

ARROW FILM DISTRIBUTORS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

ARROW FILM DISTRIBUTORS LIMITED

COMPANY INFORMATION

Directors	Mr J P Pochin (appointed 4 March 2021) Mr J A Gallemore (appointed 4 March 2021)
Registered number	02584648
Registered office	5th Floor Voyager House Chicago Avenue Manchester Airport Manchester M90 3DQ
Independent auditors	Elman Wall Limited Statutory Auditor & Chartered Accountants 8th Floor Becket House 36 Old Jewry London EC2R 8DD

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

Introduction

Arrow Films is an entertainment company, focused on the licensing of popular media content for distribution through multiple platforms such as theatrical, home entertainment, digital and television. The company strives to provide the best possible quality product to its markets through its selective acquisition process but also through its own product enhancement to distribute to its main market in the UK and other territories in line with licensing.

The very nature of the business and the changing practices of the market place creates a speculative model, particularly in the theatrical segment which presents a real financial risk given the high cost of entry. Arrow Films has developed a detailed appraisal process and model in order to mitigate against this risk where possible.

Business review

The business trades mainly through its core brands as follows:

- Arrow Video
- Arrow Academy
- Arrow Films
- Arrow TV (with sub- brand: Nordic Noir)

Arrow Films invests in licensed content in order to distribute via the brands where the content itself may be classified into distinct areas:

New Release: product that is new to market and may be suited to a theatrical release. This could be both feature film or television series and may include overseas product in foreign language content that will require additional investment to bring to our home markets.

Catalogue: product that is not new to market but might be newly available in the market. Arrow is a world leader in restoring, packaging and distributing cult and genre films through exclusive packaging, new value added content and world class customer engagement.

The business distributes content through a variety of channels including traditional bricks & mortar retail, online retailers and digital & television broadcasters as well as theatrical venues. Arrow also trades through its own online retail store which underwent significant investment during the financial year.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Principal risks and uncertainties

Arrow is exposed to longevity in the cycle between acquisition and distribution, especially on the lengthy produced catalogue product. This increases the working capital requirement.

A certain amount of credit risk exists in Arrow's key markets, particularly on the physical distribution of product to its smaller customers. This risk is mitigated by having a large share of custom with larger blue chip retailers such as Amazon and an increasing share of business going through its own website.

The shift towards digital distribution in the market has long been identified by management and continues to be addressed by investing in staff with relevant expertise and systems in this area.

The theatrical sector has a high-risk factor given the high costs of entry and also relative volatility in the sector and as such, management are focussing on this part of the business in terms of a strategic review.

As the physical distribution (Home Entertainment) market segment continues to consolidate, the business sees itself in a good position to offer its services and expertise to other 3rd party distributors and licensors in the UK.

The business has considered any potential impact of the UK leaving the EU. As it currently stands, there is the possibility for some delay in movement of goods within the EU, the main consideration being the purchase of newly manufactured stocks being produced in mainland Europe on behalf of the company. Provision is being made to mitigate any potential delay in this regard by forward planning. Any exchange rate risk regarding Brexit has already been factored into the company's operating costs.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Financial performance

Turnover increased by 32% on the year, the company benefiting from increased sales penetration into its catalogue titles. With the UK going into lockdown at the end of the first quarter, there was some initial negative impact on the retail and wholesale part of the Home Entertainment, particularly that relating to high street outlets. Following an initial adjustment, the business increased its revenue across all platforms and most of its customer base from key new release titles and a degree of success on its own eCommerce promotional activities as well as partnered promotions with key customers.

The company launched its own B2C channels using the Vimeo platform towards the end of the financial year. This will benefit its subscription based streaming revenue in both the UK and USA territories and has long been part of the company's strategy and works in tandem with its continuing channel operations on established 3rd party global platforms.

Gross profit improved to 53% (2019: 38%) significantly as a direct result of the company selling greater volumes of its catalogue business and also taking advantage of major new release titles from the final quarter of the previous year, this financial year benefiting from lower minimum guarantee costs accordingly.

The company has successfully implemented the transfer and has been distributing via a new supplier since early January 2020.

Management are satisfied with the financial performance of the business and feel the reported profit reflects this.

Going Concern

Due to the Covid-19 pandemic business was interrupted from March 2020. As at the date of approval of these financial statements, the impact of Covid-19 on the company's trading continues to be assessed and is subject to rapidly changing external factors, including Government responses to controlling the spread of the virus towards future business. The Company has a net current assets position of £5.7 million and net assets of £5.9 million as at 31 December 2020 generating a profit of £2.3 million.

The directors have considered the impact, risk and uncertainty that surrounds Covid-19 in so far as the business's operations and of its principal markets. A decision was taken early on to close its offices and to widen the ability of remote working for all staff, a situation which is being monitored regularly. The impact on customers has also been felt in the short term, measures have already been taken to limit the potential business risk whilst continuing to support the market where possible, in order that consumer reach is maintained. A major focus was also given to the supply chain in the UK given the direct impact and delay to physical distribution. The longer-term impact of Covid-19 is unknown but management remain vigilant and ensure that the business is fully compliant with all recommended guidelines provided by the authorities.

Where necessary, the directors have taken steps to reduce outgoings by controlling overhead expenses, utilising the Government Job Retention Scheme to furlough staff and obtaining additional grants where

appropriate.

Based on the strength of the balance sheet the directors are confident that the company, will have sufficient funds and cash reserves to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

On the 5 of March 2021 Arrow Film Distributors Limited was acquired by The Hut.com Limited. The company is now a wholly owned trading subsidiary for the on-demand division of THG PLC.

Future Developments

The company are looking to launch a US D2C platform in the new financial year. Also, a significant investment

ARROW FILM DISTRIBUTORS LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

into its D2C channels platform (Arrow Player)

This report was approved by the board and signed on its behalf.

Mr J A Gallemore

Director

5th Floor Voyager House

Chicago Avenue

Manchester Airport

Manchester

M90 3DQ

Date: 28 September 2021

ARROW FILM DISTRIBUTORS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and the financial statements for the year ended 31 December 2020.

Results and dividends

The profit for the year, after taxation, amounted to £2,261,732 (2019 - £468,924). Dividends paid in the year £126,800 (2019 - £478,000)

Directors' liabilities

The Company has provided an indemnity for its directors, which is a qualifying third party indemnity provision for the purposes of s.234 of the Companies Act 2006. An indemnity is in place in relation to the financial year and up to the date of approval of the financial statements.

Director

The Director who served during the year and thereafter were:

Mr N N Agran (resigned 4 March 2021)

Mrs A M Agran (resigned 4 March 2021)

Mr A M Agran (resigned 4 March 2021)

Mr J A Gallemore (appointed 4 March 2021)

Mr J P Pochin (appointed 4 March 2021)

Financial risk management

The Company's operations involve exposure to credit risk, liquidity risk and currency risk. The Board's policies for managing these financial risks are implemented by the Chief Financial Officer.

Credit risk

The Company monitors and reviews exposure to credit risk on an ongoing basis and makes best efforts to ensure recoverability of amounts owed to the Company.

Liquidity risk

The Company regularly forecasts cash flow and maintains an appropriate balance of cash and debt facilities to ensure that sufficient funds are available to cover future expenses and capital expenditure.

Future developments

Future developments for the company are included within the Strategic report.

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

Refer to note 27 for further details on post balance sheet events.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Auditors

The auditor, Elman Wall Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

Mr J A Gallemore

Director

Date: 28 September 2021

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The Directors are responsible for preparing the Strategic Report, the 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 the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 to 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 AUDITORS' REPORT TO THE MEMBERS OF ARROW FILM DISTRIBUTORS LIMITED

Opinion

We have audited the financial statements of Arrow Film Distributors Limited (the 'Company') for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the company's ability to continue as a going concern.

The financial statements do not include any adjustments that would result from a failure to continue as a going concern.

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARROW FILM DISTRIBUTORS LIMITED (CONTINUED)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARROW FILM DISTRIBUTORS LIMITED (CONTINUED)

Responsibilities of directors

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

In preparing the financial statements, the Directors are responsible for assessing the 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Enquiry of management and those charged with governance to identify any instances of non-compliance with laws and regulations;
- Reviewing minutes of meetings of those charged with governance;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

Owing to the inherent limitations of an audit there is unavoidable risk that we may not have detected some material misstatements in the financial statements even though we have properly planned and performed our audit in accordance with auditing standards. In addition as with any audit there remained a higher risk of non-detection of irregularities as these may involve collusion, forgery, intentional omissions, misrepresentation or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARROW FILM DISTRIBUTORS LIMITED (CONTINUED)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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.

Yasin Khandwalla (Senior Statutory Auditor)

for and on behalf of

Elman Wall Limited

Statutory Auditor

Chartered Accountants

8th Floor

Becket House

36 Old Jewry

London

EC2R 8DD

28 September 2021

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Turnover	4	13,948,100	10,558,867
Cost of sales		(6,609,408)	(6,535,624)
Gross profit		7,338,692	4,023,243
Distribution costs		(2,231,041)	(1,271,559)
Administrative expenses		(2,457,313)	(2,302,939)
Other operating income		12,769	-
Operating profit	6	2,663,107	448,745
Interest receivable and similar income	9	28,038	49,346
Interest payable and expenses	10	(5)	(33)
Profit before tax		2,691,140	498,058
Tax on profit	11	(429,408)	(29,134)
Profit for the financial year		<u>2,261,732</u>	<u>468,924</u>

There was no other comprehensive income for 2020 (2019:£NIL).

The notes on pages 17 to 31 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	13	90,645	95,358
Tangible assets	14	43,096	53,996
		<u>133,741</u>	<u>149,354</u>
Current assets			
Stocks	15	669,623	551,294
Debtors: amounts falling due within one year	16	4,163,023	3,506,490
Cash at bank and in hand	17	5,415,066	2,299,385
		<u>10,247,712</u>	<u>6,357,169</u>
Creditors: amounts falling due within one year	18	(4,493,011)	(2,738,734)
Net current assets		<u>5,754,701</u>	<u>3,618,435</u>
Total assets less current liabilities		<u>5,888,442</u>	<u>3,767,789</u>
Creditors: amounts falling due after more than one year	19	-	(14,279)
Net assets		<u><u>5,888,442</u></u>	<u><u>3,753,510</u></u>
Capital and reserves			
Called up share capital		100	100
Profit and loss account	24	5,888,342	3,753,410
		<u><u>5,888,442</u></u>	<u><u>3,753,510</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Mr J A Gallemore
Director

Date: 28 September 2021

The notes on pages 17 to 31 form part of these financial statements.

ARROW FILM DISTRIBUTORS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2019	100	3,762,486	3,762,586
Comprehensive income for the year	-	468,924	468,924
Profit for the financial year and total comprehensive income	_____	_____	_____
	_____	_____	_____
Total comprehensive income for the year	-	468,924	468,924
Dividends: Equity capital - Note 12	-	(478,000)	(478,000)
	_____	_____	_____
Total transactions with owners	-	(478,000)	(478,000)
	_____	_____	_____
At 1 January 2020	100	3,753,410	3,753,510
Comprehensive income for the year	-	2,261,732	2,261,732
Profit for the financial year and total comprehensive income	_____	_____	_____
	_____	_____	_____
Total comprehensive income for the year	-	2,261,732	2,261,732
Dividends: Equity capital - Note 12	-	(126,800)	(126,800)
	_____	_____	_____
Total transactions with owners	-	(126,800)	(126,800)
	_____	_____	_____

At 31 December 2020

<u>100</u>	<u>5,888,342</u>	<u>5,888,442</u>
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £	2019 £
Cash flows from operating activities grants received		
Profit for the financial year	2,261,732	468,924
Adjustments for:		
Amortisation of intangible assets	53,020	33,769
Depreciation of tangible assets	19,662	29,163
Government grants	(12,769)	-
Interest paid	5	33
Interest received	(28,038)	(49,346)
Taxation charge	429,408	29,134
(Increase)/decrease in stocks	(118,329)	79,044
(Increase)/decrease in debtors	(696,382)	951,665
Increase/(decrease) in creditors	1,338,175	(644,085)
Corporation tax received/(paid)	16,464	(46,942)
Net cash generated from operating activities and grants received	3,262,948	851,359
Cash flows from investing activities grants received		
Purchase of intangible fixed assets	(48,307)	(83,016)
Purchase of tangible fixed assets	(8,762)	(21,151)
Government grants received	12,769	-
Interest received	28,038	49,346
Net cash from investing activities grants received	(16,262)	(54,821)
Cash flows from financing activities		
Repayment of/new finance leases	(4,200)	(6,957)
Dividends paid	(126,800)	(478,000)
Interest paid	(5)	(33)
Net cash used in financing activities	(131,005)	(484,990)
Net increase in cash and cash equivalents	3,115,681	311,548

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £	2019 £
Cash and cash equivalents at beginning of year	2,299,385	1,987,837
Cash and cash equivalents at the end of year	<u>5,415,066</u>	<u>2,299,385</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	5,415,066	2,299,385
	<u>5,415,066</u>	<u>2,299,385</u>

The notes on pages 17 to 31 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. General information

Arrow Film Distributors Limited is a private company limited by shares incorporated in England. The address of the registered office is given in the company information page of these financial statements. The nature of the company's operations and principal activities recorded in the Strategic Report and page 1 of the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The company's functional and presentational currency is GBP.

2.2 Going concern

Due to the Covid-19 pandemic business was interrupted from March 2020. As at the date of approval of these financial statements, the impact of Covid-19 on the company's trading continues to be assessed and is subject to rapidly changing external factors, including Government responses to controlling the spread of the virus towards future business. The Company has a net current assets position of £5.7 million and net assets of £5.9 million as at 31 December 2020 generating a profit of £2.3 million.

Where necessary, the directors have taken steps to reduce outgoings by controlling overhead expenses, utilising the Government Job Retention Scheme to furlough staff and obtaining additional grants where appropriate.

Based on the strength of the balance sheet the directors are confident that the company, will have sufficient funds and cash reserves to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

On the 5 of March 2021 Arrow Film Distributors Limited was acquired by The Hut.com Limited. The company is now a wholly owned trading subsidiary for the on-demand division of THG PLC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.3 Revenue

Revenue consists of sale of films and media related services and goods. It is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue is generated from the licensing, marketing and distribution and restoring of feature films and television. The following summarises the company's revenue recognition policies:

Revenue is recognised when there is reasonable contractual certainty that the revenue is receivable and will be received.

Revenue from the sale of home entertainment physical DVD and Blu-ray goods are recognised at the point at which the goods are despatched. A provision is made for returns based on historical trends.

Revenue from television licensing represents the contractual value of license fee which is recognised when the licence term has commenced, the production is available for delivery and collection of the fee is reasonably assured.

Revenue from the exploitation of television and film rights is recognised based upon the completion of contractual obligation relevant to individual agreement.

Revenue from digital sales is recognised on customer download activity.

2.4 Minimum Guarantee

Minimum guarantee prepayments consist of amounts paid by the company in advance of royalties due on film and television titles.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.8 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Loyalty Scheme

Loyalty points are accrued according to the value of customer expenditure at the point of sale, with accrued amount equal to the estimated fair value of the points issued recognised when the original transaction occurs. On redemption, the cost of the redemption is offset against the accrued balance.

2.10 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.12 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Plant and machinery	- 3 years
Motor vehicles	- 3 years
Fixtures and fittings	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

Stock represents all costs directly incurred in the production of physical stock of DVDs.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.15 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.17 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.19 Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

2.20 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are recognised to be relevant. Actual results may differ from these estimates.

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

Critical judgements**Loyalty provision**

In formulating a provision for the estimated value of earned discounts that will subsequently be redeemed, management makes judgements that are based on historic redemption data.

Stock provision

Management review stock on a regular occurrence, based on this a provision is formulated to account for out of license and obsolete items

4. Turnover

An analysis of turnover by class of business is as follows:

	2020 £	2019 £
Sales	<u>13,948,100</u>	<u>10,558,867</u>

All turnover arose within the United Kingdom.

5. Other operating income

	2020 £	2019 £
Government grants receivable	12,769	-
	<u>12,769</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

6. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Depreciation of tangible fixed assets	19,662	29,163
Amortisation of intangible assets	53,020	33,769
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements (non-audit fees £4,000 (2019: £nil))	24,000	15,000
Defined contribution pension cost	<u>33,833</u>	<u>39,664</u>

7. Employees

Staff costs, including Directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	1,507,408	1,396,713
Social security costs	162,773	157,496
Cost of defined contribution scheme	33,833	39,644
	<u>1,704,014</u>	<u>1,593,853</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2020 No.	2019 No.
Finance	6	6
Management	4	4
Sales and Marketing	10	10
Production and Acquisitions	11	10
	<u>31</u>	<u>30</u>

8. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	<u>10,620</u>	<u>10,800</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

9. Interest receivable

	2020 £	2019 £
Other interest receivable	<u>28,038</u>	<u>49,346</u>

10. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	<u>5</u>	<u>33</u>

11. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	435,588	23,176
Adjustments in respect of previous periods	-	6,389
	<u>435,588</u>	<u>29,565</u>
Total current tax	<u>435,588</u>	<u>29,565</u>
Deferred tax		
Fixed asset timing differences	143	2,672
short term timing differences	(6,323)	(3,103)
Total deferred tax	<u>(6,180)</u>	<u>(431)</u>
Taxation on profit on ordinary activities	<u>429,408</u>	<u>29,134</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

11. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is the same as (2019 - the same as) the standard rate of corporation tax in the UK of 19% (2019 - 19%) as set out below:

	2020 £	2019 £
Profit on ordinary activities before tax	<u>2,691,140</u>	<u>476,022</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	511,317	94,631
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	910	2,572
Fixed asset differences	535	4,934
Adjustments to tax charge in respect of prior periods	-	6,440
Remeasurement of deferred tax for changes in tax rates	(3,879)	-
Adjustment in research and development tax credit leading to a decrease in the tax charge	(79,475)	(79,443)
Total tax charge for the year	<u><u>429,408</u></u>	<u><u>29,134</u></u>

Factors that may affect future tax charges

The standard rate of Corporation Tax in the UK is 19%. The effective tax rate may differ mainly due to non-qualifying depreciation, disallowable acquisition costs, non-deductible share based payment costs, other non-deductible items in the UK, prior year adjustments and overseas tax rates.

All deferred tax balances as at 31 December 2020 have been calculated at 19% (2019: 17%), being the enacted rate applicable at this date.

12. Dividends

	2020 £	2019 £
Dividends	126,800	478,000
	<u><u>126,800</u></u>	<u><u>478,000</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

13. Intangible assets

	Computer software £
Cost	
At 1 January 2020	180,847
Additions	48,307
At 31 December 2020	<u>229,154</u>
Amortisation	
At 1 January 2020	85,489
Charge for the year on owned assets	53,020
At 31 December 2020	<u>138,509</u>
Net book value	
At 31 December 2020	<u>90,645</u>
At 31 December 2019	<u>95,358</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

14. Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 January 2020	69,789	21,136	42,342	133,267
Additions	6,771	-	1,991	8,762
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	76,560	21,136	44,333	142,029
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 January 2020	33,797	7,570	37,904	79,271
Charge for the year on owned assets	6,078	7,804	5,780	19,662
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	39,875	15,374	43,684	98,933
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2020	<u>36,685</u>	<u>5,762</u>	<u>649</u>	<u>43,096</u>
At 31 December 2019	<u>35,992</u>	<u>13,566</u>	<u>4,438</u>	<u>53,996</u>

15. Stocks

	2020 £	2019 £
Finished goods and product development	669,623	551,294
	<hr/>	<hr/>
	<u>669,623</u>	<u>551,294</u>

There is no material difference between the balance sheet value of stock and their replacement cost

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

16. Debtors

	2020 £	2019 £
Trade debtors	2,164,442	2,280,992
Other debtors	1,457,648	569,215
Prepayments and accrued income	501,796	623,326
Deferred taxation - Note 22	39,137	32,957
	<u>4,163,023</u>	<u>3,506,490</u>

17. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	<u>5,415,066</u>	<u>2,299,385</u>

18. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	629,476	341,459
Corporation tax	435,588	29,565
Other taxation and social security	61,089	139,155
Obligations under finance lease and hire purchase contracts - Note 20	12,836	2,757
Other creditors	223,304	238,324
Accruals and provisions	3,130,718	1,987,474
	<u>4,493,011</u>	<u>2,738,734</u>

19. Creditors: Amounts falling due after more than one year

	2020 £	2019 £
Net obligations under finance leases and hire purchase contracts - Note 20	-	14,279
	<u>-</u>	<u>14,279</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2020 £	2019 £
Within one year	12,836	2,757
Between 1-5 years	-	14,279
	<u>12,836</u>	<u>17,036</u>

21. Financial instruments

	2020 £	2019 £
Financial assets		
Financial assets measured at fair value through profit or loss	5,415,066	2,299,385
Financial assets that are debt instruments measured at amortised cost	3,622,090	2,804,178
	<u>9,037,156</u>	<u>5,103,563</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(3,894,411)</u>	<u>(2,361,825)</u>

Financial assets measured at fair value through profit or loss comprise cash at bank.

Financial assets that are debt instruments measured at amortised cost comprise of trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise of trade creditors, other creditors and accruals.

22. Deferred taxation

	2020 £
At beginning of year	32,957
Charged to profit or loss	6,180
At end of year	<u>39,137</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

22. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2020 £	2019 £
Fixed asset timing differences	(1,811)	(1,668)
Short term timing differences	40,948	34,625
	<u>39,137</u>	<u>32,957</u>

23. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
100 (2019 - 100) Ordinary shares of £1.00 each	<u>100</u>	<u>100</u>

24. Reserves**Profit and loss account**

Profit & loss includes all current and prior periods retained profit.

25. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £33,833 (2019: £39,644).

Contributions totalling £15,069 (2019: £nil) were payable to the fund at the balance sheet date.

26. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	6,891	27,562
Later than 1 year and not later than 5 years	-	20,672
	<u>6,891</u>	<u>48,234</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

27. Related party transactions

During the year dividends amounting to £126,800 (2019: £478,000) were paid to the shareholders.

During the year the company had an outstanding loan account with a director. Advances totalling £762,872 (2019: £279,259) were made, and repayments totalling £Nil (2019: £593,000) were made. Interest at a rate of 2.5% was charged to the loan account. At the year end, a director owed the company £1,110,282 (2019: £347,410). This loan account is unsecured and is payable on demand.

At the year end, £129,553 (2019: £106,950) included within other debtors was owed from Engine House Media Services Ltd.

28. Post balance sheet events

On 5 March 2021, the company was acquired by The Hut.com Limited, a wholly owned subsidiary of THG PLC.

29. Controlling party

The immediate parent company is The Hut.com Limited. The ultimate parent company and controlling party is THG PLC. The registered address of these entities is 5th Floor Voyager House, Chicago Avenue, Manchester Airport, Manchester, England, M90 3DQ.

Previous to the acquisition and at the reporting date there is no controlling party as a result of the equal shareholdings by the directors that served in the year.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.