

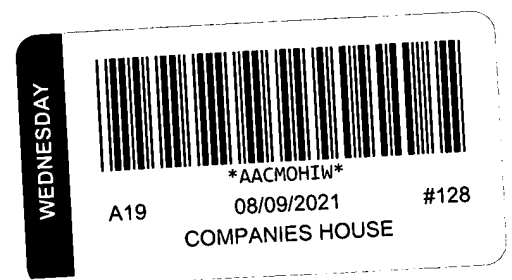
Mood Media Limited

Report and Financial Statements

Year Ended

31 December 2020

Company Number 00575057



Mood Media Limited

Report and financial statements for the year ended 31 December 2020

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Directors

M McRoberts
N Gilbert
A Quinton

Company Secretary

N Gilbert

Registered Address

Unit 3 Airport Trading Estate, Wireless Road, Biggin Hill, TN16 3PS

Company number

00575057

Auditor

BDO LLP, 55 Baker Street, London, W1U 7EU

Bankers

Bank of America, 2 King Edward Street, London, EC1A 1HQ

Mood Media Limited

Strategic Report for the year ended 31 December 2020

The directors of Mood Media Limited ("the company") present their strategic report for the year ended 31 December 2020.

Principal activity and review of the business

The company is part of Mood Media Corporation, a leading provider of in-store audio, visual and scent media and marketing solutions in North America and Europe. The company provides in-store audio, visual, mobile, social and scent marketing solutions to a range of businesses including specialist retailers, department stores, supermarkets, financial institutions and fitness clubs, as well as hotels, car dealerships and restaurants. Proprietary technology and software are used to deploy music from a compiled music library to client sites. This library comes from a diverse network of producers including major labels and independent emerging artists.

In-Store Media

The company has a broad portfolio of audio solutions that address specific customer needs; these services include customisable in-store music and messaging, as well as advertising. The company has an international team of music DJs and designers who work with the company's clients to create tailored music and messaging playlists to match a client's brand and to influence their customer preferences. The company has a leading music library from all major labels. The company's services are provided through a wide variety of technologies that are suitable for its clients, such as Internet, satellite and other mediums. The company sells and rents audio equipment, such as sound systems and music receiving or playback equipment.

Recurring revenue from audio solutions constituted approximately 88% of the company's recurring revenue for the year ended 2020 (2019 - 91%).

Visual

The company's visual solutions include digital signage solutions, interactive kiosks, video solutions and sophisticated customer experience applications. The visual solutions deliver specific messages and experiences to clients' consumers via display technologies including LCD, LED, plasma, window displays, interactive displays and tablets. Used in conjunction with the company's audio solutions, a complete audio-visual package is available to the company's clients.

Recurring revenue from visual solutions constituted approximately 12% of the company's recurring revenue for the year ended 2020 (2019 – 8%).

Scent

The company's scent solutions include fragrance marketing and signature scent creation. The company's scent solutions can be used to encourage positive consumer emotions and create signature brand scent exposures and experiences for clients in retail, hospitality and care verticals.

Review of developments and future prospects

2021 will continue to see Mood Media Limited focusing on growing the three areas of strategic importance; digital signage, advertising and media consulting services. The company will also focus on ways to influence consumers through audio, visual and scent marketing solutions, including label related activities as well as delivering high end audio video solutions to our customers.

Results and dividends

The directors have monitored the progress of the company and the individual strategic elements by reference to certain financial and non-financial key performance indicators. These indicators are:

	2020	2019
Recurring sales (£000)	3,440	5,690
Non- recurring sales (£000)	3,267	4,124
Total sales (£000)	6,707	9,814
Average debtor days (days)	68	92
Subscribers (No.)	19,522	16,427

Mood Media Limited

Strategic Report for the year ended 31 December 2020 (*continued*)

Results and dividends (*continued*)

The 2020 results have been heavily impacted by the spread of COVID-19. In March 2020, in light of the uncertain and rapidly evolving situation relating to the spread of COVID-19, the Company took precautionary measures intended to minimize the risk of the virus to its customers, its employees, and the communities in which it operates, which has negatively impacted the Company's business. The temporary suspension of travel and doing business in person has negatively affected its customer success efforts, sales and marketing efforts, and has challenged the Company's ability to enter into customer contracts in a timely manner. In addition, due to travel or government restrictions and/or business shutdowns due to COVID-19, the operations of many of the Company's customers, partners, independent affiliates, supply stream and systems integrators have been negatively impacted.

The loss for the year after taxation amounted to £5,584,000 (2019 – £1,158,000) which is driven by the impairment in respect of bad and doubtful trade debtors and provision for credit notes of £2,725,000 (see Note 11). The directors do not recommend the payment of a final dividend (2019 - £Nil).

Principal risks and uncertainties

The company uses various financial instruments which include cash, trade debtors, trade creditors and amounts due to group undertakings that arise directly from its operations. The main purpose of these financial instruments is to finance the company's operations. The main risks arising from the company's financial instruments are credit risk and liquidity risk.

Liquidity risk

Liquidity risk arises through excess of financial obligations over available financial assets due at any point in time and is managed through a Group treasury function. The company's policy is to ensure that cash balances are available for operating activities. The company's policy throughout the period has been to achieve this objective through management's day to day involvement in business decisions rather than through setting maximum or minimum liquidity ratios. As at the year end the company had cash of £127,000 available (2019 - £220,000).

Credit risk

Credit risk arises from exposure to customers on outstanding trade receivable balances. The objective of managing counterpart credit risk is to prevent losses in financial assets. The company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. Management also monitors payment performance and the utilisation of credit limits of customers. The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognised in operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Brexit risk

The UK officially left the EU on 31 January 2020. Mood Media has taken active steps to assure business continues as normal post-Brexit. The business continues with no material impact on operations.

Covid-19 risk

Covid-19 continues to affect the world we operate in and has a direct impact on many stakeholders including employees, customers and suppliers. The company closely monitors and follows government guidance.

This strategic report was approved by order of the Board on 3 September 2021.

N. Gilbert

Nick Gilbert
Director

3 September 2021

Mood Media Limited

Directors' Report for the year ended 31 December 2020

The Directors present the annual report and financial statements for the year ended 31 December 2020.

Directors

The directors who served the company during the year and subsequently were as follows:

CS Trenter	(resigned 18 February 2021)
M Bennett	(resigned 30 June 2020)
A Quinton	(appointed 22 June 2020)
K Eissing	(resigned 16 August 2020)
M McRoberts	(appointed 13 April 2021)
N Gilbert	(appointed 18 February 2021)

Qualifying third party indemnity provision

The company has put in place qualifying third party indemnity provisions for all of the directors of Mood Media Limited.

Credit risk

Information on the credit risk can be found in the strategic report.

Going concern

The financial statements have been prepared using the going concern basis of accounting.

The COVID-19 outbreak was declared a pandemic by the World Health Organisation in March 2020. Whilst the fallout of the pandemic, primarily the economic recovery remains uncertain the business is monitoring both the risks and opportunities that present themselves. The significant recurring element of the company's revenue base combined with a strong degree of industry diversification, particularly clients located within industries categorised as 'essential services' during pandemic has provided the directors with confidence over the expected revenues for the next 12 month period.

The directors' assumptions have been used in modelling a number of scenarios to test the implications on the business's cash resources over the next 12 month period. The directors have considered a range of theoretical scenarios in order to stress test the assumptions and cash flow forecast. The forecasts produced indicate that additional funding is not required, and the company had sufficient cash to operate within the level of its cash resources.

The Company continues to meet its day to day working capital requirements. The Company had £127,000 (2019: £220,000) of cash and was in a net current assets position at the year end. On the 31st July 2021, the company held £494,000 of cash. The Company has taken several actions to maximise the cashflow throughout the pandemic including taking advantage of applicable government support schemes and reducing operating expenses such as marketing, travel and entertaining.

Furthermore, the Company keeps in close contact with the ultimate group parent company, Mood Media Corporation, who has demonstrated significant confidence and support. In addition, Mood Media Corporation has confirmed via a letter of support that if required, it will provide financial support to the Company to such levels as to enable the Company to pay its debts as and when they fall due for payment, for a period of at least one year from the date of approval of the financial statements. On this basis, the directors have a reasonable expectation that there are no material uncertainties that cast significant doubt about the company's ability to continue as a going concern.

Mood Media Limited

Directors' Report for the year ended 31 December 2020 (continued)

Future developments

Information on likely future developments in the business of the company has been included in the Strategic Report.

Existence of branches of the company outside the United Kingdom

The company has no branches outside of the United Kingdom.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Employment of disabled persons

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Particular attention is given to the training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or perceptions of it.

The group's HR procedures make clear that full and fair consideration must be given to applications made by and the promotion of disabled persons. Where an employee becomes disabled whilst employed by the group, the HR procedures also require that reasonable effort is made to ensure they have the opportunity for continued employment within the group. Retraining of employees who become disabled whilst employed by the company is offered where appropriate.

Auditor

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditor will be proposed at the next annual general meeting.

Approval

This Directors' Report was approved by order of the Board on 3 September 2021.

On behalf of the Board

N. Gilbert

Nick Gilbert
Director

Date: 3 September 2021

Mood Media Limited

Statement of directors' responsibilities for the year ended 31 December 2020

Directors' Responsibilities

The directors are responsible for preparing the strategic report, 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 period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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.

Mood Media Limited

Independent auditor's report

Independent auditor's report to the members of Mood Media 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;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Mood Media Limited ("the Company") for the year ended 31 December 2020 which comprise the Statement of comprehensive income, Balance sheet, Statement of changes in equity, Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

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 Report and Financial Statements 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.

Mood Media Limited

Independent auditor's report (*continued*)

Other Companies Act 2006 reporting

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

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has 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.

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 that are applicable to the Company and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework, the Companies Act 2006 and relevant tax compliance regulations;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where they considered there was a susceptibility to fraud;

Mood Media Limited

Independent auditor's report (continued)

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

- Our audit planning identified fraud risks in relation to management override and inappropriate or incorrect recognition of revenue. We obtained an understanding of the processes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those processes and controls;
- With regards to the fraud risk in management override, our procedures included journal transaction testing, with a focus on large or unusual transactions based on criteria determined using our knowledge of the business and industry. We also performed an assessment on the appropriateness of key judgements and estimates, which are subject to managements' judgement and estimation, and could be subject to potential bias; and
- We also communicated relevant identified laws and regulations and potential fraud risks 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 for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:

Nicole Martin

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Nicole Martin (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

London, UK

3 September 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Mood Media Limited

Statement of comprehensive income for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Turnover		6,707	9,814
Cost of sales		(6,497)	(7,982)
Gross profit		210	1,832
Selling and distribution costs		(965)	(1,116)
Administrative expenses		(4,355)	(1,575)
Other income		138	-
Operating loss	5	(4,972)	(859)
Interest receivable and similar income	6	-	284
Interest payable and similar charges	7	(612)	(599)
Loss on ordinary activities before taxation		(5,584)	(1,174)
Taxation on loss from ordinary activities	8	-	16
Loss for the year and total comprehensive loss		(5,584)	(1,158)

All amounts relate to continuing activities.

The notes on pages 13 to 22 form part of these financial statements.

Mood Media Limited

Balance sheet at 31 December 2020

<i>Company number: 00575057</i>	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Fixed assets					
Tangible assets	9		305		642
			<u>305</u>		<u>642</u>
Current assets					
Stocks	10	447		446	
Debtors	11	19,156		22,291	
Cash at bank and in hand		127		220	
		<u>19,730</u>		<u>22,957</u>	
Creditors: amounts falling due within one year	12	(14,923)		(12,903)	
		<u></u>		<u></u>	
Net current assets			4,807		10,054
			<u></u>		<u></u>
Net assets			5,112		10,696
			<u></u>		<u></u>
Capital and reserves					
Called up share capital	14		1,005		1,005
Share premium account			4,000		4,000
Profit and loss account			107		5,691
			<u></u>		<u></u>
Shareholders' funds			5,112		10,696
			<u></u>		<u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 3 September 2021

N. Gilbert

Nick Gilbert
Director

The notes on pages 13 to 22 form part of these financial statements.

Mood Media Limited

Statement of changes in equity for the year ended 31 December 2020

	Share capital £'000	Share Premium Account £'000	Profit and loss Account £'000	Total Equity £'000
At 1 January 2019	1,005	4,000	6,849	11,854
Loss for the year	-	-	(1,158)	(1,158)
Total comprehensive loss for the year	-	-	(1,158)	(1,158)
At 31 December 2019	1,005	4,000	5,691	10,696
Loss for the year	-	-	(5,584)	(5,584)
Total comprehensive loss for the year	-	-	(5,584)	(5,584)
At 31 December 2020	1,005	4,000	107	5,112

The notes on pages 13 to 22 form part of these financial statements.

Mood Media Limited

Statement of cash flows for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Loss for the year		(5,584)	(1,158)
Adjustments for:			
Amortisation of intangible assets		-	17
Loss on disposal of intangible assets		-	54
Depreciation of tangible assets	9	197	289
Loss on disposal of tangible assets	9	155	-
Impairment of tangible assets	9	76	-
Bad debt expense		1,262	-
Credit note provision expense		883	-
Net interest payable	6,7	612	315
Taxation expense	8	-	(16)
Decrease in trade and other debtors		990	704
(Increase)/decrease in stocks		(1)	173
Increase in trade and other creditors		2,396	41
		<hr/>	<hr/>
Cash from operations		986	419
Interest paid		(612)	(315)
Taxation received		-	15
		<hr/>	<hr/>
Net cash generated from operating activities		374	119
		<hr/>	<hr/>
Cash flows from investing activities			
Purchases of tangible assets	9	(91)	(192)
		<hr/>	<hr/>
Net cash used in investing activities		(91)	(192)
		<hr/>	<hr/>
Cash flows from financing activities			
(Repayment)/drawdown of revolving loan facility	12	(376)	122
		<hr/>	<hr/>
Net cash generated from financing activities		(376)	122
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		(93)	49
Cash and cash equivalents at beginning of year		220	171
		<hr/>	<hr/>
Cash and cash equivalents at end of year		127	220
		<hr/>	<hr/>
Cash and cash equivalents comprise:			
Cash at bank and in hand		127	220
		<hr/>	<hr/>

The notes on page 13 to 22 form part of these financial statements.

Mood Media Limited

Notes forming part of the financial statements for the year ended 31 December 2020

1 Accounting policies

Mood Media Limited is a private company limited by shares incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

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 2). In preparing the financial statements of the company, advantage has been taken of the following disclosure exemptions:

- the requirement to disclose transactions with related parties within the group; and
- financial instrument disclosures, including, categories of financial instruments, items of income, expenses, gains or losses relating to financial instruments, and exposure to and management of financial risks.

The principal accounting policies which have been applied on a consistent basis are set out below.

Going Concern

The financial statements have been prepared using the going concern basis of accounting.

The COVID-19 outbreak was declared a pandemic by the World Health Organisation in March 2020. Whilst the fallout of the pandemic, primarily the economic recovery remains uncertain the business is monitoring both the risks and opportunities that present themselves. The significant recurring element of the company's revenue base combined with a strong degree of industry diversification, particularly clients located within industries categorised as 'essential services' during the pandemic has provided the directors with confidence over the expected revenues for the next 12 month period.

The directors' assumptions have been used in modelling a number of scenarios to test the implications on the business's cash resources over the next 12 month period. The directors have considered a range of theoretical scenarios in order to stress test the assumptions and cash flow forecast. The forecasts produced indicate that additional funding is not required, and the company had sufficient cash to operate within the level of its cash resources.

The Company continues to meet its day to day working capital requirements. The Company had £127,000 (2019: £220,000) of cash and was in a net current assets position at the year end. On the 31 July 2021, the company held £494,000 of cash. The Company has taken several actions to maximise the cashflow throughout the pandemic including taking advantage of applicable government support schemes and reducing operating expenses such as marketing, travel and entertaining.

Furthermore, the Company keeps in close contact with the ultimate group parent company, Mood Media Corporation, who has demonstrated significant confidence and support. In addition, Mood Media Corporation has confirmed via a letter of support that if required, it will provide financial support to the Company to such levels as to enable the Company to pay its debts as and when they fall due for payment, for a period of at least one year from the date of approval of the financial statements. On this basis, the directors have a reasonable expectation that there are no material uncertainties that cast significant doubt about the company's ability to continue as a going concern.

Mood Media Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

1 Accounting policies (continued)

Turnover

Revenue is derived from recurring revenue, equipment revenue, installation and services revenue and from other revenue. Recurring revenue primarily relates to the provision of music and visual content, messaging and rental of proprietary equipment. Equipment revenue includes the sale of proprietary and non-proprietary equipment. Installation and services revenue includes maintenance and installation services. Other revenue consists mainly of royalty income earned from the music libraries that are owned by the Company and advertising and related creative services.

Revenue is recognised when persuasive evidence of an arrangement exists, prices are fixed or determinable, collectability is reasonably assured and services have been rendered. Revenue from music and messaging services is recognised during the period that the service is provided based on the contract terms. As part of its arrangements for in-store media, the Company provides customers with a proprietary media player that is integral and essential to the related services. This equipment may be sold or leased to customers. Revenue and related costs from proprietary equipment sales is deferred and recognised over the contract term. Revenue for equipment sales of non-proprietary equipment is recognised upon installation. Contracts are typically for a multi-year, non-cancellable period. Royalty revenue is recognised on a receipt's basis.

Tangible fixed assets

Tangible fixed assets 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.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation

Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Short leasehold premises	-	over the period of the lease
Plant, equipment and vehicles	-	2 to 10 years
Fixtures, fittings and computers	-	2 to 10 years
Assets leased to third parties	-	5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, 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 within the statement of comprehensive income.

Mood Media Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

1 Accounting policies (*continued*)

Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Foreign currency translation - Transactions and balances

Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are presented in the statement of comprehensive income within 'interest receivable and similar income' and 'interest payable and similar charges'.

Stocks

Stocks are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, inventories are assessed for impairment. If inventory 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.

Current and deferred taxation

The tax expense comprises current and deferred tax. Tax is recognised in profit or loss, except that a change 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.

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's subsidiaries operate and generate taxable income.

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
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Mood Media Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (*continued*)

1 Accounting policies (*continued*)

Current and deferred taxation (continued)

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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Leased assets: Lessor

For assets rented to third parties, the company enters into a lease with a customer which does not entail conveying substantially all the risks and rewards of ownership of the assets. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life. Rental income is credited to the profit and loss account on a straight line basis.

Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximately to ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

Pension costs

Contributions to the group's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Reserves

The company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- The share premium account includes the premium on issue of equity shares, net of any issue costs
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Mood Media Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

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

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

- Determine whether leases entered into by the company either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

Credit Note Provision

Management has estimated the future credits owed to customers as a result of contractual services not delivered; typically due to external factors.

Bad debt provision

Management closely reviews the outstanding trade receivables, also considering ageing, payment history and credit risk coverage. Specific bad debt allowances recognised are based on management's best estimates at the balance sheet date.

Royalty accruals

The company has to pay license fees for copy and broadcast rights to the licensing bodies which vary significantly between countries and also depend upon the content update and play-out technology. Mood Media Group has negotiated agreements with several multi-territorial licensing bodies and the company accrues fees in accordance with the rates defined in these agreements.

3 Employees

	2020 £'000	2019 £'000
Staff costs consist of:		
Wages and salaries	1,460	1,817
Social security costs	153	219
Other pension costs	70	119
	1,683	2,155
The average monthly number of employees during the period were as follows:	Number	Number
Music, customer services and technical	22	32
Selling and distribution	12	12
Administration	5	6
	39	50

Total pension costs were £ 70,000 (2019 - £119,000). At the yearend, contributions amounting to £35,000 (2019 - £29,000) were payable to the defined contribution scheme and are included in creditors. The amount charged against profit or loss represents the contributions payable to the scheme in respect of the accounting period.

Mood Media Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (continued)

4 Directors' emoluments

	2020 £'000	2019 £'000
Directors' remuneration consists of:		
Emoluments	541	236
Social security costs	32	30
Company contributions paid to defined contribution pension schemes	62	12
	<u>635</u>	<u>278</u>

Contributions to money purchase schemes were made on behalf of three directors (2019 - two directors).

Emoluments to the highest paid director were £348,000 (2019 - £128,000). Company pension contributions of £24,000 (2019 - £7,000) were made to a money purchase scheme on their behalf.

5 Operating loss

	2020 £'000	2019 £'000
This is stated after charging:		
Auditor's remuneration – audit	45	49
Depreciation of fixed assets – Owned	197	289
Operating lease rentals		
- Plant and machinery	41	61
- Land and buildings	120	140
Bad Debt Provision	1,278	-
Credit Note Provision	883	-
After crediting:		
Rentals receivable under operating leases	<u>532</u>	<u>869</u>

6 Interest receivable and similar income

	2020 £'000	2019 £'000
Foreign exchange gain	-	284
	<u>-</u>	<u>284</u>

7 Interest payable and similar charges

	2020 £'000	2019 £'000
Interest payable - Intra group	430	419
Bank loans and overdrafts	48	112
Foreign exchange loss	134	68
	<u>612</u>	<u>599</u>

Mood Media Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (continued)

8 Taxation

a) Tax on loss

The tax credit is made up as follows:

	2020 £'000	2019 £'000
<i>Current tax:</i>		
UK corporation tax charge on the loss for the year	-	4
Adjustments to corporation tax in respect of prior years	-	(20)
	<hr/>	<hr/>
Total current tax	-	(16)
	<hr/>	<hr/>
<i>Deferred tax:</i>		
Origination of timing differences	-	-
Adjustments in respect of prior years	-	-
	<hr/>	<hr/>
Total deferred tax (note 13)	-	-
	<hr/>	<hr/>
Total tax credit for year (note 8(b))	-	(16)
	<hr/>	<hr/>

b) Factors affecting current tax credit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2019 – 19%). The differences are explained below:

	2020 £'000	2019 £'000
Loss before tax	(5,584)	(1,174)
	<hr/>	<hr/>
Loss multiplied by effective rate of corporation tax in the UK of 19% (2019 – 19%)	(1,061)	(223)
	<hr/>	<hr/>
Effect of:		
Expenses not allowable for tax purposes	14	6
Adjustments in respect of prior years	-	(20)
Losses not recognised for deferred tax	869	90
Other deferred tax not recognised	178	55
Higher tax rates on overseas earnings	-	4
Group relief not paid for	-	72
	<hr/>	<hr/>
Total tax credit for the year (note 8(a))	-	(16)
	<hr/>	<hr/>

Mood Media Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (*continued*)

9 Tangible assets

	Short leasehold premises £'000	Fixtures, fittings and Computers £'000	Assets leased to third parties £'000	Total £'000
<i>Cost</i>				
At 1 January 2020	303	123	900	1,326
Additions	24	4	63	91
Disposals	(260)	(52)	-	(312)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	67	75	963	1,105
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 January 2020	124	72	488	684
Charged for the year	21	18	158	197
Disposals	(127)	(30)	-	(157)
Impairment	-	-	76	76
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	18	60	722	800
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2020	49	15	241	305
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	179	51	412	642
	<hr/>	<hr/>	<hr/>	<hr/>

Disposals in the year were items held in the Orpington Office that was vacated in 2020.

10 Stocks

	2020 £'000	2019 £'000
Work in progress	128	195
Finished goods and goods for resale	319	251
	<hr/>	<hr/>
	447	446
	<hr/>	<hr/>

Mood Media Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

11 Debtors

	2020 £'000	2019 £'000
Trade debtors	1,367	2,277
Amounts owed by group undertakings	17,692	19,637
Other debtors	6	10
Prepayments and accrued income	91	367
	<u>19,156</u>	<u>22,291</u>

The impairment loss recognised in the company profit or loss for the period in respect of bad and doubtful trade debtors and provision for credit notes was £2,725,000 (2019 - £471,000).

All amounts shown under debtors fall due for payment within one year.

The amounts owed by group undertakings must be repaid either directly or within a six month period from the date of request.

12 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank loans and overdrafts	-	376
Trade creditors	520	319
Amounts owed to group undertakings	11,375	9,463
Other taxes and social security	559	353
Other creditors	746	758
Accruals and deferred income	1,723	1,634
	<u>14,923</u>	<u>12,903</u>

The amounts owed to group undertakings must be repaid either directly or within a six-month period from the date of request.

The bank loan was repaid on the 31 May 2020.

13 Deferred tax

Deferred tax is recognised on tax losses to the extent they can be set off against a deferred tax liability. No deferred tax is recognised where there is uncertainty over the timing of availability of future profits. At 31 December 2020 the company has un-provided deferred tax asset of £2,346k (2019 - £1,212k) on gross tax assets of £12,346k.

14 Share capital

	Authorised, allotted, called up and fully paid			
	2020 Number	2019 Number	2020 £'000	2019 £'000
Ordinary shares of £1 each	<u>1,005,000</u>	<u>1,005,000</u>	<u>1,005</u>	<u>1,005</u>

Mood Media Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (*continued*)

15 Commitments under operating leases

As at 31 December 2020 the company had total minimum lease payments under non-cancellable operating leases as set out below:

	2020 £'000	2019 £'000
Not later than 1 year	100	177
Later than 1 year and not later than 5 years	329	587
Later than 5 years	53	162
	<hr/>	<hr/>
Total	482	926
	<hr/>	<hr/>

16 Ultimate parent undertaking and controlling party

At the year end, the largest and smallest group in which the results of the company are consolidated and the ultimate parent of Mood Media Ltd is Mood Media Corporation, incorporated in the United States of America. The immediate parent company is Mood Media UK Holdings Limited.

17 Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 102 Section 33 "Related Party Disclosures" paragraph 33.1A not to disclose transactions with certain Group companies on the grounds that 100% of the voting rights in the company are controlled by Mood Media UK Holdings Limited.