



Network Distributing Limited

Network Distributing Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2017

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Registered in England & Wales No. 1476436. Registered office: 19-20 Berghem Mews, Blythe Road London W14 0HN VAT No GB 679914569.

Network Distributing Limited

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Network Distributing Limited

Company Information

Director	Mr TA Beddows
Registered office	Unit 20 Berghem Mews Blythe Road London W14 0HN
Accountants	Thompson Elphick Limited Chartered Certified Accountants The Corner House 2 High Street Aylesford Kent ME20 7BG
Auditors	Pure Audit Limited Chartered Certified Accountants and Statutory Auditor 20 Canterbury Innovation Centre University Road Canterbury Kent CT2 7FG

Network Distributing Limited

Director's Report for the Year Ended 31 March 2017

The director presents his report and the financial statements for the year ended 31 March 2017.

Director of the company

The director who held office during the year was as follows:

Mr TA Beddows

Principal activity

The principal activity of the company is DVD authoring.

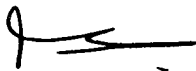
Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Small companies provision statement

This report has been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

Approved by the Board on 6/8/17 and signed on its behalf by:



.....
Mr TA Beddows
Director

Network Distributing Limited

Statement of Director's Responsibilities

The director acknowledges his responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director 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 director is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

Network Distributing Limited

Independent Auditor's Report to the Members of Network Distributing Limited

We have audited the financial statements of Network Distributing Limited for the year ended 31 March 2017, set out on pages 6 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 Section 1A 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

Respective responsibilities of the director and auditor

As explained more fully in the Statement of Director's Responsibilities (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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors to the financial statements, including "APB Ethical Standard - Provisions Available for Small Entities (Revised)".

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

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

Network Distributing Limited

Independent Auditor's Report to the Members of Network Distributing Limited

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Company's ability to continue as a going concern. The Company's debt of £800,000 is due for repayment by 15th January 2018. This, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Opinion on other matter 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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Director's Report has been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Director's Report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Director's Report.

.....
Alan Davidson (Senior Statutory Auditor)
For and on behalf of Pure Audit Limited, Statutory Auditor

20 Canterbury Innovation Centre
University Road
Canterbury
Kent
CT2 7FG

Date: 6 September 2017

Network Distributing Limited

Profit and Loss Account for the Year Ended 31 March 2017

	Note	Total 31 March 2017 £	Total 31 March 2016 £
Turnover		6,934,292	5,380,746
Cost of sales		<u>(4,287,306)</u>	<u>(3,693,536)</u>
Gross profit		2,646,986	1,687,210
Distribution costs		(324,115)	(288,690)
Administrative expenses		<u>(1,286,784)</u>	<u>(1,012,334)</u>
Operating profit		<u>1,036,087</u>	<u>386,186</u>
Amounts written off investments		-	(176,812)
Interest payable and similar expenses		<u>(36,296)</u>	<u>(55,881)</u>
		<u>(36,296)</u>	<u>(232,693)</u>
Profit before tax	5	999,791	153,493
Taxation		<u>(190,609)</u>	<u>(21,262)</u>
Profit for the financial year		<u><u>809,182</u></u>	<u><u>132,231</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

Network Distributing Limited

Statement of Comprehensive Income for the Year Ended 31 March 2017

	Note	2017 £	2016 £
Profit for the year		<u>809,182</u>	<u>132,231</u>
Total comprehensive income for the year		<u><u>809,182</u></u>	<u><u>132,231</u></u>

The notes on pages 10 to 18 form an integral part of these financial statements.

Network Distributing Limited

(Registration number: 01476436)
Balance Sheet as at 31 March 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	6	8,354	17,305
Tangible assets	7	<u>67,776</u>	<u>33,487</u>
		<u>76,130</u>	<u>50,792</u>
Current assets			
Stocks	9	4,112,882	4,062,751
Debtors	10	5,585,533	5,634,386
Cash at bank and in hand		<u>24,757</u>	<u>266,291</u>
		9,723,172	9,963,428
Creditors: Amounts falling due within one year	11	<u>(4,773,225)</u>	<u>(5,797,325)</u>
Net current assets		<u>4,949,947</u>	<u>4,166,103</u>
Net assets		<u>5,026,077</u>	<u>4,216,895</u>
Capital and reserves			
Called up share capital		410,001	410,001
Share premium reserve		7,494,282	7,494,282
Profit and loss account		<u>(2,878,206)</u>	<u>(3,687,388)</u>
Total equity		<u>5,026,077</u>	<u>4,216,895</u>

These financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

Approved and authorised by the Board on 6/8/17 and signed on its behalf by:



Mr TA Beddows
Director

Network Distributing Limited

Statement of Changes in Equity for the Year Ended 31 March 2017

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 April 2016	410,001	7,494,282	(3,687,388)	4,216,895
Profit for the year	-	-	809,182	809,182
Total comprehensive income	-	-	809,182	809,182
At 31 March 2017	410,001	7,494,282	(2,878,206)	5,026,077

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 April 2015	410,001	7,494,282	(3,819,619)	4,084,664
Profit for the year	-	-	132,231	132,231
Total comprehensive income	-	-	132,231	132,231
At 31 March 2016	410,001	7,494,282	(3,687,388)	4,216,895

The notes on pages 10 to 18 form an integral part of these financial statements.

Network Distributing Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

1 General information

The company is a private company limited by share capital incorporated in England and Wales.

The address of its registered office is:

Unit 20
Berghem Mews
Blythe Road
London
W14 0HN

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 102 Section 1A - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Going concern

The financial statements have been prepared on a going concern basis, which the directors believe to be appropriate for the following reasons;

Amounts owed to the Virgin Holdings Ltd (shown as Other borrowings - note 11) outstanding at 31 March 2017 totalling £800,000 is due to be paid in full by 15 January 2018. The nature of the Company's business is such that there can be considerable unpredictable variation in the timing and amount of cash inflows. The directors have prepared projected cash flow information for the period ending twelve months from the date of their approval of these financial statements. On the basis of this cash flow information, the directors consider that the Company will generate sufficient funds to enable it to meet the repayments on its loan balances and settle all of its other liabilities as they fall due. However, the margin of available cash levels over the required repayments is not large and there can be no certainty that the Company will continue to be in a position to make all payments as they fall due. If the loan repayments are not made as scheduled then the Company will be reliant on the continued support of Virgin Holdings Ltd in order to continue to operate and there is no certainty that such support would be provided. As a result, this material uncertainty may cast significant doubt on the Company's ability to continue as a going concern. The Company may, therefore, be unable to continue realising its assets and discharging its liabilities in the normal course of business but the financial statements do not include any adjustments that would result from withdrawal of the loan facility by Virgin Holdings Ltd.

Network Distributing Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

Judgements

Judgements and estimates have been used in the production of these accounts, notably with regards to the valuation of film rights and royalty advances as at the year end, which are on the basis of a review of all available information with regard to the balance sheet date, including third party evidence and experienced judgement.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The company recognises revenue when:

The amount of revenue can be reliably measured;

it is probable that future economic benefits will flow to the entity;

and specific criteria have been met for each of the company's activities.

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and machinery	25% straight line
Fixtures, fittings, tools and equipment	20% - 50% straight line

Intangible assets

Intangible assets are stated in the statement of financial position at cost, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Website development costs	20% straight line

Network Distributing Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Network Distributing Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Financial instruments

Classification

TV and film rights represent advances paid and payable to licensors and filmmakers (shown as Other debtors in the notes to the financial statements) in the Balance Sheet at fair value. The fair value is based upon cash flows and models of future income that may be generated by the TV and film right asset. The calculations behind these models are based upon external factors such as sales estimates, actual sales made, the recoupment history of similar contracts and a review of the historic performance of the portfolio.

Recognition and measurement

When an advance is made it is taken to the Balance Sheet initially at full value. An assessment is made of the likely recoupment of an advance that will occur over the licence period and the valuation is reduced by impairments to the extent that full repayment of an advance, through actual receipts and the value of future estimated receipts, is considered doubtful. The approach taken will depend on the titles and other external factors. In subsequent years the valuations are reviewed to ensure that all revenues due are received and the valuation remains appropriate. The valuations are based on the best available information at the Balance Sheet date, and particularly in relation to advances, the valuations will naturally change over time.

Impairment

Movements in impairments shown in the Profit and Loss reflect the net effect of increases and decreases in impairments against TV and film rights in the year. Any impairment may be reversed in part or in full if the valuation understates the fair value of the rights. Movements in rights valuations shown in the Profit and Loss reflect the net effect of increases and decreases in valuations against rights in the year. Advances are fully impaired unless there is a reasonable expectation of repayment in the licence period.

Network Distributing Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

3 Staff numbers

The average number of persons employed by the company (including directors) during the year, was 26 (2016 - 24).

4 Auditors' remuneration

	2017	2016
	£	£
Audit of the financial statements	<u>20,000</u>	<u>20,000</u>

Network Distributing Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

5 Profit before tax

Arrived at after charging/(crediting)

	2017 £	2016 £
Depreciation expense	<u>40,836</u>	<u>52,722</u>

6 Intangible assets

	Website development costs £	Total £
Cost or valuation		
At 1 April 2016	84,352	84,352
Additions	<u>3,216</u>	<u>3,216</u>
At 31 March 2017	<u>87,568</u>	<u>87,568</u>
Amortisation		
At 1 April 2016	67,047	67,047
Amortisation charge	<u>12,167</u>	<u>12,167</u>
At 31 March 2017	<u>79,214</u>	<u>79,214</u>
Carrying amount		
At 31 March 2017	<u>8,354</u>	<u>8,354</u>
At 31 March 2016	<u>17,305</u>	<u>17,305</u>

The aggregate amount of research and development expenditure recognised as an expense during the period is £Nil (2016 - £Nil).

Network Distributing Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

7 Tangible assets

	Furniture, fittings and equipment £	Other property, plant and equipment £	Total £
Cost or valuation			
At 1 April 2016	1,077,328	59,278	1,136,606
Additions	62,958	-	62,958
At 31 March 2017	1,140,286	59,278	1,199,564
Depreciation			
At 1 April 2016	1,043,841	59,278	1,103,119
Charge for the year	28,669	-	28,669
At 31 March 2017	1,072,510	59,278	1,131,788
Carrying amount			
At 31 March 2017	67,776	-	67,776
At 31 March 2016	33,487	-	33,487

Network Distributing Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

8 Investments

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Associates

Secret Country Films Ltd	Ordinary	44.5%	44.5%
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The principal activity of Secret Country Films Ltd is film production.

The company's investment in Secret Country Films Limited was £176,812 all of which has been fully written off in previous year.

9 Stocks

	2017 £	2016 £
Work in progress	3,177,776	3,041,384
Finished goods and goods for resale	883,434	980,237
Other inventories	51,672	41,130
	<u>4,112,882</u>	<u>4,062,751</u>

10 Debtors

	2017 £	2016 £
Trade debtors	700,174	830,972
Other debtors	4,885,359	4,803,414
	<u>5,585,533</u>	<u>5,634,386</u>

Network Distributing Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

11 Creditors

	Note	2017 £	2016 £
Due within one year			
Bank loans and overdrafts	12	46,038	-
Trade creditors		1,552,909	2,412,698
Taxation and social security		35,212	203,150
Other creditors		<u>3,139,066</u>	<u>3,181,477</u>
		<u>4,773,225</u>	<u>5,797,325</u>

12 Loans and borrowings

	2017 £	2016 £
Current loans and borrowings		
Bank overdrafts	<u>46,038</u>	<u>-</u>

13 Financial commitments, guarantees and contingencies

The total amount of financial commitments not included in the balance sheet is £163,314 (2016 - £50,100).

The total amount of financial commitments not included in the balance sheet concerning pensions is £5,596 (2016 - £3,419).

14 FRS 102 first year adoption

The financial statements for the year ending 31 March 2016 were prepared in accordance with United Kingdom Generally Accepted Accounting Practise (UK GAAP). The transition to Section 1A "Small Entities" of FRS 102 has had no impact on its reported financial position or financial performance. Accordingly, no reconciliations of its equity determined under old UK GAAP to its equity under Section 1A "Small Entities" of FRS 102 at 31 March 2016, or its profit determined under old UK GAAP at 31 March 2016 to its profit determined in accordance with Section 1A "Small Entities" of FRS 102 have been presented. It should be noted however that the capitalised Website Development Cost has been reclassified from a tangible to an intangible asset.