

Company registration number: 04964271

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2016

MUZICALL LIMITED

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MUZICALL LIMITED

COMPANY INFORMATION

Director	M Parham
Company secretary	Abogado Nominees Limited
Registered number	04964271
Registered office	100 New Bridge Street London EC4V 6JA
Independent auditors	Menzies LLP Chartered Accountants Lynton House 7-12 Tavistock Square London WC1H 9LT

MUZICALL LIMITED

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MUZICALL LIMITED
REGISTERED NUMBER:04964271

BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	3	-	1,766,074
Tangible assets	4	1,511	9,140
Investments	5	184	184
		<u>1,695</u>	<u>1,775,398</u>
Current assets			
Debtors: amounts falling due within one year	6	480,240	315,805
Cash at bank and in hand		1,251,772	974,621
		<u>1,732,012</u>	<u>1,290,426</u>
Creditors: amounts falling due within one year	7	(86,883)	(284,271)
Net current assets		<u>1,645,129</u>	<u>1,006,155</u>
Total assets less current liabilities		<u>1,646,824</u>	<u>2,781,553</u>
Creditors: amounts falling due after more than one year	8	(3,041,849)	(2,508,018)
Net (liabilities)/assets		<u><u>(1,395,025)</u></u>	<u><u>273,535</u></u>
Capital and reserves			
Called up share capital		306,881	306,881
Other reserves		4,346,871	4,346,871
Profit and loss account		(6,048,777)	(4,380,217)
		<u><u>(1,395,025)</u></u>	<u><u>273,535</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the profit and loss account in accordance with provisions applicable to companies subject to the small companies' regime.

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



M Parham
Director

Date: *October 13, 2017*

The notes on pages 2 to 8 form part of these financial statements.

MUZICALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General information

These financial statements have been prepared in compliance with Section 1A of FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

Muzicall Limited is a private company limited by shares, registered in England and Wales. The address of its registered office is disclosed on the company information page.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared using the going concern basis of accounting. In determining whether the company's financial statements can be prepared on the going concern basis the Director has considered all factors likely to affect its future development, performance and its financial position.

The company incurred a net loss of £1,350,201 during the year ended 31 December 2016 and, at that date, the company's total liabilities exceeded its total assets by £1,415,205. The company owes £3,049,458 to fellow group company, Real Networks Austria.

Real Networks Austria has committed to providing operational and financial support to the company as is necessary to enable it to meet its liabilities as they fall due for a period of not less than 12 months from the date of approval of these financial statements. Furthermore they will not see repayment of intercompany indebtedness during the support period, unless sufficient funds are available such that doing so will not compromise the going concern position.

Following consideration of the above factors the Director has considered that it is appropriate to apply the going concern basis.

2.3 Revenue

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

Rendering of services

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

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

MUZICALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.4 Exemption from preparing consolidated financial statements

The Company, and the Group header by it, qualify as small as set out in section 383 of the Companies Act 2006 and the parent and Group are considered eligible for the exemption to prepare consolidated accounts.

2.5 Intangible assets

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

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

The estimated useful lives range as follows:

Development costs and Licenses	-	3-6 years straight line
Acquired Goodwill	-	3 years straight line

2.6 Tangible fixed assets

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

Depreciation 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:

Fixtures and fittings	-	3 years straight line
Ringback Tone Equipment	-	3 years straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and Loss Account.

2.7 Financial instruments

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

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

MUZICALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.7 Financial instruments (continued)

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

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

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

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.8 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

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

MUZICALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.9 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

3. Intangible assets

	Development costs and Licenses £	Goodwill £	Total £
Cost			
At 1 January 2016	9,121,625	152,500	9,274,125
At 31 December 2016	9,121,625	152,500	9,274,125
Amortisation			
At 1 January 2016	7,355,551	152,500	7,508,051
Charge for the year	1,766,074	-	1,766,074
At 31 December 2016	9,121,625	152,500	9,274,125
Net book value			
At 31 December 2016	-	-	-
At 31 December 2015	1,766,074	-	1,766,074

MUZICALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

4. Tangible fixed assets

	Plant and machinery £
Cost or valuation	
At 1 January 2016	1,570,594
Disposals	(1,344,230)
At 31 December 2016	<u>226,364</u>
Depreciation	
At 1 January 2016	1,561,454
Charge for the year on owned assets	7,629
Disposals	(1,344,230)
At 31 December 2016	<u>224,853</u>
Net book value	
At 31 December 2016	<u><u>1,511</u></u>
At 31 December 2015	<u><u>9,140</u></u>

5. Fixed asset investments

	Total £
Cost or valuation	
At 1 January 2016	184
At 31 December 2016	<u>184</u>
Net book value	
At 31 December 2016	<u><u>184</u></u>
At 31 December 2015	<u><u>184</u></u>

MUZICALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

6. Debtors

	2016 £	2015 £
Trade debtors	119,670	88,227
Amounts owed by group undertakings	292,142	5,581
Other debtors	12,085	-
Prepayments and accrued income	56,343	221,997
	<u>480,240</u>	<u>315,805</u>

7. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	-	24,852
Amounts owed to group undertakings	66,634	188,165
Other taxation and social security	2,170	22,441
Other creditors	-	4,749
Accruals and deferred income	18,079	44,064
	<u>86,883</u>	<u>284,271</u>

8. Creditors: Amounts falling due after more than one year

	2016 £	2015 £
Amounts owed to group undertakings	<u>3,041,849</u>	<u>2,508,018</u>

9. Deferred taxation

The deferred tax position was reviewed at the year end by the directors and due to the uncertainty as to the timing and quantum of future profits of the company, it was decided not to include any deferred tax asset relating to tax losses incurred to date. The trade losses available to carry forward are £15,078,373 (2015 : £14,479,105).

10. First time adoption of FRS 102 1A

These are the first financial statements that comply with FRS 102 1A. The company transitioned to FRS 102 1A on 1 January 2015.

No transitional adjustments were required in equity or profit or loss for the year.

MUZICALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11. Auditors' information

The audit report accompanying the full version of these accounts is unqualified.

The audit report was signed by Philip King FCA (Senior Statutory Auditor) for and on behalf of Menzies LLP, Chartered Accountants & Statutory Auditor.