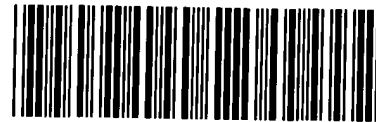


Alphaville Limited

FINANCIAL STATEMENTS

for the year ended
31 December 2017

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Registered number 4109183

Alphaville Limited

COMPANY INFORMATION

DIRECTORS

C Bavasso
C O'Reilly

REGISTERED OFFICE

c/o Withers
20 Old Bailey
London
EC4M 7AN

AUDITOR

Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

BANKERS

Barclays Bank Plc
Soho Square
27 Soho Square
London
W1D 3QR

LEGAL FORM

Limited Company (by shares)

COUNTRY OF INCORPORATION

United Kingdom

REGISTERED NUMBER

04109183

Alphaville Limited

CONTENTS

	Page
Strategic Report	1 - 2
Directors' Report	3
Independent Auditor's Report	4 - 5
Consolidated Income Statement	6
Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Financial Position	8
Company Statement of Financial Position	9
Consolidated Statement of Changes in Equity	10
Company Statement of Changes in Equity	11
Consolidated Statement of Cash Flows	12
Notes to the Financial Statements	13 - 27

Alphaville Limited

STRATEGIC REPORT

The Directors present their report with the financial statements for the year ended 31 December 2017.

Principal activities and business review

Alphaville Limited (“the Company”) is a content company producing commercials, music videos, title and other film/TV sequences, short films and other digital content.

The results for the Company are shown on pages 6 to 27 and the Directors are satisfied with the Company’s overall results and positioning for the future.

Review of the business

2017 has seen a continuation of the previous years’ strategic developments within the Group which has allowed it to continue to increase the type and breadth of work it is able to produce.

The Group also continues its research and development activities in order to not only keep abreast of the extremely fast-paced developments within its field but also to enhance or even create those developments where possible.

Interest rate risk

The Group has a fixed-rate bank loan secured against its property which is due for review in 2020. Since the loan is at a fixed interest rate the Group is not subject, at this time, to the risk of interest rate changes.

Liquidity risk

The Group is very mindful of the need to maintain a healthy cash reserve.

The Group does not, at the present time and for the foreseeable future, have plans to sell its freehold property however it regularly reviews conditions within the property sales marketplace.

Foreign currency risk

The Group continues to have a wide geographical client base which means it must mitigate risks involved in transactions in foreign currencies. As in previous years the Group regularly reviews its non-Sterling currency balances as well as putting hedging structures in place when contracting in non-Sterling currencies. Both actions are designed to reduce exposure to fluctuations in foreign exchange rates.

Borrowing facilities

The Group has borrowing facilities in place with its bank. The continued borrowing facilities are subject to adhering to covenants, which are reviewed annually, as well as the submission of quarterly management results.

Alphaville Limited

STRATEGIC REPORT

Future developments

The risks to UK economic growth remain significant and future prospects may be influenced by developments in relation to negotiations between the United Kingdom and the EU. The economic environment will continue to evolve at a potentially rapid pace over the next few years, making a return to relative stability unlikely, at least in the short term.

The Group will continue to closely monitor the socio-economic environment to ensure that it is as up to date as possible with developments. Overall the Group continues to develop its relationships with clients, developing new business where possible as well as maintaining existing relationships.

The Group will also continue to monitor the technological environment in order to ensure that it is at the forefront of any advancements or innovations.

The Group's corporation tax charge will benefit from the reduction in the rate of tax over the coming years.

Risks and uncertainties

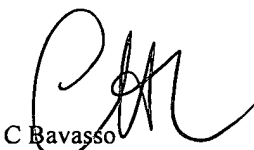
The marketplace continues to be extremely competitive, particularly in these times of economic uncertainty. The Group continues to see an increase in content being designed for interactive media and therefore its ongoing investment in this area is enabling it to increase both the amount of services it can provide and its client base.

Key performance indicators

The Group continuously monitors project performance against budget to ensure that the financial performance of its productions is in line with projections.

The Company also monitors its headcount to ensure that this is reflective of overall income and volume of work carried out.

On behalf of the board



C Bavasso
Director

Date : 23/11/18

Alphaville Limited

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Directors

The Directors who served during the year were:

Charlotte Bavasso
Christopher O'Reilly

Directors' Responsibilities Statement

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 Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit 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; 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.

Environment, Health and Safety

The company is firmly committed to managing its activities so as to provide the highest level of protection to the environment and to safeguard the health and safety of its employees, customers and the community.

Results

The surplus for the year, after taxation, amounted to £1,094,075 (2016: £202,701).

A dividend of £400,000 (2016: £100,000) was approved and paid during the year.

Disclosure of information to the auditor

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

- so far as the Directors are aware there is no relevant audit information of the which the company's auditor is unaware
- the Directors have 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 auditor is aware of that information

Auditors

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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


Charlotte Bavasso
Director

Date: 23/11/18

Alphaville Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALPHAVILLE LIMITED

Opinion

We have audited the financial statements of Alphaville Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the 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).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Who we are reporting to

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.

Conclusions relating to going concern

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

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

Other information

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

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

Alphaville Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALPHAVILLE LIMITED

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 3, 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 responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorresponsibilities. This description forms part of our auditor's report.



Sergio Cardoso
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
Date: 23/11/18

Alphaville Limited

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2017

	Notes	£	2017 £	£	2016 £
Turnover (including share of joint ventures)					
Less: share of joint ventures' turnover	4	15,963,791 (609,924)		12,391,411 (647,969)	
Group turnover	4		15,353,867		11,743,442
Cost of sales			(11,958,418)		(10,032,083)
Gross profit			3,395,449		1,711,359
Administrative expenses			(2,377,835)		(1,713,916)
Other operating income	5		431,671		428,224
Group operating profit			1,449,285		425,667
Share of operating (loss)/profit of joint venture			(144,970)		(163,239)
Gain on financial assets at fair value			-		-
Interest receivable and similar income	6		796		291
Interest payable and similar charges	7		(61,463)		(68,181)
Profit on ordinary activities before taxation			1,243,648		194,538
Tax on profit on ordinary activities	11		(149,573)		8,163
Profit for the financial year			1,094,075		202,701
Profit for the financial year attributable to:					
Owners of the parent			1,043,887		125,671
Non-controlling interests			50,188		77,030

The operating profit for the year arises from the company's continuing operations.

Alphaville Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2017

	2017 £	2016 £
Profit for the financial year	1,094,075	202,701
Currency translation gains and losses on retranslation of overseas subsidiaries	10,454	68,242
Total comprehensive income for the financial year	<u>1,104,529</u>	<u>270,943</u>
Total comprehensive income for the financial year attributable to:		
Owners of the parent	1,054,341	193,913
Non-controlling interests	50,188	77,030

Alphaville Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

Company number: 04109183

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	13		934,019		1,043,488
Investments in joint ventures:					
Share of gross assets		196,551		313,898	
Share of gross liabilities		(40,853)		(14,504)	
			155,698		299,394
Investment property	14		3,750,000		3,750,000
			<u>4,839,717</u>		<u>5,092,882</u>
Current assets					
Debtors	16	3,988,124		1,911,567	
Cash at bank and in hand	17	1,116,886		1,735,049	
		<u>5,105,010</u>		<u>3,646,616</u>	
Creditors: amounts falling due within one year	18	(3,747,140)		(2,986,997)	
Net current assets			<u>1,357,870</u>		<u>659,619</u>
Total assets less current liabilities			<u>6,197,587</u>		<u>5,752,501</u>
Creditors: amounts falling after more than one year	19		(1,978,035)		(2,130,707)
Provisions for liabilities	20		(115,037)		(121,808)
Net assets			<u>4,104,515</u>		<u>3,499,986</u>
Capital and reserves					
Called up share capital	21		2		2
Profit and loss account			3,507,994		2,857,284
			<u>3,511,625</u>		<u>2,857,286</u>
Non-controlling interests			592,888		642,700
			<u>4,104,515</u>		<u>3,499,986</u>

The financial statements were approved by the board of Directors and authorised for issue on 23/11/2018 and are signed on its behalf by

C Bavasso Director

Alphaville Limited

COMPANY STATEMENT OF FINANCIAL POSITION

31 December 2017

Company number: 4109183

	Notes	2017 £	£	2016 £	£
Fixed Assets					
Investments	14		3,969		3,969
Current Assets					
Debtors	16	2		2	
Creditors:					
Amounts falling due within one year	18	(3,969)		(3,969)	
Net Current Liabilities			(3,967)		(3,967)
Net Assets			<u>2</u>		<u>2</u>
Capital and Reserves					
Called up share capital	21		2		2
Profit and loss account			-		-
Shareholders' Funds			<u>2</u>		<u>2</u>

The financial statements were approved by the board of Directors and authorised for issue on 23/11/2018 and are signed on its behalf by


C Bavasso Director

C O'Reilly Director

Alphaville Limited

COMPANY STATEMENT OF FINANCIAL POSITION


31 December 2017

Company number: 4109183

	Notes	2017 £	£	2016 £	£
Fixed Assets					
Investments	14		3,969		3,969
Current Assets					
Debtors	16	2		2	
Creditors:					
Amounts falling due within one year	18	(3,969)		(3,969)	
Net Current Liabilities			(3,967)		(3,967)
Net Assets			<u>2</u>		<u>2</u>
Capital and Reserves					
Called up share capital	21		2		2
Profit and loss account			-		-
Shareholders' Funds			<u>2</u>		<u>2</u>

The financial statements were approved by the board of Directors and authorised for issue on
are signed on its behalf by

23/11/2018 and


C Bavasso Director


C O'Reilly Director

Alphaville Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For year ended 31 December 2017

	Called-up share capital	Share premium account	Profit and loss account	Amount attributable to owners of the parent	Non- controlling interests	Total
	£	£	£	£	£	£
At 1 January 2016	2	-	3,479,041	2,863,371	615,670	3,479,043
Profit and total comprehensive income for the year	-	-	202,701	125,671	77,030	202,701
Exchange adjustment on consolidation	-	-	68,242	68,242	-	68,242
Dividends paid	-	-	(250,000)	(200,000)	(50,000)	(250,000)
At 31 December 2016	2	-	3,499,984	2,857,284	642,700	3,499,986
Profit and total comprehensive income for the year	-	-	1,094,075	1,043,887	50,188	1,094,075
Exchange adjustment on consolidation	-	-	10,454	10,454	-	10,454
Dividends paid	-	-	(500,000)	(400,000)	(100,000)	(500,000)
At 31 December 2017	2	-	4,104,513	3,511,625	592,888	4,104,515

Alphaville Limited

COMPANY STATEMENT OF CHANGES IN EQUITY

For year ended 31 December 2017

	Called-up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2016	2	-	-	2
Profit and total comprehensive income for the year	-	-	200,000	200,000
Dividends paid	-	-	(200,000)	(200,000)
At 31 December 2016	2	-	-	2
Profit and total comprehensive income for the year	-	-	400,000	400,000
Dividends paid	-	-	(400,000)	(400,000)
At 31 December 2017	2	-	-	2

Alphaville Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

For year ended 31 December 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year	1,449,285	425,667
Adjustments for:		
Depreciation of tangible assets	193,134	218,338
Interest paid	-	-
Interest received	796	291
Taxation	(1,115,303)	(130,824)
Decrease/(increase) in trade and other debtors	(1,236,986)	(497,008)
Increase/(decrease) in trade creditors	881,688	760,344
Income from investment property asset	(409,021)	(417,510)
Cash from operations	(236,407)	359,298
Net cash generated from operating activities	(236,407)	359,298
Cash flows from investing activities		
Proceeds from sale of tangible assets	-	1,753
Purchases of tangible assets	(83,665)	(60,919)
Income from investment property asset	409,021	417,510
Interest received	-	-
Net cash from investing activities	325,356	358,344
Cash flows from financing activities		
Issue of ordinary share capital	-	-
Repayment of bank loans	(117,562)	(111,536)
New loan	-	-
Repayment of finance lease obligations	(50,429)	(56,702)
Interest paid	(61,463)	(68,181)
Dividends paid	(500,000)	(250,000)
Net cash used in financing activities	(729,454)	(486,419)
Net increase/(decrease) in cash and cash equivalents	(640,505)	231,223
Foreign exchange translation adjustment	22,342	96,064
Cash and cash equivalents at the beginning of the year	1,735,049	1,407,762
Cash and cash equivalents at end of year	1,116,886	1,735,049

1. Company information

Alphaville Limited is incorporated in United Kingdom and its principal place of business is 25 Chart Street London N1 6FA.

2. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – ‘The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland’ (‘FRS 102’), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in Sterling (£).

The group financial statements consolidate the financial statements of Alphaville Limited and all its subsidiary undertakings drawn up to 31 December each year.

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements. The parent company’s profit for the year was £400,000 (2016: £200,000).

The individual accounts of Alphaville Limited have also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes
- 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.

Going concern

After reviewing the group’s forecasts and projections, the Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

3. Principal accounting policies

3.1 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer’s interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination the excess is recognised separately on the face of the consolidated statement of financial position immediately below goodwill.

3.2 Investments in subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so

Alphaville Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

3.3 Investments in joint ventures

Undertakings in which the group has a long term interest and shares control under a contractual arrangement are defined as joint ventures. Joint ventures are accounted for using the gross equity method.

3.4 Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale.
- The intention to complete the software and use or sell it.
- The ability to use the software or to sell it.
- How the software will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
- The ability to measure reliably the expenditure attributable to the software during its development.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

- Software development costs	5 years
- Goodwill	10 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

If the net fair value of the identifiable assets and liabilities acquired exceeds the cost of a business combination, the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired is recognised in profit or loss in the periods expected to be benefitted.

3.5 Tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Alphaville Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

- Computer equipment	33% straight line
- Fixtures, fittings and office equipment	25% straight line
- Leasehold buildings	over the life of the lease
- Trademarks and patents	33% straight line

3.6 Investment property

Investment property is carried at fair value and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

3.7 Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.8 Investments

Investments comprise investments in unquoted equity instruments which are measured at fair value. Changes in fair value are recognised in profit or loss. Fair value is estimated by using a valuation technique.

3.9 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.

3.10 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.

Alphaville Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

3.11 Leases

Leases are classified as finance leases wherever the terms of the lease transfer substantially all the risks and rewards of ownership to the leased asset to the group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

3.12 Derivative financial instruments

Derivative financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in profit or loss. Outstanding derivatives at reporting date are included under the appropriate format heading depending on the nature of the derivative.

3.13 Provisions for liabilities

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

3.14 Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Alphaville Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets or liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.15 Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the rendering of services.

Rendering of services

Turnover from the rendering of services is derived from the Group's principal activity and is recognised net of VAT. Production turnover is recognised over the period of the production. Gross profit on production activity is recognised based upon the stage of completion of the production and in accordance with the underlying contract. Overspends are recognised as they arise and underspends are recognised upon completion and delivery of the production.

3.16 Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

3.17 Foreign currency translation

Functional currency and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are presented in Sterling (£).

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the

Alphaville Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise. However, in the consolidated financial statements exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in other comprehensive income and are not reclassified to profit or loss.

Translation of group companies

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated from their functional currency to Sterling (£) using the closing exchange rate. Income and expenses are translated using the average rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising on the translation of group companies are recognised in other comprehensive income and are not reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.18 Key judgements

Judgements in applying accounting policies and key sources of estimation uncertainty

Management consider the only key judgement to be in relation to the market value of property.

3.19 Research and Development

Research and development expenditure is written off in the statement of comprehensive income in the period in which it is incurred.

4. Turnover

Turnover, analysed geographically between markets, was as follows:

	2017 £	2016 £
Europe	5,408,479	3,787,323
Rest of the world	9,945,388	8,272,900
Group turnover	<u>15,353,867</u>	<u>12,060,223</u>
Share of joint ventures' turnover - Australia	<u>609,924</u>	<u>647,969</u>

Alphaville Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

5. Other operating income

	2017 £	2016 £
Rental income	420,958	417,510
Lease incentive	10,714	10,714
	<u>431,672</u>	<u>428,224</u>

6. Interest receivable and similar income

	2017 £	2016 £
Bank deposit interest	796	291
	<u>796</u>	<u>291</u>

7. Interest payable and similar charges

	2017 £	2016 £
Interest on loan repayable	61,412	68,181
Bank interest	51	-
	<u>61,463</u>	<u>68,181</u>

8. Employees

Staff costs during the year were as follows:

	2017 £	2016 £
Wages and salaries	4,243,561	2,998,250
Social security costs	533,399	367,176
Cost of defined contribution scheme	18,311	13,667
	<u>4,795,271</u>	<u>3,379,093</u>

The average number of employees, including the Directors, during the year was as follows:

	2017	2016
Production	53	38
Administration	6	4
	<u>59</u>	<u>42</u>

Alphaville Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

9. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	277,587	277,563
Company contributions to defined contribution schemes	773	740
	<u>278,360</u>	<u>278,303</u>

During the year retirement benefits were accruing to two Directors (2016 – 2) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £154,213 (2016 - £153,977)

10. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after:

	2017 £	2016 £
Directors' remuneration	278,360	278,303
Depreciation of tangible fixed assets	193,134	218,338
Impairment of tangible fixed assets	-	-
Operating leases:		
Plant and machinery	1,935	1,946
Audit remuneration - audit	16,000	16,000
Audit remuneration – non audit	4,000	4,000
Taxation compliance services	5,650	5,650
Foreign exchange (gains)/losses	71,825	(97,981)

11. Taxation

The tax charge is based on the profit for the year and represents:

	2017 £	2016 £
Corporation tax:		
Current tax on surplus for the year	156,278	85,382
Adjustments in respect of previous periods	-	(66,121)
Overseas taxation	67	61
	<u>156,345</u>	<u>19,322</u>
Deferred taxation: origination and reversal of timing differences	(6,772)	(19,191)
Deferred taxation: changes in tax rates	-	(8,294)
	<u>149,573</u>	<u>(8,163)</u>
Tax on results on ordinary activities		
Share of joint venture's tax	-	-
Total taxation charge	<u>149,573</u>	<u>(8,163)</u>

Alphaville Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19.25% (2016 – 20%). The differences are explained as follows:

	2017 £	2016 £
Profit on ordinary activities before tax	1,506,991	259,992
Profit on ordinary activities multiplied by effective rate of corporation tax in the UK 19.25% (2016: 20%)	290,044	51,999
Effects of:		
Fixed asset differences	9,870	1,801
Other timing differences	-	(9)
Expenses not deductible for tax purposes	12,422	11,673
Depreciation in excess of capital allowances	6,925	-
Income not taxable for tax purposes	-	-
Foreign tax credits	-	-
Profits charged at higher/(lower) rate of tax	-	-
Adjust closing deferred tax to average rate of 19%	(6,772)	(10,091)
Television production tax profit adjustment	(190,815)	(25,152)
Adjustments to tax charge in respect of previous periods	-	(66,121)
Other movements	27,899	27,737
Tax charge for period	149,573	(8,163)

12. Dividends

A dividend of £400,000 was approved and paid during the year.

Alphaville Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

13. Tangible fixed assets

	<i>Leasehold property £</i>	<i>Computer equipment £</i>	<i>Fixtures, fittings & office equipment £</i>	<i>Total £</i>
Cost				
1 January 2017	912,048	913,027	91,951	1,917,026
Additions	-	69,720	13,945	83,665
Disposals	-	-	-	-
31 December 2017	912,048	982,747	105,896	2,000,691
Depreciation				
1 January 2017	87,945	737,673	47,920	873,538
Charged in the year	56,143	117,959	19,032	193,134
Disposals	-	-	-	-
31 December 2017	144,088	855,632	66,952	1,066,672
Net book value				
31 December 2017	767,960	127,115	38,944	934,019
31 December 2016	824,103	175,354	44,031	1,043,488

Plant and machinery with a carrying value of £88,362 (2016: £88,362) are held under finance leases.

14. Investment property

	<i>Long-term freehold investment property £</i>
Valuation	
At 1 January 2017	3,750,000
At 31 December 2017	3,750,000

The 2015 valuation was made by Jorden Salata, a firm of chartered surveyors, on an open market value for existing use basis.

Management reassessed this at 31 December 2017 and believe that the open market value remains materially unchanged at that date.

The historical cost of the property is £2,320,000.

Alphaville Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

15. Investments in subsidiaries

At 2017 the group and the company had interests in the following subsidiaries:

	Type of shares held	Proportion held (%)	Country of incorporation	Nature of business
Subsidiaries				
Nexus Productions Limited	Ordinary	80%	United Kingdom	Production
Nexus (Paris) SARL	Ordinary	100%	France	Production
Pluck & Play Limited	Ordinary	80%	United Kingdom	Production
Nexus Studios Group Inc	Ordinary	80%	United States of America	Production

Interests in joint ventures

At 2017 the group and the company had interests in the following joint ventures:

	Type of shares held	Proportion held (%)	Country of incorporation	Nature of business
Joint venture				
Mighty Nice Pty Limited	Ordinary	50%	Australia	Production

The group

	Share of net assets £	Loans £	Total £
At 1 January 2017	310,266	-	310,266
Share of profit for the year after taxation	(144,970)	-	(144,970)
Effects of foreign exchange	(13,571)		(13,571)
At 31 December 2017	151,725	-	151,725

16. Debtors

	The group 2017 £	2016 £	The company 2017 £	2016 £
Trade debtors	2,412,791	1,103,173	-	-
Other debtors	270,902	343,125	-	-
Prepayments and accrued income	464,859	465,267	-	-
Tax receivable	839,570	-	-	-
Unpaid share capital	2	2	2	2
	3,988,124	1,911,567	2	2

Alphaville Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

17. Cash and cash equivalents

	2017 £	2016 £
Cash in bank and at hand	1,116,886	1,735,049
	<u>1,116,886</u>	<u>1,735,049</u>

18. Creditors: amounts falling due within one year

	The group 2017 £	2016 £	The company 2017 £	2016 £
Bank loans	180,597	180,597	-	-
Finance lease obligations	24,305	50,429	-	-
Trade creditors	933,293	772,772	-	-
Amounts owed to subsidiary undertakings	-	-	3,948	3,948
Amounts owed to associated undertakings	21	21	21	21
Taxation and social security	241,484	194,475	-	-
Corporation tax	-	121,546	-	-
Other creditors	327,066	107,232	-	-
Accruals and deferred income	2,040,374	1,559,925	-	-
	<u>3,747,140</u>	<u>2,986,997</u>	<u>3,969</u>	<u>3,969</u>

19. Creditors: amounts falling due after more than one year

	The group 2017 £	2016 £	The company 2017 £	2016 £
Finance lease obligations	-	24,307	-	-
Bank loans	1,644,395	1,762,047	-	-
Other creditors	333,640	344,353	-	-
	<u>1,978,035</u>	<u>2,130,707</u>	<u>-</u>	<u>-</u>

Alphaville Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

Bank loans are repayable as follows:

	The group 2017 £	2016 £	The company 2017 £	2016 £
Within one year	180,597	180,597	-	-
Between one to two years	180,597	180,597	-	-
Between two to five years	1,463,798	1,581,450	-	-
More than five years	-	-	-	-
	<u>1,824,992</u>	<u>1,942,644</u>	<u>-</u>	<u>-</u>

The bank loan is secured by a mortgage over the Company's freehold buildings.

The bank loan is repayable over a period of 5 years however the repayment profile is calculated on the basis of a 15-year amortization profile with the first repayment having been made in July 2009. Interest accrues on the loan at an interest rate equal to the Base Rate plus 3%.

20. Provisions for liabilities

	Deferred taxation £
At 1 January 2017	121,808
Origination and reversal of timing differences	-
Changes in tax rates	-
At 31 December 2017	<u>121,808</u>

21. Called up share capital

	2017 £	2016 £
Authorised, allotted and unpaid:		
2 ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

22. Pension commitments

The Group operates a defined contribution pension scheme to provide retirement benefits for staff. The total pension charge for the year was £18,311 (2016: £13,385).

Alphaville Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

23. Leasing commitments

The group's future minimum operating lease payments are as follows:

Land & buildings	2017	2016
	£	£
Within one year	391,819	391,819
Between two and five years	1,567,276	1,567,276
More than five years	3,620,578	4,012,397
	<u>5,579,673</u>	<u>5,971,492</u>

Initial rent of £391,819 per annum will be reviewed on the fifth anniversary of the lease, being February 2020.

Plant & machinery	2017	2016
	£	£
Within one year	1,721	1,946
Between two and five years	6,453	-
	<u>8,174</u>	<u>1,946</u>

The group's future minimum finance lease payments are as follows:

Plant & machinery	2017	2016
	£	£
Within one year	24,307	50,429
Between two and five years	-	24,307
	<u>24,307</u>	<u>74,736</u>

Certain plant and machinery are held under finance lease arrangements. Finance lease liabilities are secured by the related assets held under finance leases. The lease agreements generally include fixed lease payments and a purchase option at the end of the term.

The company's future minimum operating lease receipts are as follows:

Land & buildings	2017	2016
	£	£
Within one year	415,851	409,308
Between two and five years	1,358,574	1,486,533
More than five years	2,187,824	2,475,716
	<u>3,962,249</u>	<u>4,371,557</u>

The company has entered into operating lease contracts with two separate third parties for the rental of land and buildings. One lease has a current expiry date in July 2020 and the other has a current expiry date in August 2030.

Alphaville Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

24. Transactions with related parties

	2017 £	2016 £
Purchases from joint venture - Mighty Nice Pty Ltd	321,658	266,760
Trade creditors amounts due to joint venture	-	213,473

25. Ultimate controlling party

The company is jointly owned by C Bavasso and C O'Reilly, Directors of the company.

26. Capital commitments

The Directors have confirmed that there were no capital commitments at 31 December 2017.

27. Reserves

Profit & loss account

Includes all current and prior period retained profit and losses