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Acorn Productions Limited

Directors' report and financial statements
Registered number 08636077
Year Ended 31 December 2020

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Contents

Directors' report

The directors present their report together with the financial statements for the year ended 31 December 2020.

Principal activities and future developments

The principal activities of the company during the year was the development of and investment in television programme content.

The Company has met the requirements in the Companies Act 2006 to obtain the exemption provided from the presentation of a Strategic Report.

Results and dividends

The results refer to the year ended December 2020, the loss for the period amounted to £91,000 (2019: profit after tax £115,000).

The directors do not recommend the payment of a dividend for the period ended 31 December 2020 (2019: £nil).

Directors

The directors who held office during the period were as follows:

M Penella
M Stevens (Resigned 1 February 2021)
C Mackin
M Graham (Appointed 1 February 2021)

Political and charitable contributions

The Company has not made any political or charitable donations during the year (2019: £nil).

Brexit

On 23 June 2016, the UK voted to leave the European Union and subsequently Parliament voted to trigger Article 50 which will lead to the UK's withdrawal from the EU (i.e. Brexit). After an initial delay Parliament ratified the withdrawal agreement and the UK left the EU on 31 January 2020. In 2020 the EU and the UK negotiated and agreed a permanent trade agreement which came into effect on 1 January 2021. Given the nature of the company's business, the directors do not believe that Brexit will give rise to solvency, liquidity or other risks that may threaten the long-term viability of the company.

Covid-19 and going concern

In preparing the financial statements the directors are required to assess the Company's ability to continue to operate as a going concern and meet its financial liabilities as and when they fall due for a period of at least 12 months from the date of these financial statements.

In undertaking this assessment, the Directors have considered the future funding requirements of the business and future management forecasts of the company's income and costs. Due to current COVID-19 uncertainties the Directors have analysed and forecast the impact of COVID-19 on the Company and performed stress test modelling on these management forecasts.

On the basis of this assessment and these reviews, the Directors concluded they were confident of the company's liquidity position even under the COVID-19 stress test modelling scenarios and consider it appropriate to prepare the financial statements on a going concern basis. Accordingly, these financial statements do not include any adjustments to the carry amounts and classifications of assets and liabilities that may arise if the Company was unable to continue as a going concern.

Disclosure of information to auditor

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 auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and BDO LLP will therefore continue in office.

In preparing this director's report advantage has been taken of the small companies exemption provided by section 415A of the Companies Act 2006.

By order of the board

DocuSigned by:
Alasdair Spurr
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A Spurr
Secretary

26 August 2021

33 Broadwick St
Soho, London
W1F 0DQ

Directors' responsibilities

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

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF ACORN PRODUCTIONS LIMITED

Opinion on the financial statements

In our opinion the financial statements:

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

We have audited the financial statements of Acorn Production Limited ("the Company") for the year ended 31 December 2020 which comprise the Statement of Income and Retained Earnings, Balance Sheet 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report [and from the requirement to prepare a Strategic report.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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

- We obtained an understanding of the legal and regulatory frameworks through our accumulated knowledge and consideration of sector information that is applicable to the entity. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the financial reporting framework including but not limited to (United Kingdom Generally Accepted Accounting Practice and the Companies Act 2006), The Health and Safety at Work Act 1974, Data Protection Act 2018, Bribery Act 2010 and tax legislations.

- We understood how Acorn Production Limited is complying with those legal and regulatory frameworks by making enquiries to management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes.

- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur by discussing with management where it is considered there was a susceptibility of fraud relating to management override of controls and improper revenue recognition. In addressing the risk of fraud including the management override of controls, and improper revenue recognition we tested the appropriateness of journal entries and other adjustments including material revenue journals posted manually, journals posted over the weekend and all manual cash journals; reviewed application of assessing whether the judgements made in making accounting estimates are indicative of a potential bias; tested the application of cut-off and revenue recognition, and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

- We also communicated relevant identified laws and regulations, potential fraud risks and how and where this might occur to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
James Fearon
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James Fearon (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick
Date 27 August 2021
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Income and Retained Earnings

for the year ended 31 December 2020

	Note	Year ended 31 December 2020	Year ended 31 December 2019
		£000	£000
Turnover	*3*	**2,397**	11,611
Cost of sales		**(2,485)**	(11,478)
Gross (loss)/profit		**(88)**	133
Administrative expenses		**(3)**	(8)
Operating (Loss)/Profit		**(91)**	125
(Loss)/Profit on ordinary activities before taxation	*4*	**(91)**	125
Tax charge on ordinary activities	*7*	**-**	(10)
(Loss)/Profit on ordinary activities after taxation and total comprehensive income for the year		**(91)**	115

The results for the period represent the continuing activities of the Company.

	2020	2019
Retained earnings at 1 January	309	194
(Loss)/Profit on ordinary activities after taxation	(91)	115
Retained earnings at 31 December	**218**	309

Balance sheet
at 31 December 2020

	Note	**As at 31 December 2020**		As at 31 December 2019	
		£'000	**£'000**	£'000	£'000
Fixed assets					
TV related investments	*8*		-		88
			-		88
Current assets					
Work in progress	*9*	-		112	
Debtors	*10*	**590**		552	
Cash at bank		**172**		519	
		762		1,183	
Creditors: amounts falling due within one year	*11*	**(544)**		(962)	
Net current assets			**218**		221
Net assets			**218**		309
Capital and reserves					
Called up share capital	*12*		-		-
Retained earnings			**218**		309
Shareholders' funds			**218**		309

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

These financial statements were approved by the board of directors on 26 August 2021 and were signed on its behalf by:

DocuSigned by:
Catherine Mackin
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C Mackin
Director

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

Acorn Productions Limited is a private company, limited by shares, incorporated in England & Wales under the Companies Act. The address of the registered office is 33 Broadwick St, Soho, London W1F 0DQ. The financial statements have been prepared in accordance with applicable accounting standards, and under historical cost accounting rules.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard FRS 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The directors have assessed it appropriate to prepare the financial statements on the going concern basis and have done so accordingly.

Going concern

In preparing the financial statements the directors are required to assess the Company's ability to continue to operate as a going concern and meet its financial liabilities as and when they fall due for a period of at least 12 months from the date of these financial statements.

In undertaking this assessment, the Directors have considered the future funding requirements of the business and future management forecasts of the company's income and costs. Due to current COVID-19 uncertainties the Directors have analysed and forecast the impact of COVID-19 on the Company and performed stress test modelling on these management forecasts.

On the basis of this assessment and these reviews, the Directors concluded they were confident of the company's liquidity position even under the COVID-19 stress test modelling scenarios and consider it appropriate to prepare the financial statements on a going concern basis. Accordingly, these financial statements do not include any adjustments to the carry amounts and classifications of assets and liabilities that may arise if the Company was unable to continue as a going concern.

Disclosure exemptions

In preparing the financial statements, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the company
- Related party disclosures relating to the parent company have been excluded

The following principal accounting policies have been applied:

Notes *(continued)*

1 Accounting policies *(continued)*

Turnover

Turnover represents Television licensing income and royalties earned during the year (excluding VAT).

Television income fees and advances are recognised as turnover when the programme is delivered to the broadcaster or licensee subject to the following criteria being met:

1. Contract signed by both parties;
2. Contract has commenced; and
3. Collection of licence fee is reasonably assured.

Royalty income in excess the advances received is recognised in the year in which it is earned.

When sub-licensing Television rights to fellow group companies, turnover is recognised on a gross basis, showing both the turnover and associated content amortisation, when the Company is deemed a principle in the principle-agent relationship. The Company is deemed a principle when it owns the intellectual property rights of the title and is exposed to the significant risks and rewards of exploiting the rights. Alternatively, if the Company is deemed an agent then the Company does not recognise revenue nor the related content amortisation. The Company is deemed an agent if it does not own the intellectual property rights and is not exposed to the significant risks and rewards of exploiting the rights.

Work in Progress

Work in progress relates to capitalised content costs of titles where the Company acts as an agent and all other development costs for Television assets which are held at the lower of cost and net realisable value.

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

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction (or, if hedged forward, at the rate of exchange under the related forward currency contract). Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the Statement of Income.

Financial Assets

Financial assets are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost, less any impairment. Financial assets measured at amortised cost comprise cash, trade debtors, other debtors and amounts owed by group undertakings.

Notes *(continued)*

1 Accounting policies *(continued)*

Financial Liabilities

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, other creditors, amounts owed to group undertakings and accruals.

Current and deferred taxation

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

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

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

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

TV related investments

For productions where the company is deemed a principle in the principle-agent relationship, development costs are capitalised and transferred from current assets to assets under construction when a production agreement is signed by both parties or on commencement of principal photography, whichever is the earlier. Assets under construction are transferred to TV related investment costs on delivery of the master negative. TV related investment costs are then amortised over the period that the investment is reasonably expected to generate revenues. The rates used are appropriate to the pattern of income expected from the sale of the programmes. The current amortisation period is based upon each asset's useful economic life, no longer than 20 years.

Impairment

The carrying amount of the company's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated.

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

Capital and Reserves

- Call up share capital represents the nominal value of the share issued.
- Retained earnings represents cumulative profits or losses.

Notes *(continued)*

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following significant judgements:

- Determining whether there are indicators of impairment of the Company's TV assets (inclusive of work-in-progress) which is held at cost less any impairment. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the relevant asset.

Other key sources of estimation uncertainty

- TV related investments are amortised over the period that the programme is expected to generate revenues and matched to the pattern of income expected from sales. In assessing expected future sales performance factors considered include past performance of the programme in question and other programmes in the same series, along with future market conditions and forecasts from distributors where available.

3 Turnover and profit on ordinary activities before taxation

The company's turnover and profit before taxation were derived from its principal activity wholly undertaken in the United Kingdom.

Turnover in the year was derived from the following geographical markets:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
UK	**2,397**	3,609
Europe	**-**	1,142
Rest of the World	**-**	6,860
	2,397	11,611

4 Profit on ordinary activities before taxation

Profit/Loss on ordinary activities before taxation is stated after charging/(crediting):	**Year ended 31 December 2020 £'000**	Year ended 31 December 2019 £'000
TV related investments amortisation	**2,485**	11,478

Auditors' remuneration costs for the current year are being met by the immediate parent company RLJ Entertainment Limited.

Notes *(continued)*

5 Staff numbers and costs

All staff are employed by the Company's immediate parent, RLJ Entertainment Ltd. Staff costs are also borne by the parent.

6 Remuneration of directors

The directors and key management personnel (which indudes all the directors and senior staff who together have authority and responsibility for planning, directing and controlling the activities for the company) are remunerated by a fellow group company.

7 Taxation

(a) Analysis of charge in year

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Current tax		
UK corporation tax charge	-	10
Tax on profit on ordinary activities	-	10

(b) Factors affecting the tax charge for the year

The current tax charge for the year is lower than the standard rate of corporation tax in the UK of 19.00% (2019: 19%). The differences are explained below.

	2020 £'000	2019 £'000
(Loss)/profit on ordinary activities before tax	**(91)**	125
Current tax at 19.00% (2019: 19%)	**(17)**	24
Effects of:		
Group relief surrendered/(claimed)	**17**	(14)
Current tax credit for the year	-	10

In March 2021 Budget it was announced that the UK corporation tax rate would increase to 25% from 1 April 2023 for profit over £250,000.

Notes *(continued)*

8 TV related investments

	TV related investments £'000
Cost	
At beginning of year	11,566
Additions during the year	2,397
At end of year	**13,963**
Amortisation & Impairment	
At beginning of year	(11,478)
Amortisation in year	(2,485)
At end of year	**(13,963)**
Net book value	
At 31 December 2020	**-**
At 31 December 2019	88

9 Work in Progress

	31 December 2020 £000	31 December 2019 £000
Development costs	**-**	112

10 Debtors

	31 December 2020 £000	31 December 2019 £000
Trade debtors	**-**	48
Amounts due from group undertakings	**590**	504
	590	552

Notes *(continued)*

11 Creditors: amounts falling due within one year

	31 December 2020 £000	31 December 2019 £000
Trade creditors	**-**	259
Amounts owed to group undertakings	**394**	382
Accruals and deferred income	**-**	18
Other taxation and social security	**150**	303
	544	962

12 Share capital

	31 December 2020 £	31 December 2019 £
Allotted, called up and fully paid		
1 ordinary share of £1 each	**1**	1

13 Reserves

The Company has the following reserves £218,000 (2019: £309,000). Retained earnings represents cumulative profits or losses net of dividends paid and other adjustments.

14 Related party transactions

The company has taken advantage of the exemption available in Section 33.1A of FRS102 whereby it has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

15 Capital commitments

At 31 December 2020 the Company had no capital commitments for which no provision has been made (2019: £nil).

16 Contingent liabilities

The company has a contingent liability in respect of bank borrowings of RLJ Entertainment Inc, a parent undertaking as such borrowings are secured by an inter-company cross guarantee. The contingent liabilities under this agreement, being the aggregate of the bank borrowings of RLJ Entertainment Inc, at 31 December 2020 amounted to $50m (2019: $42.5m).

Notes *(continued)*

17 Post balance sheet events

On 5 January 2021, the UK Government imposed a third national lockdown which lasted until 12 April 2021. COVID-19 remains a serious threat across the country. However, the UK has launched the biggest inoculation programme with more than 75% of UK adults having received two Covid jabs. Other than the matters described above, no matters have risen since the year end which have significantly affected or may significantly affect the operation of the Company. At this stage, the impact on our business and results has been positive.

The Company continues to monitor the COVID-19 situation and will take appropriate action as necessary in response to the economic disruption.

18 Immediate and ultimate parent undertaking

The Company's immediate parent undertaking is RLJ Entertainment Ltd which is incorporated in the UK and registered in England and Wales. The Company's ultimate parent undertaking is AMC Networks, Inc. incorporated in the United States of America.

The smallest group in which the results of the Company are consolidated is that headed by AMC Networks, Inc. The consolidated financial statements of AMC Networks, Inc. is available to the public and may be obtained from the Secretary, 11 Pen Plaza, New York, NY.