ESPN Sports Media Limited

Annual Report and Financial Statements for the year ended 3 October 2020

Registered number: 04731390

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Strategic Report for the year ended 3 October 2020

The Directors present their Strategic Report for the year ended 3 October 2020.

Principal activities

The principal activities of the Company are the licensing of sports programming and management of a number of sporting internet and mobile websites, including its on-demand sport subscription service.

Review of the business

The results for the year ended 3 October 2020 and the financial position for the year ended are set out on pages 9 and 10.

The loss for the financial year amounted to £3,211,000 (2019: loss of £9,714,000, caused largely by onerous loss provisions on certain customer contracts). The Company ended the financial year with net assets of £13,403,000 (2019: £16,614,000).

During 2020, the Company recognised an amortisation charge for goodwill of £837,000. Additionally, the carrying value of goodwill in the website espncricinfo.com was impaired by £514,000 as a result of impairment indicators identified during managements review.

In March 2019, The Walt Disney Company acquired Twenty First Century Fox, Inc. ("Fox"), and post-acquisition the wider Disney group has undergone integration and reorganisation activities, which have indirectly impacted the Company. Further to this, in December 2019 there was an outbreak of COVID-19, which the World Health Organisation declared a pandemic on 11 March 2020. COVID-19 created a short-term significant impact on the operations of the Company. Cancellation and postponement of live sport had a material impact on the operations of the Company. All of the commercial businesses were directly impacted. This includes but is not limited to, compensation to clients and reduction in licensee fees for cancelled or postponed events, reduced subscriptions to our ESPN Player business and a decline in digital traffic resulting in lower advertising sales revenue.

The disruption caused by COVID-19, was greater in the first half of the year. Towards the end of the fiscal year the core businesses revenues were returning as live sporting events resumed under safety protocols. We were also able to continue to grow sales of non-live content e.g. the ESPN Films catalogue, as demand for ancillary sports content remained high. Our digital traffic, while still significantly below pre COVID-19 levels was also showing signs of recovery towards the second half of the year.

It is anticipated that COVID-19 will continue to have an impact on our business in the short term. In the long term we expect to see improvement with the return of live sport and mitigation through revenues from non-live content and on-going cost savings.

The combined impact of the pandemic as well as the ongoing reorganisation activities have created challenges to the Company's normal business operations, which management have sought to mitigate during the year and subsequently.

Going concern

On the basis of their assessment of the Company's financial position and resources, the Directors believe that the Company is well placed to manage its business risks. The Company is working with its parent undertaking to ensure it has sufficient liquidity available for at least the next 12 months from the date these financial statements are approved to ensure it is able to meet its liabilities as they fall due. Therefore, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

As the situation continues to evolve, the Directors continue to monitor closely by way of ongoing risk assessments and revised financial projections for the business. Although the length and severity of the pandemic is not certain, management has determined that the actions that it has taken are sufficient to mitigate the financial uncertainty, which includes receiving a financial letter of support from a fellow group undertaking, and have therefore prepared these financial statements on a going concern basis.

Strategic Report for the year ended 3 October 2020 (continued)

Principal risks, uncertainties and financial risk management

(1) Changes in UK and Europe wide economic and political conditions, including the impact of pandemics
A decline in economic activity and changes in political conditions in the UK and across European and other markets in which we do business or hold investments, including the impact of pandemics, can adversely affect demand for any of our businesses, thus reducing our revenues. Economic, political conditions and the impact of pandemics can also impair the ability of those with whom we do business to satisfy their obligations to us.

In addition, an increase in price levels generally could result in a shift in consumer demand away from the entertainment and consumer products we offer, which could also adversely affect our revenues and, at the same time, increase our costs. Changes in exchange rates for foreign currencies may reduce demand or reduce the value of revenue we receive from other markets.

(2) Changes in public and consumer tastes and preferences and competitive landscape
A risk for the Company is the ability to maintain revenues in its programme distribution and digital businesses in a competitive market across Europe, the Middle East and Africa. The Company's success depends substantially on consumer tastes and preferences that change in often unpredictable ways. This risk is managed through the regular review of the results of the Company's operations, a focus on higher margin generating activities and continued review of its exposure to its various markets.

(3) Brexit

On 23 June 2016, the UK voted to leave the European Union and on 23 March 2017, the UK invoked Article 50(2) of the Treaty and notified the European Council of their intention to withdraw from the European Council. UK Parliament ratified the withdrawal agreement on 23 January 2020 and left the European Union ('EU') on 31 January 2020. A transition period then started during which the UK and EU negotiated their future relationship.

A new free trade agreement has been agreed between the UK and EU as of 11pm 31 December 2020. It covers free trade in UK and EU originating goods, however is silent on trading of services which is expected to be the case going forward. No changes to UK Corporate Taxation policy as a result of this agreement have been made at the time of signing these financial statements. Movement of people has been restricted into the UK from the EU, as EU-citizens wishing to come to the UK will require sponsorship and need to achieve a certain number of points. Regulatory affairs within the media and digital industries remain aligned, however it is unclear as to whether future divergence will take place.

The Directors have considered the impact of the UK leaving the financial, regulatory and legal environment and concluded that the new arrangements in place as at the date of signing these financial statements, have not led to any adverse impacts on the Company or its investments. Changes to future arrangements are difficult to predict and impacts on the economic conditions of the Company and its subsidiaries are uncertain.

(4) Investments
The Company owns investments in entities which are affected by the above risk factors. This could cause impairment in the Company's investments. A review for the potential impairment of an investment is carried out if events or changes in circumstances indicate that the carrying value of the investment may not be recoverable. Impairment assessments involve management's analysis of the respective investments' forecasted future cash flows, territory market conditions, recent applicable market transactions and net asset composition. No impairments were noted in the current year.

With respect to each of the risks noted above the Directors regularly review such matters to mitigate their respective impact on the Company.

Strategic Report for the year ended 3 October 2020 (continued)

Key Performance Indicators ("KPIs")

The Company's Directors are of the opinion that analysis using KPIs is not relevant for an understanding of the development, performance or position of the business and the key financial performance measurements are reflected in these financial statements.

On behalf of the board on 6 July 2022

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Tracy Bermingham
Director

3 Queen Caroline Street
Hammersmith
London
W6 9PE

Directors' Report for the year ended 3 October 2020

The Directors present their report and the audited financial statements of the Company for the year ended 3 October 2020 (prior financial year ended 28 September 2019).

Future developments

The Directors expect the Company to continue operating under its principal activities, as set out in the Strategic Report, for the foreseeable future.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

E M McMenamin	
A Fagan	(appointed 25 June 2021)
T Bermingham	(appointed 22 June 2021)
D Ballantine	(resigned 28 May 2021)
C Boss	(resigned 19 March 2021)
M Pay	(resigned 30 September 2020)
M Shah	(resigned 31 July 2020)

There were no third party indemnity provisions during the year ended 3 October 2020 (year ended 28 September 2019: Nil).

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that ought to be taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Dividends

The Directors do not recommend the payment of a dividend for the year ended 3 October 2020 (year ended 28 September 2019: nil).

Financial risk management

The Company's operations expose it to financial risks. The most significant are described below.

(1) Credit risk: The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is assessed continually by the Company's credit control function.

(2) Foreign exchange risk: The Company may hold assets and liabilities denominated in foreign currencies. No derivative financial instruments are used to manage the risk of fluctuating exchange rates, so no hedge accounting is applied. The Company has in place a foreign exchange policy, driven by the ultimate parent Company, The Walt Disney Company, and will reconsider the appropriateness of this policy should operations change in nature.

Employee involvement

Consultation with employees takes place at all levels, with the aim of ensuring that views are taken into account when decisions are made which are likely to affect their interests, and that all employees are aware of the financial and economic performance of their business units, and of the Company as a whole. Communication with all employees continues through newsletters and briefing groups.

Directors' Report for the year ended 3 October 2020 (continued)

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Director's report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

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

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

Independent auditors

PricewaterhouseCoopers LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

On behalf of the board on 6 July 2022

DocuSigned by:
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Tracy Bermingham
Director

3 Queen Caroline Street
Hammersmith
London
W6 9PE

Independent auditors' report to the members of ESPN Sports Media Limited

Report on the audit of the financial statements

Opinion

In our opinion, ESPN Sports Media Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 3 October 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law) and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 3 October 2020; the Statement of comprehensive income, and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 3 October 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Nicholas Smith (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 July 2022

Statement of comprehensive income for the year ended 3 October 2020

	Note	Year ended 3 October 2020 £'000	Year ended 28 September 2019 £'000
Turnover	4	**19,010**	25,619
Cost of sales		**(5,563)**	(14,992)
Gross profit		**13,447**	10,629
Administrative expenses		**(14,397)**	(20,693)
Operating Loss	5	**(950)**	(10,066)
Impairment of intangible assets	11	**(514)**	(1,171)
Interest receivable and similar income		**1**	4
Interest payable and similar charges		**(2)**	-
Loss before taxation		**(1,465)**	(11,233)
Tax (charge)/credit on loss	8	**(1,746)**	1,519
Loss for the year		**(3,211)**	(9,714)
Other comprehensive income		-	-
Total comprehensive loss for the year		**(3,211)**	**(9,714)**

All results derive from continuing operations.

The notes on pages 12 to 28 form part of the financial statements.

Statement of financial position as at 3 October 2020

	Note	3 October 2020 £'000	28 September 2019 £'000
Fixed assets			
Tangible assets	10	239	111
Intangible assets	11	5,344	6,695
Investments	12	5,486	5,486
		11,069	12,292
Current assets			
Trade and other receivables	13	8,408	13,904
Cash at bank and in hand		4,671	2,593
		13,079	16,497
Current liabilities			
Trade and other payables	14	(9,244)	(7,638)
Net current assets		3,835	8,859
Total assets less current liabilities		14,904	21,151
Creditors: amounts falling due after more than one year			
Provisions for liabilities	19	(1,501)	(4,537)
Net assets		13,403	16,614
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account		13,403	16,614
Total shareholders' funds		13,403	16,614

The financial statements on pages 9 to 28 were approved and authorised by the Board of Directors on 6 July 2022 and were signed on its behalf by:

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T.B.

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Tracy Bermingham
Director

3 Queen Caroline Street
Hammersmith
London
W6 9PE

Statement of changes in equity
For the year ended 3 October 2020

	Share premium account £'000	Capital contribution £'000	Profit and loss account £'000	Called up share capital £'000	Total shareholders' funds £'000
Balance as at 29 September 2018	-	-	26,328	-	26,328
Loss for the year	-	-	(9,714)	-	(9,714)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive expense for the year	-	-	(9,714)	-	(9,714)
Share based payment current year charge	-	-	170	-	170
Share based payment to parent Company	-	-	(170)	-	(170)
Total transactions with owners	-	-	-	-	-
Balance as at 28 September 2019	**-**	**-**	**16,614**	**-**	**16,614**
Loss for the year	-	-	(3,211)	-	(3,211)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive expense for the year	**-**	**-**	**(3,211)**	**-**	**(3,211)**
Share based payment current year charge	-	-	60	-	60
Share based payment to parent Company	-	-	(60)	-	(60)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**
Balance as at 3 October 2020	**-**	**-**	**13,403**	**-**	**13,403**

Notes to the Financial Statements for the year ended 3 October 2020

1 General information

ESPN Sports Media Limited (the "Company") is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of its registered office is 3 Queen Caroline Street, Hammersmith, London, W6 9PE. The principal activities of the Company are the licensing of sports programming and management of a number of sporting internet and mobile websites, including its on-demand sport subscription service. The Company is a wholly owned subsidiary of ESPN Global Ventures Limited, a Company incorporated and operating in the United Kingdom. At 3 October 2020 the Company was ultimately controlled by The Walt Disney Company, incorporated in the United States of America. The largest and smallest group for which consolidated financial statements are prepared are the consolidated financial statements of The Walt Disney Company, which are publicly available.

Consequently, the Company has taken advantage of the exemption under section 401 of the Companies Act 2006 from preparing group financial statements as it is a wholly owned subsidiary of The Walt Disney Company and is included within that Company's consolidated financial statements.

2 Statement of compliance

The financial statements of ESPN Sports Media Limited are prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the UK on a basis consistent with the prior year.

The preparation of financial statements in conformity with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in 'Critical accounting judgements and key source of estimation uncertainty' section of this note.

b) Exemption from preparing group financial statements

The financial statements contain information about ESPN Sports Media Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under Section 401 of the Companies Act 2006, from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of The Walt Disney Company, a Company incorporated in the United States of America. Copies of The Walt Disney Company annual report can be obtained from the address provided in note 17.

c) Accounting reference date

The Company has taken advantage of flexibility under the Companies Act 2006 to end the financial year on the closest Saturday to 30 September each year. An accounting reference date of 3 October 2020 has been adopted for the current year. The financial year represents the 53 weeks ended Saturday 3 October 2020 (prior financial year was the 52 weeks ended Saturday 28 September 2019).

Notes to the Financial Statements for the year ended 3 October 2020 (Continued)

3 Summary of significant accounting policies (continued)

d) Going concern

In December 2019, there was an outbreak of COVID-19, which the World Health Organisation declared a pandemic on 11 March 2020. COVID-19 created a short-term significant impact on the operations of the Company. Cancellation and postponement of live sport had a material impact on the operations of the Company. All of the commercial businesses were directly impacted. This includes but is not limited to, compensation to clients and reduction in licensee fees for cancelled or postponed events, reduced subscriptions to our ESPN Player business and a decline in digital traffic resulting in lower advertising sales revenue.

The disruption caused by COVID-19, was greater in the first half of the year. Towards the end of the fiscal year the core businesses revenues were returning as live sporting events resumed under safety protocols. We were also able to continue to grow sales of non-live content e.g. the ESPN Films catalogue, as demand for ancillary sports content remained high. Our digital traffic, while still significantly below pre COVID-19 levels was also showing signs of recovery towards the second half of the year.

It is anticipated that COVID-19 will continue to have an impact on our business in the short term. In the long term we expect to see improvement with the return of live sport and mitigation through revenues from non-live content and on-going cost savings.

As the situation continues to evolve, the Directors continue to monitor closely by way of ongoing risk assessments and revised projections for the business. The Directors are managing day to day working capital requirements closely with its related parent entity in order to meet the Company's liabilities as they fall due. The Directors have undertaken an assessment and whilst they expect to be able to meet the day to day cash flow needs of the Company through the realisation of assets, they have received assurances of continued financial support from a fellow group undertaking, in the form of a letter of financial support, to allow the Company to meet its liabilities as they fall due without significant curtailment of operations for a period of at least 12 months from the date of these financial statements being signed. On the basis of their assessment of the Company's financial position and resources, the Directors believe that the Company is well placed to manage its business risks. Therefore, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

e) Turnover

Turnover is primarily derived from three lines of business and represents amounts receivable, net of value added tax.

The Company acquires licenses for the provision of programming content from the original rights owner, and resells this content to third party broadcasters. Revenue in exchange for the provision of programming content is recognised upon delivery of the licensed content to the customer.

The Company sells advertising space on digital news and information platforms to advertising agencies and brands. Advertising revenue is recognised on broadcast of the advertisement.

The Company operates a subscription digital video service providing licensed programming content, and collects revenue from subscribers paying for access to online content. Subscription revenue is recognised over the life of the subscription.

Intercompany revenue is recognised at an arm's length basis on an accruals basis. Revenue is recognised when the service or goods have been provided.

Deferred revenue represents revenue for which the service has not yet been provided but for which the customer has been invoiced. Accrued revenue is recognised when services are provided to a customer but the customer has not yet been invoiced for those services.

Notes to the Financial Statements for the year ended 3 October 2020 (Continued)

3 Summary of significant accounting policies (continued)

f) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. The tax expense/(income) is recognised either in the Income statement, other comprehensive income or equity depending on the transaction that resulted in the tax expense/(income).

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

(ii) Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of financial position date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Statement of financial position date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that they will be recovered against the reversal of deferred tax liability or other future taxable profits.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the Statement of financial position date. Deferred tax is measured on a non-discounted basis.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

g) Share based payments

The fair value of grants made under the equity settled employee share option plans is calculated at the date of grant using an appropriate lattice model. Compensation expense for RSUs is based on the market price of the shares underlying the awards on the grant date. In accordance with FRS 20 'Share based payments', the fair value of equity-based awards is charged to the Income statement over the vesting period of the awards with a corresponding credit to the retained earnings reserve. The value of the charge is adjusted to reflect expected and actual levels of option vesting. At each reporting date, the entity revises its estimates of the number of options that are expected to vest.

h) Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits
Short term benefits are recognised as an expense in the period in which the service is received. Holiday pay is not recognised as an expense in the period in which the service is received because it is considered immaterial.

(ii) Defined contribution pension plans
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 pension cost charge represents contributions payable by the Company to the personal plans of certain employees in respect of the accounting period. The contributions are recognised as an expense and charged to the Income statement when they are due. Amounts not paid are shown in accruals in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

Notes to the Financial Statements for the year ended 3 October 2020 (Continued)

3 Summary of significant accounting policies (continued)

i) Foreign currency

(i) Functional and presentation currency
The Company's functional and presentation currency is the pound sterling and rounded to thousands.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

j) Tangible fixed assets, depreciation and impairment

Tangible fixed assets are stated at cost, less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated on a straight-line basis at rates estimated to write off the cost of the assets over their estimated useful lives.

The principal annual rates in use are:

Computer equipment	3 years
Leasehold improvements	5 years

The fixed asset and depreciation policies are assessed periodically. Fixed assets are assessed for impairment by comparing their carrying values to the future discounted cash flows expected to be generated by these assets, whenever events or changes in circumstances indicate that impairment may exist.

k) Goodwill

When the costs of an acquisition exceed the fair values attributable to the net assets acquired, the difference is treated as goodwill. Under FRS 102, intangible assets are reviewed for any impairment indicators at the reporting date.

Impairment reviews are carried out to ensure that goodwill and intangible assets are not carried at above their recoverable amounts. Any amortisation or impairment write downs are charged to the Income statement. Amortisation is reported within operating profit in the Income statement.

Amortisation is calculated on a systematic basis at rates estimated to write off the cost of the assets over their estimated useful lives. The useful economic life for intellectual property rights for Cricinfo is 15 years and this is amortised on a straight line basis.

l) Investments

Investments are stated individually at cost less accumulated impairment losses. A review for the potential impairment of an investment is carried out if events or changes in circumstances indicate that the carrying value of the investment may not be recoverable.

Notes to the Financial Statements for the year ended 3 October 2020 (Continued)

3 Summary of significant accounting policies (continued)

m) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where a provision is required for onerous contracts, the provision is measured using a discounted cash flow model and re-assessed at each fiscal year end.

n) Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances in any future periods affected.

(i) Useful economic lives of tangible and intangible assets (E)
The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments and economic utilisation. See notes 10 and 11 for the carrying amount of tangible and intangible assets, and policy notes in note 3 for the useful economic lives.

(ii) Impairment of intangible assets (E)
The Company considers whether intangible assets, including goodwill, are impaired. Where an indication of impairment is identified, the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows. The assessment uses certain key assumptions i.e. net cash flows and discount rates that are subject to estimation uncertainty that could give rise to a risk of impairment in a future period if these assumptions change. See note 11 for the carrying amount of the intangible assets and sensitivities performed over key assumptions.

(iii) Investments (J, E)
The Company's fixed asset investments are held at historical cost, adjusted for impairment where applicable. The investment is assessed for impairment initially through qualitatively assessing external and internal sources of information to determine if there is an impairment trigger. This typically involves the exercise of judgement. In the event an impairment trigger is determined then a detailed quantitative assessment is made regarding forecasted future cash flows and territory market conditions to derive a discounted equity investment value, which would typically involve estimates and assumptions. In the current year a qualitative assessment was performed and based on relevant information, no trigger was judged to have occurred and hence detailed impairment reviews were not performed.

(iv) Provisions (E)
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably. The Company's onerous contracts provision represents an estimate of the net unavoidable costs of fulfilling the contracts. The provision requires an estimation of expected cash flows for the remaining lives of the contracts including reasonable estimates for the committed and uncommitted amounts and the derivation of an appropriate discount factor in order to reflect the present value of this cost. Whilst performing this review, forecast revenues were identified as a key source of estimation uncertainty that could give rise to a risk of further provisions in a future period. See note 19 for the carrying amount of the provisions and sensitivities performed over key assumptions.

**(E - critical accounting estimates and assumptions; J - critical judgements in applying the Company's accounting policies)*

Notes to the Financial Statements for the year ended 3 October 2020 (Continued)

3 Summary of significant accounting policies (continued)

o) Exemption for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the financial statements of The Walt Disney Company which are publicly available.

As a qualifying entity, the Company has taken advantage of the following exemptions:

i) from the requirement to prepare a statement of cash flows as required by Section 7 Statement of Cash Flows and paragraph 3.17(d) Financial Statement Presentation of FRS 102;
ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102;
iv) from the requirement to provide certain share-based payments disclosures as required by paragraphs 26.18(b), 26.19, 26.20, 26.21 and 26.23 of FRS 102, concerning its own equity instruments; and
v) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

Notes to the Financial Statements for the year ended 3 October 2020 (Continued)

4 Turnover

Turnover comprises licensing of sports programming ('Media distribution') and the provision of internet related services for a number of sporting websites ('Digital media related services'). The split of these into categories of turnover during the year is as follows:

	Year ended 3 October 2020 £'000	Year ended 28 September 2019 £'000
Media distribution	10,709	12,555
Digital media related services	8,301	13,064
	19,010	25,619

The split of turnover into geographical destination during the year is as follows:

	Year ended 3 October 2020 £'000	Year ended 28 September 2019 £'000
United Kingdom	11,105	7,418
Rest of Europe	3,725	9,426
Rest of World	4,180	8,775
	19,010	25,619

5 Operating loss

	Note	**Year ended 3 October 2020 £'000**	Year ended 28 September 2019 £'000
The operating loss is stated after (crediting)/charging:			
Net foreign exchange loss/(gain)		57	(109)
Depreciation of tangible assets	10	30	28
Amortisation of goodwill	11	837	916
Compensation provision	19	787	-
Impairment of contract related assets	19	2,351	4,308
Onerous contracts related provision	19	(3,823)	4,537
Fees payable for the statutory audit		161	91

Auditors' remuneration for the current year is £161,000 (2019: £91,000). Within this amount £35,000 for other ESPN entities that are paid by the Company and are not recharged. Contract related assets acquired in the year includes £2,351,000 related to an onerous contract, which has been fully written down against the provision established see note 19. In the prior year the contract related assets were written down before the recognition of the provision

Notes to the Financial Statements for the year ended 3 October 2020 (Continued)

5 Operating loss (continued)

Onerous contracts related provisions of £1,472,000 (net) were released during the current year and £2,351,000 was utilised against the write down of current contract assets (combined value £3,823,000). Refer to note 19 for further details.

6 Staff numbers and costs

The average monthly number of persons employed by the Company (including executive Directors) during the year, analysed by category, was as follows:

	Year ended 3 October 2020 Numbers	Year ended 28 September 2019 Numbers
Production and technical	24	31
Sales	19	19
General and administration	12	17
Marketing	5	6
	60	73

The aggregate payroll costs of these persons were as follows:

	Year ended 3 October 2020 £'000	Year ended 28 September 2019 £'000
Wages and salaries	3,974	5,323
Social security costs	467	600
Other pension costs	256	315
Share based payments	60	170
	4,757	6,408

Notes to the Financial Statements for the year ended 3 October 2020 (Continued)

7 Directors' emoluments

	Year ended 3 October 2020 £'000	Year ended 28 September 2019 £'000
Aggregate emoluments	385	657
Company contributions paid to pension scheme	26	32
	411	689

	Year ended 3 October 2020 £'000	Year ended 28 September 2019 £'000
Highest paid Director		
Total amount of emoluments and amounts receivable under long term incentive schemes	233	425
Company contributions paid to pension scheme	18	14
	251	439

Retirement benefits are accruing for two Directors (2019: 3), including the highest paid Director, under the defined contribution scheme. Two Directors (2019: 1) received share options under long term incentive schemes, and one Director (2019: 1) exercised share options in the ultimate parent Company during the year. In addition to the amounts detailed above, amounts paid in respect of loss of office in the year were £nil (2019: £274,478).

Notes to the Financial Statements for the year ended 3 October 2020 (Continued)

8 Tax on loss on ordinary activities

The charge for taxation is based upon the loss for the year and comprises:

	Year ended 3 October 2020	Year ended 28 September 2019
	£'000	£'000
Current tax:		
UK corporation tax at 19% (2019: 19%)	-	-
Foreign tax	28	-
Current tax charge for the year	28	-
Deferred tax:		
Impact of change in tax rate	(121)	-
Adjustment in respect of prior years	1,864	30
Origination and reversal of timing differences	(25)	(1,549)
	1,718	(1,519)
Tax on charge/(credit)	1,746	(1,519)

Tax assessed for the year is higher (2019: higher) than the main rate of corporation tax in the UK. The differences are explained below:

	Year ended 3 October 2020	Year ended 28 September 2019
	£'000	£'000
Loss before taxation	(1,465)	(11,232)
Expected UK tax (credit) charge at 19% (2019: 19%)	(278)	(2,145)
Effects of:		
Fixed asset differences	256	-
Expenses not deductible for tax purposes	21	193
Expenses not deductible for tax purposes - impairment of intangibles	-	223
Income not taxable for tax purposes	(11)	-
Re-measurement of deferred tax - change in UK tax rate	(121)	180
Foreign tax credits	29	-
Adjustment in respect of prior years	1,864	30
Other permanent differences	(14)	-
Tax charge/(credit) for the year	1,746	(1,519)

Notes to the Financial Statements for the year ended 3 October 2020 (Continued)

8 Tax on loss on ordinary activities (continued)

The Finance Act 2015 introduced provisions to reduce the main rate of corporation tax from 19% to 17% with effect from 1 April 2020. However, The Finance Act 2020 which received Royal Assent on 22 July 2020 has cancelled the planned reduction of corporation tax and therefore the main rate remains at 19%.

Additionally, Finance Act 2021 introduced provisions to increase the tax rate from 19% to 25% from 1 April 2023. As substantive enactment was after the year end, deferred tax has been measured at the rates substantively enacted as at the year-end date. The impact of the change in corporation tax rate is anticipated to be £nil.

9 Deferred tax

	Deferred tax asset £'000
At 29 September 2019	2,892
Charged to the Statement of total comprehensive income	(1,718)
At 3 October 2020	1,174

A deferred tax asset of £1,174,000 (2019: £2,892,000) has been recognised in the financial statements. This asset relates to trading losses carried forward of £988,000 (2019: £2,792,000), fixed asset timing differences of £116,000 (2019: £56,000) and short term timing differences of £70,000 (2019: £44,000) were recognised as the Directors consider it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred taxation provided for at 19% (2019: 17%) is set out below:

	Year ended 3 October 2020 £'000	Year ended 28 September 2019 £'000
Tax losses	988	2,792
Fixed asset timing differences	116	56
Short term timing differences	70	44
	1,174	2,892

Notes to the Financial Statements for the year ended 3 October 2020 (Continued)

10 Tangible assets

	Computer equipment £'000	Leasehold improvements £'000	Total £'000
Cost			
Balance at beginning of year	229	45	274
Additions	158	-	158
Disposals	-	-	-
Balance at end of year	**387**	**45**	**432**
Accumulated depreciation and impairment			
Balance at beginning of year	(118)	(45)	(163)
Depreciation charge for the year	(30)	-	(30)
Disposals	-	-	-
Balance at end of year	**(148)**	**(45)**	**(193)**
Net book value			
At 3 October 2020	**239**	**-**	**239**
At 28 September 2019	111	-	111

11 Intangible assets

	Goodwill £'000
Cost	
Balance at beginning of year	13,746
Balance at end of year	**13,746**
Accumulated amortisation and impairment	
Balance at beginning of year	(7,051)
Amortisation charge for the year	(837)
Impairment	(514)
Balance at end of year	**(8,402)**
Net book value	
At 3 October 2020	**5,344**
At 28 September 2019	6,695

The Directors believe that the carrying value of the goodwill, relating to the Cricinfo website, is supported by the net present value of their discounted cash flows which takes into consideration a recoverable value. The net present value of discounted cash flows are reviewed annually and as a result, the goodwill has been impaired by £514,000 in the period ended 3 October 2020. This impairment is driven by a decline in performance of the Cricinfo website due to the onset of challenges in the market due to COVID-19.

Notes to the Financial Statements for the year ended 3 October 2020 (Continued)

11 Intangible assets (continued)

Management performed value in use calculations for the relevant cash generating unit of the ESML business, namely Digital Media. This method required the use of assumptions. The calculations use cash flow projections based on financial forecasts covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate.

The key assumptions in value in use calculations are net cash flows and discount rates. A 1% reduction in forecast net cash flows over the five year period and in the terminal value will result in an additional impairment of £356,000. A 1% increase in the discount rate from 8.5% (post tax) or 10.5% (pre tax) will result in additional impairment of £865,000.

12 Investments

	Investment in subsidiary undertakings £'000
Cost	
Balance at beginning of year	7,083
Balance at end of year	**7,083**
Impairment	
Balance at beginning of year	(1,597)
Balance at end of year	**(1,597)**
Net book value	
At 3 October 2020	**5,486**
At 28 September 2019	5,486

The Directors believe that the carrying value of the investments is supported by their underlying net assets of continuing operations and accordingly no trigger for performing a more detailed impairment review was determined. Details of investments are set out below:

Shares in group undertaking	Address of registered office	Nature of business	Proportion of nominal value of voting shares held 2020	2019
ESPN Australia Holdings Pty Ltd	Level 3, 68 York St, Sydney, Australia	Holding Company	100%	100%
ESPN Australia Pty Ltd †	Level 3, 68 York St, Sydney, Australia	Digital Media	100%	100%

† This Company is an indirect subsidiary, as it is owned by a direct subsidiary.

Notes to the Financial Statements for the year ended 3 October 2020 (Continued)

13 Trade and other receivables

	Year ended 3 October 2020 £'000	Year ended 28 September 2019 £'000
Trade debtors	1,994	2,657
Amounts owed by group undertakings	3,559	4,403
Deferred tax asset	1,174	2,892
Other debtors	-	4
Taxation	23	647
Prepayments and accrued income	1,658	3,301
	8,408	13,904

There was no interest or security due or given on the amounts owed by group undertakings which are repayable on demand. Prepayments and accrued income include contract related assets.

14 Trade and other payables

	Year ended 3 October 2020 £'000	Year ended 28 September 2019 £'000
Trade creditors	298	300
Amounts owed to group undertakings	4,307	2,281
Taxation and social security	3	3
Value added tax payable	12	125
Accruals and deferred income	4,624	4,929
	9,244	7,638

There was no interest or security due or given on the amounts owed to group undertakings which are repayable on demand.

Notes to the Financial Statements for the year ended 3 October 2020 (Continued)

15 Financial instruments by category

	Note	Year ended 3 October 2020	Year ended 28 September 2019
		£'000	£'000
Financial assets measured at amortised cost:			
Trade debtors	13	1,994	2,657
Amounts owed by group undertakings	13	3,559	4,403
Other debtors	13	-	4
Cash at bank and in hand		4,671	2,593
		10,224	9,657
Financial liabilities measured at amortised cost:			
Trade creditors	14	298	300
Amounts owed to group undertakings	14	4,307	2,281
		4,605	2,581

16 Called up share capital

	Year ended 3 October 2020	Year ended 28 September 2019
	£	£
Allotted and fully paid		
102 (2019: 102) ordinary shares of £1 each	102	102

17 Ultimate parent undertaking and controlling party

The Company is a wholly owned subsidiary of ESPN Global Ventures Limited, a Company incorporated and operating in the United Kingdom. ESPN, Inc. incorporated in the US, is the parent group to consolidate the Company. The largest company in which the results of the group are consolidated is headed by The Walt Disney Company.

Parent undertaking

The largest Company for which consolidated financial statements are prepared and of which the Company is a member is as follows:

Name (Tax ID number)	The Walt Disney Company (83-0940635)
Country of incorporation	United States of America
Address from where copies of the group financial statements can be obtained	500 South Buena Vista Street Burbank, California 91521 USA

Notes to the Financial Statements for the year ended 3 October 2020 (Continued)

18 Share based payments

Under the Disney Discretionary Stock Option Scheme, certain employees of the Company may be granted options to acquire shares of stock in the ultimate parent Company, The Walt Disney Company, at exercise prices equal to or exceeding the market price at the date of grant. Options vest equally over a four-year period from the date of grant and expire seven to ten years after the date of grant. Restricted stock units (RSUs) generally vest equally on each of the four anniversaries of the grant date. Certain RSUs awarded to senior executives vest based upon the achievement of performance conditions. The share options are settled using the equity instruments of the Company's ultimate parent Company, The Walt Disney Company.

19 Provisions for liabilities and financial commitments

As at 3 October 2020, the Company has entered into agreements for the acquisition of programme licences and rights for exploitation periods commencing after 3 October 2020. The annual commitments in respect of these agreements are set out below but the Directors have undertaken a detailed review and concluded that these contracts will still result in an overall economic loss based on latest estimates and they have determined therefore that an onerous loss provision in aggregate of £714,000 for the net unavoidable cost should continue to be recognised in these financial statements after the write down of contract related assets acquired in the year against the provision for £2,351,000.

Financial commitments at the end of 2020 in the contracts that have been used to determine the onerous loss provision.

	2020	2019
	£'000	£'000
Within one year	9,107	9,767
Within two to five years	14,549	18,927
Greater than five years	-	-
	23,656	28,694

Federation Internationale de Natation (FINA)

The Company entered into an agreement with the European Broadcasting Union (EBU) on 21st October 2016 in relation to the exploitation of media rights from FINA. The Company was appointed by the EBU as an agent for the exploitation of FINA media rights in Europe, for the period 1 January 2018 to 31 December 2021. Projections in 2019 showed the Company's share of revenue to be substantially lower than the contribution to rights costs, and so an onerous contract related provision of £2,301,000 was recognised along with an impairment to prepaid assets related to this contract of £308,000 in the comparative period. Management have reviewed the provision at the end of the year and based on latest projections a provision release of £1,587,000 is required.

International Association of Athletic Federations (IAAF)

The Company and the EBU signed a 6-year media rights agreement on the 7th July 2017 with IAAF. The Company and the EBU were granted the license to exploit the media rights in Europe and Africa to major IAAF athletics events including World Championships and World Indoor Championships, for a six-year license period beginning January 1, 2018 to December 31, 2023. Projections in 2019 showed the Company's share of revenue to be substantially lower than the contribution to rights costs, and so an onerous contract related provision £2,236,000 was recognised along with an impairment to prepaid assets related to this contract of £4,000,000 in the comparative period. Management have reviewed the provision at the end of the year and based on latest projections show that an increase to the provision of £115,000 is required; however, as additional prepaid assets related to this contract were acquired in the year £2,351,000 of these have been written down against the provision leaving no provision being recognised at year end.

Notes to the Financial Statements for the year ended 3 October 2020 (Continued)

19 Provisions for liabilities and financial commitments (continued)

The provision recognised in the financial statements is as follows:

	General provision £'000	Onerous Contract related provision £'000	2020 Total Provision £'000
At 29 September 2019	-	4,537	4,537
Additions in the year	787	115	902
Recognition of impairment to contract related prepaid assets	-	(2,351)	(2,351)
Released to the profit and loss account	-	(1,587)	(1,587)
As at 3 October 2020	787	714	1,501

The key assumption used in calculating the onerous contract related provision at year end relates to forecast revenues. A 1% reduction in forecast revenues over the contract period will result in an immaterial increase in the provisions. The provision is expected to be utilised over the next 3 years.

The general provision created in the year relates to compensation for cancelled or postponed events. The provision is expected to be utilised over the next 7 years, or earlier if requested from a customer.

20 Related party transactions

The Company is a wholly owned subsidiary of ESPN, Inc. whose ultimate parent undertaking and controlling party is The Walt Disney Company. Consequently, the Company utilises the exemption contained in paragraph 33.1A of FRS 102, 'Related party disclosures', not to disclose any transactions with entities that are included in the consolidated financial statements of The Walt Disney Company. The address at which the consolidated financial statements of the ultimate parent company are publicly available is included in note 17.

22 Post balance sheet events

On 17 March 2021, dividend of AUD 3,930,000 was received by the Company from ESPN Australia Holdings Pty Ltd.