

REG NO: 04257337 (ENGLAND & WALES)



**AUDIO NETWORK LIMITED**

**ANNUAL REPORT**

For the period ended 27 December  
2020

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# AUDIO NETWORK LIMITED

## COMPANY INFORMATION

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|------------------|---|--|
| <b>Directors</b> | Andrew Sunnucks<br>James Robert Smith<br>Christopher Taylor<br>Simon Anderson<br>John Josephson | (Appointed 29 June 2021)<br>(Appointed 29 June 2021) |
|------------------|---|--|

|                       |          |
|-----------------------|----------|
| <b>Company number</b> | 04257337 |
|-----------------------|----------|

|                          |  |
|--------------------------|--|
| <b>Registered office</b> | The Johnson Building<br>77 Hatton Garden<br>3rd Floor<br>London<br>EC1N 8JS<br>England |
|--------------------------|--|

|                |  |
|----------------|--|
| <b>Auditor</b> | HW Fisher LLP<br>Acre House<br>11-15 William Road<br>London<br>NW1 3ER<br>United Kingdom |
|----------------|--|

**Principal business address:**

The Johnson Building  
77 Hatton Garden  
London  
EC1N 8JS  
Tel: 020 7566 1441

Email: [office@audionetwork.com](mailto:office@audionetwork.com)  
Website: [www.audionetwork.com](http://www.audionetwork.com)

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# AUDIO NETWORK LIMITED

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# AUDIO NETWORK LIMITED

## STRATEGIC REPORT

### FOR THE PERIOD ENDED 27 DECEMBER 2020

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The directors are pleased to present the report and financial statements of the company for the 12 month period ended 27 December 2020. The comparative results represents the nine-month period to 31 December 2019. The current and the prior period financial statements have both been prepared for periods reflecting changes to the financial year-end of the company to be consistent with those of the ultimate controlling parent company.

#### **Principal activity and review of the business**

The principal activity of the company remains the publishing of music and sound recordings and is a creator and publisher of high quality music for use in film, television, advertising and digital media.

The company profit and loss account for the twelve month period is set out on page 8.

#### **Principal risks and uncertainties**

The management of the business and the execution of the company's strategy are subject to a number of inherent risks and uncertainties.

The key business uncertainty remains the impact that the digital market will continue to have on the business models and music budgets of broadcasters and production companies and the resulting impact on royalties from performing right societies and the upside potential of explosive growth in content creation for video consumption online.

Other risks include the risk of competition from alternative music sources, technology advances in the delivery of music to customers, regulatory changes to copyright laws, and the retention of key people.

Our strategy of international expansion across multiple territories and markets over recent years has reduced our exposure to the risk associated with any one market or customer group.

The management continues to maintain a strong customer-focused culture anticipating change and has adopted an agile and innovative approach to managing growth, focusing on providing excellent customer relationship management across multiple customer segments.

#### **Impact of COVID-19**

The outbreak of COVID-19, which was declared as a pandemic by the World Health Organisation, has the potential to have ongoing impact on the company. The measures introduced by various governments have been unprecedented, involving voluntary and enforced quarantines, restaurant, bar and shop closures, as well as restrictions on global movement.

While this situation is developing, the company has carried out an assessment of the long-term impact of COVID-19 on its operations and financial projections. While the production of new films and TV shows have resumed in some form, threat of new lockdowns and restrictions weigh on the industry. Advertising production has been similarly impacted and is facing ongoing uncertainty, both affecting our customers and the public performance royalties the company collects globally.

The demand for film and TV content has been resilient, and the company has seen customer engagement return as production restarts and believes that its core value proposition remains strong among customers looking for alternatives to bespoke and commercial music. The company is able to control the timing of its music production and other investment spending and reduce planned investment, if required.

The company has considered the adverse impact of COVID-19 of the items outlined above on its liquidity. The company continues to monitor its debtors closely and ensure timely cash collections. The company is highly cash generative and continues to have sufficient cash reserves at hand to ensure its ability to operate on an ongoing basis.

The company is also employing appropriate measures to ensure the health and safety of its staff, including office closures, the use of remote working solutions and the extension of other support programmes.

The company continues to monitor these developments on an ongoing basis.

# AUDIO NETWORK LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE PERIOD ENDED 27 DECEMBER 2020

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#### Financial Risk Management

The company's operations expose it to a variety of financial risks. The policies for managing these risks are summarised below and have been applied throughout the year.

#### Price Risk

The company operates in a competitive market and it is the company's policy to review pricing against prevailing market conditions. The management seeks to minimise this risk through the quality and depth of its music customer service, ease of licensing and seamless integration into workflows of customers.

#### Credit Risk

The company seeks to reduce its exposure to credit risk through regular review of individual customer accounts to ensure that they are maintained within acceptable limits.

The company also seeks to reduce its exposure to any one financial institution by holding its cash reserves with more than one financial institution.

#### Foreign Currency Risk

The company and the group have significant and growing overseas operations. Certain assets and liabilities of group companies are denominated in US dollars, Canadian dollars, Euros, Australian dollars, and Japanese Yen. As a result, the group's sterling balance sheet may be affected by movements in the sterling exchange rate relative to these currencies.

The group also has profit & loss account currency exposure due to revenues and costs denominated in foreign currencies.

The group seeks to minimise this profit and loss exposure by matching growth in foreign currency revenue streams with local currency overheads and expenses where appropriate.

#### Interest Rate Risk

Cash balances are placed to maximise interest earned while maintaining the working capital requirements of the business. The company has no long-term loans or other long-term borrowings.

#### Future Outlook

The management team remains committed to delivering further growth both domestically and internationally for our shareholders, customers, composers, employees, and other stakeholders.

#### Key Performance Indicators

Audio Network Limited turnover grew by £3.1m from £21.4m for the nine-months ended 31 December 2019 to £24.5m for the twelve-months ended 27 December 2020.

Audio Network Limited net assets were £30.2m (31 December 2019: £22.5m).

The company operating profit margin after adding back exceptional costs was 37% for the twelve-months period ended 27 December 2020 compared to 46% for the nine-months period ended 31 December 2019.

On behalf of the board



James Robert Smith  
Director

27 Aug 2021

# AUDIO NETWORK LIMITED

## DIRECTORS' REPORT

### FOR THE PERIOD ENDED 27 DECEMBER 2020

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The directors present their annual report and financial statements for the 12 month period ended 27 December 2020.

#### Results and dividends

The results for the period are set out on page 8.

No dividends were issued in the 12 month period ending 27 December 2020 (2019: £9.3m).

No dividends were paid to the parent company Entertainment One Limited.

#### Directors

The directors who served during the period and up to the date of signature of the financial statements were as follows:

|                    |  |
|--------------------|--|
| Andrew Sunnucks    |  |
| James Robert Smith |  |
| Michael Olsen      | (Resigned 18 December 2020)                            |
| Edward Parry       | (Resigned 29 June 2021)                                |
| Christopher Taylor |  |
| Jonathan Linden    | (Appointed 18 December 2020 and resigned 29 June 2021) |
| Simon Anderson     | (Appointed 29 June 2021)                               |
| John Josephson     | (Appointed 29 June 2021)                               |

#### Auditor

The auditor, HW Fisher LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



James Robert Smith

Director

27 Aug 2021

Date: .....

# AUDIO NETWORK LIMITED

## DIRECTORS' RESPONSIBILITIES STATEMENT

### ***FOR THE PERIOD ENDED 27 DECEMBER 2020***

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The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 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.

# AUDIO NETWORK LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF AUDIO NETWORK LIMITED

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#### Opinion

We have audited the financial statements of Audio Network Limited (the 'company') for the period ended 27 December 2020 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 27 December 2020 and of its profit for the period 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 *Auditor's 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 UK, including the FRC'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 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.

#### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

#### Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial period 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.



# AUDIO NETWORK LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF AUDIO NETWORK LIMITED

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#### **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 and the directors' report.

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

- adequate accounting records have not been kept, 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.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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.

#### **Auditor's 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 auditor's 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.

As part of our planning process:

- We enquired of management the systems and controls the company has in place, the areas of the financial statements that are mostly susceptible to the risk of irregularities and fraud, and whether there was any known, suspected or alleged fraud.
- We obtained an understanding of the legal and regulatory frameworks applicable to the company. We determined that the following were most relevant: FRS 102 and Companies Act 2006.
- We considered the incentives and opportunities that exist in the company, including the extent of management bias, which present a potential for irregularities and fraud to be perpetuated, and tailored our risk assessment accordingly.
- Using our knowledge of the company, together with the discussions held with the company at the planning stage, we formed a conclusion on the risk of misstatement due to irregularities including fraud and tailored our procedures according to this risk assessment.

# AUDIO NETWORK LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF AUDIO NETWORK LIMITED

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The key procedures we undertook to detect irregularities including fraud during the course of the audit included:

- Identifying and testing journal entries and the overall accounting records, in particular those that were significant and unusual, in timing or amount.
- Reviewing the financial statement disclosures and determining whether accounting policies have been appropriately applied.
- Reviewing and challenging the assumptions and judgements used by management in their significant accounting estimates, in particular in relation to royalties receivable and payable and useful lives of tangible and intangible assets.
- Assessing the extent of compliance, or lack of, with the relevant laws and regulations.
- Testing key revenue lines, in particular cut-off, for evidence of management bias.
- Performing a physical verification of key assets and stock items.
- Obtaining third-party confirmation of material bank and loan balances.
- Documenting and verifying all significant related party and intercompany balances and transactions.

Owing to the inherent limitations of an audit, there is an 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. The primary responsibility for the prevention and detection of irregularities and fraud rests with management.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

*Helen James*

**Helen James (Senior Statutory Auditor)**

**For and on behalf of HW Fisher LLP**

**Chartered Accountants**

**Statutory Auditor**

Acre House

11-15 William Road

London

NW1 3ER

United Kingdom

..... 27 Aug 2021

# AUDIO NETWORK LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 27 DECEMBER 2020

|  |          | Period<br>ended<br>27 December<br>2020 | Period<br>ended<br>31 December<br>2019<br>as restated |
|--|----------|--|---|
|  | Notes    | £                                      | £   |
| Turnover                               | 4        | 24,554,187                             | 21,393,375  |
| Cost of sales                          |          | (1,931,069)                            | (1,555,213)   |
| <b>Gross profit</b>                    |          | <b>22,623,118</b>                      | <b>19,838,162</b>                                     |
| Distribution costs                     |          | (12,574)                               | (9,062)   |
| Administrative expenses                |          | (13,693,940)                           | (13,335,242)  |
| <b>Operating profit</b>                | <b>6</b> | <b>8,916,604</b>                       | <b>6,493,858</b>                                      |
| Interest receivable and similar income | 10       | 414,969                                | 34,976  |
| Interest payable and similar expenses  | 11       | (531)                                  | (3,300)   |
| Amounts written off investments        | 12       | -                                      | 331,492   |
| <b>Profit before taxation</b>          |          | <b>9,331,042</b>                       | <b>6,857,026</b>                                      |
| Tax on profit                          | 13       | (1,766,907)                            | (1,966,881)   |
| <b>Profit for the financial period</b> |          | <b>7,564,135</b>                       | <b>4,890,145</b>                                      |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# AUDIO NETWORK LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

**FOR THE PERIOD ENDED 27 DECEMBER 2020**

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|   | Period<br>ended<br>27 December<br>2020<br>£ | Period<br>ended<br>31 December<br>2019<br>£ |
|---|---|---|
| Profit for the period                     | 7,564,135                                   | 4,890,145                                   |
| Other comprehensive income                | -   | -   |
| Total comprehensive income for the period | <u>7,564,135</u>                            | <u>4,890,145</u>                            |

# AUDIO NETWORK LIMITED

## BALANCE SHEET

AS AT 27 DECEMBER 2020

|   |       | 2020                     | 2019                     |
|---|-------|--------------------------|--------------------------|
|   | Notes | £                        | as restated<br>£         |
| <b>Fixed assets</b>                                   |       |                          |                          |
| Intangible assets                                     | 14    | 5,561,741                | 4,458,721                |
| Tangible assets                                       | 15    | 517,494                  | 516,978                  |
| Investments   | 16    | 1,966,447                | 1,957,423                |
|   |       | <u>8,045,682</u>         | <u>6,933,122</u>         |
| <b>Current assets</b>                                 |       |                          |                          |
| Stocks  | 18    | 15,635                   | 15,753                   |
| Debtors   | 19    | 27,558,768               | 20,043,328               |
| Investments   | 20    | -                        | 52,518                   |
| Cash at bank and in hand                              |       | 821,202                  | 1,722,023                |
|   |       | <u>28,395,605</u>        | <u>21,833,622</u>        |
| <b>Creditors: amounts falling due within one year</b> | 21    | <u>(6,209,296)</u>       | <u>(6,246,981)</u>       |
| <b>Net current assets</b>                             |       | <u>22,186,309</u>        | <u>15,586,641</u>        |
| <b>Total assets less current liabilities</b>          |       | <u>30,231,991</u>        | <u>22,519,763</u>        |
| <b>Provisions for liabilities</b>                     | 22    | <u>(60,558)</u>          | <u>(60,558)</u>          |
| <b>Net assets</b>                                     |       | <u><u>30,171,433</u></u> | <u><u>22,459,205</u></u> |
| <b>Capital and reserves</b>                           |       |                          |                          |
| Called up share capital                               | 24    | 173,055                  | 173,055                  |
| Share premium   |       | 6,366,290                | 6,366,290                |
| Capital redemption reserve                            |       | 21,289                   | 21,289                   |
| Profit and loss reserves                              |       | 23,610,799               | 15,898,571               |
| <b>Total equity</b>                                   |       | <u><u>30,171,433</u></u> | <u><u>22,459,205</u></u> |

27 Aug 2021

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



.....  
James Robert Smith  
Director

Company Registration No. 04257337

# AUDIO NETWORK LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 27 DECEMBER 2020

|  | Notes | Share capital<br>£ | Share premium<br>£ | Capital redemption reserve<br>£ | Shares held under JSOP<br>£ | Profit and loss reserves<br>£ | Total<br>£  |
|--|-------|--------------------|--------------------|---------------------------------|-----------------------------|-------------------------------|-------------|
| As restated for the period ended 31 December 2019:       |       |                    |                    |                                 |                             |                               |             |
| Balance at 1 April 2019                                  |       | 168,039            | 4,367,546          | 21,289                          | (1,290,000)                 | 19,833,415                    | 23,100,289  |
| Period ended 31 December 2019:                           |       |                    |                    |                                 |                             |                               |             |
| Profit and total comprehensive income for the period     |       | -                  | -                  | -                               | -                           | 4,890,145                     | 4,890,145   |
| Issue of share capital                                   | 24    | 5,016              | 1,998,744          | -                               | -                           | -                             | 2,003,760   |
| Dividends  | 25    | -                  | -                  | -                               | -                           | (9,339,509)                   | (9,339,509) |
| Repayment of JSOP loan                                   |       | -                  | -                  | -                               | 1,290,000                   | -                             | 1,290,000   |
| Equity settled share based payment                       |       | -                  | -                  | -                               | -                           | 514,520                       | 514,520     |
| Balance at 31 December 2019                              |       | 173,055            | 6,366,290          | 21,289                          | -                           | 15,898,571                    | 22,459,205  |
| Period ended 27 December 2020:                           |       |                    |                    |                                 |                             |                               |             |
| Profit and total comprehensive income for the period     |       | -                  | -                  | -                               | -                           | 7,564,135                     | 7,564,135   |
| Credit to equity for equity settled share-based payments |       | -                  | -                  | -                               | -                           | 148,093                       | 148,093     |
| Balance at 27 December 2020                              |       | 173,055            | 6,366,290          | 21,289                          | -                           | 23,610,799                    | 30,171,433  |

# AUDIO NETWORK LIMITED

## STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 27 DECEMBER 2020

|  |       | 2020               | 2019               |
|--|-------|--------------------|--------------------|
|  | Notes | £                  | as restated<br>£   |
| <b>Cash flows from operating activities</b>                |       |                    |                    |
| Cash generated from operations                             | 1     | 2,144,640          | 2,456,978          |
| Interest paid  |       | (531)              | (3,300)            |
| Income taxes paid  |       | (1,558,658)        | (1,860,305)        |
| <b>Net cash inflow from operating activities</b>           |       | <b>585,451</b>     | <b>593,373</b>     |
| <b>Investing activities</b>                                |       |                    |                    |
| Purchase of intangible assets                              |       | (1,783,503)        | (1,353,034)        |
| Purchase of tangible fixed assets                          |       | (161,232)          | (68,722)           |
| Proceeds on disposal of subsidiaries                       |       | (9,024)            | 6                  |
| Receipts arising from disposal of current asset investment |       | 52,518             | 331,206            |
| Interest received  |       | 264,050            | 34,976             |
| Dividends received   |       | 150,919            | -                  |
| <b>Net cash used in investing activities</b>               |       | <b>(1,486,272)</b> | <b>(1,055,568)</b> |
| <b>Financing activities</b>                                |       |                    |                    |
| Proceeds from issue of shares                              |       | -                  | 2,003,760          |
| Sale of treasury shares                                    |       | -                  | 1,290,000          |
| Dividends paid   |       | -                  | (9,339,509)        |
| <b>Net cash used in financing activities</b>               |       | <b>-</b>           | <b>(6,045,749)</b> |
| <b>Net decrease in cash and cash equivalents</b>           |       | <b>(900,821)</b>   | <b>(6,507,944)</b> |
| Cash and cash equivalents at beginning of period           |       | 1,722,023          | 8,229,967          |
| <b>Cash and cash equivalents at end of period</b>          |       | <b>821,202</b>     | <b>1,722,023</b>   |

# AUDIO NETWORK LIMITED

## STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE PERIOD ENDED 27 DECEMBER 2020

### 1 Cash generated from operations

|  | 2020             | 2019             |
|--|------------------|------------------|
|  | £                | £                |
| Profit for the period after tax                      | 7,564,135        | 4,890,145        |
| <b>Adjustments for:</b>                              |                  |                  |
| Taxation charged                                     | 1,766,907        | 1,966,881        |
| Finance costs  | 531              | 3,300            |
| Investment income                                    | (414,969)        | (34,976)         |
| Amortisation and impairment of intangible assets     | 680,483          | 315,382          |
| Depreciation and impairment of tangible fixed assets | 160,716          | 124,823          |
| Amounts written off investments                      | -                | (331,492)        |
| Equity settled share based payment expense           | 148,093          | 514,520          |
| <b>Movements in working capital:</b>                 |                  |                  |
| Decrease in stocks                                   | 118              | -                |
| Increase in debtors                                  | (7,676,016)      | (6,718,413)      |
| (Decrease)/increase in creditors                     | (9,334)          | 1,590,507        |
| (Decrease)/increase in deferred income               | (76,024)         | 136,301          |
| <b>Cash generated from operations</b>                | <b>2,144,640</b> | <b>2,456,978</b> |

### 2 Accounting policies

#### Company information

Audio Network Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Johnson Building, 77 Hatton Garden, 3rd Floor, London, England, EC1N 8JS.

#### 2.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared under the historical cost convention and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

#### 2.2 Going concern

The directors continue to consider the effect of the COVID-19 outbreak and as explained in the strategic report, the outbreak has caused some disruption to the company's business to date and the directors consider that a prolonged outbreak is likely to cause further disruption. The company continues to monitor its debtors closely and ensure timely cash collections. The company is highly cash generative and continues to have sufficient cash reserves at hand to ensure its ability to operate on an ongoing basis. Accordingly, the directors have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing these financial statements.

#### 2.3 Reporting period

The comparative figures relate to the nine-month period to 31 December 2019. The current period relates to the 12 month period ended 27 December 2020.



# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 27 DECEMBER 2020

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#### 2 Accounting policies

(Continued)

##### 2.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for music rights granted in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts.

Income from the grant of usage rights is recognised on the date of the grant unless the company has an ongoing obligation when subscriptions in advance are deferred and released to profit and loss account over the subscription period.

Royalty income is recognised on an accruals basis based on estimated usage.

##### 2.5 Development costs

Development expenditure is written off as incurred unless the directors are satisfied as to the technical, commercial and financial viability of individual projects over an estimated useful life. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

Where the directors believe that costs incurred on website and database developments meet these criteria such expenditure is amortised over a period of three years.

##### 2.6 Recordings in progress and Copyrights and Licences

The costs of acquiring copyrights and licences are capitalised in the balance sheet as intangible fixed assets.

Copyrights and licences are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their useful economic lives. A maximum estimated useful economic life of 10 years has been used as a basis of amortisation of copyrights and licences where the legal life is in excess of 10 years.

Copyrights and licence projects are held at the lower of cost or net realisable value as recordings in progress until the recordings are ready for commercial release when the projects are transferred to copyrights and licences.

##### 2.7 Music production

Costs attributable to recording and producing an album, including both third-party and internal costs, are capitalised when the costs are incurred. The costs attributed to an album are amortised as a cost of sale once the album is released, over an estimated useful life of 10 years.

##### 2.8 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life on a straight line basis, as follows:

|                                  |                            |
|----------------------------------|----------------------------|
| Leasehold land and buildings     | Over the life of the lease |
| Plant and Machinery              | Over 3 years               |
| Fixtures, Fittings and Equipment | Over 3 to 5 years          |

##### 2.9 Fixed asset investments

In these financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 27 DECEMBER 2020

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#### 2 Accounting policies

(Continued)

##### 2.10 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

##### 2.11 Stocks

Stock is valued at the lower of cost and net realisable value.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

##### 2.12 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of under three months.

##### 2.13 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The company does not hold or issue derivative financial instruments.

##### *Basic financial assets*

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 27 DECEMBER 2020

#### 2 Accounting policies

(Continued)

##### *Impairment of financial assets*

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### *Derecognition of financial assets*

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### *Classification of financial liabilities*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

##### *Basic financial liabilities*

Basic financial liabilities, including creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

##### *Derecognition of financial liabilities*

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

#### 2.14 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### 2.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 DECEMBER 2020

2 Accounting policies (Continued)

### Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

### 2.16 Holiday pay accrual

The cost of any holiday entitlement is recognised in the period in which the employees' services were received.

### 2.17 Pensions

The company operates a defined contribution pension scheme for the benefit of their employees. Contributions payable to the scheme, or to Self-Invested Personal Pension Schemes (SIPPs) held by two of the directors, who served during the period, are charged to the profit and loss account in the period they are payable.

### 2.18 Operating leases

Rent payable under operating leases is charged to the profit and loss account on a straight line basis over the period of the lease.

### 2.19 Dividends

Dividends are recognised when they become legally payable. Final dividends are recognised when approved for payment by the directors.

### 2.20 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account. Closing balances of overseas subsidiaries are translated at the rate ruling at the balance sheet date.

### 2.21 Nature and purpose of reserves

The share premium account has been established to represent the excess of proceeds over the nominal value for all share issues, including the excess of the exercise share price over the nominal value of the shares on the exercise of share options as and when they occurred, less any directly attributable share issue costs.

The capital redemption reserve is a non-distributable reserve which has been established to represent the nominal value of shares bought back by the company.

In prior years other reserves included shares previously held by The Audio Network Employees' Share Trust ('Trust') in accordance with the Joint Ownership Plan ('JSOP'). In the prior period, the members sold their JSOP shares subject to the share transfer rules in the company's articles of association to Entertainment One UK Holdings Limited. The loan amount of £1,290,000 was repaid in full by the Trust to the company, with the remaining surplus of £180,017 on the Trust balance sheet intended to be distributed to beneficiaries in accordance with the Trust deed.

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 27 DECEMBER 2020

#### 3 Judgements 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 considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

##### Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

##### *Royalties receivable and payable*

Performance royalties are accounted for on an accrued basis. In order to determine the accrued amount, the company takes a judgement on review of historical trends from cash receipts, payments and current usage trends.

##### *Useful lives of tangible assets*

The cost of tangible fixed assets is depreciated over its estimated useful economic life. Management estimates the useful lives of these tangible asset classes. Changes in the expected level of usage and technological developments could impact the useful economic lives and the residual values of these assets; therefore, future depreciation charges could be revised. The accounting policies for tangible fixed assets are described in note 2.8. The carrying amount of the tangible fixed assets in the balance sheet is disclosed in note 15 of the financial statements.

##### *Useful lives of intangible fixed assets*

Intangible assets are amortised over their useful lives taking into account, where appropriate, residual values. Assessment of useful lives and residual values is performed annually, taking into account factors such as technological innovation, market information, business plans, forecasts and management considerations. In assessing the residual values, the remaining life of the asset, its projected disposal value and future market conditions are taken into account. The accounting policies for intangible fixed assets are described in notes 2.5 to 2.7. The carrying amount of the company's intangible fixed assets in the balance sheet is disclosed in note 14 of the financial statements.

#### 4 Turnover and other revenue

|   | 2020              | 2019              |
|---|-------------------|-------------------|
|   | £                 | £                 |
| <b>Other significant revenue</b>                |                   |                   |
| Interest income                                 | 264,050           | 34,976            |
| Dividends received                              | 150,919           | -                 |
|   | <u>          </u> | <u>          </u> |
|   | 2020              | 2019              |
|   | £                 | £                 |
| <b>Turnover analysed by geographical market</b> |                   |                   |
| United Kingdom                                  | 7,997,931         | 6,917,235         |
| Continental Europe                              | 8,075,689         | 8,277,835         |
| North America                                   | 4,214,165         | 3,116,571         |
| Australasia                                     | 2,509,368         | 1,333,519         |
| Rest of the world                               | 1,757,034         | 1,748,215         |
|   | <u>          </u> | <u>          </u> |
|   | 24,554,187        | 21,393,375        |
|   | <u>          </u> | <u>          </u> |

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 DECEMBER 2020

### 5 Exceptional item

Included within administrative expenses are exceptional items totalling Nil (2019: £3.3m) in respect of a strategic review and the subsequent sale of the company to eOne.

### 6 Operating profit

|  | 2020    | 2019      |
|--|---------|-----------|
|  | £       | £         |
| Operating profit for the period is stated after charging/(crediting):  |         |           |
| Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss | 58,009  | (151,128) |
| Fees payable to the company's auditor for the audit of the company's financial statements                            | 71,653  | 61,100    |
| Depreciation of owned tangible fixed assets  | 160,716 | 124,823   |
| Amortisation of intangible assets  | 680,483 | 315,382   |
| Share-based payments   | 148,093 | 514,520   |
| Operating lease charges  | 620,026 | 467,893   |

### 7 Auditor's remuneration

|   | 2020   | 2019   |
|---|--------|--------|
|   | £      | £      |
| Fees payable to the company's auditor and associates: |        |        |
| For audit services                                    |        |        |
| Audit of the financial statements of the company      | 71,653 | 61,100 |

### 8 Employees

The average monthly number of persons (including directors) employed by the company during the period was:

|                               | 2020   | 2019   |
|-------------------------------|--------|--------|
|                               | Number | Number |
| Management and administration | 104    | 99     |

Their aggregate remuneration comprised:

|                       | 2020      | 2019      |
|-----------------------|-----------|-----------|
|                       | £         | £         |
| Wages and salaries    | 7,533,902 | 5,694,805 |
| Social security costs | 961,573   | 568,356   |
| Pension costs         | 289,692   | 205,804   |
|                       | 8,785,167 | 6,468,965 |

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 DECEMBER 2020

### 9 Directors' remuneration

|   | 2020           | 2019           |
|---|----------------|----------------|
|   | £              | £              |
| Remuneration for qualifying services                          | 825,488        | 388,165        |
| Company pension contributions to defined contribution schemes | 17,065         | 16,053         |
|   | <u>842,553</u> | <u>404,218</u> |

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 2 (2019 : 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

|   | 2020           | 2019           |
|---|----------------|----------------|
|   | £              | £              |
| Remuneration for qualifying services                          | 438,423        | 221,022        |
| Company pension contributions to defined contribution schemes | 11,880         | 8,844          |
|   | <u>450,303</u> | <u>229,866</u> |

### 10 Interest receivable and similar income

|  | 2020           | 2019          |
|--|----------------|---------------|
|  | £              | £             |
| <b>Interest income</b>                     |                |               |
| Interest on bank deposits                  | 1,418          | 6,072         |
| Interest receivable from group companies   | 261,361        | -             |
| Other interest income                      | 1,271          | 28,904        |
|  | <u>264,050</u> | <u>34,976</u> |
| <b>Total interest revenue</b>              |                |               |
|  | 264,050        | 34,976        |
| <b>Income from fixed asset investments</b> |                |               |
| Income from shares in group undertakings   | 150,919        | -             |
|  | <u>150,919</u> | <u>-</u>      |
| <b>Total income</b>                        | <u>414,969</u> | <u>34,976</u> |

Investment income includes the following:

|  |                |              |
|--|----------------|--------------|
| Interest on financial assets not measured at fair value through profit or loss | 262,779        | 6,072        |
|  | <u>262,779</u> | <u>6,072</u> |

### 11 Interest payable and similar expenses

|  | 2020       | 2019         |
|--|------------|--------------|
|  | £          | £            |
| <b>Interest on financial liabilities measured at amortised cost:</b> |            |              |
| Interest on bank overdrafts and loans                                | 510        | 3,267        |
| Other interest on financial liabilities                              | 21         | 33           |
|  | <u>531</u> | <u>3,300</u> |

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 27 DECEMBER 2020

#### 12 Amounts written off investments

|   | 2020 | 2019    |
|---|------|---------|
|   | £    | £       |
| Gain on disposal of financial assets held at cost | -    | 331,492 |

#### 13 Taxation

|   | 2020      | 2019      |
|---|-----------|-----------|
|   | £         | £         |
| <b>Current tax</b>                                    |           |           |
| UK corporation tax on profits for the current period  | 1,766,907 | 1,039,885 |
| Adjustments in respect of prior periods               | -         | 129,684   |
| Total UK current tax                                  | 1,766,907 | 1,169,569 |
| Foreign current tax on profits for the current period | -         | 131,753   |
| Total current tax                                     | 1,766,907 | 1,301,322 |
| <b>Deferred tax</b>                                   |           |           |
| Origination and reversal of timing differences        | -         | 665,559   |
| Total tax charge                                      | 1,766,907 | 1,966,881 |

The actual charge for the period can be reconciled to the expected charge for the period based on the profit or loss and the standard rate of tax as follows:

|  | 2020      | 2019      |
|--|-----------|-----------|
|  | £         | £         |
| Profit before taxation   | 9,331,042 | 6,857,026 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%) | 1,772,898 | 1,302,835 |
| Tax effect of expenses that are not deductible in determining taxable profit                         | 9,576     | 625,113   |
| Tax effect of income not taxable in determining taxable profit                                       | (28,675)  | (12,410)  |
| Group relief   | (741)     | -         |
| Permanent capital allowances in excess of depreciation   | -         | 2,073     |
| Depreciation on assets not qualifying for tax allowances   | -         | 176       |
| Research and development tax credit  | -         | (49,400)  |
| Effect of overseas tax rates   | -         | 40,083    |
| Under/(over) provided in prior years   | -         | 260,757   |
| Deferred tax adjustments in respect of prior years   | -         | 511,538   |
| Share options exercised  | -         | (713,884) |
| Other adjustments  | 13,849    | -         |
| Taxation charge for the period   | 1,766,907 | 1,966,881 |



# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 DECEMBER 2020

### 14 Intangible fixed assets

|                                     | Development costs<br>£ | Copyrights and Licences<br>£ | Recordings in progress<br>£ | Music Production<br>£ | Total<br>£ |
|-------------------------------------|------------------------|------------------------------|-----------------------------|-----------------------|------------|
| <b>Cost</b>                         |                        |                              |                             |                       |            |
| At 1 January 2020                   | 2,216,699              | 3,980,246                    | 183,087                     | 1,033,991             | 7,414,023  |
| Additions                           | 145,010                | 147,566                      | 122,941                     | 1,367,986             | 1,783,503  |
| Transfers                           | -                      | 29,408                       | (29,408)                    | -                     | -          |
| At 27 December 2020                 | 2,361,709              | 4,157,220                    | 276,620                     | 2,401,977             | 9,197,526  |
| <b>Amortisation and impairment</b>  |                        |                              |                             |                       |            |
| At 1 January 2020                   | 1,691,707              | 1,241,671                    | -                           | 21,924                | 2,955,302  |
| Amortisation charged for the period | 179,369                | 367,349                      | -                           | 133,765               | 680,483    |
| At 27 December 2020                 | 1,871,076              | 1,609,020                    | -                           | 155,689               | 3,635,785  |
| <b>Carrying amount</b>              |                        |                              |                             |                       |            |
| At 27 December 2020                 | 490,633                | 2,548,200                    | 276,620                     | 2,246,288             | 5,561,741  |
| At 31 December 2019                 | 524,992                | 2,738,575                    | 183,087                     | 1,012,067             | 4,458,721  |

### 15 Tangible fixed assets

|                                    | Leasehold land and buildings<br>£ | Plant and Machinery<br>£ | Fixtures, Fittings and Equipment<br>£ | Total<br>£ |
|------------------------------------|-----------------------------------|--------------------------|---------------------------------------|------------|
| <b>Cost</b>                        |                                   |                          |                                       |            |
| At 1 January 2020                  | 544,870                           | 71,543                   | 1,099,531                             | 1,715,944  |
| Additions                          | 97,769                            | -                        | 63,463                                | 161,232    |
| At 27 December 2020                | 642,639                           | 71,543                   | 1,162,994                             | 1,877,176  |
| <b>Depreciation and impairment</b> |                                   |                          |                                       |            |
| At 1 January 2020                  | 162,733                           | 71,543                   | 964,690                               | 1,198,966  |
| Depreciation charged in the period | 74,029                            | -                        | 86,687                                | 160,716    |
| At 27 December 2020                | 236,762                           | 71,543                   | 1,051,377                             | 1,359,682  |
| <b>Carrying amount</b>             |                                   |                          |                                       |            |
| At 27 December 2020                | 405,877                           | -                        | 111,617                               | 517,494    |
| At 31 December 2019                | 382,137                           | -                        | 134,841                               | 516,978    |

### 16 Fixed asset investments

|                             | Notes | 2020<br>£ | 2019<br>£ |
|-----------------------------|-------|-----------|-----------|
| Investments in subsidiaries | 17    | 1,966,447 | 1,957,423 |

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 27 DECEMBER 2020

### 16 Fixed asset investments

(Continued)

#### Movements in fixed asset investments

|                          | Shares in group<br>undertakings<br>£ |
|--------------------------|--------------------------------------|
| <b>Cost or valuation</b> |                                      |
| At 1 January 2020        | 1,957,423                            |
| Additions                | 24,911                               |
|                          | <hr/>                                |
| At 27 December 2020      | 1,982,334                            |
|                          | <hr/>                                |
| <b>Impairment</b>        |                                      |
| At 1 January 2020        | -                                    |
| Disposals                | 15,887                               |
|                          | <hr/>                                |
| At 27 December 2020      | 15,887                               |
|                          | <hr/>                                |
| <b>Carrying amount</b>   |                                      |
| At 27 December 2020      | 1,966,447                            |
|                          | <hr/>                                |
| At 31 December 2019      | 1,957,423                            |
|                          | <hr/>                                |

### 17 Subsidiaries

Details of the company's subsidiaries at 27 December 2020 are as follows:

| Name of undertaking                              | Country            | Nature of business                          | Class of<br>shares held | % Held<br>Direct |
|--|--------------------|---|-------------------------|------------------|
| Audio Network Australia Pty Ltd                  | Australia          | Publishing of music and<br>sound recordings | Ordinary                | 100              |
| Audio Network France SAS (formerly A-Music EURL) | France             | Publishing of music and<br>sound recordings | Ordinary                | 100              |
| Audio Network GmbH                               | Germany            | Publishing of music and<br>sound recordings | Ordinary                | 100              |
| Audio Network Japan KK                           | Japan              | Publishing of music and<br>sound recordings | Ordinary                | 100              |
| Audio Network Music Rights Limited               | England &<br>Wales | Publishing of music and<br>sound recordings | Ordinary                | 100              |
| Audio Network US, Inc                            | United<br>States   | Publishing of music and<br>sound recordings | Ordinary                | 100              |
| Trax 54 Limited                                  | England &<br>Wales | Publishing of music and<br>sound recordings | Ordinary                | 100              |
| Audio Network Publishing (EU) Limited            | Ireland            | Publishing of music and<br>sound recordings | Ordinary                | 100              |

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 27 DECEMBER 2020

#### 17 Subsidiaries

(Continued)

Registered office addresses (all UK unless otherwise indicated):

- 1 Suite 11, Level 4, 2 Kings Lane, Darlinghurst, New South Wales, Australia 2010
- 2 25 Rue Henry Monnier, 75009 Paris, France
- 3 Seidlstrasse 5, 80335, Munchen, Germany
- 4 Oak Minami-Azabu Building 2F, 3-19-23 Miniami-Azabu, Minato-ku, Tokyo, Japan
- 6 2711 Centerville Road, Suite 400, Wilmington DE 19808, USA
- 8 5th Floor Beaux Lane House, Mercer Street Lower Dublin 2 D02 DH60, Ireland

#### 18 Stocks

|                               | 2020   | 2019   |
|-------------------------------|--------|--------|
|                               | £      | £      |
| Raw materials and consumables | 15,635 | 15,753 |

#### 19 Debtors

|  | 2020       | 2019       |
|--|------------|------------|
|  | £          | £          |
| Amounts falling due within one year:       |            |            |
| Trade debtors                              | 1,597,720  | 1,167,631  |
| Corporation tax recoverable                | -          | 160,576    |
| Amount due from parent undertaking         | 14,550,767 | 4,147,941  |
| Amounts due from fellow group undertakings | 7,326,058  | 7,759,710  |
| Amounts due from associate undertakings    | 294,887    | 754,332    |
| Other debtors                              | 750        | 750        |
| Prepayments and accrued income             | 3,788,586  | 6,052,388  |
|  | 27,558,768 | 20,043,328 |

#### 20 Current asset investments

|                      | 2020 | 2019   |
|----------------------|------|--------|
|                      | £    | £      |
| Unlisted investments | -    | 52,518 |

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 27 DECEMBER 2020

#### 21 Creditors: amounts falling due within one year

|  | Notes | 2020<br>£        | 2019<br>£        |
|--|-------|------------------|------------------|
| Trade creditors  |       | 455,252          | 376,966          |
| Amounts owed to undertakings in which the company has a participating interest |       | 1,468            | -                |
| Corporation tax  |       | 47,673           | -                |
| Other taxation and social security   |       | 990,821          | 753,300          |
| Deferred income  |       | 1,280,851        | 1,356,875        |
| Other creditors  |       | 3,971            | 1,268            |
| Accruals   |       | 3,429,260        | 3,758,572        |
|  |       | <u>6,209,296</u> | <u>6,246,981</u> |

#### 22 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

|                                | Liabilities<br>2020<br>£ | Liabilities<br>2019<br>£ |
|--------------------------------|--------------------------|--------------------------|
| Balances:                      |                          |                          |
| Accelerated capital allowances | 87,827                   | 87,827                   |
| Fixed asset timing differences | (27,269)                 | (27,269)                 |
|                                | <u>60,558</u>            | <u>60,558</u>            |

There were no deferred tax movements in the period.

The deferred tax liability set out above is expected to reverse within [12 months] and relates to accelerated capital allowances that are expected to mature within the same period.

#### 23 Retirement benefit schemes

|   | 2020<br>£ | 2019<br>£ |
|---|-----------|-----------|
| Defined contribution schemes  |           |           |
| Charge to profit or loss in respect of defined contribution schemes | 289,692   | 205,804   |

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 27 DECEMBER 2020

#### 24 Share capital

|   | 2020       | 2019       | 2020    | 2019    |
|---|------------|------------|---------|---------|
|   | Number     | Number     | £       | £       |
| Ordinary share capital<br>Issued and fully paid |            |            |         |         |
| Ordinary share of 1p each                       | 17,305,466 | 17,305,466 | 173,055 | 173,055 |

During the period ended 27 December 2020 there were no movements in share capital.

During the period to 31 December 2019 the following movements occurred in respect of share capital:

456,616 Ordinary shares were issued on 18 April 2019 at a subscription price of £1,993,861 under the company's share option schemes.

45,000 C Ordinary Series 1 shares were issued on 18 April 2019 at a subscription price of £9,900 under the company's share option schemes.

During the period to 31 December 2019 no shares were purchased by the company from selling shareholders.

On 18 April 2019 following the acquisition of 100% of the company's share capital by Entertainment One UK Holdings Limited, 975,000 C Ordinary Series 1 shares and 100,000 C Ordinary Series 2 shares were converted into Ordinary shares at a Conversion Premium of Nil per share.

The premium on subscriptions for new shares during the period to 31 December 2019 of £1,998,744 was recognised in share premium.

No premiums were paid during the period to convert C Ordinary Series 1 and C Ordinary Series 2 shares into Ordinary shares.

The company had share schemes whereby options over the Ordinary shares of 1p or over C Ordinary shares of 1p were granted to directors and employees.

The reconciliation of option movements over Ordinary shares during the period is shown below:

|                                    | 2020         | 2019         |
|------------------------------------|--------------|--------------|
|                                    | No of shares | No of shares |
| As at 1 January 2020               | -            | 456,616      |
| Exercised during the period        | -            | (456,616)    |
| Waived or lapsed during the period | -            | -            |
| As at 27 December 2020             | -            | -            |

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 27 DECEMBER 2020

#### 24 Share capital

(Continued)

During the period to 31 December 2019, options held by employees under an Enterprise Management Incentive Scheme over 456,616 Ordinary shares were exercised as follows:

| Date of exercise | No of shares   | Subscription price | £                |
|------------------|----------------|--------------------|------------------|
| 18 April 2019    | 11,900         | £2.20              | 26,180           |
| 18 April 2019    | 7,700          | £2.50              | 19,250           |
| 18 April 2019    | 15,000         | £2.60              | 39,000           |
| 18 April 2019    | 59,416         | £3.80              | 225,781          |
| 18 April 2019    | 42,600         | £4.00              | 170,400          |
| 18 April 2019    | 25,000         | £4.23              | 105,750          |
| 18 April 2019    | 215,000        | £4.50              | 967,500          |
| 18 April 2019    | 80,000         | £5.50              | 440,000          |
|                  | <u>456,616</u> |                    | <u>1,993,861</u> |

The reconciliation of option movements over C Ordinary shares during the period is shown below:

|                             | 2020<br>No of shares | 2019<br>No of shares |
|-----------------------------|----------------------|----------------------|
| As at 1 January 2020        | -                    | 45,000               |
| Exercised during the period | -                    | (45,000)             |
| As at 27 December 2020      | <u>-</u>             | <u>-</u>             |

During the period to 31 December 2019, options held by employees under an Enterprise Management Incentive Scheme over 45,000 C Ordinary Series 1 shares were exercised as follows:

| Date of exercise | No of shares | Subscription price | £            |
|------------------|--------------|--------------------|--------------|
| 18 April 2019    | 45,000       | £0.22              | 9,900        |
|                  |              |                    | <u>9,900</u> |

Share options issued historically were valued using the Black-Scholes valuation model. In the period to 31 December 2019 a share based payment charge of £983 was recognised.

#### Options over Ordinary Shares in eOne

During the period to 31 December 2019, 131,305 options over Ordinary Shares in Entertainment One Ltd. were issued to employees of the company and its subsidiaries. These options were valued using the Black-Scholes valuation model, using the following inputs:

|  |         |
|--|---------|
| Dividend yield (per cent)              | 0.32%   |
| Risk-free interest rate (per cent)     | 0.72%   |
| Expected life of share options (years) | 3 years |
| Exercise price (£)                     | £nil    |

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 27 DECEMBER 2020

#### 24 Share capital

(Continued)

The dividend yield was based on comparable company data at the grant date. The risk-free interest rate was based on the return of similarly dated five-year zero coupon UK Government bonds. The expected life of the share options of 3 years was based on expectations at the time that the options were issued.

All of the 131,305 options over Ordinary Shares in Entertainment One UK Ltd. were cash settled upon the acquisition of that company by Hasbro Inc. in December 2019.

The share based payment charge of £514,520 calculated on the issue of these options was recognised in full in the period to 31 December 2019.

#### Restricted Stock Units in Hasbro, Inc.

Restricted stock units (RSU's) were issued on 14 July 2020 to certain Audio Network Limited employees by Hasbro, Inc. under the restated 2003 Stock Incentive Performance Plan. The total number of RSU's awarded was 9,459 (value of £532,672) with the vesting period beginning from the grant date and ending on 14 July 2023.

During the period, the company recognised total share-based payment Expenses of £148,093 (2019 - £514,520 as noted above) which related to the above detailed equity settled share based payment transactions.

#### 25 Dividends

|                | 2020<br>Per share<br>£ | 2019<br>Per share<br>£ | 2020<br>Total<br>£ | 2019<br>Total<br>£ |
|----------------|------------------------|------------------------|--------------------|--------------------|
| Ordinary share |                        |                        |                    |                    |
| Final paid     | -                      | 0.54                   | -                  | 9,339,509          |

#### 26 Operating lease commitments

##### Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

|                            | 2020<br>£      | 2019<br>£        |
|----------------------------|----------------|------------------|
| Within one year            | 723,528        | 789,303          |
| Between two and five years | -              | 723,528          |
|                            | <u>723,528</u> | <u>1,512,831</u> |

#### 27 Ultimate controlling party

As at 27 December 2020 the company's ultimate controlling party was Hasbro. Inc. Following the acquisition referred to in note 28 the ultimate beneficial owner of the company is The Blackstone Group.

#### 28 Events after the reporting date

On 29 June 2021, eOne Music and Audio Network Limited were wholly acquired by the global investment company Blackstone, in an all-cash transaction valued at £385 million from Hasbro / Entertainment One Ltd.

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 27 DECEMBER 2020

#### 29 Analysis of changes in net funds

|                          | 1 January 2020 | Cash flows | 27 December 2020 |
|--------------------------|----------------|------------|------------------|
|                          | £              | £          | £                |
| Cash at bank and in hand | 1,722,023      | (900,821)  | 821,202          |

#### 30 Prior period adjustment

It was found that certain costs recharged in the current period, totalling £440,958, related to the previous period. A prior period adjustment has been made to include the costs in the correct period.

In last years' financial statements, the cost of a strategic review and costs relating to the acquisition of the company by a new holding company, were shown separately as exceptional administrative expenses. These amounts have not been shown separately in the comparatives of the current period financial statements.

#### Changes to the balance sheet

|                                      | As previously reported | Adjustment | As restated at 31 Dec 2019 |
|--------------------------------------|------------------------|------------|----------------------------|
|                                      | £                      | £          | £                          |
| <b>Creditors due within one year</b> |                        |            |                            |
| Other creditors                      | (3,695,848)            | (440,958)  | (4,136,806)                |
| <b>Capital and reserves</b>          |                        |            |                            |
| Profit and loss                      | 16,339,529             | (440,958)  | 15,898,571                 |

#### Changes to the profit and loss account

|                                      | As previously reported | Adjustment  | As restated  |
|--------------------------------------|------------------------|-------------|--------------|
|                                      | £                      | £           | £            |
| <b>Period ended 31 December 2019</b> |                        |             |              |
| Administrative expenses              | (9,592,268)            | (3,742,974) | (13,335,242) |
| Exceptional items                    | (3,302,016)            | 3,302,016   | -            |
| Profit for the financial period      | 5,331,103              | (440,958)   | 4,890,145    |