Musicstyling.com Limited

Annual report and financial statements

Registered number 05099635

31 December 2018

SATURDAY
A8EGTFHL
A21 21/09/2019 #78
COMPANIES HOUSE

Contents

Company information

Directors	WJ Truman A Jennewein NR Cook D Mapp
Secretary	WJ Truman
Registered office	Venture Way Dunston Technology Park Chesterfield Derbyshire S41 8NE
Registered number	05099635
Auditor	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ

Directors' report

The directors present their annual report and the financial statements for the year ended 31 December 2018.

Principal activity and business review

The principal activity of the company during the year was the supply of highly bespoke music content and consultancy services to the leisure industry.

On 31 December 2018 the entire trade, assets and liabilities of the Company were hived-up at net book value to the Company's immediate parent undertaking and the consideration left on the intercompany account.

Results and dividends

The results for the year are shown in the attached profit and loss account.

No dividends were paid during the year *(2017: £nil)*. The directors do not recommend the payment of a final dividend *(2017: £nil)*.

Directors

The following directors served during the year and up to the date of this report:

WJ Truman
A Jennewein
NR Cook
D Mapp

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditor

KPMG LLP has indicated its willingness to continue in office and a resolution to reappoint it as auditor will be proposed at the next annual general meeting.

By order of the board

NR Cook
Director

Dated: 16 May 2019

Registered office address:

Venture Way
Dunston Technology Park
Chesterfield
Derbyshire
S41 8NE

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

Independent auditor's report to the members of Musicstyling.com Limited

Opinion

We have audited the financial statements of Musicstyling.com Limited ("the company") for the year ended 31 December 2018 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of debtors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

KPMG

Independent auditor's report to the members of Musicstyling.com Limited *(continued)*

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

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

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.

Mark Flanagan *(Senior Statutory Auditor)*

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham NG1 6FQ

Dated: 21 May 2019

Profit and loss account
for year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	2	**5,239**	4,342
Cost of sales		**(1,113)**	(922)
Gross profit		**4,126**	3,420
Administrative expenses		**(2,487)**	(2,219)
Operating profit	4	**1,639**	1,201
Interest receivable and similar income	3	**1**	42
Profit before taxation		**1,640**	1,243
Tax on profit	7	**(406)**	(122)
Profit for the financial year		**1,234**	1,121

In the both the current and prior year, the Company made no material acquisitions and had no discontinued operations.

There were no recognised gains or losses in the current or prior year other than those disclosed in the profit and loss account. Accordingly, no separate statement of other comprehensive income has been presented.

The attached notes form an integral part of the financial statements.

Balance sheet
at 31 December 2018

	Note	**2018**		2017	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*8*		**-**		48
Tangible assets	*9*		**-**		99
			-		147
Current assets					
Stock	*10*	**-**		14	
Debtors	*11*	**4,421**		5,702	
Cash and cash equivalents		**-**		139	
		4,421		5,855	
Creditors: amounts falling due within one year	*12*	**-**		(2,812)	
Net current assets			**4,421**		3,043
Total assets less current liabilities			**4,421**		3,190
Provisions for liabilities					
Deferred tax liability	*13*		**-**		(3)
Net assets			**4,421**		3,187
Capital and reserves					
Called up share capital	*15*		**30**		30
Profit and loss account			**4,391**		3,157
Shareholders' funds			**4,421**		3,187

On 31 December 2018 the entire trade, assets and liabilities of the Company were hived-up at net book value to the Company's immediate parent undertaking and the consideration left on the intercompany account.

These financial statements were approved by the board of directors on 16 May 2019 and were signed on its behalf by:

NR Cook
Director

Company registered number: 05099635

The attached notes form an integral part of the financial statements.

Statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	30	2,036	2,066
Profit for the financial year	-	1,121	1,121
Balance at 31 December 2017	**30**	**3,157**	**3,187**

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	30	3,157	3,187
Profit for the financial year	-	1,234	1,234
Balance at 31 December 2018	**30**	**4,391**	**4,421**

The attached notes form an integral part of the financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Musicstyling.com Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The registered number is 05099635 and the registered address is Venture Way, Dunston Technology Park, Chesterfield, Derbyshire, S41 8NE.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's parent undertaking, Imagesound Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Imagesound Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from the Company Secretary, Venture Way, Dunston Technology Park, Chesterfield, Derbyshire, S41 8NE. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Imagesound Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The directors do not consider there to be any judgements in the application of these accounting policies that would have a significant effect on the financial statements or estimates with a significant risk of material adjustment in the next year.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

1.2. Going concern

The directors have prepared the financial statements on a going concern basis. The directors have prepared trading and cash flow forecasts for the group for a period in excess of 12 months following the date of approval of these financial statements. The forecasts indicate appropriate cash and covenant headroom based upon the current facilities. On this basis the directors are of the opinion that the Group, and therefore the Company, has adequate resources to trade in an orderly fashion for the foreseeable future and have accordingly adopted the going concern basis in preparing these financial statements.

1.3. Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes *(continued)*

1 Accounting policies *(continued)*

1.4. Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5. Basic financial instruments

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.6. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Tangible fixed assets (continued)

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.12 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Computer equipment 3 years
- Rental equipment 5 years
- Fixtures and fittings 4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.7. Intangible assets

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible asset acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Technology based assets 4 years
- Audio Library 2 years

Notes *(continued)*

1 Accounting policies *(continued)*

1.7. Intangible assets (continued)

The basis for choosing these useful lives is that they reflect the period over which economic benefit is expected to be gained from these assets.

- The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.
- Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.8. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.9. Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs, the company tests the impairment of goodwill by determining the recoverable amount of the entity in its entirety, including the integrated acquired operations.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss recognised for goodwill is not reversed. Impairment losses recognised for other assets are reversed only if the reason for the impairment has ceased to apply.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9. Impairment excluding deferred tax assets (continued)

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.10. Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.11. Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.12. Turnover

Turnover, which excludes value added tax and discounts, represents the goods and services sold. For services, turnover is recognised over the performance period that the services provided relate to. Recurring sales turnover such as for music services is billed in advance, for periods up to one year. The element that does not relate to the current year is deferred on a time basis and shown within deferred income. Turnover on non-recurring items such as systems installations is only recognised when the installation is complete.

1.13. Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and interest payable

Interest payable and similar expenses include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see 1.3. foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13. Expenses (continued)

Interest income and interest payable are recognised in profit or loss as they accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.14. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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

2 Turnover

	2018	2017
	£000	£000
Sale of goods	**80**	41
Rendering of services	**5,159**	4,301
Total turnover	**5,239**	4,342

	2018	2017
	£000	£000
By geographical market:		
United Kingdom	**171**	241
Americas	**1,759**	1,305
Asia	**1,807**	1,235
Rest of Europe	**608**	537
Other	**894**	1,024
	5,239	4,342

Notes *(continued)*

3 Interest receivable and similar income

	2018 £000	2017 £000
Foreign currency exchange gains	**1**	42

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2018 £000	2017 £000
Amortisation of intangibles	**36**	58
Depreciation of fixed assets	**37**	39

Auditor's remuneration:

	2018 £000	2017 £000
Audit of these financial statements	**6**	6
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services	**2**	2

The fees relating to the audit of this company have been borne by another group company.

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2018	2017
Management and administration	**25**	24

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	**1,190**	994
Social security costs	**101**	82
Contributions to defined contribution plans	**30**	26
	1,321	1,102

Notes *(continued)*

6 Directors' remuneration

	2018 £000	2017 £000
Directors' emoluments	**124**	116
Company contributions to money purchase pension plans	**8**	8

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £124,000 *(2017: £116,000)*, and company pension contributions of £8,000 *(2017: £8,000)* were made to a money purchase scheme on their behalf.

Emoluments of the other directors were borne by the company's parent undertaking where their services are primarily directed.

	Number of directors 2018	2017
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**1**	1

7 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2018 £000	2018 £000	2017 £000	2017 £000
Current tax				
Current tax on income for the period	**321**		132	
Adjustments in respect of prior periods	**88**		-	
Total current tax		**409**		132
Deferred tax (see note 13)				
Origination and reversal of timing differences	**(15)**		(7)	
Adjustments in respect of prior periods	**12**		(3)	
Total deferred tax		**(3)**		(10)
Total tax expense		**406**		122

Notes *(continued)*

7 Taxation *(continued)*

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit for the year	**1,234**	1,121
Total tax expense	**406**	122
Profit excluding taxation	**1,640**	1,243
Tax using the UK corporation tax rate of 19% *(2017: 19%)*	**312**	236
Expenses not deductible	**22**	-
Foreign tax	**(28)**	(21)
Group relief credit	**-**	(97)
Under provided in prior years	**100**	4
Total tax expense included in profit or loss	**406**	122

Reductions in the UK corporation tax rate from 19% to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was announced in the Budget on 16 March 2017 and substantively enacted on 6 September 2017. This will reduce the company's future tax charge accordingly.

8 Intangible assets

	Audio library £000	Software development £000	Total £000
Cost			
Balance at 1 January 2018	270	98	368
Acquisitions – internally developed	16	-	16
Hived up at net book value	(286)	(98)	(384)
Balance at 31 December 2018	-	-	-
Amortisation and impairment			
Balance at 1 January 2018	222	98	320
Amortisation for the year	36	-	36
Hived up at net book value	(258)	(98)	(356)
Balance at 31 December 2018	-	-	-
Net book value			
At 1 January 2018	48	-	48
At 31 December 2018	-	-	-

Notes *(continued)*

8 Intangible fixed assets *(continued)*

Amortisation and impairment charge

The amortisation and impairment charge are recognised in the following line items in the profit and loss account:

	2018 £000	2017 £000
Administrative expenses	**36**	58

9 Tangible fixed assets

	Leasehold improvements £000	Fixtures and fittings £000	Computer equipment £000	Rental equipment £000	Total £000
Cost					
Balance at 1 January 2018	29	10	75	535	649
Additions	-	-	5	81	86
Hived up at net book value	(29)	(10)	(80)	(616)	(735)
Balance at 31 December 2018	-	-	-	-	-
Depreciation and impairment					
Balance at 1 January 2018	29	10	65	446	550
Depreciation charge for the year	-	-	8	29	37
Hived up at net book value	(29)	(10)	(73)	(475)	(587)
Balance at 31 December 2018	-	-	-	-	-
Net book value					
At 1 January 2018	-	-	10	89	99
At 31 December 2018	-	-	-	-	-

10 Stock

	2018 £000	2017 £000
Goods for resale	-	14

11 Debtors

	2018 £000	2017 £000
Trade debtors	-	1,383
Amounts owed by group undertakings	**4,421**	4,012
Other debtors	-	18
Prepayments and accrued income	-	289
	4,421	5,702

Amounts owed by group undertakings are interest free and repayable on demand.

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	-	142
Corporation tax	-	367
Amounts due to group undertakings	-	94
Other creditors	-	127
Accruals and deferred income	-	2,082
	-	2,812

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

13 Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Liabilities 2018 £000	2017 £000
Accelerated capital allowances	-	3
Net tax liabilities	-	3

The Company has no unrecognised deferred tax assets *(2017: £nil).*

14 Employee benefits

Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £30,000 *(2017: £25,000)*

15 Capital and reserves

Share capital

	2018 £000	2017 £000
Allotted, called up and fully paid		
30,000 ordinary shares of £1 each	**30**	30

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

16 Operating leases

During the year £84,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2017: £84,000).* All of the leases are cancellable with immediate effect.

Notes *(continued)*

17 Commitments

Capital commitments

The Company contractual commitments to purchase tangible fixed assets at the year-end were £nil *(2017: £nil)*.

18 Related parties

As the company is a wholly owned subsidiary of Imagesound Limited, the company has taken advantage of the exemption contained within FRS 102.33.1A and has therefore not disclosed transactions or balances with wholly owned entities which form part of the group.

19 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Imagesound Limited. The ultimate parent undertaking and controlling party is IMS Topco Limited.

The largest group in which the results of the Company are consolidated is that headed by IMS Topco Limited, incorporated in England and Wales. The smallest group in which they are consolidated is that headed by Imagesound Limited incorporated in England and Wales. The consolidated financial statements of these groups are available to the public and may be obtained from the Company Secretary, Venture Way, Dunston Technology Park Chesterfield, Derbyshire, S41 8NE.