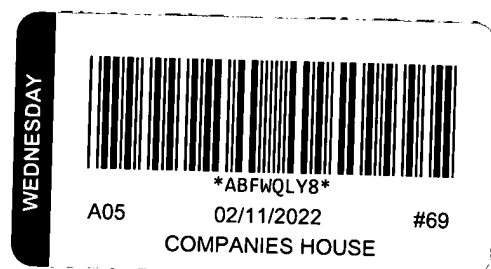


The FrameStore Limited

Annual report

for the period ended 31 December 2021

Registered Number 01972029



The FrameStore Limited
Annual report
for the period ended 31 December 2021

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Directors and advisers

Directors

M J McGee
T J Webber
W D Sargent
M Sullivan

Secretary and registered office

M Sullivan
28 Chancery Lane
London
WC2A 1LB

Independent auditor

KPMG LLP
15 Canada Square,
London
E14 5GL

Banker

NatWest Bank plc
No 2 Waterhouse Square
138-142 Holborn
London
EC1N 2TN

Solicitor

Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London
EC2A 2HA

Strategic report for the period ended 31 December 2021

The directors present their strategic report of The FrameStore Limited ("the Company") for the period ended 31 December 2021.

Change in reporting period

The company changed its financial year end from 31 March to 31 December with effect from the current financial period 31 December 2021. The financial statements for the current financial period are made up from 1 April 2021 to 31 December 2021. The comparative figures are for the twelve months from 1 April 2020 to 31 March 2021.

Principal activities

The Company provides creative services and applied technologies to the film, television, advertising and business communities.

Review of the business and future outlook

The results for the Company show an operating loss of £2,436,000 (year ended 31 March 2021: loss £3,550,000) and turnover of £76,725,000 (year ended 31 March 2021: £84,947,000). The Company has net assets of £1,533,000 (year ended 31 March 2021: £3,589,000) at the reporting date.

The Company continues to work with major film studios, advertising agencies and large brands on some of their major projects. The Company has started the new financial year well and is trading in line with its budget.

Principal risks and uncertainties

The Company's performance is impacted by the general economic climate in the UK and USA. This risk is managed by ensuring that the group operates across a range of markets with a broad client base. On 31 January 2021 the UK left the EU, the directors believe that any associated risk is low given the current group operations and locations. However, the Directors continue to monitor the situation, particularly with respect to supply chains. The Company has been affected by the COVID-19 pandemic in the period ended 31 December 2021. COVID-19 has impacted our colleagues, operations, customers with the extent dependent on factors including but not limited to, length of UK lockdowns, levels of employee absence, virus recurrence, unemployment levels, nature and extent of any government interventions, severity of economic effects and the speed and nature of the recovery. Employees have successfully been able to work from home which has minimised disruption to the business. Some major productions were impacted during the COVID-19 peaks which has had a knock-on effect on project margin and delivery during the current financial year as well as the early part of 2022.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of credit risk, interest and exchange rate risk. The Company is reliant on its board of directors to actively manage its risk exposure.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the group's finance department.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. Where debt finance is utilised, this is subject to pre-approval by the board of directors and such approval is limited to respected financial institutions.

Interest and exchange rate cash flow risk

The Company has interest bearing assets and foreign currency assets. Interest bearing assets include only cash balances, all of which earn interest at the best available rate. The Company has a policy of hedging certain foreign currency assets to manage its exposure in exchange rate fluctuations and to provide certainty of future cash flows. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

Inflation and global energy crisis

Due to the current economic climate and levels of inflation at the date of issuance of the financial statements, the Company's exposure to inflation risk has resulted in a higher degree of focus by senior management. Inflation levels have an impact on the majority of the Company's cost base which is largely driven by staff, software and facility costs. Staff costs are most impacted by inflation as these are subject to annual increases, whilst software and facility costs have lower levels of exposure due to longer term supplier contracts in which cost bases are not regularly revised to current market levels. To mitigate the risk of inflation, the Company is focussing on creating flexibility in the global staff workforce and increase the use of lower cost centres such as India and Toronto to drive down costs.

The global energy crisis has not had a direct material impact on the Company's operations, other than general facility and utility cost increases.

Employees

The Company provides an annual appraisal process for all employees where performance and career development are discussed. There are a wide range of training opportunities available to staff at all levels.

Company wide staff presentations are held across all locations at least once a year.

Strategic report for the period ended 31 December 2021 (cont'd)

It is the Company's policy that disabled persons or persons who become disabled whilst in the employment of the Company should be considered for employment, training, career development and promotion on the basis of their abilities and aptitudes in common with all employees.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The board of directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and having regard (amongst other matters) to factors (a) to (f) s172 Companies Act 2006, in the decisions taken during the period ended 31 December 2021.

The Board regularly undertakes a review of the Company's strategy including its long term business plan. This informs the annual budgets, resource plans and investment decisions. In making decisions concerning the future strategy the Board has regard for a variety of matters including the interests of shareholders, clients, staff and the community we are based in and the consequences of our decisions in the long term.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006 (cont'd)

We recognise our employees are fundamental to the long term success of the business. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. Their health, safety, development and wellbeing are primary considerations in the way we operate and the support we provide to them.

Our strategy prioritises sustainable growth through selling services to both existing and new clients; this relies on maintaining and developing strong client relationships and finding solutions, often through innovation, to their needs. The Board are briefed on major contract renegotiations and strategy with regard to key customers and suppliers.

The Board considers the impact of the company's operations on the community and environment and our wider societal responsibilities. The Company supports local charities in the locations it is based in, enables staff charity events and is an active corporate citizen. As a company we are a long term active organisation in terms of social equality, diversity and inclusion. A Social Equity Council drawn from all parts and levels of the company drives this work.

Our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within a high standard of business conduct and good governance.

As a Board of Directors our intention is to behave responsibly towards our shareholders and treat them fairly and equally.

Key performance indicators ("KPIs")

It is considered that turnover and EBITDA (operating loss adding back depreciation and amortisation) are the key performance indicators of the business:

KPI	Period ended 31 December 2021 £000	Year ended 31 March 2021 £000	Increase / (decrease)	Comments
Turnover	76,725	84,947	-10%	The decline in turnover is due to the shorter current period; when annualised, turnover has increased on prior year due to the Company taking on more projects as the impact of Covid-19 delays on live action shoots tapers off.
Gross Profit	11,438	13,118	-12%	The decline in gross profit is mostly due to the shorter current period; only a minimal decrease on the prior year due to lower margins achieved on the projects worked on.
Operating Profit	(2,436)	(3,550)		
Depreciation	2,565	3,517		
EBITDA	129	(33)	490%	The increase in EBITDA is due to increased turnover and higher utilisation of staff, however the increase is not as substantial due to the lower margin of those projects taken on.
EBITDA margin %	*-%	*-%		

Loss before tax	(2,772)	(4,004)	-30%	The improvement is due to an increase in turnover; however this improvement is partially offset as low margin projects were the main driver of the increased turnover.
Loss before tax %	-4%	-5%		

*These are below 0% and have therefore not been presented.

On behalf of the board



W D Sargent, Director
Date: 31 October 2022

Directors' report for the period ended 31 December 2021

The directors present their report and the audited financial statements for the period ended 31 December 2021.

Results and dividends

The Company made a loss for the period of £2,056,000 (year ended 31 March 2021: loss £3,025,000). No ordinary share dividends were paid or proposed (year ended 31 March 2021: £nil).

Directors

The directors of the Company who were in office during the period and up to the date of signing the financial statements were:

M J McGee

T J Webber

W D Sargent

M Sullivan

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force. The Company also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its directors.

Energy Consumption and Greenhouse gas emissions

During the period, the group consumed 4.77 GWh (year ended 31 March 2021: 5.59 GWh) of electricity (Scope 2) and 0.8 GWh (year ended 31 March 2021: 0.7 GWh) of gas (Scope 1). The emissions from air conditioning and refrigeration units in office buildings are estimated to account for less than 0.5% of total scope 1 emissions.

The group's gross greenhouse gas (GHG) emissions for the period ended 31 December 2021 were 1,165 tonnes of CO₂ (year ended 31 March 2021: 1,437 tonnes of CO₂). The group has calculated its carbon footprint according to the World Resources Institute ("WRI") and the World Business Council for Sustainable Development ("WBCSD") GHG Protocol, which is the internationally recognised standard for corporate carbon reporting.

Energy-saving initiatives include a continuous programme of switching to more efficient IT hardware.

For the business, the most appropriate metric to measure the level of GHG emissions is per square metre and was 0.13 tonnes/square metre (year ended 31 March 2021: 0.16 tonnes/square metre).

Employees

The Company provides an annual appraisal process for all employees where performance and career development are discussed. There are a wide range of training opportunities available to staff at all levels. Company-wide staff presentations are held at least once a year.

It is the Company's policy that disabled persons or persons who become disabled whilst in the employment of the Company should be considered for employment, training, career development and promotion on the basis of their abilities and aptitudes in common with all employees.

Political Donations

No political donations were made during the period (year ended 31 March 2021: £nil).

Statement of disclosure of information to auditor

Each director of the Company, in office at the time of approval of this report, acknowledges that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue its operations for the foreseeable future. Based on the Company's cash flow forecasts, existing lending arrangements and headroom on covenants for which waivers have not been provided, the Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and at least for the next twelve months following the date of issuance of these consolidated financial statements. Thus, they continue to adopt the going concern basis in preparing the audited financial statements. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

Independent auditor

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

By order of the board

A handwritten signature in black ink, appearing to read 'W D Sargent', with a large, sweeping initial 'A' or 'S' at the start.

W D Sargent, Director
Date: 31 October 2022

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of The FrameStore Limited

Opinion

We have audited the financial statements of FrameStore Limited ("the company") for the comprise the Profit and loss account and Other Comprehensive income, Balance sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board meeting minutes;
- Considering remuneration incentive schemes and performance targets directors.
- Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Company management may be in a position to make inappropriate accounting entries, and the risk of fraudulent revenue recognition over revenue spanning year end, where recognised using percentage of completion method which is based on an estimate and could be open to bias, other revenue streams were considered to be straightforward and not exposed to a risk of fraudulent revenue recognition.

We did not identify any additional fraud risks.

Independent Auditor's Report to the Members of The FrameStore Limited (cont'd)

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on high risk criteria and comparing the identified entries to supporting documentation. These included journals posted to unrelated account linked to cash and revenue.
- Recalculation of revenue spanning year end recognised through percentage of completion methods and verification of inputs to source documents.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Company is also subject to many other laws and regulations where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as the most likely to have such an effect: health and safety, anti-bribery and employment law, data protection regulations, recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent Auditor's Report to the Members of The FrameStore Limited (cont'd)

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Paul Barron (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, UK
E14 5GL
31 October 2022

**Profit and loss account and Other Comprehensive Income
for the period ended 31 December 2021**

	Note	Period ended 31 December 2021 £000	Year ended 31 March 2021 £000
Turnover	2	76,725	84,947
Cost of Sales		(65,287)	(71,829)
Gross profit		11,438	13,118
Administrative expenses		(15,174)	(20,576)
Other operating income	3	1,300	2,805
Income from other fixed asset investments	4	-	1,103
Operating loss	5	(2,436)	(3,550)
Interest receivable and similar income	8	-	1
Interest payable and similar charges	9	(336)	(455)
Loss before taxation		(2,772)	(4,004)
Tax on loss	10	716	979
Loss for the financial period		(2,056)	(3,025)
Other comprehensive income		-	-
Total comprehensive loss for the period		(2,056)	(3,025)

All results derive from continuing operations.

The notes on pages 14 to 24 form an integral part of these financial statements.

Balance sheet**at 31 December 2021****Registered Number 01972029**

	Note	31 December 2021 £000	31 March 2021 £000
Fixed assets			
Tangible assets	11	15,444	12,869
Investments	12	-	75
		<u>15,444</u>	<u>12,944</u>
Current assets			
Debtors - amounts falling due within one year	13	29,146	28,254
- amounts falling due after more than one year	13	2,118	1,402
Total Debtors		<u>31,264</u>	<u>29,656</u>
Cash at bank and in hand		-	-
		<u>31,264</u>	<u>29,656</u>
Creditors: amounts falling due within one year	14	<u>(31,065)</u>	<u>(25,946)</u>
Net current assets		<u>199</u>	<u>3,710</u>
Total assets less current liabilities		<u>15,643</u>	<u>16,654</u>
Creditors: amounts falling due after more than one year	15	<u>(13,495)</u>	<u>(12,551)</u>
Provisions for liabilities	17	<u>(615)</u>	<u>(514)</u>
Net assets		<u>1,533</u>	<u>3,589</u>
Capital and reserves			
Called up share capital	18	86	86
Share premium account		55	55
Capital redemption reserve		30	30
Profit and loss account		<u>1,362</u>	<u>3,418</u>
Total shareholders' funds		<u>1,533</u>	<u>3,589</u>

The notes on pages 14 to 24 form part of these financial statements. The financial statements were approved by the board of directors on 31 October 2022 and were signed on its behalf by:



W D Sargent
Director

Statement of Changes in Equity
for the period ended 31 December 2021

	Share Capital	Share premium account	Capital redemption reserve	Profit and loss account	Total Shareholder's funds
	£000	£000	£000	£000	£000
At 1 April 2020	86	55	30	6,443	6,614
Loss for the financial year	-	-	-	(3,025)	(3,025)
At 31 March 2021	86	55	30	3,418	3,589

	Share Capital	Share premium account	Capital redemption reserve	Profit and loss account	Total Shareholder's funds
	£000	£000	£000	£000	£000
At 1 April 2021	86	55	30	3,418	3,589
Loss for the financial period	-	-	-	(2,056)	(2,056)
At 31 December 2021	86	55	30	1,362	1,533

The notes on pages 14 to 24 form an integral part of these financial statements.

Notes to the financial statements for the period ended 31 December 2021**1 Accounting policies****Basis of accounting**

FrameStore Limited (the “Company”) is a private company limited by shares and incorporated and domiciled in England in the UK. The registered number is 01972029 and the registered address is 28 Chancery Lane, London, England, WC2A 1LB.

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and with Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000. The principal accounting policies, which have been applied consistently throughout the period, are set out below.

The Company’s immediate parent undertaking, Guidedraw Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Guidedraw Limited are prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”) and are available to the public and may be obtained from 28 Chancery Lane, London, England, WC2A 1LB. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

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

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

As the Company is a wholly owned subsidiary of Guidedraw Limited, the Company has taken advantage of the exemption contained in FRS 102.33.1.A. and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

Group financial statements

The financial statements contain information about The FrameStore Limited as an individual Company. The Company is exempt under section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Guidedraw Limited, a Company registered in England and Wales.

Going concern

The Company is in a net asset position of £1,533,000 (Net assets as at 31 March 2021: £3,589,000) having made a loss in the period of £2,056,000 and net current assets of £199,000 (net assets as at 31 March 2021: £3,710,000). The directors have prepared the financial statements on a going concern basis for the following reasons.

The Company’s forecast information has been incorporated into that of its parent Company, Guidedraw Limited (“the Group”). Based on the Group’s cash flow forecasts, including a cash balance of £32.7 million at 31 December 2021 and positive forecast cash balance as at December 2023, existing loan facilities and headroom in respect of the covenants not subject to waiver under these loan agreements, the Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and at least for the next twelve months following the date of issuance of these consolidated financial statements.

The baseline cash flow forecast reflects the ongoing market trading conditions. The directors have considered a severe but plausible downside stress scenario which considered among other factors the risk of a reduction of GDP growth, delays in margin growth, continuing levels of high inflation, increased interest rates and the Group’s ability to defer uncommitted capital expenditure. Under this scenario the Group remains cash positive throughout the going concern period assessed as the assessment indicates that the Group has sufficient working capital to cover any risk related to the above.

The Group’s current Natwest loan facility is being repaid over a four-year period ending 31 December 2025 and repayments have been factored into the group cash flow forecast. Waivers have been obtained for any breaches of covenants under this facility to date.

Regarding the impact of COVID-19, based on experience throughout 2020 and into 2021, the Group has been impacted by project and supply delays which have resulted in a decline in revenue and margins, particularly in the Film sector. Despite these challenges, the Group has had strong demand and has returned to pre-covid margin and revenue generation in the second half of 2022.

Thus, the Directors continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Notes to the financial statements for the period ended 31 December 2021 (cont'd)**1 Accounting policies (cont'd)****Tangible fixed assets**

Fixed assets are stated at historical cost less accumulated depreciation and any provision for permanent diminution in value.

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

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

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value over its expected useful life on a straight line business, as follows:

Short leasehold, land and buildings	-	period of lease
Plant and machinery	-	3 to 4 years
Fixtures and fittings	-	3 to 5 years

Turnover and long term contracts

Turnover, which excludes value added tax, represents the value of goods and services provided during the period, net of settlement discounts.

Turnover on long term contracts is determined as that proportion of the total expected income to which the cost of sales incurred to date bears to the total expected cost of sales if the final outcome can be assessed with reasonable certainty. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Where turnover exceeds amounts invoiced, the excess is classified as accrued income and included in prepayments and accrued income within debtors. Where amounts invoiced exceed turnover, the excess is classified as deferred income and included in accruals and deferred income within creditors.

Fixed asset investments

Investments are stated at cost less provisions for any permanent diminution in value.

Current taxation

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

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date and that result in an obligation to pay more tax in the future or right to pay less tax in the future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currencies

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

Pensions

The amount charged to the profit and loss account represents the contributions payable to defined contribution pension schemes and individual personal pension schemes for certain individuals. The assets of the schemes are held separately from those of the Company.

Notes to the financial statements for the period ended 31 December 2021 (cont'd)**1 Accounting policies (cont'd)****Basic financial instruments****Trade debtors and trade creditors**

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

Investments in subsidiaries and associates

These are separate financial statements of the Company. Investments in subsidiaries and associates are carried at cost less impairment.

Other financial instruments

Derivative financial instruments are recognised at fair value with any gains or losses being reported in the profit or loss account.

Provisions

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

Research and development costs

Research and development costs are written off directly to the profit and loss account as incurred.

Leases

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments. The interest element of the rental obligations is charged to the profit and loss account and represents a constant proportion of the balance of capital repayments outstanding.

Operating lease

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

Finance lease

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

Interest receivable and Interest payable

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

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

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Job retention scheme support

Grant income is only recognised where there is reasonable assurance that the grant will be received. Grant income is recognised and presented separately as other income in the profit and loss account.

Accounting estimates and judgements

The Group makes certain accounting estimates and judgements, and the resulting estimates may, by definition vary from the related actual results. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The Directors have considered areas where there are potentially critical judgements and concluded that there are none within these financial statements. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Notes to the financial statements for the period ended 31 December 2021 (cont'd)**1 Accounting policies (cont'd)****Accounting estimates and judgements (cont'd)****Revenue recognition and percentage completion**

In determining the level of services performed management must determine the percentage of completion, which is an estimate due to inherent uncertainty in forecasting total budgeted hours. Management also exercises judgement around the accuracy of percentage of completion estimates through detailed discussions with those individuals directly involved in the relevant projects. For further details please see revenue accounting policy note.

2 Turnover

Turnover originates in the United Kingdom and relates to the principal activity and one class of business of the Company. A geographical analysis of turnover by destination is provided below:

	Period ended 31 December 2021 £000	Year ended 31 March 2021 £000
United Kingdom	59,252	66,450
Rest of Europe	1,959	1,928
North America	14,968	16,434
Rest of World	546	135
	76,725	84,947

3 Other operating income

In the period the Company had other operating income of £1,300,615 (year ended 31 March 2021: £662,000) from the sub-letting of office space, £nil (year ended 31 March 2021: £1,516,000) from the government job retention scheme, and £nil (year ended 31 March 2021: £627,000) from grant income on a development project.

4 Income from other fixed assets investments

In the prior year the company received income of £1,103,000 following The Third Floor London Limited repurchasing of its own shares from the company.

5 Operating loss

	Period ended 31 December 2021 £000	Year ended 31 March 2021 £000
Operating loss is stated after charging:		
Research and development costs	1,500	2,000
Depreciation	2,565	3,517
Increase/(decrease) in dilapidation provision	101	(20)
Operating lease expense	2,931	4,754
Auditor's remuneration		
	Period ended 31 December 2021 £000	Year ended 31 March 2021 £000
Audit of these financial statements	60	62

Notes to the financial statements for the period ended 31 December 2021 (cont'd)

6 Remuneration of directors

	Period ended 31 December 2021 £000	Year ended 31 March 2021 £000
Directors' emoluments	951	1,128
The emoluments of the highest paid director are as follows:		
Director's emoluments	346	445

The highest paid director received contributions of £nil (year ended 31 March 2021: £nil) into a defined contribution pension scheme, and Company pension contributions of £nil (year ended 31 March 2021: £nil) were made to a money purchase scheme on his/her behalf.

7 Staff numbers and costs

The average monthly number of persons employed by the Company (including directors) during the period was as follows:

	Period ended 31 December 2021 Number	Year ended 31 March 2021 Number
Production staff	1,014	930
Administration staff	123	112
	1,137	1,042

The aggregate payroll costs of these persons were, as follows:

	Period ended 31 December 2021 £000	Year ended 31 March 2021 £000
Wages and salaries	48,750	55,990
Social security costs	5,841	6,915
Other pension costs	1,050	1,388
	55,641	64,293

8 Interest receivable and similar income

	Period ended 31 December 2021 £000	Year ended 31 March 2021 £000
Bank interest	-	1
	-	1

9 Interest payable and similar charges

	Period ended 31 December 2021 £000	Year ended 31 March 2021 £000
On overdrafts	50	89
On finance leases	116	151
Other charges	170	215
	336	455

Notes to the financial statements for the period ended 31 December 2021 (cont'd)

10 Tax on loss

	Period ended 31 December 2021 £000	Year ended 31 March 2021 £000
Current Tax		
Current tax on income for the period	-	-
Adjustments in respect of prior years	-	(655)
Total Current Tax	-	(655)
Deferred Tax:		
Origination & reversal of timing differences	(81)	(467)
Adjustments in respect of prior periods	(146)	-
Change in tax rate	(489)	143
Total Deferred Tax (note 13)	(716)	(324)
Total Tax Credit	(716)	(979)

The current tax charge for the period is lower (2021: higher) than the standard rate of corporation tax in the UK effective for the period of 19% (For the year ended 31 March 2021: 19%). The differences are explained below.

Reconciliation of effective tax rate

	Period ended 31 December 2021 £000	Year ended 31 March 2021 £000
Loss for the period	(2,056)	(3,025)
Total tax credit	(716)	(979)
Loss excluding taxation	(2,772)	(4,004)
Tax at the UK corporation tax rate of 19% (For the year ended 31 March 2021: 19%)	(526)	(761)
Effects of:		
Expenses not deductible for tax purposes	44	450
Difference between capital allowances and depreciation	569	52
Income not taxable for tax purposes	-	(209)
Other permanent differences	1	1
Prior year adjustment	(296)	(512)
Difference in tax rates	(508)	-
Tax on loss on ordinary activities	(716)	(979)

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Notes to the financial statements for the period ended 31 December 2021 (cont'd)

11 Tangible fixed assets

	Short leasehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost:				
At 1 April 2021	14,723	48,381	3,673	66,777
Additions	149	4,967	28	5,144
Disposals	-	(67)	(6)	(73)
At 31 December 2021	14,872	53,281	3,695	71,848
Accumulated depreciation:				
At 1 April 2021	4,337	46,472	3,099	53,908
Charge for the period	694	1,626	245	2,565
Disposals	(1)	(67)	(1)	(69)
At 31 December 2021	5,030	48,031	3,343	56,404
Net book amount:				
At 31 December 2021	9,842	5,250	352	15,444
At 31 March 2021	10,386	1,909	574	12,869

Included in the net book amount of plant and machinery is £2,800,000 (2021: £1,220,000) in respect of assets held under finance leases. Depreciation for the period on these assets was £1,025,000 (year ended 31 March 2021: £1,609,000). During the period the company made a profit on disposal of fixed assets of £3,000 (year ended 31 March 2021: profit £2,000).

12 Fixed asset investments

	Shares in Subsidiary and associate undertakings £
Cost	
At 1 April 2021 and 31 December 2021	178
Provisions	
As at 1 April 2021	103
Impairment in investment	75
As at 31 December 2021	178
Net book amount	
As at 31 December 2021	-
As at 31 March 2021	75

Notes to the financial statements for the period ended 31 December 2021 (cont'd)

12 Fixed asset investments (cont'd)

	Country of Incorporation	Description of shares held	Principal business activities	Proportion of nominal value of issued shares held directly by the Company	
				31 December 2021	31 March 2021
				%	%
Created (Education Limited)	Great Britain	Ordinary shares	VFX Education	3	3

On 7th November 2018 the company subscribed to 50,000 shares in Created Education Limited, a company registered in England and Wales. These have a nominal value of £0.00001 at a cost of £75,000.

13 Debtors

	31 December 2021 £000	31 March 2021 £000
Amounts falling due within one year:		
Trade debtors	8,278	9,434
Corporation tax	329	610
Amounts owed by group undertakings	4,973	12,371
Amounts owed by parent undertakings	5,292	1,005
Other debtors	362	418
Prepayments and accrued income	9,912	4,416
	29,146	28,254

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

	31 December 2021 £000	31 March 2021 £000
Amounts falling due after more than one year:		
Deferred tax asset (see below)	2,118	1,402
Total Debtors	2,118	1,402

The deferred tax asset comprises the following amounts:

	31 December 2021 £000	31 March 2021 £000
Depreciation in excess of capital allowances	(297)	355
Other short-term timing differences	276	185
Losses carried forwards	2,139	862
	2,118	1,402

Deferred tax asset

	£000
As at 1 April 2021	1,402
Deferred taxation current period	716
As at 31 December 2021	2,118

There was no unprovided deferred tax.

Notes to the financial statements for the period ended 31 December 2021 (cont'd)

14 Creditors: Amounts falling due within one year

	31 December 2021 £000	31 March 2021 £000
Bank overdraft	1,959	991
Obligations under finance leases	2,441	1,560
Trade creditors	2,682	1,833
Amounts owed to group undertakings	7,410	4,719
Other taxation and social security	3,770	7,121
Other creditors	1,260	1,004
Accruals and deferred income	11,543	8,718
	31,065	25,946

Amounts due to the group undertakings are unsecured, interest free and payable on demand.

15 Creditors: Amounts falling due after more than one year

	31 December 2021 £000	31 March 2021 £000
Other creditors	11,195	11,432
Obligations under finance leases	2,300	1,119
	13,495	12,551

Other creditors includes the balance of an accrual for a rent free period.

16 Other interest-bearing loans and borrowings**Finance lease liabilities**

Finance lease liabilities are payable as follows:

	31 December 2021 £000	31 March 2021 £000
Minimum lease payments		
Less than one year	2,441	1,560
Between one and five years	2,300	1,119
	4,741	2,679

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	31 December 2021 £000	31 March 2021 £000
Finance lease liabilities	GBP	4.20 – 4.90 %	2022-2025	Monthly / quarterly	4,741	2,679
					4,741	2,679

Notes to the financial statements for the period ended 31 December 2021 (cont'd)

17 Provisions for liabilities

	Leasehold dilapidation £000	Total £000
At 1 April 2021	514	514
Increase in provision in the period	101	101
At 31 December 2021	615	615

The Company holds dilapidation provisions on properties occupied which will be utilised on the expiry of the relevant leases.

18 Called up share capital

	31 December 2021 £000	31 March 2021 £000
Authorised		
2,500,000 (2020: 2,500,000) ordinary shares of 10p each	250	250
Allotted and fully paid		
856,767 (2020: 856,767) ordinary shares of 10p each	86	86

19 Financial commitments

(i) Capital commitments

The Company had no capital commitments at the end of the financial period for which no provision has been made, amounting to £nil (year ended 31 March 2021: £nil).

(ii) Operating leases

Operating lease rentals in respect of land and buildings and other assets are payable as follows:

	31 December 2021		31 March 2021	
	Land and Buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Less than one year	5,368	-	4,456	-
Between one and five years	21,473	-	22,280	-
More than five years	29,526	-	23,394	-
	56,367	-	50,130	-

On 24th June 2018 the company entered into a new 15 year lease in respect of land and buildings. The total operating lease expense in the period was £2,931,000 (year ended 31 March 2021: £4,754,000).

20 Pension scheme

The group contributes to a defined contribution pension scheme and to certain individuals' personal pension plans. During the period the Company made contributions to the schemes of £1,050,000 (year ended 31 March 2021: £1,388,000). There were no contributions unpaid at the end of the period (year ended 31 March 2021: £nil).

Notes to the financial statements for the period ended 31 December 2021 (cont'd)**21 Related party transactions**

The Company provided services during the period to the value of £3,488,000 (year ended 31 March 2021: £241,000) to Company 3 /Method London Limited a fellow subsidiary of Infinity Topco Limited, the Company's ultimate controlling party. As at 31 December 2021 the amount due from Company 3/Method Limited was £4,041,000 (31 March 2021: £nil).

As the Company is a wholly owned subsidiary of Guidedraw Limited, the Company has taken advantage of the exemption contained in FRS102 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated statements of Guidedraw Limited, within which the Company is included, can be obtained from the 28 Chancery Lane, London, England, WC2A 1LB. There were no other related party transactions in the period.

22 Ultimate parent company

The ultimate controlling party was Infinity Topco Limited. The registered office address of Infinity Topco Limited is 28 Chancery Lane, London, England, WC2A 1LB.