

Music and Entertainment Rights Licensing Independent Network Limited (MERLIN)
(UK establishment number BR022220)

Annual Transparency Report for the period to 31 December 2020

MERLIN

ANNUAL TRANSPARENCY REPORT

for the period to 31 December 2020

**Music and Entertainment Rights Licensing Independent
Network Limited
("MERLIN")**

4th Floor, 53 Parker Street

London

WC2B 5PT

Annual Transparency Report for the period to 31 December 2020

Music and Entertainment Rights Licensing Independent Network Limited
2020 Transparency report

This transparency report relates to MERLIN's financial period ended 31 December 2020 and has been published in accordance with Regulation 21 of the Collective Management of Copyright (EU Directive) Regulations 2016 (the "Regulations").

CBW Audit Limited have performed work in accordance with the International Standard on Related Services (ISRS) 4400 'Engagements to perform agreed upon procedures regarding financial information' and 'The Agreed Upon Procedures for the Audit of an Annual Transparency Report' as published by the Intellectual Property Office. Those procedures assist the directors of MERLIN (the "company") in fulfilling the obligation to report under section 21(2)(b) of the Regulations. CBW Audit Limited's private factual findings report is included as an appendix to this report.

This transparency report also includes certain financial information which is contained in MERLIN's separately published financial statements for the period ended 31 December 2020 and such information has therefore been subject to audit by Crowleys DFK, and their audit report is included with MERLIN's 31 December 2020 financial statements.

➤ **Report of the activities for 2020**

The principal activity of MERLIN during the period to 31 December 2020 was licensing recorded music to digital music services. MERLIN obtains rights from independent record labels and distributors, who own and/or control such rights, and who choose to license rights to MERLIN for its licensing purposes and are known as Merlin Members ("Members").

MERLIN carries out its digital music licensing and copyright enforcement activities globally.

MERLIN did not undertake any other business unrelated to such activities.

The period to 31 December 2020 was the first period during which the MERLIN organisation operated under a new corporate structure. Details of Merlin's legal and governance structure are outlined further below.

2020 was a period of growth in both revenue and Member numbers for MERLIN.

Digital Service Providers (DSPs)

In 2020, MERLIN had 32 active licensing agreements with DSPs including Apple, Deezer, Facebook, Pandora, SoundCloud, Spotify, TikTok and YouTube.

During the period, the company signed a number of new deals with DSPs, as well as renewing several existing deals.

Annual Transparency Report for the period to 31 December 2020

MERLIN Members

MERLIN continued to attract new Members in the period, and there were a significant number of new joiners from across the world.

MERLIN continued to provide premium value with payments to Members totalling £652,729,264 in the period.

IT

Investment in IT infrastructure continued, to ensure timely processing of increasing volumes of reporting and ensuring that payments to Members are made in a timely and efficient manner.

COVID-19

In March 2020, the World Health Organization declared COVID-19 (Coronavirus) a global pandemic. The COVID-19 pandemic has caused global economic uncertainty and has adversely affected workforces, economies, and financial markets globally. Despite this challenging period for the company and its Members, the company managed to stay ahead of its budget in terms of income and under budget in terms of overheads, and continues to look to the future with optimism.

➤ Legal and Governance structure of MERLIN

MERLIN is a private company limited by shares, registered in The Republic of Ireland with company number 655936. MERLIN's business activities are operated from its offices in London. Its UK establishment number is BR022220.

The company is a wholly owned subsidiary of MERLIN Network (Global Independent Digital) Company Limited by Guarantee, a company registered in the Republic of Ireland with company number 655914 ("Merlin Network").

The statutory Directors of Merlin Network are advised by a non-executive advisory committee, which is elected on a bi-annual basis by MERLIN's Members. The advisory committee (known as the "Merlin Board") has the right to nominate two of Merlin Networks' statutory Directors ("Designated Directors") and accordingly, the Merlin Board exercises a supervisory role via the Designated Directors. The role of the Merlin Board (which is not remunerated) is to represent the interest of Members reflecting protections contained in Merlin's "Membership Agreement". The Merlin Board has a Chairperson, who served as Executive Chairperson of the Merlin organisation, and as a director of MERLIN's US subsidiary (see below), but who was not one of the Designated Directors.

MERLIN has a Board of statutory Directors (Helen Alexander, Charlie Lexton and Jeremy Sirota) that manages the operation of all aspects of the company's business, including its costs, revenues, licensing, and operating policies.

Annual Transparency Report for the period to 31 December 2020

➤ **Statutory Board of Directors during the period to 31 December 2020**

The Statutory Board of MERLIN consists of the following directors, who are also Directors of Merlin Network:

- Helen Alexander (appointed 27 August 2019)
- Charlie Lexton (appointed 27 August 2019)
- Jeremy Sirota (appointed 5 March 2020)

➤ **Executive Chairperson during the period to 31 December 2020**

The following individual served as a director of MERLIN's US subsidiary Music and Entertaining Rights Licensing Independent Network INC and as Executive Chairperson of the Merlin organisation:

- Dave Hansen (appointed Executive Chairperson 1 January 2020, resigned 31 December 2021)

➤ **Designated Directors**

The following individuals are the Designated Directors referred to above (i.e. directors of Merlin Network):

- Paul Couves Hitchman (appointed 27 August 2019, resigned 4 February 2021)
- Martin Charles Mills (appointed 27 August 2019)

➤ **Board remuneration**

The remuneration paid in the period to 31 December 2020 to the directors, who were employed and paid by MERLIN (or entities owned or controlled by MERLIN), and who constitute the persons who manage MERLIN's business within the meaning of Regulation 9 (being Helen Alexander, Dave Hansen, Charlie Lexton and Jeremy Sirota), is outlined below.

MERLIN and the other group companies operated four payrolls in the period (one in MERLIN). The directors and management who managed the business were remunerated from three of those group companies. The remuneration paid to such persons by MERLIN and other group companies collectively totalled £1,335,220 (inclusive of pension contributions, fees and other benefits) in the above period.

The supervisory board (including the Designated Directors referred to above), which exercises the supervisory function within the meaning of the Regulation, received no remuneration for services to MERLIN or any group company during the period.

The directors do not consider any other employees as holding any other key management or supervisory function within the group.

Annual Transparency Report for the period to 31 December 2020

➤ **Entities owned or controlled by MERLIN in whole or in part**

MERLIN wholly owns and controls the following entities:

- MERLIN (UK Services) Limited, a company registered in England and Wales,
 - Music and Entertaining Rights Licensing Independent Network INC, a company registered in the United States,
 - MERLIN Japan KK, a company registered in Japan.
-

➤ **Special Report on the use of amounts withheld for the purpose of social, cultural and educational services**

During the year, MERLIN made grant payments totalling £168,994 to various trade associations in the global independent music sector for the purposes of funding educational programs designed to build digital know how in the independent recorded music sector. MERLIN incurred costs of £17,127.36 in connection with the management of these payments.

There were no other amounts paid, withheld or deducted for social, cultural and educational services during the financial period to 31 December 2020.

➤ **Cashflow statement**

A statement of cash flows is included within the annual accounts.

➤ **Information on refusal to grant a licence**

Regulation 21(4)(c) requires the Annual Transparency Report to include information on any refusals to grant a licence in accordance with paragraph (5)(b)(ii) of Regulation 15.

- In the period under review, any decision not to proceed with a licensing agreement requested in MERLIN's area of activity was given with a reasoned statement explaining the decision.
-

Annual Transparency Report for the period to 31 December 2020

➤ **Financial Information**

The 31 December 2020 audited financial statements of MERLIN, (comprising of the Profit and Loss Account, Statement of Financial Position, Statement of Changes in Equity and the Cash Flow Statement) are attached to the report and can be found on the company's website.

➤ **Rights Revenue Collected**

Royalty income for the period (including payments by way of the settlement of copyright breaches) totalled £660,353,540.

Royalty income (including payments by way of the settlement of copyright breaches) derives from licensing recorded music to digital music services and where applicable enforcing such rights.

All costs incurred by MERLIN are attributable and allocated against such income.

MERLIN is entirely self-funded and does not use any external funding to cover costs.

➤ **Payments of Rights Revenue**

Royalty payments to the Members are made monthly.

The total payments made in the period totalled £645,843,938. The total amount payable to Members was £652,729,264.

➤ **Distributions made outside the Regulation 12 (2) deadline.**

Regulations 12 (2) specifies that distributions of a CMO's rights revenue should be made within 9 months from the end of the financial period in which the rights revenue was collected, unless prevented by objective reasons.

Amounts payable to Members in relation to periods prior to 1 January 2020 but unpaid at that date totalled £4,623,769. As part of the EU cross border merger (referred to below), MERLIN was required to pay out all brought forward excess earnings.

In respect of such amount, payments totalling £1,867,054 were made to the Members during the period. The remaining balance of £2,756,714 was paid to Members in March 2021.

Based on MERLIN's membership agreement with its Members, MERLIN normally expects to make a margin of 1.5% to 3% of the funds it receives from Digital Service Providers subject to the impact of Additional Royalties (as referred to below). This covers MERLIN's operating costs, any excess (net of corporation tax at the applicable rate at the time) being retained as profit for future activities. In 2020, MERLIN's profit before tax was £2,500,000.

Annual Transparency Report for the period to 31 December 2020

➤ **Income arising from investment of rights revenue**

There was no income arising from investment of rights revenue during the financial period.

➤ **Held revenue**

Rights revenue unallocated to Members as at 31 December 2020 totalled £169,511,702. The amount is made up of:

Current liabilities	2020
	£
Royalties Payable	128,250,080
Settlement fees	1,219,311
Additional royalties	6,885,686
DSP advances	6,902,853
Other accruals and WHT	602,830
Deferred income	24,637,665
Minimum guarantee	734,718
Total	169,233,143

Royalties payable represent amounts payable to, but not yet due and not allocated to Members.

Settlement fees represent balances of royalties (relating to settlement income), which are payable, but not yet allocated to, Members. Until allocated to Members, MERLIN does not recognise its margin on the amount.

Additional royalties (sometimes referred to as "rebate") represent an additional royalty payment due to Members.

DSP advances are advance payments of royalties to MERLIN from DSPs on account of future sales. These amounts fund MERLIN's royalty payments to Members when royalty reporting to MERLIN is provided by the applicable Digital Service Providers.

Other accruals and WHT include amounts withheld pending recovery of taxation charges withheld.

Deferred income represents amounts received from DSPs on which royalties are payable by MERLIN to Members over the period of the relevant agreement.

Minimum guarantees represent balances of royalties which are payable, but not yet allocated to Members. These balances will be allocated when sufficient royalty reporting is received from applicable DSPs to enable MERLIN to calculate royalties due from MERLIN to Members. Until allocated to Members, MERLIN does not recognise its margin on the amount.

Annual Transparency Report for the period to 31 December 2020

There are no operating costs for services other than related to rights management. There are no costs for social, cultural or educational services other than the grants referred to above which were made to various trade associations in the global independent music sector for the purpose of building digital know how in the independent recorded music sector.

➤ **Information on the cost of rights management and other services provided**

MERLIN has only one rights category, therefore, the costs, as disclosed in the Profit and Loss account give total account of the costs incurred by the company.

In the period to 31 December 2020, MERLIN's operating costs amounted to £5,130,678. Financial income amounted to £6,402 and corporate taxation charges totalled £558,145.

In 2020, the costs of MERLIN (costs of rights management and other services – excluding finance and corporate taxation charges) amounted to 0.8% of reported sales.

➤ **Corporate Structure Change**

Prior to 1 January 2020, the business now operated by MERLIN was operated by a Dutch company, Music and Entertainment Rights Licensing Independent Network B.V. (Merlin BV). However, on 27 September 2019, the entire issued share capital of Merlin BV was transferred to MERLIN and on 1 January 2020, Merlin BV was merged with MERLIN (the "Merger").

As a result of the Merger, MERLIN acquired all assets and liabilities of Merlin BV such that with effect from 1 January 2020 the business previously operated by Merlin BV has been carried on by MERLIN.

➤ **Information on relationships with other Collective Management Organisations**

There was no financial relationship with other Collective Management Organisations during the financial period to 31 December 2020.

Approval

The directors acknowledge their responsibilities in ensuring that the company's Annual Transparency Report complies with Regulation 21 of the Collective Management of Copyright (EU Directive) Regulations 2016 and is in accordance with the underlying financial and on-financial information used to prepare it.


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Charlie Lexton

For and on behalf of MERLIN

Annual Transparency Report for the period to 31 December 2020

Independent Auditors Report to the Directors of Music and Entertainment Rights Licensing Independent Network Limited

We have performed the procedures agreed with you and listed below on the 2020 Transparency Report. Our work was performed in accordance with the International Standard on Related Services (ISRS) 4400 'Engagements to perform agreed-upon procedures regarding financial information.' The procedures were performed solely to assist the company's directors in fulfilling their reporting obligations under Regulation 21 of the Collective Management of Copyright (EU Directive) Regulations 2016 (the "Regulations") and are summarised in Annex C of Agreed Upon Procedures for the audit of an Annual Transparency Report as issued by the Intellectual Property Office.

We have nothing to report with respect to the findings from the procedures undertaken.

Although the above procedures are of an audit nature, they do not constitute a full scope audit or review engagement performed in accordance with International Standards on Auditing (UK) or the International Standard for Review Engagements (UK and Ireland). Accordingly, we do not express any assurance on the annual transparency report for the period ended 31 December 2020.

Had we performed additional procedures or had we performed an audit or review of the 2020 Transparency Report in accordance with generally accepted auditing standards, other matters might have come to our attention that we would have reported to you. This report relates only to the 2020 Transparency Report and does not extend to any financial statements of the company taken as a whole.

Use and purpose of our report

Our report is prepared solely for the use of MERLIN and solely for the purpose of its compliance with Regulation 21(2)(b) of the Collective Management of Copyright (EU Directive) Regulations 2016. It may not be relied upon by MERLIN for any other purpose whatsoever. Our report was not prepared for the benefit of any party other than MERLIN. CBW Audit Limited neither owes nor accepts any duty to any other party (including any copyright owner, heirs to copyright owners, agents or licensees) and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by their reliance on our report.


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Daniel Rose (Senior Statutory Auditor)

Date.....^{8/3/22}.....

For and on behalf of CBW Audit Limited

Chartered Accountants

66 Prescot Street

London

E1 8NN

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT
NETWORK LIMITED (FORMERLY KNOWN AS MERLIN MUSIC LIMITED)**

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2020

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

COMPANY INFORMATION

Directors	Helen Alexis Alexander (British) (appointed 27 August 2019) Charles Jonathan Lexton (British) (appointed 27 August 2019) Jeremy Sirota (American) (appointed 5 March 2020)
Company secretary	Goodbody Secretarial Limited (appointed 27 August 2019)
Registered number	655936
Registered Office and Business Address	25-28 North Wall Quay Dublin 1
Independent auditors	Crowleys DFK Unlimited Company Chartered Accountants and Statutory Audit Firm 16/17 College Green Dublin 2 D02 V078
Bankers	HSBC Ireland 1 Grand Canal Square Grand Canal Harbour Dublin 2 D02P820

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

CONTENTS

	Page
Directors' Report	1 - 3
Directors' Responsibilities Statement	4
Independent Auditors' Report	5 - 8
Profit and Loss Account	9
Statement of Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to the Financial Statements	14 - 30
The following pages do not form part of the statutory financial statements:	
Detailed Profit and Loss Account and Summaries	31 - 34

MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY KNOWN AS MERLIN MUSIC LIMITED)

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020

The directors present their annual report and the audited financial statements for the period ended 31 December 2020.

Incorporation and merger with Merlin BV Background

Merlin Network (Global Independent Digital) Company Limited by Guarantee was incorporated on 27 August 2019 and is the parent company of Music and Entertainment Rights Licensing Independent Network Company Limited. The Company was also incorporated on 27 August 2019.

Prior to 1 January 2020, the business now operated by the Company was operated by a Dutch company, Music and Entertainment Rights Licensing Independent Network B.V. (Merlin BV). However, on 27 September 2019, the entire issued share capital of Merlin BV was transferred to the Company. On 1 January 2020, Merlin BV merged with and was absorbed by the Company.

As a result of the merger, the Company acquired all assets and liabilities of Merlin BV such that with effect from 1 January 2020 the business previously operated by Merlin BV (the Business) has been carried on by the Company.

Principal activities

The principal activity of the Company is licensing recorded music owned and/or controlled by independent record labels and distributors to digital music services. Record labels and distributors who choose to license rights to the Company for this purpose are known as Merlin Members.

These results are for the 17 months period ended 31 December 2020.

Business review

2020 was the first year of the Company operating under the new structure described above.

In 2020, the Company had 32 active licensing agreements with digital music services including Spotify, TikTok, Pandora, SoundCloud, YouTube, Deezer, Facebook and Apple.

The Company continues to attract new Merlin Members from around the world.

In March 2020, the World Health Organization declared COVID-19 (Coronavirus) a global pandemic. The COVID-19 pandemic has caused global economic uncertainty and has adversely affected workforces, economies, and financial markets globally. Despite this challenging year for the Company and for Merlin Members, the Company has managed to continue operating the Business in line with pre pandemic expectations.

Results and dividends

The profit for the period, after taxation, amounted to £1,941,855. At 31 December 2020 the company had assets of £173,185,188, liabilities of £171,725,099 and total capital and reserves of £1,460,089. The directors expect the nature of the Company's activities to be unchanged for the foreseeable future.

The Directors did not pay an interim dividend during the period ended 31 December 2020.

The Directors do not recommend payment of a final dividend.

Company secretary

The secretary who served throughout the financial period was Goodbody Secretarial Limited appointed on 27 August 2019.

MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY KNOWN AS MERLIN MUSIC LIMITED)

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

Directors

The directors who served during the period were:

Helen Alexis Alexander (appointed 27 August 2019)
Charles Jonathan Lexton (appointed 27 August 2019)
Jeremy Sirota (appointed 5 March 2020)

Directors and secretary and their interests

In accordance with Section 329 of the Companies Act 2014, the directors' shareholdings and the movements therein during the period ended 31 December 2020 were as follows:

	Ordinary shares of £1 each	
	31/12/20	27/8/19
Helen Alexis Alexander (appointed 27 August 2019)	-	-
Charles Jonathan Lexton (appointed 27 August 2019)	-	-
Jeremy Sirota (appointed 5 March 2020)	-	-

Principal risks and uncertainties

The directors consider that the principal risks and uncertainties faced by the company and its subsidiaries are in the following categories:

Credit risk

The Company has a growing number of customers. However, there is limited risk with debtors, as the credit risk situation is closely monitored.

Fraud risk

The risk is mitigated by maintaining segregation of duties for receipt of funds and the payment of creditors. The directors have put processes and controls in place to ensure that detailed checking is carried out at all stages, to ensure the accuracy and validity of all transactions.

Profitability risk

The Company has a strong focus on its cost structure. The directors place a strong emphasis on cost control and prepare monthly management accounts which are compared to monthly budgetary figures.

Business risk

Due to the current economic situation and the risks and uncertainties identified, the directors and parent company have indicated they will continue to place strong emphasis on cost control, the management of the Company's cashflow and to continue to regularly review their management accounts. On this basis it is deemed appropriate to continue to prepare the accounts on a going concern basis.

Accounting records

The measures taken by the directors to ensure compliance with the requirements of Sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records, are the employment of appropriately qualified accounting personnel and the maintenance of computerised accounting systems. The company's accounting records are maintained at 4th Floor, 53 Parker Street, London, WC2B 5PT.

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

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

Future developments

There are no plans in respect of changes to the activities of the Company that require disclosure in the financial statements.

Statement on relevant audit information

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

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

Directors' compliance statement

As required by section 225(2) of the Companies Act 2014, the directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in section 225(1)).

The directors confirm that:

- (a) A compliance policy statement (as defined in section 225(3)(a)) is being drawn up that will set out the Company's policies to ensure compliance with the Company's relevant obligations;
- (b) Appropriate arrangements or structures that are, in the directors' opinion, designed to secure material compliance with the relevant obligations have been put in place; and
- (c) A review of these arrangements or structures will be carried out during the financial year ended 31 December 2021.

Post Balance Sheet Events

There have been no significant events affecting the Company since the period end.

Auditors

During the financial period, Crowleys DFK Chartered Accountants and Statutory Audit Firm were appointed auditor in accordance with section 382 of the Companies Act 2014.

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

Helen Alexis Alexander
Director

Date:

Charles Jonathan Lexton
Director

Date:

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

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

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

Irish company law requires the Directors to prepare the financial statements for each financial period. Under the law, the Directors have elected to prepare the financial statements in accordance with the Companies Act 2014 and 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', which is issued by the Financial Reporting Council and Irish 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 assets, liabilities and financial position of the Company as at the financial period end date, of the profit or loss for that financial period and otherwise comply with the Companies Act 2014.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' Report comply with the Companies Act 2014 and enable the financial statements to be audited. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the board

Helen Alexis Alexander
Director

Date:

Charles Jonathan Lexton
Director

Date:

MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY KNOWN AS MERLIN MUSIC LIMITED)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY KNOWN AS MERLIN MUSIC LIMITED)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Music and Entertainment Rights Licensing Independent Network Limited (Formerly known as Merlin Music Limited) (the 'Company') for the period ended 31 December 2020, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is Irish law and Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In our opinion, the accompanying financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2020 and of its profit for the period then ended;
- have been properly prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), 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.

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MUSIC AND ENTERTAINMENT RIGHTS
LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY KNOWN AS MERLIN MUSIC LIMITED)
(CONTINUED)**

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- in our opinion, the information given in the Directors' Report is consistent with the financial statements; and
- in our opinion, the Directors' Report has been prepared in accordance with applicable legal requirements.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited, and the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

Respective responsibilities and restrictions on use

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 4, 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MUSIC AND ENTERTAINMENT RIGHTS
LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY KNOWN AS MERLIN MUSIC LIMITED)
(CONTINUED)**

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) 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.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MUSIC AND ENTERTAINMENT RIGHTS
LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY KNOWN AS MERLIN MUSIC LIMITED)
(CONTINUED)**

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members for our audit work, for this report, or for the opinions we have formed.

Tony Cooney
for and on behalf of
Crowleys DFK Unlimited Company
Chartered Accountants and Statutory Audit Firm
16/17 College Green
Dublin 2
D02 V078
Date:

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 2020**

	Note	17 months ended 31 December 2020 £
Royalties	4	660,353,540
Gross cost of royalties		(652,729,264)
Gross profit		<u>7,624,276</u>
Administrative expenses		(5,130,678)
Operating profit	5	<u>2,493,598</u>
Other interest receivable and similar income	9	6,402
Profit before taxation		<u>2,500,000</u>
Tax on profit	10	(558,145)
Profit for the financial period		<u><u>1,941,855</u></u>

The notes on pages 14 to 30 form part of these financial statements.

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

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

	17 months ended 31 December 2020 £
Note	
Profit for the financial period	1,941,855
Foreign exchange movements	(497,924)
Total comprehensive income for the financial period	<u><u>1,443,931</u></u>

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

**BALANCE SHEET
AS AT 31 DECEMBER 2020**

	Note	2020 £
Fixed assets		
Intangible assets	11	2,030
Tangible assets	12	111,502
Financial assets	13	1,462,075
		1,575,607
Current assets		
Debtors: amounts falling due within one year	14	133,131,107
Cash at bank and in hand	15	38,478,474
		171,609,581
Creditors: amounts falling due within one year	16	(171,725,099)
Net current (liabilities)/assets		(115,518)
Total assets less current liabilities		1,460,089
Net assets		1,460,089
Capital and reserves		
Called up share capital presented as equity	18	1
Foreign exchange reserve	19	(497,924)
Merger reserve	19	16,157
Profit and loss account	19	1,941,855
Shareholders' funds		1,460,089

The financial statements were approved and authorised for issue by the board:

Helen Alexis Alexander
Director

Charles Jonathan Lexton
Director

Date:

Date:

The notes on pages 14 to 30 form part of these financial statements.

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

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

	Called up share capital	Foreign exchange reserve	Merger reserve	Profit and loss account	Total equity
	£	£	£	£	£
Comprehensive income for the period					
Profit for the period	-	-	-	1,941,855	1,941,855
Foreign exchange movements	-	(497,924)	-	-	(497,924)
Total comprehensive income for the period	-	(497,924)	-	1,941,855	1,443,931
Shares issued during the period	1	-	-	-	1
Transferred on merger	-	-	16,157	-	16,157
At 31 December 2020	1	(497,924)	16,157	1,941,855	1,460,089

The notes on pages 14 to 30 form part of these financial statements.

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2020**

	2020
	£
Cash flows from operating activities	
Profit for the financial period	1,941,855
Adjustments for:	
Amortisation of intangible assets	231
Depreciation of tangible assets	33,079
Interest received	(6,402)
Taxation charge	558,145
(Increase)/decrease in debtors	(133,629,031)
Increase in creditors	171,244,447
Corporation tax (paid)/received	(77,493)
Net cash generated from operating activities	<u>40,064,831</u>
Cash flows from investing activities	
Purchase of tangible fixed assets	(18,500)
Purchase of listed investments	(431,904)
Purchase of fixed asset investments	(1,030,171)
Interest received	6,402
Other movements intangible fixed assets	(2,261)
Other movements tangible fixed assets	(126,081)
Merger by absorption	16,157
Net cash from investing activities	<u>(1,586,358)</u>
Cash flows from financing activities	
Issue of ordinary shares	1
Net cash used in financing activities	<u>1</u>
Net increase in cash and cash equivalents	<u>38,478,474</u>
Cash and cash equivalents at the end of period	<u>38,478,474</u>
Cash and cash equivalents at the end of period comprise:	
Cash at bank and in hand	<u>38,478,474</u>
	<u>38,478,474</u>

The notes on pages 14 to 30 form part of these financial statements.

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

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

1. General information

These financial statements comprising the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes constitute the individual financial statements of Music and Entertainment Rights Licensing Independent Network Limited for the financial period ended 31 December 2020.

Music and Entertainment Rights Licensing Independent Network Limited is a private Company limited by shares (registered under Part 2 of the Companies Act 2014) incorporated and registered in the Republic of Ireland (CRO Number: 655936). The registered office of the company is 25-28 North Wall Quay, Dublin 1. The principal place of business of the Company is 4th Floor, 53 Parker Street, London, WC2B 5PT. The nature of the Company's operations and its principal activities are set out in the Director's Report.

The financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland".

The financial statements have been presented in Pound (£) which is also the functional currency of the Company.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis and in accordance with the historical cost convention. The financial reporting framework that has been applied in their preparation is Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and Irish statute comprising of the Companies Act 2014.

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

The following principal accounting policies have been applied:

2.2 Group accounts

The Company has not prepared group consolidated financial statements for the period ended 31 December 2020 as the Company is exempt from the obligation to prepare and deliver group financial statements under Section 299 of the Companies Act 2014 whereby the Company and all of its subsidiary undertakings are included in the consolidated financial statements of a larger group drawn up by its ultimate parent undertaking, Merlin Network (Global Independent Digital) CLG. Copies of Merlin Network (Global Independent Digital) CLG's consolidated financial statements are available from the Companies Registration Office.

Consequently, the Company's financial statements for the period ended 31 December 2020 deal with the results of the Company as a single entity and not of its group. Details of the Company's subsidiary undertakings are included in note 14 to the financial statements.

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

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

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP £.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss Account within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Interest income

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

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

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

2. Accounting policies (continued)

2.6 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

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

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

2.7 Intangible assets

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

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

Amortisation is provided on the following bases:

Other intangible fixed assets	-	20 %	straight line
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2.8 Tangible fixed assets

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

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

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

2. Accounting policies (continued)

2.8 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Computer equipment	-	25%
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

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

2.9 Valuation of investments

Investments in subsidiaries are valued at cost less impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Profit and Loss Account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.10 Debtors

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

2.11 Cash and cash equivalents

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

2.12 Creditors

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

2.13 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

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

2. Accounting policies (continued)

2.13 Financial instruments (continued)

receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Profit and Loss Account if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an 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.

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

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

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

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Judgements and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Intangible asset capitalisation and amortisation

Website development expenditure is capitalised to the extent it meets the criteria described in the intangible and tangible asset notes above. Judgement is exercised over the useful life of assets capitalised (given technological and regulatory developments) and when assets previously capitalised become impaired.

Establishing useful lives for depreciation purposes of tangible fixed assets

The annual depreciation charge depends primarily on the estimated lives of each type of asset and estimates of residual values. The Directors regularly review these asset lives and change them as necessary to reflect current thinking on remaining lives considering prospective economic utilisation and physical condition of the assets concerned. Details of estimated useful lives are included in the accounting policies.

Impairment of non-financial assets other than goodwill

All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the Company. If an indicator of impairment exists the recoverable amount of the asset is determined, and any impairment loss recognised in the profit or loss.

Impairment of debtors

The Company trades with customers on credit terms. Some debts due may not be paid due to the default of customers. The company uses estimates based on historical experience and current information in determining the level of debts (if any) for which an impairment charge is required. The level of impairment (if any) is reviewed on an ongoing basis.

Going Concern

In preparing these financial statements, the directors have considered the results for the period and the financial position of the Group.

On that basis, the directors are of the opinion that there is no material uncertainty regarding the Company's ability to continue as a going concern. Accordingly, these financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classification of assets and liabilities that may arise if the Company was unable to continue as a going concern.

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

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

4. Revenue

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

	17 months ended 31 December 2020 £
Gross royalties	660,353,540
	<u>660,353,540</u>

Analysis of revenue by country of destination:

	17 months ended 31 December 2020 £
Republic of Ireland	67,744,975
Rest of Europe	252,558,469
Rest of the world	340,050,096
	<u>660,353,540</u>

5. Profit on ordinary activities before taxation

The operating profit is stated after charging:

	17 months ended 31 December 2020 £
Depreciation of tangible fixed assets	33,079
Amortisation of intangible assets	231
Exchange differences	213,138
Pension costs	15,031
Directors defined contribution pension cost	5,656
	<u>5,656</u>

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

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

6. Auditors' remuneration

	17 months ended 31 December 2020 £
Audit of financial statements	50,538
Other non audit services	18,450
	68,988
	68,988

7. Employees

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

	17 months period ended 31 December 2020 £
Wages and salaries	863,309
National insurance	132,820
Pension costs	20,687
Other staff costs	5,936
	1,022,752
	1,022,752

The average monthly number of employees, including the directors, during the period was as follows:

	17 months ended 31 December 2020 No.
Administrative staff	24
	24

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

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

8. Directors' remuneration

	17 months ended 31 December 2020 £
Directors' emoluments	219,116
Directors' National Insurance	29,206
Company contributions to directors' defined contribution pension schemes	5,656
	253,978
	253,978

9. Interest receivable

	17 months ended 31 December 2020 £
Other interest receivable	6,402
	6,402
	6,402

10. Taxation

	17 months ended 31 December 2020 £
Corporation tax	
Current tax on profits for the year	558,145
Total current tax	558,145
Deferred tax	
Total deferred tax	-
	-
Taxation on profit on ordinary activities	558,145
	558,145

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

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

10. Taxation (continued)

Factors affecting tax charge for the period

The company is tax resident in the UK. The standard rate of corporation tax in the UK for the period is 19%. The differences are explained below:

	17 months ended 31 December 2020 £
Profit on ordinary activities before tax	2,500,000
Profit on ordinary activities multiplied by standard rate of corporation tax in UK of 19%	475,000
Effects of:	
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	6,285
Capital allowances	(633)
Other differences leading to an increase (decrease) in the tax charge	77,493
Total tax charge for the period	558,145

Factors that may affect future tax charges

There are no factors that may affect future tax charges.

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

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

11. Intangible assets

	Intangible Fixed Asset £	Total £
Cost		
Transferred on merger	53,886	53,886
At 31 December 2020	53,886	53,886
Amortisation		
Charge for the period on owned assets	231	231
Transferred on merger	51,625	51,625
At 31 December 2020	51,856	51,856
Net book value		
At 31 December 2020	2,030	2,030

12. Tangible fixed assets

	Computer equipment £	Total £
Cost or valuation		
Additions	18,500	18,500
Transferred on merger	167,455	167,455
At 31 December 2020	185,955	185,955
Depreciation		
Charge for the period on owned assets	33,079	33,079
Transferred on merger	41,374	41,374
At 31 December 2020	74,453	74,453
Net book value		
At 31 December 2020	111,502	111,502

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

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

13. Financial assets

	Investments in subsidiary companies £	Other fixed asset investments £	Total £
Cost or valuation			
Additions	-	431,904	431,904
Transferred on merger	1,030,171	-	1,030,171
At 31 December 2020	<u>1,030,171</u>	<u>431,904</u>	<u>1,462,075</u>
Net book value			
At 31 December 2020	<u><u>1,030,171</u></u>	<u><u>431,904</u></u>	<u><u>1,462,075</u></u>

The following are subsidiary undertakings of the Company:

Company subsidiary undertaking	Registered office	Nature of business	Shares held	Proportion of shares held
Merlin (UK Services) Limited	66 Prescot St, London, England, E1 8NN	Provides services to Music and Entertainment Rights Licensing Independent Network Limited	Ordinary	100%
Music and Entertainment Rights Licensing Independent Network INC	4B Inverness Court East Suite 100 Englewood, CO 80112, United States	Provides services to Music and Entertainment Rights Licensing Independent Network Limited	Ordinary	100%
Merlin Japan KK	DECKS Tokyo Beach, 1 Chrome-6- 1 Daiba, Minato City, Tokyo, Japan	Provides services to Music and Entertainment Rights Licensing Independent Network Limited	Ordinary	100%

The Company has availed of the exemption under section 315(b) of the Companies Act 2014 from the requirement to disclose information on the net assets and results of its subsidiaries in its individual company financial statements.

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

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

14. Debtors

	2020
	£
Trade debtors	52,054,281
Prepayments and accrued income	71,028,794
Amounts owed by group undertakings	3,124
Other debtors	4,421,145
VAT receivable	5,623,763
	<hr/>
	133,131,107
	<hr/> <hr/>

All debtors are due within 1 year. All trade debtors are due within the group's normal terms. Trade debtors are shown net of impairment in respect of doubtful debts.

15. Cash and cash equivalents

	2020
	£
Cash at bank and in hand	38,478,474
	<hr/>
	38,478,474
	<hr/> <hr/>

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

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

16. Creditors: Amounts falling due within one year

	2020 £
Trade creditors	1,284,058
Other creditors	5,826
Deferred income	24,637,665
Accruals	144,874,038
Amounts owed to group undertakings	268,609
Taxation and social insurance	174,251
Corporation tax	480,652
	171,725,099
	171,725,099

Member creditors included in Trade Creditors are paid as soon as possible after the month end in accordance with the membership agreement. Other trade creditors are paid in accordance with their terms.

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

The terms of the accruals and deferred revenue are based on the underlying contracts.

Taxes are subject to the terms of the relevant legislation. Interest accrues on late payment. No interest was due at the financial period end.

17. Financial instruments

	2020 £
Financial assets	
Financial assets measured at amortised cost	90,535,879
	90,535,879
Financial liabilities	
Financial liabilities measured at amortised cost	(1,552,667)
	(1,552,667)

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors and amounts owed to group undertakings.

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

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

18. Share capital

	2020
	£
Allotted, called up and fully paid	
1 Ordinary share of €1.00	1
	1

One ordinary share with a nominal value of €1 was issued on incorporation for total compensation of £1.

19. Reserves

Profit and loss account

The profit and loss account represents cumulative gains and losses recognised in the profit and loss account, net of transfers to/from other reserves and dividends paid.

Merger reserve

The merger reserve represents the issued share capital transferred to the Company on absorption of Music and Entertainment Rights Licensing Independent Network B.V. on 1 January 2020.

Foreign exchange reserve

The foreign exchange reserve comprises exchange differences recognised in other comprehensive income arising on the retranslation of the Company's monetary assets/liabilities.

20. Analysis of net debt

	At 27 August	Cash flows	31 December
	2019		2020
	£	£	£
Cash at bank and in hand	-	38,478,474	38,478,474
	-	38,478,474	38,478,474

21. Pension commitments

The Company operates a defined contribution scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The costs charged to the profit and loss in respect of defined contribution plans for the period was £20,687.

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

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

22. Related party transactions

Key management personnel compensation

Total compensation (inclusive of employer taxes) charged to the income and expenditure account in respect of key management personnel amounted to £253,799 during the period ended 31 December 2020.

Transactions with wholly owned group undertakings

The company has availed of the exemptions in FRS 102 Section 33, Paragraph 3.1A which allows non disclosure of transactions between two or more members of a group, provided that the subsidiary which is a party to the transaction is wholly owned by such a member.

Other related party transactions

During the period ended 31 December 2020 there were no other related party transactions.

23. Parent company and ultimate controlling party

The Company's parent undertaking and the parent undertaking of the smallest and largest groups in which the Company is consolidated is Merlin Network (Global Independent Digital) CLG, a company incorporated and registered in the Republic of Ireland, with its registered office at 25-28 North Wall Quay, Dublin 1. Copies of Merlin Network (Global Independent Digital) CLG's consolidated financial statements are available from the Companies Registration Office.

Merlin Network (Global Independent Digital) CLG is a company limited by guarantee and it does not have a share capital. Merlin Network (Global Independent Digital) CLG therefore has no shareholders. Instead, Merlin Network (Global Independent Digital) CLG has 2 members, Helen Alexander and Charles Lexton, who hold membership interests and whose liability is limited to such amount as they have undertaken to contribute to the assets of Merlin Network (Global Independent Digital) CLG in the event of it being wound up (being €1 each). Helen Alexander and Charles Lexton each hold 50% of the voting rights in Merlin Network (Global Independent Digital) CLG and therefore are deemed to be beneficial owners under Irish beneficial ownership legislation.

24. Merger by absorption

Prior to 1 January 2020, the business now operated by the Company was operated by a Dutch company, Music and Entertainment Rights Licensing Independent Network B.V.. However, on 27 September 2019, the entire issued share capital of Merlin BV was transferred to Company. On 1 January 2020, the Company merged with Music and Entertainment Rights Licensing Independent Network B.V..

The Company has accounted for this merger as a merger by absorption. As a result on 1 January 2020, the Company recognised assets with a carrying value amounting to £128,889,009 and liabilities with a carrying value amounting to £128,872,853 transferred from Music and Entertainment Rights Licensing Independent Network B.V. No goodwill or any other gains/losses arose as a result of the merger. Issued share capital transferred as part of the merger has been captured in a merger reserve.

25. Accounting period

The accounting period is 17 months from the date of incorporation on 27 August 2019.

26. Post balance sheet events

There have been no significant events affecting the Company since the period end.

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

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

27. Approval of financial statements

The board of directors approved these financial statements for issue on

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

**DETAILED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 2020**

	17 months period ended 31 December 2020 £
Royalties	660,353,540
Cost of Royalties	(652,729,264)
Gross profit	<u>7,624,276</u>
Less: overheads	
Administration expenses	(5,130,678)
Operating profit	<u>2,493,598</u>
Interest receivable	6,402
Tax on profit on ordinary activities	(558,145)
Profit for the period	<u><u>1,941,855</u></u>

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
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**SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2020**

	17 months period ended 31 December 2020 £
Royalties	
Gross royalties Ireland	67,744,975
Gross royalties EU	252,558,469
Gross royalties Rest of World	340,050,096
	<hr/>
	660,353,540
	<hr/> <hr/>
	17 months period ended 31 December 2020 £
Cost of royalties	
Gross cost of royalties	652,729,264
	<hr/>
	652,729,264
	<hr/> <hr/>

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
KNOWN AS MERLIN MUSIC LIMITED)**

**SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2020**

	17 months period ended 31 December 2020 £
Administration expenses	
Directors salaries	219,116
Directors national insurance	29,206
Directors pension costs	5,656
Staff salaries	644,193
Staff national insurance	103,614
Staff pension	15,031
Other staff costs	80,392
Administrative services	2,570,850
Rent	3,958
Office costs/supplies/utilities	3,146
Travel	678
Board retreat/meeting costs	18,535
Board travel	13,977
Data services	8,400
Hardware and software	22,703
Systems and infrastructure	68,583
Telecommunications	291
IT consultancy	70,011
Amortisation - intangible fixed assets	231
Taxation and corporate advice	40,117
PR services	65,652
Sponsorship	278,807
Legal Fees	139,533
Insurance	92,406
Other non audit services	18,450
Audit of financial statements	50,538
Audit DSP	60,348
CMO directive compliance	47,265
Commercial consultancy	6,268
Transfer of administration	27,213
Capacity building/digital projects	168,993
Reporting module project	10,300
Bank charges and foreign exchange differences	213,138
Depreciation	33,079
	5,130,678
	5,130,678

**MUSIC AND ENTERTAINMENT RIGHTS LICENSING INDEPENDENT NETWORK LIMITED (FORMERLY
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**SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2020**

**17 months
period ended
31 December
2020
£**

Interest receivable

Bank interest receivable

6,402

6,402
