

Director's Cuts Production Music Limited

ANNUAL REPORT

For the year ended 31 March 2017



Company number: 04130481

Director's Cuts Production Music Limited

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Director's Cuts Production Music Limited

ANNUAL REPORT CONTENTS

DIRECTORS

R Emanuel
D Pounder
M Bandier
G Henderson
J Puzio

COMPANY SECRETARY

Abogado Nominees Limited

REGISTERED OFFICE

100 New Bridge Street
London
EC4V 6JA

BUSINESS ADDRESS

5th Floor Kent House
14-17 Market Place
London
W1W 8AJ

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

PRINCIPAL BANKER

Lloyds TSB Bank Plc
City Office
Bailey Drive
Gillingham Business Park
ME8 0LS

Director's Cuts Production Music Limited

DIRECTORS' REPORT (CONTINUED)

The directors submit their report and the audited financial statements of Director's Cuts Production Music Limited for the year ended 31 March 2017.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of a music library.

The results for the company show a profit on ordinary activities before taxation of £1,623,139 (2016: £1,212,666) for the year and turnover of £2,758,229 (2016: £2,096,399). The company has net assets of £1,368,632 (2016: £1,069,404).

RESULTS AND DIVIDENDS

The profit for the financial year transferred to reserves was £1,299,228 (2016: £970,133).

An interim dividend of £100 (2016: £75) per ordinary share amounting to £1,000,000 (2016: £750,000) was paid on 2 December 2016.

BASIS OTHER THAN GOING CONCERN

The directors have the intention that the Company should cease to trade during the 2018 financial year. In light of this, the financial statements have been prepared on a basis other than going concern. No adjustments were necessary in these financial statements to reduce assets to their realisable values, to provide for liabilities arising from the decision or to reclassify fixed assets and long-term liabilities as current assets and liabilities.

The trade and trade assets will be transferred to another group company, The Extreme Music Library Limited.

DIRECTORS

The following directors have held office from the beginning of the financial year and to the date of approval of these financial statements:

R Emanuel
D Pounder
M Bandier
G Henderson
J Puzio

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and

Director's Cuts Production Music Limited

DIRECTORS' REPORT (CONTINUED)

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

POST BALANCE SHEET EVENTS

There are no post balance sheet events subsequent to the year end.

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 auditors are unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

SMALL COMPANIES EXEMPTION

In preparing this report, the directors have taken advantage of the small companies exemption provided by section 415A of the Companies Act 2006

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution to reappoint them as auditors will be proposed at the next board meeting.

On behalf of the board



D Pounder
Director
16 August 2017

Director's Cuts Production Music Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIRECTOR'S CUTS PRODUCTION MUSIC LIMITED (CONTINUED)

Report on the financial statements

Our opinion

In our opinion, Director's Cuts Production Music Limited's financial statements (the "financial statements"):

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

Emphasis of matter - Basis of Preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3 to the financial statements concerning the basis of preparation. The Directors have indicated that the entity will cease trading in the next financial year and will become dormant. Accordingly, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a basis other than going concern as described in note 3 to the financial statements. No adjustments were necessary in these financial statements to reduce assets to their realisable values, to provide for liabilities arising from the decision or to reclassify fixed assets and long-term liabilities as current assets and liabilities.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Balance Sheet as at 31 March 2017;
- the Statement of Comprehensive Income for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

Director's Cuts Production Music Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIRECTOR'S CUTS PRODUCTION MUSIC LIMITED (CONTINUED)

- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies' exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 2 and 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

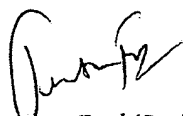
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report. With respect to the Directors' Report, we consider whether this report includes the disclosures required by applicable legal requirements.



Jonathan Ford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 August 2017

Director's Cuts Production Music Limited
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2017

	Note	Year ended 31 March 2017 £	Year ended 31 March 2016 £
TURNOVER	4	2,758,229	2,096,399
Cost of sales		(1,240,183)	(954,738)
Gross profit		1,518,046	1,141,661
Other operating income		104,619	68,726
OPERATING PROFIT	5	1,622,665	1,210,387
Interest receivable and similar income	6	474	2,279
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,623,139	1,212,666
Tax on profit on ordinary activities	9	(323,911)	(242,533)
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME		1,299,228	970,133

All amounts relate to discontinuing operations.

The company has no recognised gains and losses other than the profit above.

Director's Cuts Production Music Limited

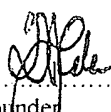
BALANCE SHEET

As at 31 March 2017

	Note	31 March 2017 £	31 March 2016 £
CURRENT ASSETS			
Debtors	10	521,362	1,343,978
Cash at bank and in hand		1,431,331	193,711
		<u>1,952,693</u>	<u>1,537,689</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(584,061)	(468,285)
NET CURRENT ASSETS		<u>1,368,632</u>	<u>1,069,404</u>
NET ASSETS		<u>1,368,632</u>	<u>1,069,404</u>
CAPITAL AND RESERVES			
Called up share capital	12	10,000	10,000
Retained earnings	13	1,358,632	1,059,404
TOTAL SHAREHOLDERS' FUNDS	14	<u>1,368,632</u>	<u>1,069,404</u>

The financial statements have been prepared in accordance with the small companies' regime of the Companies Act 2006 relating to small companies. The notes on pages 8 to 14 form an integral part of these financial statements.

The financial statements on pages 6 to 14 were approved and authorised for issue by the board of directors on August 2017 and signed on its behalf by:


.....
D Pounder
Director
16 August 2017

Company number: 04130481

Director's Cuts Production Music Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

1 GENERAL INFORMATION

Director's Cuts Production Music Limited is a private company limited by shares and is incorporated and domiciled in United Kingdom. The address of its registered office is 100 New Bridge Street, London, EC4V 6JA. The company's registered number is 04130481.

The principal activity of the company during the year was that of a music library.

2 STATEMENT OF COMPLIANCE

The company financial statements of Director's Cuts Production Music Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PREPARATION

The financial statements have been prepared on a basis other than going concern, under the historical cost convention.

BASIS OTHER THAN GOING CONCERN

The directors have the intention that the Company should cease to trade during the 2018 financial year and the entity will be dormant in the near future. In light of this, the financial statements have been prepared on a basis other than going concern. No adjustments were necessary in these financial statements to reduce assets to their realisable values, to provide for liabilities arising from the decision or to reclassify fixed assets and long-term liabilities as current assets and liabilities. The comparative financial information continues to be prepared on a going concern basis. The principal accounting policies, which have been applied consistently throughout the year, are set out below and, where necessary, have been updated to include any policies which are now considered significant given the presentation of the financial statements as at 31 March 2017 on a basis other than going concern.

CASH FLOW STATEMENT

The company has taken advantage of the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102 on the grounds that it is a wholly owned subsidiary which is included in the consolidated financial statements prepared by the ultimate parent company, which are publicly available.

TAXATION

Current taxation is applied to taxable profits at the rates ruling in the United Kingdom. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax balances are not discounted unless the effects are considered to be material to the company's results.

TURNOVER

Turnover, which is stated net of value added tax, consists of:

Indirect licence turnover, which represents revenue remitted via collection societies. This is recognised on a receipts basis.

Direct licence turnover, which represents directly invoiced revenue is recognised when the licensor has entered into a non-cancellable agreement, has agreed to a fixed pre-determined fee, has delivered the rights to the licensee who is free to exercise them, has no remaining significant obligations to

Director's Cuts Production Music Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

furnish music and recovery of the full fee is reasonably assured.

ROYALTY EXPENSE

Royalties are charged to the profit and loss account as incurred. In respect of direct licence revenue where the income is reflected on an accruals basis in the period to which the respective licences relate or indirect revenue where the income is reflected on a receipts basis, due provision is made for any related royalty expense due to the music library owner or writer.

Where advances against future royalties have been made, royalties are charged to the profit and loss account at the rates stated in writer contracts based on royalty turnover generated during the year. Provision is made where it is anticipated that the advance will not be recouped by future royalty charges.

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within current liabilities.

RELATED PARTY TRANSACTIONS

The company has taken the exemption as provided by paragraph 33.1A of FRS 102 and does not disclose transactions with members of the same company that are wholly owned. The company discloses transactions with related parties which are not wholly owned with the same company in note 16.

EXEMPTIONS FOR QUALIFYING ENTITIES UNDER FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions have been complied with, including notification of and no objection to, the use of exemptions by the company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. Director's Cuts Production Music Limited can take exemptions in its standalone financial statements.

As a qualifying entity, the company has taken advantage of the following exemptions:

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Director's Cuts Production Music Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY (Continued)

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

4 TURNOVER

The turnover and profit on ordinary activities before taxation is attributable to the one principal activity of the company, which was that of a music library. All turnover originates from the UK. Turnover by geographical destination is as follows:

	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Geographical markets:		
UK	798,050	743,052
USA	1,118,388	865,226
Europe	659,728	348,392
Australia	182,063	139,729
	2,758,229	2,096,399

5 OPERATING PROFIT

Year ended 31 March 2017 £	Year ended 31 March 2016 £
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Operating profit on ordinary activities is stated after crediting:

Foreign exchange gain	104,634	68,740
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Auditors' remuneration for the current year of £10,000 and prior year (2016: £10,000) has been borne by The Extreme Music Library Limited.

6 INTEREST RECEIVABLE AND SIMILAR INCOME

Year ended 31 March 2017 £	Year ended 31 March 2016 £
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Bank interest	470	2,278
Other interest	4	1
	474	2,279

Director's Cuts Production Music Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2017

7	DIVIDENDS	Year ended 31 March 2017 £	Year ended 31 March 2016 £
	Interim dividend paid £100 (2016: £75) per £1 share	1,000,000	750,000

8 EMPLOYEES

There were no employees during the year apart from the directors (2016: Nil).

The directors of the company are also directors or officers of a number of companies within The Extreme Music Library Limited group of companies. The directors are remunerated by The Extreme Music Library Limited in respect of services provided to the group. The directors do not consider the time spent on dealing with the company's matters to be material and therefore have not sought to separate out their costs in respect of services to the company.

No directors have retirement benefits accruing under money purchase schemes.

Director's Cuts Production Music Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2017

9	TAX ON PROFIT ON ORDINARY ACTIVITIES	Year ended 31 March 2017 £	Year ended 31 March 2016 £
	The tax charge is based on the profits of the year and represents:		
	Current tax:		
	United Kingdom corporation tax on profit for the year	324,628	242,533
	Overseas taxation	9,103	6,269
	Double taxation relief	(9,103)	(6,269)
	Total current tax	<u>324,628</u>	<u>242,533</u>

The tax assessed for the year is equal to (2016: equal) the standard rate of corporation tax in the UK (20%) applied to the pre-tax profit of the company. This is explained below:

	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Profit on ordinary activities before taxation	<u>1,623,139</u>	<u>1,212,666</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016: 20%)	324,628	242,533
Effects of:		
Adjustment in respect of prior years	(717)	-
Total current tax	<u>323,911</u>	<u>242,533</u>

The company has no recognised or unrecognised deferred tax.

Factors which may affect future tax charges:

Legislation to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017 and from 19% to 18% from 1 April 2020 was included in the Finance Act 2016 which received Royal Assent on 15 September 2016.

Director's Cuts Production Music Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2017

10 DEBTORS	31 March 2017 £	31 March 2016 £
Amounts owed by group undertakings	457,640	983,323
Advances and deposits (a)	41,089	344,548
Other taxation	22,633	16,107
	<u>521,362</u>	<u>1,343,978</u>

(a) Advances and deposits relate to recoupable writer production advances.

Amounts owed by group undertakings are unsecured, interest free and have no fixed repayment terms.

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	31 March 2017 £	31 March 2016 £
Amounts owed to group undertakings	28,894	28,894
Corporation tax	162,236	119,429
Other taxation and social security	35,684	23,277
Accruals and deferred income	357,247	296,685
	<u>584,061</u>	<u>468,285</u>

Amounts owed to group undertakings are unsecured, interest free and have no fixed repayment terms.

12 CALLED UP SHARE CAPITAL	31 March 2017 £	31 March 2016 £
Authorised, allotted, and fully paid:		
6,600 'A' ordinary shares of £1 each	6,600	6,600
1,700 'B' ordinary shares of £1 each	1,700	1,700
1,700 'C' ordinary shares of £1 each	1,700	1,700
	<u>10,000</u>	<u>10,000</u>

All ordinary shares rank pari passu except that each class of ordinary shareholders has the right to appoint and replace directors relative to the class of ordinary shares held.

Director's Cuts Production Music Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2017

13	RETAINED EARNINGS	Year ended 31 March 2017 £	Year ended 31 March 2016 £
	At beginning of financial year	1,059,404	839,271
	Profit for the financial year	1,299,228	970,133
	Dividend paid	(1,000,000)	(750,000)
	At end of financial year	1,358,632	1,059,404

14	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	Year ended 31 March 2017 £	Year ended 31 March 2016 £
	Profit for the financial year	1,299,228	970,133
	Dividend paid	(1,000,000)	(750,000)
	Opening shareholders' funds	1,069,404	849,271
	Closing shareholders' funds	1,368,632	1,069,404

15 **ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

At 31 March 2017 the immediate parent undertaking was SM Publishing (UK) Limited, a company incorporated in the United Kingdom.

SM Publishing (UK) Limited is ultimately controlled by Sony Corporation, which is incorporated in Japan, Sony Corporation, 1-7-1 Konan, Minato-ku, Tokyo, 108-0075 Japan.

16 **RELATED PARTY TRANSACTIONS**

During the year the company entered into transactions to place cash on deposit with Sony Global Treasury Services Ltd (SGTS Ltd), a member of the enlarged group, to maximise interest income returns on cash balances. At the year end the balance on deposit with SGTS Ltd was £1,347,840 (2016: £148,019).

During the year the company made the following payments to the directors in respect of royalties:

R Emanuel £11,523 (2016: £10,441)

The company has taken advantage of the exemptions conferred by FRS 102 'Related Party Disclosures' from the requirement to make disclosures concerning transactions with group companies.

All transactions were made on an arm's length basis and at full market value.