

The FrameStore Limited

Annual report

for the year ended 31 March 2021

Registered Number 01972029



The FrameStore Limited
Annual report
for the year ended 31 March 2021

Contents

	Pages
Directors and advisers	1
Strategic report	2
Directors' report	4
Statement of directors' responsibilities in respect of the directors' report and the financial statement	5
Independent auditor's report to the members of The Framestore Limited	6
Profit and loss account and Other Comprehensive Income	9
Balance sheet	10
Statement of Changes in Equity	11
Notes to the financial statements	12

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 year ended 31 March 2021

The directors present their strategic report of The FrameStore Limited ("the Company") for the year ended 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 £3,550,000 (2020: loss £1,926,000) and turnover of £84,947,000 (2020: £95,052,000). The Company has net assets of £3,589,000 (2020: £6,614,000) 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 year ended 31 March 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.

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.

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.

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 year ended 31 March 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.

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.

Strategic report for the year ended 31 March 2021 (cont'd)**Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006 (cont'd)**

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. One-off non-recurring costs were incurred largely for the start-up of new business and the change of offices in the prior year, these costs have totalled £323,000 in 2020:

KPI	2021 £000	2020 £000	Increase / (decrease)	Comments
Turnover	84,947	95,052	-11%	The decline in turnover has come as a result of the impact of the Covid-19 pandemic where lockdowns caused delays in live actions shoots.
EBITDA before one off items	(33)	2,563	-10%	Margins have fallen in the year due to the fall in revenue caused by the Covid-19 pandemic.
EBITDA before one off items margin %	-%	3%		
EBITDA	(33)	2,240	3%	Margins have fallen in the year due to the fall in revenue caused by the Covid-19 pandemic.
EBITDA margin %	-%	2%		
(Loss)/profit before tax	(4,004)	(2,359)	-30%	Margins have reduced as a result of the decline in turnover.
(Loss)/profit before tax %	-5%	-2%		

On behalf of the board



W D Sargent, Director
Date: 24 September 2021

Directors' report for the year ended 31 March 2021

The directors present their report and the audited financial statements for the year ended 31 March 2021.

Results and dividends

The Company made a loss for the year of £3,025,000 (2020: loss £1,900,000). No ordinary share dividends were paid or proposed (2020: £nil).

Directors

The directors of the Company who were in office during the year 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 year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

Energy Consumption and Greenhouse gas emissions

During the year, the group consumed 5.59 GWh (2020: 6.49 GWh) of electricity (Scope 2) and 0.7 GWh (2020: 1.12 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 year ended 31 March 2021 were 1,437 tonnes of CO₂ (2020: 2,043 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 0.16 tonnes/square metre (2020: 0.22 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 year (2020: £nil).

Statement of disclosure of information to auditors

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 financial statements have been prepared on a going concern basis which the directors believe to be appropriate as the group has prepared forecasts based on current trading which indicate that the group has sufficient funds to meet its liabilities as they fall due for at least 12 months from the signing of these financial statements. The directors have considered the impact of COVID-19 by preparing a baseline cash flow forecast for the period to 31 March 2022 (note 1). The baseline cash flow forecast factored in the effect of delays in filming following global lockdowns in Q1 FY21 and a gradual recovery from April 2021 and full recovery by September 2021. The directors have also considered a severe but plausible downside stress scenario in which a number of long-term projects are delayed by one month. Under this scenario the group remains cash positive throughout the going concern period assessed.

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


W D Sargent, Director

Date: 24 September 2021

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 year ended 31 March 2021 which comprise the Profit and loss account and Other Comprehensive income, Balance sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss for the year 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.

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

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.

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 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;

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

- in our opinion the information given in those reports for the financial year 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.

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
24 September 2021

**Profit and loss account and Other Comprehensive Income
for the year ended 31 March 2021**

	Note	Year ended 31 March	
		2021 £000	2020 £000
Turnover	2	84,947	95,052
Cost of Sales		(71,829)	(78,588)
Gross profit		13,118	16,464
Administrative expenses		(20,576)	(20,266)
Other operating income	3	2,805	1,876
Income from other fixed asset investments	4	1,103	-
Operating loss	5	(3,550)	(1,926)
Interest receivable and similar income	8	1	9
Interest payable and similar charges	9	(455)	(442)
Loss before taxation		(4,004)	(2,359)
Tax on loss	10	979	459
Loss for the financial year		(3,025)	(1,900)
Other comprehensive income		-	-
Total comprehensive loss for the year		(3,025)	(1,900)

All results derive from continuing operations.

The notes on pages 12 to 22 form an integral part of these financial statements.

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

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets	11	12,869	14,897
Investments	12	75	75
		12,944	14,972
Current assets			
Debtors - amounts falling due within one year	13	28,254	28,505
- amounts falling due after more than one year	13	1,402	3,415
Total Debtors		29,656	31,920
Cash at bank and in hand		-	-
		29,656	31,920
Creditors: amounts falling due within one year	14	(25,946)	(30,328)
Net current assets		3,710	1,592
Total assets less current liabilities		16,654	16,564
Creditors: amounts falling due after more than one year	15	(12,551)	(9,416)
Provisions for liabilities	17	(514)	(534)
Net assets		3,589	6,614
Capital and reserves			
Called up share capital	18	86	86
Share premium account		55	55
Capital redemption reserve		30	30
Profit and loss account		3,418	6,443
Total shareholders' funds		3,589	6,614

The notes on pages 12 to 22 form part of these financial statements. The financial statements were approved by the board of directors on 24 September 2021 and were signed on its behalf by:



W D Sargent
Director

Statement of Changes in Equity
for the year ended 31 March 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 2019	86	55	30	8,343	8,514
Loss for the financial year	-	-	-	(1,900)	(1,900)
At 31 March 2020	86	55	30	6,443	6,614

	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

The notes on pages 12 to 22 form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 March 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 year, are set out below.

The Company's 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 £3,589,000 (2020: £6,614,000) having made a loss in the year of £3,025,000 and net current assets of £3,710,000 (2020: £1,592,000). The directors have prepared the financial statements on a going concern basis for the following reasons.

The directors have prepared a baseline cash flow forecast for a period of at least 12 months from the date of approval of these financial statements. In preparing these forecasts the impact of COVID-19 has been considered, which on 11 March 2020 was declared to be a pandemic by the World Health Organisation. The markets in which the Company operates were impacted by the pandemic, as live action shoots were delayed by the global lockdowns that took place in the Q1 FY21. Delays in shooting delayed the timing of new visual effects contracts performed by the Group. Due to the timing difference between filming and post production the impact of these delays on Group performance was seen in Q4 FY21 and Q1 FY22. Since this initial lockdown period the industry has adapted in order to continue to shoot under new Government guidelines. Since filming restarted across the industry, the Company has experienced no further delays in contracts as a result of COVID-19 to date.

The baseline cash flow forecast reflects the ongoing market trading conditions in which filming continues across the industry. The directors have considered a severe but plausible downside stress scenario in which a number of long-term projects which require physical shoots during two months of the forecast period are delayed. Under this scenario the group remains cash positive throughout the going concern period assessed.

In February 2021 the Company's parent, Guidedraw Limited, repaid the remaining £12.3m of the existing facilities with Santander Bank using funds obtained by fully drawing down on a new Term Loan and Facility of £22.5m from NatWest Bank, the new financing has attached covenants for leverage, interest cover and cash flow cover from March 2022 with a 3 year Term. In respect of both the base case and the severe but plausible downside case, the covenants attached to the facility are expected to be met throughout the forecast period. Further sensitivities have been performed by assuming that delays of up to a month are incurred on a further four contracts and under these circumstances the covenants continue to be met.

Notes to the financial statements for the year ended 31 March 2021 (cont'd)**1 Accounting policies (cont'd)**

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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 year, 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.

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; (i) 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.

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 year 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.

Notes to the financial statements for the year ended 31 March 2021 (cont'd)**1 Accounting policies (cont'd)****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.

Basic financial instruments**Trade debtors and trade creditors**

Trade debtors and trade creditors are recognised initially at the transaction price less any impairment in the cast of trade debtors.

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.

Notes to the financial statements for the year ended 31 March 2021 (cont'd)**1 Accounting policies (cont'd)****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 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.

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:

	Year ended 31 March	
	2021	2020
	£000	£000
United Kingdom	66,450	75,248
Rest of Europe	1,928	562
North America	16,434	18,289
Rest of World	135	953
	84,947	95,052

3 Other operating income

In the year the Company had other operating income of £1,516,000 (2020: £nil) from the government job retention scheme, £662,000 (2020: £1,876,000) from the sub-letting of office space and £627,000 (2020: £nil) from grant income on a development project.

4 Income from other fixed assets investments

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

	Year ended 31 March	
	2021	2020
	£000	£000
Operating loss is stated after charging:		
Research and development costs	2,000	2,000
Depreciation	3,517	4,166
Decrease in dilapidation provision	(20)	(127)
Decrease in provision for onerous lease	-	(275)
Operating lease expense	4,754	4,795
Auditor's remuneration	2021	2020
	£000	£000
Audit of these financial statements	62	46

Notes to the financial statements for the year ended 31 March 2021 (cont'd)**6 Remuneration of directors**

	Year ended 31 March	
	2021	2020
	£000	£000
Directors' emoluments	1,128	1,242
The emoluments of the highest paid director are as follows:		
Director's emoluments	445	468

The highest paid director received contributions of £nil (2020: £nil) into a defined contribution pension scheme, and Company pension contributions of £nil (2020: £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 year was as follows:

	2021	2020
	Number	Number
Production staff	930	955
Administration staff	112	135
	1,042	1,090

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March	
	2021	2020
	£000	£000
Wages and salaries	55,990	58,434
Social security costs	6,915	7,126
Other pension costs	1,388	1,384
	64,293	66,944

8 Interest receivable and similar income

	Year ended 31 March	
	2021	2020
	£000	£000
Bank interest	1	9
	1	9

9 Interest payable and similar charges

	Year ended 31 March	
	2021	2020
	£000	£000
On overdrafts	89	43
On finance leases	151	152
Other charges	215	247
	455	442

Notes to the financial statements for the year ended 31 March 2021 (cont'd)

10 Tax on loss

	2021 £000	2020 £000
Current Tax		
Current tax on income for the period	-	-
Adjustments in respect of prior years	(655)	(51)
Foreign tax	-	39
Total Current Tax	(655)	(12)
Deferred Tax:		
Origination & reversal of timing differences	(467)	(373)
Change in tax rate	143	(74)
Total Deferred Tax (note 13)	(324)	(447)
Total Tax Credit	(979)	(459)

The current tax charge for the year is lower (2020: higher) than the standard rate of corporation tax in the UK effective for the year 19% (2020: 19%). The differences are explained below.

Reconciliation of effective tax rate

	2021 £000	2020 £000
Loss for the year	(3,025)	(1,900)
Total tax credit	(979)	(459)
Loss excluding taxation	(4,004)	(2,359)
Tax at the UK corporation tax rate of 19% (2020: 19%)	(761)	(448)
Effects of:		
Expenses not deductible for tax purposes	450	24
Difference between capital allowances and depreciation	52	51
Income not taxable for tax purposes	(209)	-
Other permanent differences	1	-
Prior year adjustment	(512)	(51)
Foreign tax credits	-	39
Difference in tax rates	-	(74)
Tax on loss on ordinary activities	(979)	(459)

In the 3rd March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £226,000.

Notes to the financial statements for the year ended 31 March 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 2020	14,110	47,582	3,598	65,290
Additions	613	863	76	1,552
Disposals	-	(64)	(1)	(65)
At 31 March 2021	14,723	48,381	3,673	66,777
Accumulated depreciation:				
At 1 April 2020	3,460	44,172	2,761	50,393
Charge for the year	877	2,302	338	3,517
Disposals	-	(2)	-	(2)
At 31 March 2021	4,337	46,472	3,099	53,908
Net book amount:				
At 31 March 2021	10,386	1,909	574	12,869
At 31 March 2020	10,650	3,410	837	14,897

Included in the net book amount of plant and machinery is £1,220,000 (2020: £2,170,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £1,609,000 (2020: £2,281,000). During the year the company made a profit on disposal of fixed assets of £2,000 (2020: profit £24,000).

12 Fixed asset investments

	Shares in Subsidiary and associate undertakings £
Cost	
At 1 April 2020 and 31 March 2021	178
Provisions	
At 1 April 2020 and 31 March 2021	103
Net book amount	
As at 31 March 2021	75
As at 31 March 2020	75

Notes to the financial statements for the year ended 31 March 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	
				2021	2020
				%	%
The Third Floor London Limited	Great Britain	Ordinary shares	Digital pre- production	-	50
Created (Education Limited)	Great Britain	Ordinary shares	VFX Education	3	3

The Third Floor London Limited's registered address is 57-61 Mortimer Street, London, W1W 8HS, on 28th September 2020 the company sold its 50% shareholding. 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

	2021	2020
	£000	£000
Amounts falling due within one year:		
Trade debtors	9,434	12,803
Corporation tax	610	-
Amounts owed by group undertakings	12,371	13,354
Amounts owed by parent undertakings	1,005	-
Other debtors	418	389
Prepayments and accrued income	4,416	1,959
	28,254	28,505

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

	2021	2020
	£000	£000
Amounts falling due after more than one year:		
Deferred tax asset (see below)	1,402	1,078
Amounts owed by group undertakings	-	2,337
Total Debtors	1,402	3,415

The deferred tax asset comprises the following amounts:

	2021	2020
	£000	£000
Depreciation in excess of capital allowances	355	363
Other short-term timing differences	185	197
Losses carried forwards	862	518
	1,402	1,078

Deferred tax asset

	£000
As at 1 April 2020	1,078
Deferred taxation current year	324
As at 31 March 2021	1,402

There was no unprovided deferred tax.

Notes to the financial statements for the year ended 31 March 2021 (cont'd)

14 Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Bank overdraft	991	1,619
Obligations under finance leases	1,560	1,196
Trade creditors	1,833	3,388
Corporation tax	-	45
Amounts owed to group undertakings	4,719	863
Other taxation and social security	7,121	6,270
Other creditors	1,004	2,271
Accruals and deferred income	8,718	14,676
	25,946	30,328

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

15 Creditors: Amounts falling due after more than one year

	2021 £000	2020 £000
Other creditors	11,432	7,243
Obligations under finance leases	1,119	2,173
	12,551	9,416

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

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

Finance lease liabilities are payable as follows:

	2021 £000	2020 £000
Minimum lease payments		
Less than one year	1,560	1,196
Between one and five years	1,119	2,173
	2,679	3,369

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2021 £000	2021 £000
Finance lease liabilities	GBP	4.20 – 4.90 %	2021-2024	Monthly / quarterly	2,679	3,369
					2,679	3,369

Notes to the financial statements for the year ended 31 March 2021 (cont'd)

17 Provisions for liabilities

	Leasehold dilapidation £000	Total £000
At 1 April 2020	534	534
Utilised in the year	(20)	(20)
At 31 March 2021	514	514

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

18 Called up share capital

	2021 £000	2020 £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 year for which no provision has been made amounting to (2020: £nil).

(ii) Operating leases

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

	2021		2020	
	Land and Buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Less than one year	4,456	-	4,338	-
Between one and five years	22,280	-	22,280	-
More than five years	23,394	-	27,850	-
	50,130	-	54,468	-

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 year was £4,754,000.

20 Pension scheme

The group contributes to a defined contribution pension scheme and to certain individuals' personal pension plans. During the year the Company made contributions to the schemes of £1,388,000 (2020: £1,384,000). There were no contributions unpaid at the end of the year (2020: £nil).

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

During the year the Company owned 50% of the share capital of The Third Floor London Limited however it disposed of its investment on 28th September 2020. In the period the Company received services from The Third Floor London Ltd to the value of £649,000 (2020: £751,000). The Company also provided services to the value of £1,540,000 (2020: £768,000). As at the 31 March 2021 the amount due to The Third Floor London Ltd was £nil (2020: due to £603,000).

The Company also provided services to the value of £241,000 to Company 3 /Method London Limited a fellow subsidiary of Infinity Topco Limited the Company's ultimate controlling party. As at 31 March 2021 the amount due from Company 3/Method Limited was £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 year.

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. Infinity Topco Limited is owned by Aleph Capital Partners LLP and Crestview Partners with neither entity holding 50% or more of its share capital.