Financial Statements Metropolis Group Limited

For the year ended 31 December 2011

Registered number 01870796

Company Information

Directors

I Brenchley
C R C Taylor (resigned 4 November 2011)
C J C Taylor (resigned 4 November 2011)
D Edey (resigned 4 November 2011)
P Basran (appointed 4 November 2011)
A Thomas (appointed 4 November 2011)
J Fitzjohn (appointed 4 November 2011)

Company secretary

J Fitzjohn

Company number

01870796

Registered office

The Power House
70 Chiswick High Road
London
W4 1SY

Contents

Directors' Report

For the year ended 31 December 2011

The directors present their report and the financial statements for the year ended 31 December 2011

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year Under that law 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 judgments and 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 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

Principal activities

The principal activities of the company continued to be that of trading in the media industry

Business review

The business was acquired by new owners towards the end of the financial year The deal involved a sale and leaseback of the Power House property, which, as well as additional funding put into the business, meant the company was able to clear all debt and borrowings outstanding at the deal date The loss on the sale of the building, as well as fees relating to the deal, meant substantial write-offs to the P&L in the year Trading for 2011 was in line with previous years

Results

The loss for the year, after taxation, amounted to £3,424 309 (2010 - profit £69,107)

Directors' Report
For the year ended 31 December 2011

Directors

The directors who served during the year were

I Brenchley
C R C Taylor (resigned 4 November 2011)
C J C Taylor (resigned 4 November 2011)
D Edey (resigned 4 November 2011)
P Basran (appointed 4 November 2011)
A Thomas (appointed 4 November 2011)
J Fitzjohn (appointed 4 November 2011)

Principal risks and uncertainties

The company's principal financial instruments continued to comprise bank balances, trade creditors, trade debtors, loans to the company and hire purchase/finance lease agreements, the main purpose of which is to raise funds to finance the company's operations The company, through the management buy out in the period has been able to reduce its exposure to liquidity risk which in turn has enabled the company to manage liquidity risk which in turn has enabled the company to manage liquidity by ensuring sufficient funds are available to meet amounts due in respect of creditors Whilst this remains a tough prospect in the current economic climate, the directors remain confident that this achievable

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of these policies on an ongoing basis ensuring provisions are made for doubtful debts where necessary

Future developments

The Directors will continue to build on the revenue and look to deliver increasing profitability in the year to come

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information

Directors' Report
For the year ended 31 December 2011

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier

This report was approved by the board on 17th October 2012 and signed on its behalf

I Brenchley
Director

Grant Thornton

Independent Auditor's Report to the Members of Metropolis Group Limited

We have audited the financial statements of Metropolis Group Limited for the year ended 31 December 2011, which comprise the Profit and loss account, the Balance sheet, the Cash flow statement and the related notes 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)

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 directors and auditor

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 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 Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www frc org uk/apb/scope/private cfm

Opinion on 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 December 2011 and of its loss 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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Grant Thornton

Independent Auditor's Report to the Members of Metropolis Group Limited

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

Terence Back (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
London (Euston)
Date 17th october 2012

Profit and Loss Account

For the year ended 31 December 2011

	Note	2011 £	2010 £
Turnover	1,2	**3,557,195**	3,799,854
Cost of sales		**(1,920,648)**	(2,111,231)
Gross profit		**1,636,547**	1,688,623
Administrative expenses		**(1,859,427)**	(1,606,224)
Operating (loss)/profit	3	**(222,880)**	82,399
Exceptional items			
Restructuring costs	7	**(3,202,932)**	(152,766)
Loss on ordinary activities before interest		**(3,425,812)**	(70,367)
Interest receivable and similar income		**-**	1,084
Interest payable and similar charges	6	**(93,361)**	(77,746)
Loss on ordinary activities before taxation		**(3,519,173)**	(147,029)
Tax on loss on ordinary activities	8	**94,864**	216,136
(Loss)/profit for the financial year	17	**(3,424,309)**	69,107

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account

The notes on pages 9 to 19 form part of these financial statements

Metropolis Group Limited
Registered number: 01870796

Balance Sheet
As at 31 December 2011

	Note		2011		2010
		£	£	£	£
Fixed assets					
Tangible assets	9		**1,482,524**		7,397,991
Investments	10		**6**		6
			1,482,530		7,397,997
Current assets					
Stocks	11	**11,899**		12,863	
Debtors	12	**1,261,304**		689,940	
Cash at bank		**205,711**		206,413	
		1,478,914		909,216	
Creditors amounts falling due within one year	13	**(991,512)**		(882 356)	
Net current assets			**487,402**		26,860
Total assets less current liabilities			**1,969,932**		7,424,857
Creditors amounts falling due after more than one year	14		**(179,515)**		(2,115,267)
Provisions for liabilities					
Deferred tax	15		-		(94,864)
Net assets			**1,790,417**		5,214,726
Capital and reserves					
Called up share capital	16		**1,585,478**		1,585,478
Share premium account	17		**3,580,262**		3,580,262
Profit and loss account	17		**(3,375,323)**		48 986
Shareholders' funds	18		**1,790,417**		5,214,726

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

17th october 2012

I Brenchley
Director

The notes on pages 9 to 19 form part of these financial statements

Cash Flow Statement

For the year ended 31 December 2011

	Note	2011 £	2010 £
Net cash flow from operating activities	19	**(3,582,379)**	(330,258)
Returns on investments and servicing of finance	20	**(93,361)**	(76,662)
Capital expenditure and financial investment	20	**5,695,378**	(132,057)
Cash inflow/(outflow) before financing		**2,019,638**	(538,977)
Financing	20	**(2,020,069)**	801,464
(Decrease)/Increase in cash in the year		**(431)**	262,487

Reconciliation of Net Cash Flow to Movement in Net Funds/Debt

For the year ended 31 December 2011

	2011 £	2010 £
(Decrease)/Increase in cash in the year	**(431)**	262,487
Cash outflow from decrease in debt and lease financing	**2,020,067**	1,514,985
Movement in net debt in the year	**2,019,636**	1 777,472
Net debt at 1 January 2011	**(2,098,485)**	(3,875,957)
Net debt at 31 December 2011	**(78,849)**	(2,098 485)

The notes on pages 9 to 19 form part of these financial statements

Notes to the Financial Statements
For the year ended 31 December 2011

1. Accounting Policies

1.1 Basis of preparation of financial statements
These financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The directors, in accordance with the Financial Reporting Standard 18, "Accounting Policies" ("FRS 18"), confirm that the accounting policies used by the Company are the most appropriate, consistently applied and adequately disclosed

The Directors have reviewed the company's cash flow forecasts and are of the opinion there is adequate funding for at least 12 months from the date of these accounts The financial statements have therefore been prepared on a going concern basis

1.2 Turnover

Turnover from sale of goods represents amount receivable net of VAT and trade discounts and is recognised the when significant risks and rewards of ownership have been transferred Specifically, fees for studio hire are recognised once the booking date has commenced and for mastering are recognised on a completion basis

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

L/Term Leasehold Property	-	Not depreciated
Leasehold Improvements	-	12 year straight line
Studio and office equipment	-	10% to 25% per annum

The carrying value of tangible fixed assets are reviewed if events or changes in circumstances indicate the carrying value may not be recoverable

1.4 Investments

Fixed asset investments are stated at cost less provision for diminution in value

1 5 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives Obligations under such agreements are included in creditors net of the finance charge allocated to future periods The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period

1 6 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

Notes to the Financial Statements
For the year ended 31 December 2011

1. Accounting Policies (continued)

1 7 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks Cost includes all direct costs and an appropriate proportion of fixed and variable overheads

1 8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are discounted

1 9 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and loss account

1 10 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

2. Turnover

All turnover arose within the United Kingdom

Notes to the Financial Statements

For the year ended 31 December 2011

3. Operating (loss)/profit

The operating (loss)/profit is stated after charging

	2011	2010
	£	£
Depreciation of tangible fixed assets		
- owned by the company	**220,089**	242,634
Auditor's remuneration	**10,000**	11,553
Operating lease rentals		
- other operating leases	**22,488**	28,262
Difference on foreign exchange	**-**	3 724

4. Staff costs

Staff costs, including directors' remuneration, were as follows

	2011	2010
	£	£
Wages and salaries	**2,047,438**	1,201,421
Social security costs	**177,261**	169,374
	2,224,699	1,370,795

The average monthly number of employees, including the directors, during the year was as follows

	2011	2010
	No	No
	56	56

Staff analysis

		2011		2010
		£		£
Office Support and Management	**21**		21	
Production	**35**		35	
		56		56

Notes to the Financial Statements

For the year ended 31 December 2011

5. Directors' remuneration

	2011	2010
	£	£
Emoluments	294,475	90,966

The highest paid director received remuneration of £91,249 (2010 - £80 000)

6. Interest payable

	2011	2010
	£	£
On bank loans and overdrafts	85,156	66,341
On finance leases and hire purchase contracts	8,205	11,405
	93,361	77,746

7. Exceptional items

	2011	2010
	£	£
Restructuring costs	426,447	152,766
Loss on disposal	2,776,485	-
	3,202,932	152,766

8. Taxation

	2011	2010
	£	£
Analysis of tax charge in the year		
Deferred tax (see note 15)		
Deferred Tax charge/credit current year	(94,864)	(216,136)
Tax on loss on ordinary activities	(94,864)	(216,136)

Notes to the Financial Statements

For the year ended 31 December 2011

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - lower than) the standard rate of corporation tax in the UK of 26 49% (2010 - 21%) The differences are explained below

	2011	2010
	£	£
Loss on ordinary activities before tax	(3,519,173)	(147,029)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26 49% (2010 - 21%)	(932,229)	(30,876)
Effects of		
Non-tax deductible amortisation of goodwill and impairment	57,358	17,226
Depreciation add back	-	50,953
Capital allowances for year in excess of depreciation	-	(44,360)
Capital losses carried forward	735,578	-
Expenses not deductible for tax purposes	123,520	-
Capital losses carried forward	9,904	-
Other tax adjustments	5,869	7,057
Current tax charge for the year (see note above)	-	-

9. Tangible fixed assets

	L/Term Leasehold Property	Plant & machinery	Leasehold improvements	Total
	£	£	£	£
Cost				
At 1 January 2011	5,773,060	6,746,871	751,125	13,271,056
Additions	-	143,251	-	143,251
Disposals	(5,773,060)	(27,000)	(751,125)	(6,551,185)
At 31 December 2011	-	6,863,122	-	6,863,122
Depreciation				
At 1 January 2011	-	5,187,162	685,903	5,873,065
Charge for the year	-	208,292	11,797	220,089
On disposals	-	(14,856)	(697,700)	(712,556)
At 31 December 2011	-	5,380,598	-	5,380,598
Net book value				
At 31 December 2011	-	1,482,524	-	1,482,524
At 31 December 2010	5,773,060	1,559,709	65,222	7 397,991

Notes to the Financial Statements

For the year ended 31 December 2011

9. Tangible fixed assets (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	2011	2010
	£	£
Studio and office equipment	162,009	158,510

Depreciation of Hire Purchase Assets

	2011	2010
	£	£
	43,934	177,825

10. Fixed asset investments

	Investments in subsidiary companies
	£
Cost or valuation	
At 1 January 2011 and 31 December 2011	6
Net book value	
At 31 December 2011	6
At 31 December 2010	6

Subsidiary undertakings

The following were subsidiary undertakings of the company

Name	Class of shares	Holding
Metropolis DVD Limited (United Kingdom)	Ordinary	100%
Metropolis Mastering Limited (United Kingdom)	Ordinary	100%
Metropolis Studios Limited (United Kingdom)	Ordinary	100%

Notes to the Financial Statements

For the year ended 31 December 2011

10. Fixed asset investments (continued)

The aggregate of the share capital and reserves as at 31 December 2011 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows

Name	Aggregate of share capital and reserves	Profit/(loss)
	£	£
Metropolis DVD Limited (United Kingdom)	2	-
Metropolis Mastering Limited (United Kingdom)	2	-
Metropolis Studios Limited (United Kingdom)	2	-

11. Stocks

	2011	2010
	£	£
Finished goods and goods for resale	11,899	12,863

12. Debtors

	2011	2010
	£	£
Trade debtors	708,803	534,370
Amounts owed by group undertakings	219,987	-
Other debtors	51,148	40 466
Prepayments and accrued income	281,366	115,104
	1,261,304	689,940

13. Creditors: Amounts falling due within one year

	2011	2010
	£	£
Bank loans and overdrafts	-	100,271
Net obligations under finance leases and hire purchase contracts	105,045	89 360
Trade creditors	441,121	209,142
Social security and other taxes	152,955	213,678
Other creditors	102,544	83,179
Accruals and deferred income	189,847	186,726
	991,512	882,356

Notes to the Financial Statements

For the year ended 31 December 2011

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

	2011	2010
	£	£
Bank loans	-	2,075,000
Net obligations under finance leases and hire purchase contracts	179,515	40,267
	179,515	2,115,267

Creditors include amounts not wholly repayable within 5 years as follows

	2011	2010
	£	£
Repayable by instalments	-	1,775,000

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	2011	2010
	£	£
Between one and five years	179,515	40,267

	2011	2010
	£	£
Bank loan payable within 1 year (included in current liabilities)	-	100 000

In the current year Metropolis Group Limited had an asset finance arrangement in place with Singers commencing on 20 December 2011 for 3 years In the prior year, Metropolis Group Limited had a term loan from The Royal Bank of Scotland plc, which was secured by a debenture and floating charge over the company's assets and undertakings and a legal charge over the long leasehold interest in The Power House, 70 Chiswick High Road, London, W4 1SY This mortgage was settled on 4 November 2011

15. Deferred taxation

	2011	2010
	£	£
At beginning of year	94,864	311,000
Other movement	(94,864)	(216 136)
At end of year	-	94 864

Notes to the Financial Statements

For the year ended 31 December 2011

15. Deferred taxation (continued)

The provision for deferred taxation is made up as follows

	2011	2010
	£	£
Accelerated capital allowances	-	94,864

16. Share capital

	2011	2010
	£	£
Allotted, called up and fully paid		
1,585,478 (2010 - 585,478) Ordinary shares of £1 each	1,585,478	585,478
200,000 1st Preference shares of £1 each	-	200,000
800,000 Class A Preference shares of £1 each	-	800 000
	1,585,478	1,585,478

With effect from 4th November 2011, the 1st £1 Preference shares and Class A £1 Preference shares were converted into £1 Ordinary shares on a share for share basis The dividend payable up to 4th November 2011 was waived by the holders of the preference shares as part of the restructure transaction

17. Reserves

	Share premium account	Profit and loss account
	£	£
At 1 January 2011	3,580,262	48,986
Loss for the year		(3,424,309)
At 31 December 2011	3,580,262	(3,375,323)

18. Reconciliation of movement in shareholders' funds

	2011	2010
	£	£
Opening shareholders' funds	5,214,726	1 418,189
(Loss)/profit for the year	(3,424,309)	69,107
Shares issued during the year	-	585,478
Share premium on shares issued (net of expenses)	-	3,141,952
Closing shareholders' funds	1,790,417	5,214 726

Notes to the Financial Statements

For the year ended 31 December 2011

19. Net cash flow from operating activities

	2011	2010
	£	£
Operating (loss)/profit	(222,880)	82,399
Exceptional items	(3,202,932)	(152,766)
Amortisation of intangible fixed assets	-	242,634
Depreciation of tangible fixed assets	220,089	-
Decrease in stocks	964	6 332
(Increase)/decrease in debtors	(351,377)	369,887
Increase in amounts owed by group undertakings	(219,987)	-
Increase/(decrease) in creditors	193,744	(878,744)
Net cash outflow from operating activities	(3,582,379)	(330,258)

20. Analysis of cash flows for headings netted in cash flow statement

	2011	2010
	£	£
Returns on investments and servicing of finance		
Interest received	-	1 084
Interest paid	(85,156)	(77,746)
Hire purchase interest	(8,205)	-
Net cash outflow from returns on investments and servicing of finance	(93,361)	(76,662)

	2011	2010
	£	£
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(143,251)	(132,057)
Sale of tangible fixed assets	5,838,629	-
Net cash inflow/(outflow) from capital expenditure	5,695,378	(132,057)

	2011	2010
	£	£
Financing		
Issue of ordinary shares	-	3,574,415
Purchase of ordinary shares	(2)	(1,982,824)
Repayment of loans	(1,975,000)	(1,514,985)
Repayment of finance leases	(45,067)	-
Issue of preference share capital	-	800,000
Capital element of hire purchase contracts	-	(75,142)
Net cash (outflow)/inflow from financing	(2,020,069)	801,464

Notes to the Financial Statements

For the year ended 31 December 2011

21. Analysis of changes in net debt

	1 January 2011	Cash flow	Other non-cash changes	31 December 2011
	£	£	£	£
Cash at bank and in hand	206,413	(702)	-	205,711
Bank overdraft	(271)	271	-	-
	206,142	(431)	-	205,711
Debt				
Debts due within one year	(189,360)	2,020,067	(1,935,751)	(105,044)
Debts falling due after more than one year	(2,115,267)	-	1,935,751	(179,516)
Net debt	(2,098,485)	2,019,636	-	(78,849)

22. Operating lease commitments

At 31 December 2011 the company had annual commitments under non-cancelable operating leases as follows

	Land and buildings 2011	2010
	£	£
Expiry date		
After more than 5 years	394,000	-

23. Related party transactions

The Company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related party disclosures" and has not disclosed transactions with wholly owned group undertakings

During the year a 8linQ Limited, a company registered in England and Wales, of which Ian Brenchley, a director of Metropolis Group Limited is also a director, was invoiced £11,669 (2010 £nil) At the year end the balance due to Metropolis Group Limited was £9,524 (2010 £nil) The balance of this debtor has been paid since the year end

24. Ultimate controlling party

The ultimate parent company is Metropolis London Music Limited by virtue of its majority shareholding The parent company is registered in England and Wales and has a company registration number of 07495435