Video Arts Limited

Annual report and financial statements

Registered number 01007689

For the year ended 30 September 2018

Contents

Directors' report

The directors present their annual report and financial statements for the year ended 30 September 2018.

On 23rd October 2017, Vitruvian ceased to be an investor in Video Arts Limited.

Principal activities

Video Arts Limited's ('the Company') principal activity continues to be the production and distribution of training films, other specialist films and related services and products. The directors believe this will continue for the foreseeable future.

Directors

The directors of the Company during the year, and since year end, were:

M Addison
W A Rees
O G R Jones
J Roberts

Dividends

The directors do not recommend the payment of a dividend *(2017: £nil)*.

Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operation for at least twelve months from the date of this report. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements (see note 1).

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year *(2017: £nil)*.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board

J Roberts
Director

Tinopolis Centre
Park Street
Llanelli
Carmarthenshire
SA15 3YE

14 December 2018

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual 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 101 *Reduced Disclosure Framework*.

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;
- 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 Video Arts Limited

Opinion

We have audited the financial statements of Video Arts Limited ("the company") for the year ended 30 September 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, 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 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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.

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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.

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 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 2, 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 FRC'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.

P Barron

Paul Barron (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL
United Kingdom

18 December 2018

Profit and Loss Account and Other Comprehensive Income
for the year ended 30 September 2018

	Note	**2018** **£'000**	2017 £'000
Turnover	*2*	**1,500**	1,780
Cost of sales		**(426)**	(502)
Gross profit		**1,074**	1,278
Administrative expenses		**(1,002)**	(1,062)
Operating profit and profit before taxation		**72**	216
Taxation on profit	*6*	**(34)**	(93)
Profit for the financial year		**38**	123
Total Comprehensive income for the year		38	123

All amounts relate to continuing activities.

The notes on pages 8 to 16 form part of the financial statements.

Balance sheet
at 30 September 2018

	Note	**2018**		2017	
		£'000	**£'000**	£'000	£'000
Fixed assets					
Intangible assets	*7*		**270**		235
Tangible assets	*8*		**32**		42
			302		277
Current assets					
Stock	*9*	**21**		22	
Debtors	*10*	**1,755**		1,833	
Cash at bank and in hand		**134**		191	
		1,910		2,046	
Creditors: amounts falling due within one year	*11*	**(1,491)**		(1,640)	
Net current assets			**419**		406
Net assets			**721**		683
Capital and reserves					
Called up share capital	*13*		**1**		1
Profit and loss account			**720**		682
Shareholders' funds			**721**		683

The notes on pages 8 to 16 form part of the financial statements.

The financial statements were approved by the Board on 14 December 2018.

M Addison
Director

Statement of Changes in Equity

	Called up Share capital	Profit and loss account	Total equity
	£'000	£'000	£'000
Balance at 1 October 2016	1	559	560
Total comprehensive income for the period			
Profit for the period	-	123	123
Balance at 30 September 2017	1	682	683

	Called up Share Capital	Profit and loss account	Total equity
	£'000	£'000	£'000
Balance at 1 October 2017	1	682	683
Total comprehensive income for the period			
Profit for the period	-	38	38
Balance at 30 September 2018	**1**	**720**	**721**

The accompanying notes form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Basis of preparation

Video Arts Limited (the "Company") is a private company limited by shares that is incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").*

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, DMWSL 660 Limited includes the Company in its consolidated financial statements. The consolidated financial statements of DMWSL 660 Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the address given in note 16.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 7 *Financial Instrument Disclosures.*

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

As the company is a wholly owned subsidiary of DMWSL 660 Limited, the company has taken advantage of the exemption contained in FRS 101.8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 17.

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The directors have considered the factors that impact the company's future development, performance, cash flows and financial position along with company's current liquidity in forming their opinion on the going concern basis. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Turnover and profit from productions

Turnover comprises the total value of goods sold, royalties and services invoiced to customers and is stated net of trade discounts and sales taxes. The Company's turnover incorporates digital streaming licences and bespoke content. Digital streaming turnover is recognised over the length of the customer's licence. The different licence options available to our customers are Video, Rental and e- Learning.

1.4 Foreign currency

Transactions in foreign currencies are recorded at the appropriate rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or at the rate of exchange ruling at the balance sheet date, the gains and losses on the translation are included in the profit and loss account.

1.5 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account.

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 temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	3 years
Fixtures, fittings and equipment	7 years

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Intangibles - Learning content

Learning content expenditure is capitalised only if the product is commercially feasible and future economic benefits are probable. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Amortisation is calculated so as to write off the cost of the asset, less its estimated residual value, over the estimated useful economic life of that asset which is 4 years.

1.8 Stock – Learning materials

Stocks are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

1.9 Post-retirement benefits

The Company is part of a defined contribution pension scheme for eligible employees. The contributions under this scheme are held in trustee-administered funds completely separate from the Group's finances. The amounts charged against profit are based on the defined contributions payable.

1.10 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other debtors, cash and cash equivalents, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

2 Turnover

Turnover and profits relate to the principal activity of the Company and are in respect of continuing activities. The analysis by geographical area is set out below:

	2018	2017
	£'000	£'000
United Kingdom	**861**	858
Europe	**326**	401
Rest of the world	**313**	521
	1,500	1,780

Notes *(continued)*

3 Expenses and auditor's remuneration

	2018	2017
	£'000	£'000
Audit of these financial statements	**10**	10

4 Employees

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
Administration	**4**	4
Sales and Marketing	**9**	10
	13	14

The aggregate payroll costs of these employees (including directors) during the year were as follows:

	2018	2017
	£'000	£'000
Wages and salaries	**504**	550
Social security costs	**60**	66
Other pension costs	**31**	32
	595	648

5 Directors' remuneration

Included in administrative expenses is a charge for directors' emoluments of £115,000 (*2017: £115,000*).

The costs of services provided by the directors is £121,000 (*2017: £119,000*) of which £6,000 (*2017:£4,000*) has been borne by other group companies.

The emoluments of the highest paid director were £115,000 (*2017: £115,000*).

Company contributions to the defined contribution pension scheme for the highest paid director amounted to £12,000 *(2017: £12,000)*.

The number of directors to whom retirement benefits are accruing under defined contribution pension schemes is 1 (*2017: 1)*.

Notes *(continued)*

6 Taxation

Recognised in the profit and loss account

	2018	2017
	£'000	£'000
UK corporation tax		
Current tax on income for the year	**-**	56
Adjustment in respect of prior year	**(1)**	25
Foreign tax suffered	**13**	14
Total current tax charge	**12**	95
Deferred tax		
Origination and reversal of timing differences (note 12)	**22**	(2)
Tax charge on profit on ordinary activities	**34**	93

There was no income tax recognised in other comprehensive income.

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (*2017: higher*) than the standard rate of corporation tax in the UK 19% (*2017:* 19.50%) the differences are explained below.

Reconciliation of effective tax rate

	2018	2017
	£'000	£'000
Current tax reconciliation		
Profit before tax	**72**	216
Profit multiplied by the standard rate of corporation tax at 19% *(2017:* 19.50%*)*	**14**	42
Effects of:		
Expenses not deductible for tax purposes	**2**	1
Difference between depreciation and capital allowances	**(26)**	5
Withholding tax	**11**	11
Other timing differences	**34**	9
Prior year adjustment	**(1)**	25
Total tax expense	**34**	93

Notes *(continued)*

6 Taxation (continued)

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 September 2018 has been calculated based on these rates.

7 Intangible Assets

	Learning Content £'000
Cost	
At 1 October 2017	3,856
Additions	157
At 30 September 2018	**4,013**
Amortisation	
At 1 October 2017	3,621
Charge for the year	122
At 30 September 2018	**3,743**
Net book value	
At 30 September 2018	**270**
At 30 September 2017	235

Notes *(continued)*

8 Tangible assets

	Leasehold	Computer equipment	Fixtures, fittings and equipment	Total
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At 1 October 2017	-	1,363	3	1,366
Additions	4	-	2	6
Disposals	-	(1,197)	-	(1,197)
At 30 September 2018	**4**	**166**	**5**	**175**
Depreciation				
At 1 October 2017	-	1,321	3	1,324
Charge for the year	-	16	-	16
Disposals	-	(1,197)	-	(1,197)
At 30 September 2018	**-**	**140**	**3**	**143**
Net book value				
At 30 September 2018	**4**	**26**	**2**	**32**
At 30 September 2017	-	42	-	42

We have disposed of all assets with a nil net book value.

9 Stock

	2018	2017
	£'000	£'000
Finished stock – learning materials	**21**	22

10 Debtors

	2018	2017
	£'000	£'000
Due within one year		
Trade debtors	**218**	359
Amounts owed by group undertakings	**1,415**	1,309
Other debtors	**-**	1
Prepayments and accrued income	**111**	131
Deferred tax asset (see note 12)	**11**	33
	1,755	1,833

Notes *(continued)*

11 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	**29**	29
Amounts owed to group undertakings	**915**	941
Other taxation and social security	**31**	57
Other creditors	**114**	132
Accruals and deferred income	**402**	452
Corporation tax	**-**	29
	1,491	1,640

12 Deferred Taxation

	Deferred taxation £'000
Balance at 1 October 2017	33
Debit to profit and loss account	**(22)**
Balance at 30 September 2018	**11**

The deferred tax asset is made up as follows:	2018 £'000	2017 £'000
Deferred capital allowances	**11**	33

13 Called up share capital

	2018 £'000	2017 £'000
Allotted, called up and fully paid		
650 Ordinary shares of £1 each	**1**	1

Notes *(continued)*

14 Contingent liabilities

The company is part of a cross-guarantee arrangement whereby the banking liabilities of DMWSL660 Limited group, amounting to £125,864,000 *(2017: £93,306,000)* are secured by the assets of the company and its fellow subsidiaries.

The company entered into a Guarantee and Debenture, comprising fixed and floating charges over the undertaking and certain of its assets, securing all monies due or to become due from the company and / or any of the other group companies.

Under the provisions of group registration for value added tax, the company and its fellow subsidiary companies are jointly liable for the indebtedness of each other.

15 Pension scheme

The Company is part of a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £31,000 (*2017: £32,000*).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

16 Ultimate parent undertaking

The company is a subsidiary undertaking of DMWSL 660 Limited which is the ultimate parent company, incorporated in England. On 23rd October 2017, Tinopolis Group bought back the shareholding of VIP Nominees Limited (managed by Vitruvian Partners LLP), so that VIP Nominees Limited ceased to be a shareholder of Video Arts Limited and Tinopolis Group took full control of the company.

The largest group in which the results of the company are consolidated is that headed by DMWSL 660 Limited. The consolidated financial statements of these groups are available to the public and can be obtained from Tinopolis Centre, Park Street, Llanelli, Carmarthenshire, SA15 3YE.

17 Accounting estimates and judgements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is given below:

- Revenue and profit recognition involves the assessment of stage of completion and estimation of costs to complete on contracts that are fulfilled over more than one accounting period.