

RSA Films Limited

Annual Report and Financial Statements

For the year ended 30 September 2021

Company Registration No. 01761486 (England and Wales)

RSA Films Limited

Company Information

| | | |
|--------------------------|---|-------------------------|
| Directors | Deborah Garvey Kai Hsiung Jordan Scott Luke Scott Richard Nicholas | (Appointed 2 July 2021) |
| Company number | 01761486 | |
| Registered office | 42-44 Beak Street London United Kingdom W1F 9RH | |
| Auditor | Moore Kingston Smith LLP Charlotte Building 17 Gresse Street London W1T 1QL | |

RSA Films Limited

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RSA Films Limited

Strategic Report

For the year ended 30 September 2021

The directors present the strategic report for the year ended 30 September 2021.

Fair review of the business

The results for the year and financial position of the company are in the annexed financial statements.

RSA Films is a global, award winning advertising, creative and entertainment production company specializing in live action, stills photography, ideation and unscripted TV.

The year ending 30 September 2021 was a recovery year for the advertising industry and the country. The reopening of the economy, alongside the demand for new content from streamers helped us pick up production quickly and accelerate growth in new business areas.

Principal risks and uncertainties

The determination of the creative industries to continue to operate throughout the pandemic meant that RSA Films Limited was in a strong position to react when the economy opened. Travel bans alongside brands insisting on no travel made international production harder. Slow vaccination roll outs and the lengthy US travel ban made our traditional bedrock of international work much more challenging. The FX markets continue to fluctuate, and risks around shooting in certain countries continue to hamper production throughout the world.

Management continue executing a new strategic plan with the focus on growing new areas of the business and developing our global reach.

Development and performance

We have maintained a similar level of output. We have also continued to invest in nurturing new talent and developing Black Dog, our music video division whilst exploring other opportunities in TV, creative ideation and brand entertainment.

Key performance indicators

The Directors review KPIs throughout the year as part of the normal management process. Whilst our turnover has increased by £5,566,659, the margins are increasingly difficult to maintain in the challenging environment. The net current asset position of the company still remains in a very strong position at £2,580,772. The directors were also satisfied with net asset position at the year end.

On behalf of the board

Richard Nicholas
Director

29 April 2022

RSA Films Limited

Directors' Report

For the year ended 30 September 2021

The directors present their annual report and financial statements for the year ended 30 September 2021.

Principal activities

The principal activity of the company continued to be that of film production.

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Deborah Garvey

Kai Hsiung

Jordan Scott

Luke Scott

Richard Nicholas

(Appointed 2 July 2021)

Auditor

The auditor, Moore Kingston Smith LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Richard Nicholas

Director

29 April 2022

RSA Films Limited

Directors' Responsibilities Statement

For the year ended 30 September 2021

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 the directors have 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 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 accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RSA Films Limited

Independent Auditor's Report

To the Members of RSA Films Limited

Opinion

We have audited the financial statements of RSA Films Limited (the 'company') for the year ended 30 September 2021 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

RSA Films Limited

Independent Auditor's Report (Continued)

To the Members of RSA Films Limited

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

RSA Films Limited

Independent Auditor's Report (Continued)

To the Members of RSA Films Limited

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RSA Films Limited

Independent Auditor's Report (Continued)

To the Members of RSA Films Limited

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation.
- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Use of our report

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.

Joanna Cosgrove (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP

23 May 2022

Chartered Accountants
Statutory Auditor

Charlotte Building
17 Gresse Street
London
W1T 1QL

RSA Films Limited

Statement of Comprehensive Income

For the year ended 30 September 2021

| | Notes | 2021 £ | 2020 £ |
|---|----------|-----------------------|-------------------------|
| Turnover | 3 | 23,888,920 | 18,322,261 |
| Cost of sales | | (21,561,172) | (16,681,214) |
| Gross profit | | <u>2,327,748</u> | <u>1,641,047</u> |
| Administrative expenses | | (2,556,052) | (2,458,428) |
| Other operating income | | 325,542 | 441,801 |
| Operating profit/(loss) | 4 | <u>97,238</u> | <u>(375,580)</u> |
| Interest receivable and similar income | 7 | 146,994 | 13,672 |
| Profit/(loss) before taxation | | <u>244,232</u> | <u>(361,908)</u> |
| Taxation | 8 | 160 | 1,561 |
| Profit/(loss) for the financial year | | <u><u>244,392</u></u> | <u><u>(360,347)</u></u> |

The Profit and Loss Account has been prepared on the basis that all operations are continuing operations.

RSA Films Limited

Balance Sheet

As at 30 September 2021

| | Notes | 2021 £ | £ | 2020 £ | £ |
|---|-------|--------------------|------------------|--------------------|------------------|
| Fixed assets | | | | | |
| Tangible assets | 9 | | 7,725 | | 12,732 |
| Current assets | | | | | |
| Work in progress | 10 | 540,493 | | 105,732 | |
| Debtors | 11 | 6,845,147 | | 4,443,282 | |
| Investments | 12 | 500 | | 500 | |
| Cash at bank and in hand | | 1,297,487 | | 1,364,090 | |
| | | <u>8,683,627</u> | | <u>5,913,604</u> | |
| Creditors: amounts falling due within one year | 13 | <u>(6,102,855)</u> | | <u>(3,582,231)</u> | |
| Net current assets | | | <u>2,580,772</u> | | <u>2,331,373</u> |
| Total assets less current liabilities | | | <u>2,588,497</u> | | <u>2,344,105</u> |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | 12 | | 12 |
| Profit and loss reserves | | | <u>2,588,485</u> | | <u>2,344,093</u> |
| Total equity | | | <u>2,588,497</u> | | <u>2,344,105</u> |

The financial statements were approved by the board of directors and authorised for issue on 29 April 2022 and are signed on its behalf by:

Richard Nicholas
Director

Company Registration No. 01761486

RSA Films Limited

Statement of Changes in Equity

For the year ended 30 September 2021

| | Share capital | Profit and loss reserves | Total |
|--|---------------|-----------------------------|-----------|
| | £ | £ | £ |
| Balance at 1 October 2019 | 12 | 2,704,440 | 2,704,452 |
| Year ended 30 September 2020: | | | |
| Loss and total comprehensive income for the year | - | (360,347) | (360,347) |
| Balance at 30 September 2020 | 12 | 2,344,093 | 2,344,105 |
| Year ended 30 September 2021: | | | |
| Profit and total comprehensive income for the year | - | 244,392 | 244,392 |
| Balance at 30 September 2021 | 12 | 2,588,485 | 2,588,497 |

RSA Films Limited

Notes to the Financial Statements

For the year ended 30 September 2021

1 Accounting policies

Company information

RSA Films Limited is a private company limited by shares incorporated in England and Wales. The registered office is 42-44 Beak Street, London, United Kingdom, W1F 9RH.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, which include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of RSA Films (Holdings) Limited. These consolidated financial statements are available from its registered office, 42- 44 Beak Street, London, United Kingdom, W1F 9RH.

1.2 Going concern

The directors have considered the potential impact of the coronavirus, and the various measures taken to contain it, on the operations of the company in the near future. Film Production stopped during lockdown but has now restarted and opportunities from both the UK and overseas are now arising. This together with the strong financial position of the group pre-coronavirus means the directors view the future with optimism, the company will have sufficient funds to settle all of its liabilities as they fall due for at least 12 months from signing the financial statements. In the event of further disruption to the business in the future and sales are impacted then the company will consider cost cutting measures in order to ensure the long term viability of the business.

RSA Films Limited

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

1 Accounting policies

(Continued)

1.3 Turnover / Revenue

Revenue is recognised at the fair value of the consideration received or receivable for production services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

Revenue from production contracts is recognised by reference to the stage of completion, when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is measured by shoot days. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|------------------------------|-------------------|
| Leasehold land and buildings | 33% straight line |
| Plant and equipment | 20% straight line |
| Fixtures and fittings | 33% straight line |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

RSA Films Limited

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

1 Accounting policies

(Continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Work in progress

Work in progress represents costs incurred on productions which are shot post year end and is valued at the lower of cost and net realisable value.

1.7 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

RSA Films Limited

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

RSA Films Limited

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

RSA Films Limited

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

1 Accounting policies

(Continued)

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1.14 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

RSA Films Limited

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Revenue recognition

Significant management judgement is required in determining the point at which revenue should be recognised. Revenue is recognised in respect of each production from the point at which the company has obtained the right to consideration in return for performance. This is considered to be when all necessary approvals during the process of pre-production have been obtained from the commissioning agency and normally equates to the date at which shooting commences. No profit element is recognised until the company is able to estimate the profit on the production reliably. In arriving at this point of recognition, management have considered the liabilities and amounts that would be due if, at different points of the contract, the project would were to be pulled.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Depreciation

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of the property, plant and equipment.

3 Turnover and other revenue

| | 2021 | 2020 |
|---|------------|------------|
| | £ | £ |
| Turnover analysed by class of business | | |
| Production services | 23,888,920 | 18,322,261 |

RSA Films Limited

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

3 Turnover and other revenue (Continued)

| | 2021 £ | 2020 £ |
|---|-------------------|-------------------|
| Turnover analysed by geographical market | | |
| United Kingdom | 16,714,727 | 16,174,522 |
| Europe | 2,624,598 | 994,063 |
| USA | 876,958 | 1,153,676 |
| Rest of the World | 3,672,637 | - |
| | <u>23,888,920</u> | <u>18,322,261</u> |

| | 2021 £ | 2020 £ |
|----------------------------------|----------------|----------------|
| Other significant revenue | | |
| Interest income | 7,581 | 13,672 |
| Dividends received | 139,413 | - |
| Grants received | 125,449 | 225,976 |
| | <u>272,443</u> | <u>239,648</u> |

4 Operating profit/(loss)

| | 2021 £ | 2020 £ |
|---|----------------|----------------|
| Operating profit/(loss) for the year is stated after charging/(crediting): | | |
| Exchange gains | (66,975) | (8,703) |
| Government grants | (125,449) | (225,976) |
| Fees payable to the company's auditor for the audit of the company's financial statements | 15,250 | 15,250 |
| Depreciation of owned tangible fixed assets | 8,685 | 14,330 |
| Operating lease charges | 256,666 | 274,561 |
| | <u>288,127</u> | <u>269,462</u> |

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

| | 2021 Number | 2020 Number |
|-------------------------------|----------------|----------------|
| Management and administration | 10 | 10 |
| Production | 24 | 23 |
| Total | <u>34</u> | <u>33</u> |

RSA Films Limited

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

5 Employees

(Continued)

Their aggregate remuneration comprised:

| | 2021 £ | 2020 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 2,838,252 | 2,383,454 |
| Social security costs | 339,639 | 307,472 |
| Pension costs | 32,181 | 34,360 |
| | <u>3,210,072</u> | <u>2,725,286</u> |

6 Directors' remuneration

| | 2021 £ | 2020 £ |
|---|----------------|----------------|
| Remuneration for qualifying services | 484,331 | 315,246 |
| Company pension contributions to defined contribution schemes | 3,005 | 2,629 |
| | <u>487,336</u> | <u>317,875</u> |

Remuneration disclosed above include the following amounts paid to the highest paid director:

| | 2021 £ | 2020 £ |
|---|----------------|----------------|
| Remuneration for qualifying services | 280,099 | 225,817 |
| Company pension contributions to defined contribution schemes | 1,316 | 1,315 |
| | <u>281,415</u> | <u>227,132</u> |

7 Interest receivable and similar income

| | 2021 £ | 2020 £ |
|--|----------------|---------------|
| Interest income | | |
| Interest on bank deposits | 23 | 4,769 |
| Other interest income | 7,558 | 8,903 |
| Total interest revenue | <u>7,581</u> | <u>13,672</u> |
| Income from fixed asset investments | | |
| Income from shares in group undertakings | 139,413 | - |
| Total income | <u>146,994</u> | <u>13,672</u> |

RSA Films Limited

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

8 Taxation

| | 2021 £ | 2020 £ |
|--|-------------------|-------------------|
| Deferred tax | | |
| Origination and reversal of timing differences | (160) | (1,259) |
| Changes in tax rates | - | (302) |
| | <u> </u> | <u> </u> |
| Total deferred tax | <u>(160)</u> | <u>(1,561)</u> |

The actual credit for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

| | 2021 £ | 2020 £ |
|--|-----------------|------------------|
| Profit/(loss) before taxation | <u>244,232</u> | <u>(361,908)</u> |
| <i>Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)</i> | 46,404 | (68,763) |
| Tax effect of expenses that are not deductible in determining taxable profit | 3,290 | 4,977 |
| Tax effect of income not taxable in determining taxable profit | - | (35,460) |
| Tax effect of utilisation of tax losses not previously recognised | (23,383) | - |
| Unutilised tax losses carried forward | - | 97,838 |
| Permanent capital allowances in excess of depreciation | 17 | (153) |
| Dividend income | <u>(26,488)</u> | <u>-</u> |
| Taxation credit for the year | <u>(160)</u> | <u>(1,561)</u> |

RSA Films Limited

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

9 Tangible fixed assets

| | Leasehold land and buildings | Plant and Fixtures and equipment | Plant and Fixtures and fittings | Total |
|------------------------------------|---------------------------------|-------------------------------------|------------------------------------|----------------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 October 2020 | 17,057 | 140,191 | 204,809 | 362,057 |
| Additions | - | - | 3,678 | 3,678 |
| | <u>17,057</u> | <u>140,191</u> | <u>208,487</u> | <u>365,735</u> |
| At 30 September 2021 | 17,057 | 140,191 | 208,487 | 365,735 |
| Depreciation and impairment | | | | |
| At 1 October 2020 | 17,057 | 140,191 | 192,077 | 349,325 |
| Depreciation charged in the year | - | - | 8,685 | 8,685 |
| | <u>17,057</u> | <u>140,191</u> | <u>200,762</u> | <u>358,010</u> |
| At 30 September 2021 | 17,057 | 140,191 | 200,762 | 358,010 |
| Carrying amount | | | | |
| At 30 September 2021 | - | - | 7,725 | 7,725 |
| | <u>-</u> | <u>-</u> | <u>7,725</u> | <u>7,725</u> |
| At 30 September 2020 | - | - | 12,732 | 12,732 |
| | <u>-</u> | <u>-</u> | <u>12,732</u> | <u>12,732</u> |

10 Work in Progress

| | 2021 £ | 2020 £ |
|------------------|----------------|----------------|
| Work in progress | 540,493 | 105,732 |
| | <u>540,493</u> | <u>105,732</u> |

RSA Films Limited

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

11 Debtors

| | 2021 £ | 2020 £ |
|---|------------------|------------------|
| Amounts falling due within one year: | | |
| Trade debtors | 4,570,891 | 1,522,502 |
| Amounts due from group undertakings | 9,633 | 230,073 |
| Other debtors | 976,559 | 1,802,028 |
| Prepayments and accrued income | 1,286,960 | 887,735 |
| | <u>6,844,043</u> | <u>4,442,338</u> |
| Deferred tax asset (note 15) | 1,104 | 944 |
| | <u>6,845,147</u> | <u>4,443,282</u> |

12 Current asset investments

| | 2021 £ | 2020 £ |
|----------------------|------------|------------|
| Unlisted investments | <u>500</u> | <u>500</u> |

13 Creditors: amounts falling due within one year

| | 2021 £ | 2020 £ |
|------------------------------------|------------------|------------------|
| Trade creditors | 364,066 | 266,055 |
| Amounts owed to group undertakings | 48,710 | - |
| Taxation and social security | 458,698 | 484,477 |
| Other creditors | 921,266 | 659,693 |
| Accruals and deferred income | 4,310,115 | 2,172,006 |
| | <u>6,102,855</u> | <u>3,582,231</u> |

14 Retirement benefit schemes

| | 2021 £ | 2020 £ |
|---|---------------|---------------|
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | <u>32,181</u> | <u>34,360</u> |

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

RSA Films Limited

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

15 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

| | Assets 2021 £ | Assets 2020 £ |
|-------------------------------------|------------------------------|------------------------------|
| Balances: | | |
| Accelerated capital allowances | 1,104 | 944 |
| | <u> </u> | <u> </u> |
| Movements in the year: | | 2021 £ |
| Liability/(Asset) at 1 October 2020 | | (944) |
| Credit to profit or loss | | (160) |
| | | <u> </u> |
| Asset at 30 September 2021 | | (1,104) |
| | | <u> </u> |

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period.

16 Share capital

| | 2021 Number | 2020 Number | 2021 £ | 2020 £ |
|---|------------------------|------------------------|-------------------|-------------------|
| Ordinary share capital Issued and fully paid | | | | |
| Ordinary shares of £1 each | 12 | 12 | 12 | 12 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

RSA Films Limited

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

17 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2021 £ | 2020 £ |
|----------------------------|----------------|----------------|
| Within one year | 280,000 | 280,000 |
| Between two and five years | 163,333 | 443,333 |
| | <u>443,333</u> | <u>723,333</u> |

Lessor

The company sublets surplus office space in its business premises.

At the reporting end date the company had contracted with tenants for the following minimum lease payments:

| | 2021 £ | 2020 £ |
|----------------------------|----------------|----------------|
| Within one year | 125,192 | 125,192 |
| Between two and five years | 73,029 | 198,221 |
| | <u>198,221</u> | <u>323,413</u> |

RSA Films Limited

Notes to the Financial Statements (Continued)

For the year ended 30 September 2021

18 Related party transactions

RSA Films Limited has taken the exemption to disclose related party transactions under the same 100% control in accordance with FRS102 - Section 33 "Related Party Disclosures" paragraph 33.7.

During the year RSA Films Limited made sales of £265,667 (2020: £87,387) to RSA Films, Inc, a company incorporated in the United States of America and a related party by virtue of common ownership. RSA Films, Inc. also made sales of £157,400 (2020: £nil) to RSA Films Limited. During the year RSA Films Limited recharged costs of £407,388 (2020: £952,602) to RSA Films, Inc. and RSA Films, Inc. recharged costs of £122,470 (2020: £71,586) to RSA Films Limited. At the year end a balance of £137,640 (2020: £159,506) was owed from RSA Films, Inc.

During the year RSA Films Limited made sales of £27,943 (2020: £96,407) to Scott Free Films Limited, a related party by virtue of common directorship. Scott Free Films Limited also made sales of £nil (2020: £116,280) to RSA Films Limited. During the year RSA Films Limited also charged a license fee of £5,834 (2020: £17,500) to Scott Free Films Limited. At the year end a balance of £28,790 was owed from Scott Free Films Limited (2020: £3,211 was owed to the company).

At the year end a balance of £nil (2020: £11,038) was owed from Black Dog Films Limited, a related party by virtue of common directorship.

During the year RSA Films Limited made sales of £697,864 (2020: £221,738) to Ridley Scott Creative BV, a related party by virtue of common directorship. During the year Ridley Scott Creative BV made sales of £57,196 (2020: £nil) to RSA Films Limited. During the year RSA Films Limited recharged costs of £66,651 (2020: £nil) to Ridley Scott Creative BV, and Ridley Scott Creative BV recharged cost of £83,590 (2020: £nil). At the year end a balance of £511,556 (2020: £323,246) was owed from Ridley Scott Creative BV.

During the year Jordan Scott, a director of the group, received director fees of £nil (2020: £19,000), and received profit share payments of £nil (2020: £11,000). At the year end there was an outstanding balance included within other creditors of £1,145 (2020: £1,698) owed to Jordan Scott.

At the year end there was an outstanding balance included within other creditors of £1,917 (2020: £1,917) owed to Luke Scott.

During the year Jake Scott, a related party by virtue of being a sibling of the group's directors received director fees of £393,067 (2020: £424,000), and received profit share payments of £25,000 (2020: £61,927) and accrued £46,685 (2020: £41,788) through Knockdown Ginger. At the year end there was an outstanding balance included within other creditors of £18,270 owed to Jake Scott (2020: £38,644).

19 Ultimate controlling party

The company is controlled by RSA Films (Holdings) Limited, its immediate and ultimate parent company.

A copy of the group's consolidated financial statements can be obtained from the registered office of RSA Films (Holdings) Limited: 42-44 Beak Street, London, W1F 9RH.

There is no ultimate controlling party.

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