



**AUDIO NETWORK LIMITED**

**REPORT**

For the period ended 31 March  
2019

FRIDAY



\*L8GDJRWZ\*

L03

18/10/2019

#59

COMPANIES HOUSE

# AUDIO NETWORK LIMITED

## COMPANY INFORMATION

---

<b>Directors</b>	Andrew Sunnucks James Robert Smith Michael Olsen Edward Parry Christopher Taylor	(Appointed 18 April 2019) (Appointed 18 April 2019) (Appointed 18 April 2019)
------------------	----------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------

<b>Company Secretary &amp; CFO</b>	Kim Clarke
------------------------------------	------------

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

<b>Registered office</b>	School Farm Studios Little Maplestead Halstead Essex CO9 2SN
--------------------------	--------------------------------------------------------------------------

<b>Auditors</b>	HW Fisher Acre House 11-15 William Road London United Kingdom NW1 3ER
-----------------	--------------------------------------------------------------------------------------

**Principal business address:**

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

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

---

# AUDIO NETWORK LIMITED

## CONTENTS

---

	Page
Strategic report	1 - 2
Directors' report	3
Directors' responsibilities statement	4
Independent auditor's report	5 - 6
Profit and loss account	7
Statement of comprehensive income	8
Group balance sheet	9
Company balance sheet	10
Group statement of changes in equity	11 - 12
Company statement of changes in equity	13
Group statement of cash flows	14
Notes to the financial statements	15 - 37

---

# AUDIO NETWORK LIMITED

## STRATEGIC REPORT

### FOR THE PERIOD ENDED 31 MARCH 2019

---

The directors are pleased to present the report and financial statements of the group for the nine-month period ended 31 March 2019.

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

The principal activity of the group 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 worldwide.

On 18 April 2019, Entertainment One UK Holdings Limited entered into an agreement to acquire 100% of the shares of the company. As a result, the company appointed new directors from its new parent company and changed its financial year end to 31 March 2019.

The consolidated profit and loss account for the nine-month period is set out on page 7, as a result, the financial statements are not comparable.

#### Principal risks and Uncertainties

The management of the business and the execution of the group'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. This risk further diminishes as the Company is now part of the Entertainment One 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.

#### Financial Risk Management

The group'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 period.

##### Price Risk

The group operates in a competitive market and it is the group'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 group 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 group 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 group has significant and growing overseas operations. In particular, 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.

# AUDIO NETWORK LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE PERIOD ENDED 31 MARCH 2019**

---

### Interest Rate Risk

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

### Brexit Risk

The management will continue to monitor Brexit negotiations and where necessary seek to take the appropriate steps to minimise the risk of disruption to our group business.

During the period, the group incorporated Audio Network Publishing (EU) Limited in Ireland. The directors envisage flowing European publishing royalties through this new subsidiary company in the event of Brexit impacting the royalty flows from European territories.

### Key Performance Indicators

We grew our music catalogue organically by 9,142 tracks (6%) from 157,000 tracks at the start of the period to 166,142 tracks by the end of the period (2018 growth: 18,500 tracks).

Group turnover was £23.0m for the nine-month period ending 31 March 2019, compared to £29.0m for the twelve-months ending 30 June 2018.

International revenues were £17.0m for the nine-month period ending 31 March 2019, compared to £21.8m for the twelve-months ending 30 June 2018. International revenues now account for 74% of group revenue for the period (2018: 75%).

Group subscription retention rates continue to exceed 80%.

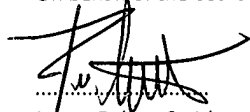
Cash at bank, in hand and on notice accounts of £12.7m was held by the group at 31 March 2019 (2018: £8.3m).

Group net assets were £25.2m (2018: £19.2m).

### Future Outlook

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

On behalf of the board



James Robert Smith  
Director  
15-OCT-19

# AUDIO NETWORK LIMITED

## DIRECTORS' REPORT

### FOR THE PERIOD ENDED 31 MARCH 2019

---

The directors present their report and financial statements for the period ended 31 March 2019.

#### Directors

The directors who served during the period were as stated below:

Robert Hurst	(Resigned 18 April 2019)
Andrew Sunnucks	
James Robert Smith	
Dan Marriott	(Resigned 18 April 2019)
Miles Ruffell	(Resigned 18 April 2019)

The Board takes this opportunity of thanking the three directors who stepped down from the Board on 18 April 2019, for the contribution they each made to the growth of the company over many years.

The following directors were appointed to the board after the period end:

Michael Olsen	(Appointed 18 April 2019)
Edward Parry	(Appointed 18 April 2019)
Christopher Taylor	(Appointed 18 April 2019)

#### Results and Dividends

The profit for the period, after taxation, amounted to £5.9m (2018: £7.9m).

No dividends were issued in the nine-month period ending 31 March 2019.

Dividends paid in the year to 30 June 2018 are set out in Note 12 on page 26.

#### Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors 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 auditors are aware of that information.

The directors are responsible for preparing the Annual Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

On behalf of the board



James Robert Smith

Director

15-OCT-19

# AUDIO NETWORK LIMITED

## DIRECTORS' RESPONSIBILITIES STATEMENT

***FOR THE PERIOD ENDED 31 MARCH 2019***

---

The directors are responsible for preparing the 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 group and company, and of the profit or loss of the group 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and 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

---

#### Opinion

We have audited the financial statements of Audio Network Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 March 2019 which comprise the Group Profit And Loss Account, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 group's and the parent company's affairs as at 31 March 2019 and of the group's results 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

We have nothing to report in respect of the following matters in relation to which the 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 group's or the parent 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.

#### Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### 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

---

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 group's and the parent 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 group or the parent 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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 (Senior Statutory Auditor)  
for and on behalf of HW Fisher

Chartered Accountants  
Statutory Auditor  
Acre House  
11-15 William Road  
London  
NW1 3ER  
United Kingdom

15/10/19

# AUDIO NETWORK LIMITED

## GROUP PROFIT AND LOSS ACCOUNT

**FOR THE PERIOD ENDED 31 MARCH 2019**

		Period ended 31 March 2019 £	Year ended 30 June 2018 £
	Notes		
Turnover	5	22,993,818	29,009,836
Cost of sales		(1,264,108)	(1,147,910)
<b>Gross profit</b>		<b>21,729,710</b>	<b>27,861,926</b>
Distribution costs		(31,645)	(50,314)
Administrative expenses		(14,739,487)	(18,192,264)
Exceptional costs	4	(436,797)	-
<b>Operating profit</b>	7	<b>6,521,781</b>	<b>9,619,348</b>
Interest receivable and similar income	9	19,077	20,542
<b>Profit before taxation</b>		<b>6,540,858</b>	<b>9,639,890</b>
Tax on profit	11	(626,489)	(1,732,283)
<b>Profit for the financial period</b>		<b>5,914,369</b>	<b>7,907,607</b>

Profit for the financial period is all attributable to the owners of the parent company.

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

# AUDIO NETWORK LIMITED

## GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2019

---

	Period ended 31 March 2019 £	Year ended 30 June 2018 £
Profit for the period	5,914,369	7,907,607
Other comprehensive income		
Currency translation differences	(37,902)	(29,309)
Total comprehensive income for the period	<u>5,876,467</u>	<u>7,878,298</u>

Total comprehensive income for the period is all attributable to the owners of the parent company.

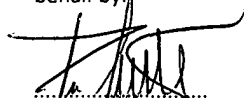
# AUDIO NETWORK LIMITED

## GROUP BALANCE SHEET

AS AT 31 MARCH 2019

	Notes	31 March 2019		30 June 2018	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	14		4,533,621		4,452,459
Tangible assets	13		646,833		766,968
			<u>5,180,454</u>		<u>5,219,427</u>
<b>Current assets</b>					
Stocks	17	25,249		25,443	
Debtors	19	14,814,135		14,527,406	
Investments	20	52,232		931,284	
Cash at bank and in hand		12,684,757		7,415,337	
		<u>27,576,373</u>		<u>22,899,470</u>	
<b>Creditors: amounts falling due within one year</b>	21	<u>(7,544,771)</u>		<u>(8,933,537)</u>	
<b>Net current assets</b>			<u>20,031,602</u>		<u>13,965,933</u>
<b>Total assets less current liabilities</b>			<u>25,212,056</u>		<u>19,185,360</u>
<b>Provisions for liabilities</b>	22		<u>(34,633)</u>		<u>(12,008)</u>
<b>Net assets</b>			<u><u>25,177,423</u></u>		<u><u>19,173,352</u></u>
<b>Capital and reserves</b>					
Called up share capital	25		168,039		167,735
Share premium account			4,367,546		4,252,716
Capital redemption reserve			21,289		21,243
Shares held under JSOP			(1,290,000)		(1,290,000)
Profit and loss reserves			21,910,549		16,021,658
<b>Total equity</b>			<u><u>25,177,423</u></u>		<u><u>19,173,352</u></u>

The financial statements were approved by the board of directors and authorised for issue on 15-Oct-19 and are signed on its behalf by:



James Robert Smith  
Director

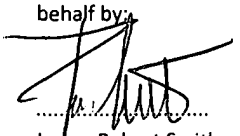
# AUDIO NETWORK LIMITED

## COMPANY BALANCE SHEET

		31 March 2019		30 June 2018	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Intangible assets	14		3,421,069		3,220,275
Tangible assets	13		573,079		665,266
Investments	15		1,957,429		1,991,022
			<u>5,951,577</u>		<u>5,876,563</u>
<b>Current assets</b>					
Stocks	17	15,753		15,753	
Debtors	19	13,769,341		13,335,517	
Investments	20	52,232		931,284	
Cash at bank and in hand		8,229,967		3,883,998	
		<u>22,067,293</u>		<u>18,166,552</u>	
<b>Creditors: amounts falling due within one year</b>	21	<u>(4,918,581)</u>		<u>(6,282,254)</u>	
<b>Net current assets</b>			<u>17,148,712</u>		<u>11,884,298</u>
<b>Total assets less current liabilities</b>			<u>23,100,289</u>		<u>17,760,861</u>
<b>Capital and reserves</b>					
Called up share capital	25		168,039		167,735
Share premium account			4,367,546		4,252,716
Shares held under JSOP			(1,290,000)		(1,290,000)
Capital redemption reserve			21,289		21,243
Profit and loss reserves			19,833,415		14,609,167
<b>Total equity</b>			<u>23,100,289</u>		<u>17,760,861</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the period was £5,211,829 (30 June 2018: £7,864,363 profit), inclusive of dividend income from group companies of £nil (2018: £405,741).

The financial statements were approved by the board of directors and authorised for issue on 15-Oct-19 and are signed on its behalf by:

  
James Robert Smith  
Director

Company Registration No. 04257337

## AUDIO NETWORK LIMITED

### GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2019

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Shares held under JSOP £	Profit and loss reserves £	Total £
<b>Balance at 1 July 2017</b>		169,105	3,938,586	17,592	(1,290,000)	14,119,211	16,954,494
<b>Year ended 30 June 2018</b>							
Profit for the year		-	-	-	-	7,907,607	7,907,607
Other comprehensive income:							
Currency translation differences on overseas subsidiaries		-	-	-	-	(29,309)	(29,309)
Total comprehensive income for the year		-	-	-	-	7,878,298	7,878,298
Issue of shares	25	2,281	314,130	-	-	-	316,411
Dividend paid	12	-	-	-	-	(4,670,084)	(4,670,084)
Credit to equity for equity settled share-based payments		-	-	-	-	15,714	15,714
Shares repurchased	25	(3,651)	-	3,651	-	(1,321,481)	(1,321,481)
<b>Balance at 30 June 2018</b>		167,735	4,252,716	21,243	(1,290,000)	16,021,658	19,173,352

# AUDIO NETWORK LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Shares held under JSOP £	Profit and loss reserves £	Total £
<b>Period ended 31 March 2019:</b>							
Profit for the period		-	-	-	-	5,914,369	5,914,369
Other comprehensive income:							
Currency translation differences on overseas subsidiaries		-	-	-	-	(37,902)	(37,902)
Total comprehensive income for the period		-	-	-	-	5,876,467	5,876,467
Issue of shares	25	354	114,830	-	-	-	115,184
Conversion of C ordinary shares	25	(4)	-	-	-	-	(4)
Credit to equity for equity settled share-based payments		-	-	-	-	14,739	14,739
Shares repurchased	25	(46)	-	46	-	(2,315)	(2,315)
<b>Balance at 31 March 2019</b>		<b>168,039</b>	<b>4,367,546</b>	<b>21,289</b>	<b>(1,290,000)</b>	<b>21,910,549</b>	<b>25,177,423</b>

# AUDIO NETWORK LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2019

	Share capital	Share premium account	Capital redemption reserve	Shares held under JSOP	Profit and loss reserves	Total
Notes	£	£	£	£	£	£
<b>Balance at 1 July 2017</b>	169,105	3,938,586	17,592	(1,290,000)	12,720,655	15,555,938
<b>Year ended 30 June 2018</b>						
Profit and total comprehensive income for the year	-	-	-	-	7,864,363	7,864,363
Issue of share capital	25	2,281	314,130	-	-	316,411
Dividends	12	-	-	-	(4,670,084)	(4,670,084)
Credit to equity for equity settled share-based payments	-	-	-	-	15,714	15,714
Shares repurchased	25	(3,651)	-	3,651	(1,321,481)	(1,321,481)
<b>Balance at 30 June 2018</b>	167,735	4,252,716	21,243	(1,290,000)	14,609,167	17,760,861
<b>Period ended 31 March 2019:</b>						
Profit and total comprehensive income for the period	-	-	-	-	5,211,824	5,211,824
Issue of share capital	25	354	114,830	-	-	115,184
Conversion of C ordinary shares	25	(4)	-	-	-	(4)
Credit to equity for equity settled share-based payments	-	-	-	-	14,739	14,739
Shares repurchased	25	(46)	-	46	(2,315)	(2,315)
<b>Balance at 31 March 2019</b>	168,039	4,367,546	21,289	(1,290,000)	19,833,415	23,100,289



# AUDIO NETWORK LIMITED

## GROUP STATEMENT OF CASH FLOWS

		Period ended 31 March 2019		Year ended 30 June 2018	
	Notes	£	£	£	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	1	6,478,709		9,382,328	
Income taxes paid		(1,643,098)		(1,682,633)	
<b>Net cash inflow from operating activities</b>		<u>4,835,611</u>		<u>7,699,695</u>	
<b>Investing activities</b>					
Purchase of business		-	(47,715)		
Purchase of intangible assets		(512,392)	(806,319)		
Purchase of tangible fixed assets		(66,596)	(265,190)		
Proceeds on disposal of tangible fixed assets		1,799	4,523		
Proceeds from other investments (outflow)		879,052	(6,460)		
Interest received		19,077	20,542		
<b>Net cash generated from/(used in) investing activities</b>		<u>320,940</u>		<u>(1,100,619)</u>	
<b>Financing activities</b>					
Proceeds from issue and conversion of shares		115,184	316,411		
Redemption of shares		(2,315)	(1,321,481)		
Dividends paid to equity shareholders		-	(4,670,084)		
<b>Net cash generated from/(used in) financing activities</b>		<u>112,869</u>		<u>(5,675,154)</u>	
<b>Net increase in cash and cash equivalents</b>		<u>5,269,420</u>		<u>923,922</u>	
Cash and cash equivalents at beginning of period		<u>7,415,337</u>		<u>6,491,415</u>	
<b>Cash and cash equivalents at end of period</b>		<u><u>12,684,757</u></u>		<u><u>7,415,337</u></u>	

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 1 Cash generated from group operations

	Period ended 31 March 2019 £	Year ended 30 June 2018 £
Profit for the period after tax	5,914,369	7,907,607
Adjustments for:		
Taxation charged	626,489	1,732,283
Investment income	(19,077)	(20,542)
(Gain)/loss on disposal of tangible fixed assets	(1,426)	7,679
(Gain)/loss on disposal of intangible assets	-	10,366
Amortisation and impairment of intangible assets	431,231	694,578
Depreciation and impairment of tangible fixed assets	184,509	306,007
Foreign currency translation	(36,058)	(25,718)
Equity settled share based payment expense	14,739	15,714
Movements in working capital:		
Decrease/(increase) in stocks	194	(10,850)
Decrease/(increase) in debtors	242,542	(1,890,352)
(Decrease)/increase in creditors	(878,803)	655,556
<b>Cash generated from operations</b>	<b>6,478,709</b>	<b>9,382,328</b>

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 31 MARCH 2019

---

#### 2 Accounting policies

##### Company information

Audio Network Limited ("the Company") is a limited company domiciled and incorporated in England and Wales. The registered office is School Farm Studios, Little Maplestead, Halstead, Essex, C09 2SN.

The group consists of the Company and all its subsidiaries.

##### 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 £.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

As at 31 March 2019, the company was a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments'.

##### 2.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill in the consolidated financial statements.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in subsequent periods following the acquisition date. Investment in subsidiaries are accounted for at cost less impairment.

The consolidated financial statements incorporate those of Audio Network Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 March 2019. Where necessary, adjustments are made to the financial statements to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

---

### 2 Accounting policies

(Continued)

#### 2.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 2.4 Reporting period

As referred to in the Strategic Report, the comparative figures relate to the year 1 July 2017 to 30 June 2018. The current period figures relate to the nine months period ended 31 March 2019. Therefore the current amounts presented in the financial statements (included in the related notes) are not entirely comparable.

#### 2.5 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 group has an ongoing obligation when subscriptions in advance are deferred and released to the profit and loss account over the subscription period.

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

#### 2.6 Customer relationships

Customer relationships acquired on acquisition are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal instalments over their useful lives. A maximum estimated useful economic life of 10 years has been used as a basis of amortisation of customer relationships.

#### 2.7 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 group 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.

#### 2.8 Copyrights and Licences

The costs of acquiring copyrights and licences are capitalised in the balance sheet as intangible fixed assets. Post-acquisition costs paid by the group are expensed as incurred.

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 lives. A maximum estimated useful economic life of 20 years has been used as a basis of amortisation of copyrights and licences where the legal life is in excess of 20 years.

#### 2.9 Recordings in progress

Music production 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.

#### 2.10 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 follow:

Leasehold improvements	over the life of the lease
Plant & machinery	over 3 years
Fixtures, fittings & equipment	over 3 to 5 years

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

### 2 Accounting policies

(Continued)

#### 2.11 Fixed asset investments

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

#### 2.12 Impairment of fixed assets

At each reporting period end date, the group 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.

#### 2.13 Stock

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.

#### 2.14 Cash and cash equivalents

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

#### 2.15 Financial instruments

The group 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 group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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.

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

---

### 2 Accounting policies

(Continued)

#### **Basic financial assets**

Basic financial assets, which include trade and other receivables 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.

#### **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. 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 the profit and 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 it 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 group after deducting all of its liabilities.

#### **Basic financial liabilities**

Basic financial liabilities, including trade and other payables, 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 receipts 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 group's contractual obligations expire or are discharged or cancelled.

### 2.16 Equity instruments

Equity instruments issued by the group 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 group.

### 2.17 Taxation

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

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 31 MARCH 2019

---

#### 2 Accounting policies

(Continued)

##### **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 group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### **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 if, and only if, there is 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.

#### **2.18 Holiday pay accrual**

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

#### **2.19 Pensions**

The company and certain subsidiaries operate defined contribution pension schemes for the benefit of their employees. Contributions payable to the schemes, 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 year they are payable.

#### **2.20 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.

#### **2.21 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved for payment by the directors.

#### **2.22 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. Exchange differences arising on translation of subsidiary undertakings for the purposes of consolidation are taken to other comprehensive income.

2	Accounting policies	(Continued)
---	---------------------	-------------

### 2.23 Share based payments

Equity based incentive schemes are an integral part of the remuneration package of certain executive directors and employees (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in the profit and loss reserve over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's estimate of the number of equity instruments that will ultimately vest. The profit and loss account expense or credit for the period represents the movement in cumulative expense recognised as at the beginning and end of the period and is recognised in the employee benefits expense.

### 2.24 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 occur, 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.

Other reserves include shares held under JSOP. The Audio Network Employees' Share Trust jointly purchased and has jointly held 500,000 of the company's own issued Ordinary shares of one penny each under a Joint Share Ownership Plan ("JSOP") with two plan members since 9 October 2012. The plan members have the right under the plan to purchase the trust's proportion of the JSOP shares direct from the trust or the right to call upon the trust to join the member selling their JSOP shares subject to the share transfer rules set out in the company articles of association. The loan amount of £1,290,000 was repaid in full by the trust to the company on 18 April 2019 after the period end, when the shares held under JSOP were sold to Entertainment One UK Holdings Limited.

### 3 Judgements and key sources of estimation uncertainty

In the application of the group'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 group 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 on 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 2.10. The carrying amount of the tangible fixed assets in the balance sheet is disclosed in note 13 of the financial statements.



# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

### 3 Judgements and key sources of estimation uncertainty (Continued)

#### 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 are 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 2.6 to 2.9. The carrying amount of the group's intangible fixed assets in the balance sheet is disclosed in note 14 of the financial statements.

### 4 Exceptional costs

	31 March 2019	30 June 2018
	£	£

Legal and professional	436,797	-
------------------------	---------	---

These costs relate to work performed in respect of a strategic review resulting in the subsequent post period end acquisition of the group by Entertainment One UK Holdings Limited on 18 April 2019 as set out in note 30.

### 5 Turnover and other significant revenue

The turnover and profit of the group arise from the principal activity, the crafting and distribution of music commissioned from the United Kingdom.

The table below analyses turnover by source, profit before tax and net assets by territory:

	Turnover by source		Profit before tax		Net assets	
	31 March 2019	30 June 2018	31 March 2019	30 June 2018	31 March 2019	30 June 2018
	£	£	£	£	£	£
<b>Group</b>						
United Kingdom	11,778,813	15,128,311	5,593,323	9,095,863	22,805,714	17,426,586
North America (*)	5,097,510	6,810,085	420,446	489,040	1,072,274	780,455
Continental Europe (*)	3,263,363	4,288,416	325,221	37,088	928,039	726,635
Asia (*)	738,795	310,640	50,866	11,954	48,236	11,487
Australasia (*)	2,115,337	2,472,384	151,002	5,945	323,160	228,189
	<u>22,993,818</u>	<u>29,009,836</u>	<u>6,540,858</u>	<u>9,639,890</u>	<u>25,177,423</u>	<u>19,173,352</u>

(\*) International turnover above excludes international revenues booked direct by UK companies.

The table below analyses turnover by destination of customer or broadcaster:

	31 March 2019	30 June 2018
	£	£
<b>Group</b>		
United Kingdom	6,035,311	7,178,572
Continental Europe	7,116,316	10,498,023
North America	4,937,443	6,792,642
Australasia	2,345,564	2,255,768
Rest of the World	2,559,184	2,284,831
	<u>22,993,818</u>	<u>29,009,836</u>

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 31 MARCH 2019

#### 6 Auditor's remuneration

	31 March 2019	30 June 2018
<b>For audit services</b>		
Audit of the financial statements of the group and company	37,500	39,400
Audit of the financial statements of the company's subsidiaries	18,000	4,950
	<u>55,500</u>	<u>44,350</u>

#### 7 Operating profit

	31 March 2019 £	30 June 2018 £
Operating profit for the period is stated after charging/(crediting):		
Exchange losses	112,353	72,504
Depreciation of owned tangible fixed assets	184,509	306,007
(Profit)/loss on disposal of tangible fixed assets	(1,426)	7,679
Amortisation of intangible assets	431,231	694,578
(Profit)/loss on disposal of intangible assets	-	10,366
Share-based payments	14,739	15,714
Operating lease charges	842,126	1,049,857
	<u>842,126</u>	<u>1,049,857</u>

#### 8 Employees

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

	Group		Company	
	31 March 2019 Number	30 June 2018 Number	31 March 2019 Number	30 June 2018 Number
Management and administration	<u>142</u>	<u>140</u>	<u>95</u>	<u>94</u>

Their aggregate remuneration comprised:

	Group		Company	
	31 March 2019 £	30 June 2018 £	31 March 2019 £	30 June 2018 £
Wages and salaries	7,245,724	9,067,434	4,934,547	5,829,572
Social security costs	888,504	997,578	638,015	699,139
Pension costs	316,751	342,649	162,739	175,414
	<u>8,450,979</u>	<u>10,407,661</u>	<u>5,735,301</u>	<u>6,704,125</u>

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2019

### 9 Interest receivable and similar income

	31 March 2019	30 June 2018
	£	£
<b>Interest income</b>		
Interest on bank deposits	18,397	15,842
Other interest income	680	4,700
<b>Total income</b>	<b>19,077</b>	<b>20,542</b>
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	19,077	20,542

### 10 Directors' remuneration

	31 March 2019	30 June 2018
	£	£
Remuneration for qualifying services	430,147	554,371
Company pension contributions to defined contribution schemes	16,297	23,095
	<b>446,444</b>	<b>577,466</b>

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

	31 March 2019	30 June 2018
	£	£
Remuneration for qualifying services	216,044	292,639
Company pension contributions to defined contribution schemes	8,710	11,275

### 11 Taxation

	31 March 2019	30 June 2018
	£	£
<b>Current tax</b>		
UK corporation tax on profits for the current period	1,011,097	1,590,035
Adjustments in respect of prior periods	(59,916)	(34,265)
<b>Total UK current tax</b>	<b>951,181</b>	<b>1,555,770</b>
Foreign current tax on profits for the current period	256,690	260,988
Adjustments in foreign tax in respect of prior periods	(36,838)	(38,053)
<b>Total current tax</b>	<b>1,171,033</b>	<b>1,778,705</b>

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2019

11	Taxation	(Continued)	
		31 March 2019	30 June 2018
	<b>Deferred tax</b>		
	Origination and reversal of timing differences	(553,234)	(79,082)
	Adjustment in respect of prior periods	8,690	32,660
	Total deferred tax (credit)	<u>(544,544)</u>	<u>(46,422)</u>
	Total tax charge for the period	<u>626,489</u>	<u>1,732,283</u>

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

	31 March 2019	30 June 2018
	£	£
Profit before taxation	<u>6,540,858</u>	<u>9,639,890</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (30 June 2018: 19.00%)	1,242,763	1,831,579
Tax effect of expenses that are not deductible in determining taxable profit	24,732	19,041
Depreciation in excess of permanent capital allowances	78,483	29,011
Research and development tax credit	(114,857)	(108,680)
Effect of overseas tax rates	72,946	85,615
(Over) provided in prior years	(96,754)	(72,983)
Share options exercised	(49,052)	(59,082)
Deferred tax (credit)	(544,544)	(46,422)
Other adjustments	12,772	54,204
Taxation charge for the period	<u>626,489</u>	<u>1,732,283</u>

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 31 MARCH 2019

#### 12 Dividends on shares

	31 March 2019 pence/share	30 June 2018 pence/share	31 March 2019 £	30 June 2018 £
<b>Dividends on Ordinary shares</b>				
Final dividend for the prior financial year	-	10	-	1,558,153
Interim dividend for the current financial period	-	20	-	3,097,857
	<u>-</u>	<u>30</u>	<u>-</u>	<u>4,656,010</u>
	<u>-</u>	<u>30</u>	<u>-</u>	<u>4,656,010</u>
<b>Dividends on vested C Ordinary Series 1 shares</b>				
	31 March 2019 pence/share	30 June 2018 pence/share	31 March 2019 £	30 June 2018 £
Final dividend for the prior financial year	-	0.74	-	1,074
Interim dividend for the current financial period	-	3.33	-	13,000
	<u>-</u>	<u>4.07</u>	<u>-</u>	<u>14,074</u>
	<u>-</u>	<u>4.07</u>	<u>-</u>	<u>14,074</u>
Total dividends paid during current period			-	4,670,084
			<u>-</u>	<u>4,670,084</u>

No dividends paid on unvested C Ordinary Series 1 shares or on unvested C Ordinary Series 2 shares.

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

### 13 Tangible fixed assets

Group	Leasehold improvements	Plant & machinery	Fixtures, fittings & equipment	Total
	£	£	£	£
<b>Cost</b>				
At 1 July 2018	526,237	82,908	1,240,571	1,849,716
Additions	-	760	65,836	66,596
Disposals	-	-	(71,805)	(71,805)
Transfers	35,607	-	(35,607)	-
Exchange adjustments	(743)	(740)	(1,639)	(3,122)
At 31 March 2019	561,101	82,928	1,197,356	1,841,385
<b>Depreciation and impairment</b>				
At 1 July 2018	72,011	76,949	933,788	1,082,748
Depreciation charged in the period	45,837	2,262	136,410	184,509
Eliminated in respect of disposals	-	-	(71,432)	(71,432)
Transfers	11,621	-	(11,621)	-
Exchange adjustments	(248)	(594)	(431)	(1,273)
At 31 March 2019	129,221	78,617	986,714	1,194,552
<b>Carrying amount</b>				
At 31 March 2019	431,880	4,311	210,642	646,833
At 30 June 2018	454,226	5,959	306,783	766,968
<b>Company</b>				
	Leasehold improvements	Plant & machinery	Fixtures, fittings & equipment	Total
	£	£	£	£
<b>Cost</b>				
At 1 July 2018	526,237	71,543	1,001,253	1,599,033
Additions	-	-	48,829	48,829
Disposals	-	-	(640)	(640)
At 31 March 2019	526,237	71,543	1,049,442	1,647,222
<b>Depreciation and impairment</b>				
At 1 July 2018	72,011	71,543	790,213	933,767
Depreciation charged in the period	45,589	-	95,424	141,013
Eliminated in respect of disposals	-	-	(637)	(637)
At 31 March 2019	117,600	71,543	885,000	1,074,143
<b>Carrying amount</b>				
At 31 March 2019	408,637	-	164,442	573,079
At 30 June 2018	454,226	-	211,040	665,266

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

### 14 Intangible fixed assets

Group	Customer relationships £	Development costs £	Copyrights & licences £	Recordings in progress £	Total £
<b>Cost</b>					
At 1 July 2018	1,595,105	1,909,998	3,204,508	438,091	7,147,702
Additions	-	214,054	-	298,338	512,392
Transfers	-	-	302,616	(302,616)	-
At 31 March 2019	1,595,105	2,124,052	3,507,124	433,813	7,660,094
<b>Amortisation and impairment</b>					
At 1 July 2018	362,920	1,377,393	954,929	-	2,695,242
Amortisation charged for the period	119,633	170,493	141,105	-	431,231
At 31 March 2019	482,553	1,547,886	1,096,034	-	3,126,473
<b>Carrying amount</b>					
At 31 March 2019	1,112,552	576,166	2,411,090	433,813	4,533,621
At 30 June 2018	1,232,185	532,605	2,249,579	438,091	4,452,460
<b>Company</b>		<b>Development costs £</b>	<b>Copyrights &amp; licences £</b>	<b>Recordings in progress £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 July 2018		1,909,998	3,200,508	438,091	5,548,597
Additions		214,054	-	298,338	512,392
Transfers		-	302,616	(302,616)	-
At 31 March 2019		2,124,052	3,503,124	433,813	6,060,989
<b>Amortisation and impairment</b>					
At 1 July 2018		1,377,393	950,929	-	2,328,322
Amortisation charged for the period		170,493	141,105	-	311,598
At 31 March 2019		1,547,886	1,092,034	-	2,639,920
<b>Carrying amount</b>					
At 31 March 2019		576,166	2,411,090	433,813	3,421,069
At 30 June 2018		532,605	2,249,579	438,091	3,220,275

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 31 MARCH 2019

#### 15 Fixed asset investments

		Group		Company	
		31 March 2019	30 June 2018	31 March 2019	30 June 2018
	Notes	£	£	£	£
Investments in subsidiaries	16	-	-	1,957,429	1,991,022

In the opinion of the directors, the aggregate value of the company's investments is not less than the amount included in the balance sheet.

During the period to 31 March 2019 the company incorporated Audio Network Publishing (EU) Limited in Ireland at a subscription cost of £86.

The investment in Audio Network France SAS has decreased by £33,679 in the period to the 31 March 2019, as a result of amounts which were paid by the previous owners.

#### Movements in fixed asset investments

Company	Shares in group undertakings £
<b>Cost or valuation</b>	
At 1 July 2018	1,991,022
Additions	86
Other movements	(33,679)
At 31 March 2019	1,957,429
<b>Carrying amount</b>	
At 31 March 2019	1,957,429
At 30 June 2018	1,991,022

v



# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

### 16 Subsidiaries

Details of the company's subsidiaries at 31 March 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Audio Network Australia Pty Ltd	Suite 11, Level 4, 2 Kings Lane, Darlinghurst, New South Wales, Australia 2010	Publishing of music and sound recordings	Ordinary	100.00
Audio Network Canada Inc	8 Robert Attersley Dr. East, Whitby, Toronto, L1R 3E3, Canada	Publishing of music and sound recordings	Ordinary	100.00
Audio Network France SAS	Parc Gouraud, Immeuble les Alizes, 8 allée de l'Innovation, 02200 Soissons, France	Publishing of music and sound recordings	Ordinary	100.00
Audio Network GmbH	Seidlstraße 5, 80335 München, Germany	Publishing of music and sound recordings	Ordinary	100.00
Audio Network (Holland) BV	Weteringschans 165 1017 XD Amsterdam, Holland	Publishing of music and sound recordings	Ordinary	100.00
Audio Network Japan KK	Oak Minami-Azabu Building 2F, 3-19-23 Minami-Azabu, Minato-ku, Tokyo, Japan.	Publishing of music and sound recordings	Ordinary	100.00
Audio Network Music Rights Ltd	The Johnson Building, 77 Hatton Garden, 3rd Floor, London, England, EC1N 8JS	Publishing of music and sound recordings	Ordinary	100.00
Audio Network Publishing (EU) Limited	5th Floor Beaux Lane House, Mercer Street Lower Dublin 2 D02 DH60, Ireland	Publishing of music and sound recordings	Ordinary	100.00
Audio Network US, Inc	2711 Centerville Road, Suite 400, Wilmington DE 19808, USA	Publishing of music and sound recordings	Ordinary	100.00
Trax 54 Limited	The Johnson Building, 77 Hatton Garden, 3rd Floor, London, England, EC1N 8JS	Publishing of music and sound recordings	Ordinary	100.00

### 17 Stock

	Group 31 March 2019 £	30 June 2018 £	Company 31 March 2019 £	30 June 2018 £
Raw materials and consumables	25,249	25,443	15,753	15,753

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

### 18 Financial instruments

	Group		Company	
	31 March 2019	30 June 2018	31 March 2019	30 June 2018
	£	£	£	£
Debt instruments measured at amortised cost	13,823,635	13,947,853	12,849,479	12,889,936
Current asset investments	52,232	931,284	52,232	931,284
Cash at bank and in hand	12,684,757	7,415,337	8,229,967	3,883,998
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	3,654,950	4,260,598	3,124,721	3,624,051
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 19 Debtors

	Group		Company	
	31 March 2019	30 June 2018	31 March 2019	30 June 2018
	£	£	£	£
<b>Amounts falling due within one year:</b>				
Trade debtors	2,148,885	2,829,890	986,783	1,339,644
Corporation tax recoverable	-	37,511	-	-
Amounts due from group undertakings	-	-	7,641,427	7,879,973
Other debtors	117,184	121,957	29,293	9,984
Accrued income	11,557,566	10,973,275	4,191,976	3,637,604
Prepayments	352,494	470,818	314,860	415,258
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	14,176,129	14,433,451	13,164,339	13,282,463
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Amounts falling due after more than one year:</b>				
Other debtors	-	22,731	-	22,731
Deferred tax asset (note 23)	638,006	71,224	605,002	30,323
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	638,006	93,955	605,002	53,054
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total debtors</b>	<u>14,814,135</u>	<u>14,527,406</u>	<u>13,769,341</u>	<u>13,335,517</u>

### 20 Current asset investments

	Group		Company	
	31 March 2019	30 June 2018	31 March 2019	30 June 2018
	£	£	£	£
Notice accounts	52,232	931,284	52,232	931,284
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Included within Notice Accounts is Cash on 3 month notice account with a balance as at 31 March 2019 of £41,158 (2018: £40,809) and Cash on 6 month notice account with a balance as at 31 March 2019 of £11,074 (2018: £890,475).

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 31 MARCH 2019

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

	Group		Company	
	31 March 2019	30 June 2018	31 March 2019	30 June 2018
	£	£	£	£
Trade creditors	434,381	911,377	406,825	776,887
Corporation tax payable	577,411	1,087,374	398,408	908,508
Other taxation and social security	351,799	636,009	174,878	534,790
Deferred income	2,960,611	2,949,557	1,220,574	1,214,905
Other creditors	125,351	298,435	1,389	307,199
Accruals	3,095,218	3,050,785	2,716,507	2,539,965
	<u>7,544,771</u>	<u>8,933,537</u>	<u>4,918,581</u>	<u>6,282,254</u>

#### 22 Provisions for liabilities

		Group		Company	
	Notes	31 March 2019	30 June 2018	31 March 2019	30 June 2018
		£	£	£	£
Deferred tax liabilities	23	<u>34,633</u>	<u>12,008</u>	<u>-</u>	<u>-</u>

#### 23 Deferred taxation

Deferred tax assets and liabilities are offset where the group or 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		Assets	
Group	31 March 2019	30 June 2018	31 March 2019	30 June 2018
	£	£	£	£
Accelerated/ (decelerated) capital allowances	5,233	-	9,257	(71,752)
Tax losses available	-	(40,841)	-	-
Share based payments	-	-	587,743	87,828
Short term timing differences	29,400	52,849	41,006	55,148
	<u>34,633</u>	<u>12,008</u>	<u>638,006</u>	<u>71,224</u>
	<u><u>34,633</u></u>	<u><u>12,008</u></u>	<u><u>638,006</u></u>	<u><u>71,224</u></u>

	Liabilities		Assets	
Company	31 March 2019	30 June 2018	31 March 2019	30 June 2018
	£	£	£	£
Accelerated/ (decelerated) capital allowances	-	-	9,257	(65,507)
Share based payments	-	-	587,743	87,828
Short term timing differences	-	-	8,002	8,002
	<u>-</u>	<u>-</u>	<u>605,002</u>	<u>30,323</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>605,002</u></u>	<u><u>30,323</u></u>

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

23 Deferred taxation (Continued)

At 31 March 2019, the group had no tax losses (2018: £150,000) available to carry forwards for relief against taxable profits in future periods.

24 Retirement benefit schemes	31 March 2019	30 June 2018
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	316,751	342,649
Defined contribution pension schemes are operated for all qualifying employees. The assets of the schemes are held separately from those of the group in independently administered funds.		

25 Share capital	31 March 2019	30 June 2018
Ordinary share capital issued and fully paid	£	£
15,773,850 (2018: 15,738,450) Ordinary shares of 1p each	157,739	157,385
930,000 (2018: 935,000) C Ordinary Series 1 shares of 1p each	9,300	9,350
100,000 (2018: 100,000) C Ordinary Series 2 shares of 1p each	1,000	1,000
	<u>168,039</u>	<u>167,735</u>

During the period 35,000 (2018: 128,091) Ordinary shares were issued at a subscription price of £113,180 (2018: £309,410) under the company's share option schemes and no Ordinary shares were purchased by the company from selling shareholders (2018: 275,141 Ordinary shares purchased for £1,306,450) plus stamp duty.

During the period no new C Ordinary Series 1 shares were issued (2018: none) under the company's share option schemes and 4,600 C Ordinary Series 1 shares were purchased by the company from selling shareholders (2018: 90,000) at a cost of £2,300 (2018: £8,440) plus stamp duty.

During the period no C Ordinary Series 2 shares were issued (2018: 100,000 C Ordinary Series 2 shares issued for £7,000) under the company's share option schemes.

During the period 400 C Ordinary Series 1 shares were converted into Ordinary shares upon payment by the shareholder of the Conversion Premium of £5.00 per share (2018: Nil).

C Ordinary shares are non-voting and only participate in dividends or capital growth to the extent that the Ordinary share price exceeds a Conversion Premium set at the time of each issue.

When vested, C Ordinary shares can be converted into an equivalent number of Ordinary shares upon payment by the member of the Conversion Premium per share. C Ordinary Series 1 shares have a Conversion Premium of £5 per share and C Ordinary Series 2 shares have a Conversion Premium of £6 per share.

The premium on subscriptions for new shares during the period of £112,830 (2018: £314,130) has been recognised in share premium together with £2,000 in respect of the Conversion Premium of £5.00 a share paid during the period to convert 400 C Ordinary Series 1 shares into 400 Ordinary shares (2018: £nil).

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

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2019

### 25 Share capital

(Continued)

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

	31 March 2019	30 June 2018
	No of shares	No of shares
As at 1 July 2018	511,616	605,707
Exercised during the period/ year	(35,000)	(128,091)
Waived or lapsed during the period/ year	(20,000)	(46,000)
New options granted during the period/ year	-	80,000
As at 31 March 2019	456,616	511,616

During the period options over 35,000 Ordinary shares were exercised as follows :

Date of exercise	No of shares	Subscription price	£
August 2018 (***)	1,000	£2.20	2,200
August 2018 (***)	1,000	£2.50	2,500
August 2018 (***)	5,000	£2.60	13,000
August 2018 (***)	400	£3.80	1,520
August 2018 (***)	7,500	£4.00	30,000
October 2018 (***)	400	£2.20	880
October 2018 (***)	400	£2.20	880
November 2018 (***)	6,000	£2.50	15,000
November 2018 (***)	400	£3.80	1,520
January 2019 (***)	2,000	£2.50	5,000
January 2019 (***)	2,000	£3.80	7,600
January 2019 (***)	7,500	£4.00	30,000
February 2019 (***)	1,400	£2.20	3,080
	35,000		113,180

Share options marked (\*\*\*) were held by employees under an Enterprise Management Incentive Scheme.

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 31 MARCH 2019

#### 25 Share capital

(Continued)

Outstanding options in existence at 31 March 2019 over 456,616 Ordinary shares are exercisable upon the earlier of either a change of control or between the dates set out below:

No of shares	Subscription price	Exercisable	
11,900(***)	£2.20	18/06/2014	to 17/06/2020
7,700(***)	£2.50	18/06/2015	to 17/06/2021
15,000(***)	£2.60	18/09/2015	to 17/09/2021
59,416(***)	£3.80	01/10/2016	to 30/09/2022
42,600(***)	£4.00	30/08/2017	to 29/08/2024
25,000(***)	£4.23	03/09/2018	to 03/09/2025
30,000(***)	£4.50	28/02/2018	to 27/02/2027
30,000(***)	£4.50	28/02/2019	to 27/02/2027
125,000(***)	£4.50	12/12/2019	to 11/12/2026
30,000(***)	£4.50	28/02/2020	to 27/02/2027
80,000(***)	£5.50	15/02/2021	to 15/02/2028
<u>456,616</u>			

Share options marked (\*\*\*) were held by employees under an Enterprise Management Incentive Scheme.

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

	31 March 2019	30 June 2018
	No of shares	No of shares
As at 1 July 2018	45,000	15,000
New options granted during the period/ year	-	145,000
Exercised during the period/ year	-	(100,000)
Waived or lapsed during the period/ year	-	(15,000)
As at 31 March 2019	<u>45,000</u>	<u>45,000</u>

Outstanding options over 45,000 C Ordinary Series 1 shares of 1p were in existence at 31 March 2019 and are exercisable upon the earlier of a change of control or between the dates set out below:

No of shares	Series	Subscription price	Conversion Premium	Exercisable	
15,000(***)	Series 1	£0.22	£5.00	09/07/2018	to 09/07/2027
15,000(***)	Series 1	£0.22	£5.00	09/07/2019	to 09/07/2027
15,000(***)	Series 1	£0.22	£5.00	09/07/2020	to 09/07/2027
<u>45,000</u>					

Share options marked (\*\*\*) were held by directors and employees under an Enterprise Management Incentive Scheme.

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 31 MARCH 2019

#### 25 Share capital

(Continued)

The options have been valued using the Black-Scholes valuation model. No options were issued in the period to 31 March 2019. The following table lists the inputs to the Black-Scholes model used for the options issued in the year to 30 June 2018.

Dividend yield (per cent)	5%
Expected volatility (per cent)	15%
Risk-free interest rate (per cent)	1%
Expected life of share options (years)	3 years
Exercise price (£)	£5.22-£6.07

Expected volatility is determined by calculating the historical volatility of comparable companies in recognised exchanges in Western Europe. The volatility is based on market data, adjusted for the directors' perception of specific volatility associated with the company as the Company's share capital is not traded on any stock exchange and therefore has insufficient data of its own.

The dividend yield is based on the historic dividend yield of the company and the directors' expectations of future dividends. The risk-free interest rate is based on the return in UK Gilt Strips. The expected life of the share options of 3 years is based on current expectations and is not necessarily indicative of exercise patterns that may occur.

The resulting share based payment charge from the valuations of £14,739 (2018: £15,714) has been recognised in the period to 31 March 2019.

#### 26 Financial commitments

At the balance sheet date the group was committed to make the following lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	31 March 2019	30 June 2018	31 March 2019	30 June 2018
	£	£	£	£
Within one year	938,640	1,018,418	789,417	789,417
Between two and five years	1,516,343	2,193,204	1,315,505	1,907,482
	<u>2,454,983</u>	<u>3,211,622</u>	<u>2,104,922</u>	<u>2,696,899</u>

#### 27 Related party transactions

##### Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	31 March 2019	30 June 2018
	£	£
Aggregate compensation	<u>610,150</u>	<u>804,846</u>

There are no related party transactions other than in the ordinary course of business or disclosed in the Directors' transactions note.

# AUDIO NETWORK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 31 MARCH 2019

---

#### 28 Directors' transactions

During the period the company paid dividends of £nil (2018: £1,833,428) on shares held by the directors.

Dan Marriott served as the SG Growth Partners II Offshore AIV, LP representative on the Board. Dividend payments to SG Growth Partners II Offshore AIV, LP in the period to 31 March 2019 amounted to £nil (2018: £1,561,232).

In a prior year, a loan of £21,500 was made to a director. The balance outstanding on the loan as at 31 March 2019 inclusive of interest charged of £680 amounted to £23,411 (2018: £22,731).

#### 29 Controlling party

As at the 31 March 2019 there is no ultimate controlling party in the group.

As a result of the post balance sheet event referred to in note 30 as at 18 April 2019 the ultimate controlling party is Entertainment One Ltd.

#### 30 Post balance sheet events

On the 18 April 2019 100% of Audio Network Limited was acquired by Entertainment One UK Holdings Limited (the UK holding company of Entertainment One Ltd). On the same day a total of 456,616 options over Ordinary shares were exercised at prices between £2.20 and £5.50 per share. In addition 45,000 options over C Ordinary Series 1 shares were exercised at £0.22 per share and 975,000 C Ordinary Series 1 shares were converted into Ordinary shares. Finally 100,000 C Ordinary Series 2 shares were converted into Ordinary shares.

Following the acquisition, Audio Network UK Limited became part of the 'Restricted Group' which secures Senior Secured Notes issued by the Entertainment One Group. Refer to Note 23 of the Entertainment One Ltd. Group Annual Report for the year ended 31 March 2019 for more details.

On 25 September 2019, Audio Network Canada Inc. was sold by Audio Network Limited to an associated company, Last Gang Publishing Inc., which is also controlled by Entertainment One.