement convention

The financial statements are prepared on the historical cost basis except financial instruments classified as fair value through the profit or loss. Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report and the Directors' report on pages 2 to 4. The directors have considered the financial resources available along with the future plans for the Company when considering the going concern of the Company. After making enquiries, the directors have a reasonable expectation that the Company will have access to adequate resources from its parent company, to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

World Circuit Limited

Notes to the financial statements (continued) 9 month period ended 31 December 2018

1. Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of financial position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

Property, plant and equipment

Fixed assets that are acquired by the Company are stated at cost less accumulated depreciation.

Depreciation is charged to the Statement of comprehensive income on a straight-line basis over the estimated useful lives. The estimated useful lives are as follows:

Office equipment	4-5 years
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Inventories

Inventories are stated on a first in first out basis at the lower of purchase cost or estimated net realisable value. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completed and disposal.

Impairment excluding inventories and deferred tax assets

The carrying amounts of the Company's assets are reviewed at each Statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Statement of comprehensive income.

Calculation of recoverable amount

The recoverable amount of the Company's receivables earned at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

World Circuit Limited

Notes to the financial statements (continued) 9 month period ended 31 December 2018

1. Accounting policies (continued)

Reversal of impairment

An impairment loss in respect of receivables earned at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the Statement of cash flows.

Loan receivables and payables

Long term loans are measured at fair value net of transaction costs.

Trade and other receivables

Trade and other receivables to group companies include the group cash pooling financing facility with the parent company in Germany. The facility earns interest at a margin of 0.125% less the bank of England base rate. Trade and other receivables at the Statement of financial position date are stated at amortised cost which approximates to cost less impairment losses.

Investments and other financial assets

From 1 January 2018, the Company measures its financial assets at amortised cost. The Company's financial assets consist of trade receivables.

Financial assets are recognised on the trade date (the date the Company commits to purchase or sell the asset) and derecognised when the rights to receive cash flows from the financial assets have expired or the risks and rewards of ownership of those rights have been transferred to another party.

The Company measures a financial asset at the amount recognised at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between the initial amount and the maturity amount, and any loss allowance. Interest income is calculated using the effective interest method and is recognised in profit and loss. Changes in fair value are recognised in profit and loss when the asset is derecognised or reclassified.

Impairment

From 1 January 2018, the Company assesses the expected credit losses associated with its financial assets carried at amortised cost.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Trade and other payables

Trade and other payables to group companies include the group cash pooling financing facility with the parent company in Germany. The facility bears interest at a margin of 1.25% above the bank of England base rate. Trade and other payables at the Statement of financial position date are stated at amortised costs which approximates to cost less impairment.

World Circuit Limited

Notes to the financial statements (continued) 9 month period ended 31 December 2018

1. Accounting policies (continued)

Revenue

Revenue is measured at the fair value of the consideration receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and value added tax.

Revenue from royalty licensing is recognised in accordance with IFRS 15. According to IFRS 15 revenue from royalties shall be recognised when it is probable that the economic benefits associated with the transaction will flow to the Company, the amount of the revenue can be measured reliably, and it is highly probable the revenue will not be reversed. Where revenue streams have a forward visibility revenue is recognised on an accruals basis. If there is no or minimal forward visibility of revenue streams it is not possible to measure the revenue streams reliably until cash is collected.

Royalties

Royalties derived from the exploitation of the Company's rights are included on a receivable and/or due basis calculated on sales arising during each accounting year as reported by licensees. Based on the matching principle, royalties payable are accrued at the time the revenue is recognised.

Where the Company receives advances which are recoupable from future sales or profits, or are otherwise conditional on continued performance of duties by the Company, these are recorded as liabilities. Revenue is recognised as it is earned.

Advance payments to artists are carried forward within other receivables where they relate to proven artists and where it is estimated that sufficient future income will be recouped against those advance payments. The advance payments should be written off if these are not covered by future income. In case of unproven contract the advance payments should be immediately written off. Any other royalty licensing income is recognised on a cash basis.

Net financing costs

Net financing costs comprise interest payable and interest receivable on funds invested. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Taxation

Current tax for the period comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the Statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Statement of financial position date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

World Circuit Limited

Notes to the financial statements (continued) 9 month period ended 31 December 2018

1. Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

The Company uses estimates to calculate the writer royalties due for the second half of the year for all the royalty receipts and industry standard rates to estimate the royalties accruals.

Writer advances provisions were made during the period based on a recoupment profile calculation used by BMG Rights Management (UK) Limited and its subsidiaries.

New standards, amendments and interpretations

IFRS 15 Revenue from contracts with Customers

IFRS 15 Revenue from Contracts with Customers sets out the principles to be applied in revenue recognition, replacing those in *IAS 18 Revenue* and its related guidance.

IFRS 15 is effective for accounting periods beginning on or after 1 April 2018 and has since been applied by the Company.

Currently, the amount of revenue recognised in prior years under IAS 18 and related guidance does not differ materially from that which would have been recognised had IFRS 15 always been applied.

IFRS 9 Financial instruments

IFRS 9 Financial Instruments replaces *IAS 39 Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied IFRS 9 retrospectively, with the initial application date of 1 April 2018, the effect on comparative figures is not material to the accounts.

No other new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 April 2018, have had a material impact on the group or parent company.

World Circuit Limited

Notes to the financial statements (continued) 9 month period ended 31 December 2018

2. Revenue

An analysis of the Company's revenue is as follows:

	9 month period ended 31 December 2018 £'000	Unaudited year ended 31 March 2018 £'000
Geographical market		
United Kingdom	1,119	1,618
Europe	134	319
North America	17	179
Other	19	11
	<u>1,289</u>	<u>2,127</u>

The operations of the Company take place wholly in the United Kingdom. Revenue was derived principally from activities conducted within the United Kingdom. All assets used by the Company are held in the United Kingdom.

3. (Loss)/profit from operations

(Loss)/profit from operations is stated after charging/(crediting):

	9 month period ended 31 December 2018 £'000	Unaudited year ended 31 March 2018 £'000
Management fees	226	-
Depreciation of tangible fixed assets	28	7
Net foreign exchange (gain)/loss	(15)	12
Rent expense	18	20
	<u>257</u>	<u>49</u>

The audit fee of £6,000 (year ended 31 March 2018: £nil) was borne by BMG Rights Management Services (UK) Limited.

4. Employee costs and directors' emoluments

Included within administrative expenses is an amount relating to staff costs from 1 April 2018 to 5 October 2018 where employees were employed by the Company.

The directors did not receive emoluments in respect of their services to the Company (year ended 31 March 2018: nil). Their emoluments were borne by affiliate company, BMG Rights Management Services (UK) Limited.

World Circuit Limited

Notes to the financial statements (continued) 9 month period ended 31 December 2018

4. Employee costs and directors' emoluments (continued)

Average monthly number of employees

	9 month period ended 31 December 2018 No.	Unaudited year ended 31 March 2018 No.
Management and administration	2	3

Staff costs

	9 month period ended 31 December 2018 £'000	Unaudited year ended 31 March 2018 £'000
Wages and salaries	200	103
Social security costs	6	8
Other pension costs	1	1
	207	112

5. Finance income

	9 month period ended 31 December 2018 £'000	Unaudited year ended 31 March 2018 £'000
Finance income	2	-

Finance income represents interest received from the parent company and other related parties in respect of cash pooling.

World Circuit Limited

Notes to the financial statements (continued) 9 month period ended 31 December 2018

6. Taxation

	9 month period ended 31 December 2018 £'000	Unaudited year ended 31 March 2018 £'000
Current taxation		
UK corporation tax – current period	(108)	110
Deferred taxation		
Deferred taxation – current period	(5)	1
Total tax (credit)/charge	<u>(113)</u>	<u>111</u>

The tax assessed for the period is the same as (year ended 31 March 2018: differs from) the standard effective rate of corporation tax in the UK for the period ended 31 December 2018 of 19% (31 March 2018: 19%). The differences are explained below:

Tax reconciliation

	9 month period ended 31 December 2018 £'000	Unaudited year ended 31 March 2018 £'000
(Loss)/Profit before taxation	(594)	588
Tax at 19% (31 March 2018: 19%)	(113)	112
Effects of:		
Capital allowances in excess of depreciation	-	(1)
Profit on disposal of fixed asset	-	1
Deferred taxation	-	(1)
Total tax (credit)/charge for the period	<u>(113)</u>	<u>111</u>

At 31 December 2018 a deferred tax liability has been released during the year in relation to Capital Allowances.

Recognised deferred tax assets

	Unaudited year ended 31 March 2018 £'000	Movement £'000	9 month period ended 31 December 2018 £'000
Capital Allowances	5	(5)	-
	<u>5</u>	<u>(5)</u>	<u>-</u>

World Circuit Limited

Notes to the financial statements (continued) 9 month period ended 31 December 2018

7. Tangible assets

	Office Equipment £'000
Cost	
At 1 April 2017 (unaudited)	50
Additions	18
Disposals	(20)
	<hr/>
At 1 April 2018 (unaudited)	48
Additions	1
Disposals	(49)
	<hr/>
At 31 December 2018	<hr/> -
Depreciation	
At 1 April 2017 (unaudited)	27
Charge for the period	7
Disposals	(13)
	<hr/>
At 1 April 2018 (unaudited)	21
Charge for the 9 month period	28
Disposals	(49)
	<hr/>
At 31 December 2018	<hr/> -
Net book amount	
At 31 December 2018	<hr/> -
	<hr/>
At 31 March 2018 (unaudited)	<hr/> 27
	<hr/>
At 31 March 2017 (unaudited)	<hr/> 23
	<hr/>

8. Trade and other receivables

	31 December 2018 £'000	Unaudited 31 March 2018 £'000	Unaudited 31 March 2017 £'000
Due within one year			
Trade receivables	540	675	438
Trade and other receivables from group companies	2,282	-	-
Other receivables	9	6	8
	<hr/>	<hr/>	<hr/>
	2,831	681	446
	<hr/>	<hr/>	<hr/>

World Circuit Limited

Notes to the financial statements (continued) 9 month period ended 31 December 2018

8. Trade and other receivables (continued)

Trade and other receivables to group companies include the group cash pooling facility balance with the parent company.

Amounts due from group undertakings are receivable on demand, unsecured and bear interest at the Bank of England rate less a margin of 0.125%.

9. Inventory

	31 December 2018 £'000	Unaudited 31 March 2018 £'000	Unaudited 31 March 2017 £'000
Finished goods and goods for resale	100	404	289

Inventories recognised as an expense during the period ended 31 December 2018 amounted to £221,000 (31 March 2018: £286,000). These were included in cost of sales.

Write-downs of inventories to net realisable value amounted to £139,000 (31 March 2018: £15,000). These were recognised as an expense during the period ended 31 December 2018 and were included in cost of sales in profit or loss.

10. Cash at bank and in hand

	31 December 2018 £'000	Unaudited 31 March 2018 £'000	Unaudited 31 March 2017 £'000
Cash at bank	11	1,682	1,609

11. Trade and other payables

	31 December 2018 £'000	Unaudited 31 March 2018 £'000	Unaudited 31 March 2018 £'000
Trade payables	1,012	637	613
Trade and other payables to group companies	246	-	-
Other payables	237	224	138
	1,495	861	751

Amounts due to group undertakings are repayable on demand, unsecured and bear interest at the Bank of England rate plus a margin of 1.25%.

World Circuit Limited

Notes to the financial statements (continued) 9 month period ended 31 December 2018

12. Share capital

	31 December 2018 £'000	Unaudited 31 March 2018 £'000	Unaudited 31 March 2017 £'000
Authorised, issued and fully paid:			
100 Ordinary shares of £1 each			
(31 March 2018 and 31 March 2017: 100 Ordinary shares of £1 each)	-	-	-

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

13. Financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Company's business.

(a) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the Statement of financial position date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the Statement of financial position date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the Statement of financial position date.

Interest-bearing borrowings

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the Statement of financial position date.

Fair values

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the Statement of financial position are as follows:

World Circuit Limited

Notes to the financial statements (continued) 9 month period ended 31 December 2018

13. Financial instruments (continued)

(a) Fair values of financial instruments (continued)

	As at 31 December 2018		As at 31 March 2018		As at 31 March 2017	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Trade receivables	540	540	675	675	438	438
Other receivables	9	9	6	6	8	8
Trade and other receivables from group companies	2,282	2,282	-	-	-	-
Trade payables	(1,012)	(1,012)	(637)	(637)	(613)	(613)
Trade and other payables to group companies	(246)	(246)	-	-	-	-
Other payables	(237)	(237)	(224)	(224)	(138)	(138)
	<u>1,336</u>	<u>1,336</u>	<u>(180)</u>	<u>(180)</u>	<u>(305)</u>	<u>(305)</u>
Unrecognised gains/losses		<u>-</u>		<u>-</u>		<u>-</u>

(b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. This risk is mitigated as balances are spread across multiple parties.

The Company's principal financial assets are bank balances and trade receivables which represent the Company's maximum exposure to credit risk in relation to financial assets. The Company bears the bad debt risk on all debtors. The Company's management make assessments on new customers before work is earned out based on their knowledge of the industry and the customer's acceptance of imposed credit terms.

The amounts presented in the Statement of financial position are net of allowances for doubtful receivables after taking into consideration the amount of balances covered by the Company's credit insurance policy. These have been estimated by the Company's management based on prior experience and their assessment of the current economic environment.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the Statement of financial position date was £540,000 (31 March 2018: £675,000, 31 March 17: £438,000), being the total of the carrying amount of trade receivables, shown in the table above.

Financial assets and impairment losses

The ageing of trade and other receivables at the Statement of financial position date was:

World Circuit Limited

Notes to the financial statements (continued) 9 month period ended 31 December 2018

13. Financial instruments (continued)

(b) Credit risk (continued)

	As at 31 December 2018			As at 31 March 2018		
	Gross trade receivables £'000	Doubtful debt provision £'000	Net trade receivables £'000	Gross trade receivables £'000	Doubtful debt provision £'000	Net trade receivables £'000
Not past due	563	(23)	540	675	-	675

Impairment of financial assets

The Company has trade receivables for royalty licensing that are subject to the expected credit loss model:

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

(c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Liquidity is managed by the group via the cash pooling facility.

(d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments.

Market risk - Foreign currency risk

A proportion of sales and purchases are invoiced in foreign currency and the Company bears the foreign currency risk on these debtors and creditors. The Company does not take out forward contracts on currency.

Sensitivity analysis – Foreign currency risk

A sensitivity analysis was not performed because the Company converts foreign currency bank balances into pounds sterling regularly and therefore exposure to foreign currency risk is minimal.

Market risk – interest rate risk

The Company utilises a group cash pooling facility, on which interest is charged at variable rates, based on the Bank of England base rate plus a margin of 1.25%. The Company's exposure to interest rate risk arises from the fluctuations in the rate of interest charged on cash and cash equivalent balances payable as impacted on by the changes in the Bank of England base rate.

World Circuit Limited

Notes to the financial statements (continued) 9 month period ended 31 December 2018

13. Financial instruments (continued)

(d) Market risk (continued)

Sensitivity analysis – interest rate risk

A change of one percent in interest rates at the Statement of financial position date would have increased the loss by the amounts shown below. This calculation assumes that the change occurred at the Statement of financial position date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remains constant and considers the effect of financial instruments with variable interest rates.

At the period-end it is estimated that an increase of one percentage rise in the 3 month LIBOR market rate would decrease the Company's profit before taxation by approximately £23,000 (period ended 31 March 2018: £nil).

The Company manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

14. Related parties

Identity of related parties

The Company's ultimate parent company and group is the international media company Bertelsmann SE & Co. KGaA. The Company had a related party relationship in the period with subsidiaries of Bertelsmann SE & Co. KGaA, and with its directors and executive officers.

Related party transactions

During the period the Company entered into the following transactions with related parties. The transactions were priced on an arm's length basis.

		Purchases of goods		Trade balances receivable/ (payable)		
	Period ended 31 December 2018 £'000	Unaudited period ended 31 March 2018 £'000	Unaudited period ended 31 March 2017	As at 31 December 2018 £'000	Unaudited As at 31 March 2018 £'000	Unaudited As at 31 March 2017
BMG Rights Management (UK) Limited	(27)	-	-	2,268	-	-
BMG Rights Management Services (UK) Limited	(196)	-	-	(207)	-	-
Total	(223)	-	-	2,061	-	-

World Circuit Limited

Notes to the financial statements (continued) **9 month period ended 31 December 2018**

15. Dividends distributed

The directors of the Company declared and paid dividends of £nil (year ended 31 March 2018: £160,000).

16. Ultimate parent company and controlling party

The immediate parent company is BMG Rights Management (UK) Limited, a company incorporated in the United Kingdom. The ultimate parent is Bertelsmann SE & Co. KGaA.

The results of the Company are included in the consolidated financial statements of Bertelsmann SE & Co. KGaA which is registered at Carl-Bertelsmann-Strasse 270, 33311 Gütersloh, Germany. These consolidated financial statements are publicly available.

No other group financial statements include the results of the Company.