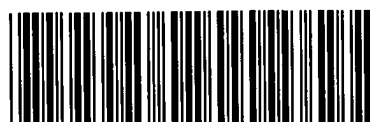


Company Number: 04801432

**ARTS ALLIANCE MEDIA LIMITED
DIRECTORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018**

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COMPANIES HOUSE

ARTS ALLIANCE MEDIA LIMITED

COMPANY INFORMATION

FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

CHAIRMAN

John Woodward (Retired 25/10/2019)
Zhou Pan (Appointed 25/10/2019)

DIRECTORS

John Aalbers (Resigned 28/02/2018)
Patrick Foley (Appointed 28/02/2018)
Thomas Hoegh (Retired 25/10/2017)
Martine Vice-Holter (Retired 25/10/2017)
Barrie Woolston (Retired 25/10/2017)
Carmen Carey Retired 25/10/2017)
Mel Alcock (Retired 25/10/2017)
Nathan Hodge (Retired 25/10/2017)
Zhou Pan (Appointed 25/10/2017)
Rui Ning (Appointed 25/10/2017)

COMPANY SECRETARY

Oliver Shapleski (Resigned 05/09/2017)
Beatrice Manri (Appointed 05/09/2017)

REGISTERED OFFICE

The WestWorks, White City Place
195 Wood lane
London
W12 7FQ

AUDITORS

Crowe U.K. LLP
St. Bride's House
10 Salisbury Square
London EC4Y 8EH

ARTS ALLIANCE MEDIA LIMITED
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FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

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ARTS ALLIANCE MEDIA LIMITED
STRATEGIC REPORT
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

OVERVIEW OF THE 18 MONTH PERIOD

For the 18 month period ended 31 December 2018 revenues remained in line with the previous financial year at £16.8 million (2017: £10.9 million). The consistency in revenues reflects the business' strong recurring revenue base with a high proportion of income tied to long term contracts. The first revenues associated Thunderstorm were additionally earned in the period. These are expected to grow significantly in the coming periods.

Administrative expenses remained consistent with the prior year to £17.2 million (2017: £10.8 million). The business continued to invest heavily in its software offerings in the period with development, deployment and marketing costs making up the largest constituent of the company's expenses. These included the continuing development and launch of the Thunderstorm platform and Producer 2.

REVIEW OF BUSINESS

In October 2017, the Arts Alliance Media group ("AAM") was acquired by cinema technology solutions company; Shandong Luxin-Rio Visual Technology Co., Ltd. ("Luxin-Rio"). Luxin-Rio has strong ambitions to be the principle player in the global cinema support market and see AAM as a key acquisition which will bring synergies aligning with their existing portfolio of companies. The investment will enable the group to accelerate its new product plans and pursue further international opportunities as the group benefits from Luxin-Rio's global reach to further drive the cinema software evolution in a post VPF world.

AAM is a leader in the digital cinema software and services marketplace with the largest global footprint of theatre management system ("TMS") software. The company offers a range of software solutions to exhibitors which enable them to increase revenues and reduce costs. AAM have contracts in place for over 40,000 screens globally and provide software solutions to the largest exhibitors across all major marketplaces.

In the period, AAM's latest enterprise software offering, Adfuser, strengthened the deployment to Cinepolis, a top-10 global exhibitor. This innovative product enables advertising agencies and exhibitors to collaborate effectively by optimising workflows, reducing manual processes and offering greater reporting functionality. This product will continue its deployment across the entire estate in the year to December 2018 and is expected to have further large scale deployments and contribute significant revenues in future years.

Continued investment has been made into Thunderstorm, the company's cloud-based platform. The Thunderstorm concept has been designed to accelerate the uptake of new software technologies in the cinema industry and facilitating new entrants into the marketplace to operate within its infrastructure. Additionally, AAM has released to the market its first in-house application KDM TS, a Key Delivery Management application is being released to the market.

Continued investment has been made into Producer 2, it enables exhibitors to centralise the management of the content playlist. Producer 2 concept has been designed to automatize playlist buildings and content management. Additionally, AAM has developed its first in-house application to operate within the platform, 'KDM TS', a Key Delivery Management application.

The Maintenance and Support organisation continues to perform well with the majority of customers committed to multi-year contracts. Its robust operating margins and strong visibility of future cash flows supports the ambitions of the growing software function.

The end of the Virtual Print Fee ("VPF") schemes across the globe presents significant opportunities for AAM to expand its software footprint as exhibitors move away from long term commitments with legacy providers. This has been seen with North American exhibitors being the first to exit their VPF schemes and the successful software opportunities which we have won following the year end.

ARTS ALLIANCE MEDIA LIMITED
STRATEGIC REPORT
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

FUTURE DEVELOPMENTS

With the end of regional VPF schemes AAM has looked to pursue new customer opportunities arising from the end of customer lock-ins. These cease in North America first and, the company was successful in winning a contract to provide software to AMC, the largest cinema exhibitor in North America. The deployment associated to this will continue throughout the new financial year while the company continues to pursue other strong North American opportunities.

Other key territories where VPF is ending include major growth target territories in Europe and Middle East (EMEA), Japan and Australia. We have commitment from our customer base to renew and extend their business relationship with AAM while we target new customers in the same regions with our existing product suite.

New industry opportunities have arisen post the VPF era and AAM have developed the products for cinemas to enhance their customer experience as we enter the second era of digital cinema.

RESULTS, KEY PERFORMANCE INDICATORS AND DIVIDEND

The results for the year are summarised in the profit and loss account on page 8.

The company uses a variety of financial and non-financial Key Performance Indicators (KPIs) to assess company performance. Financial KPIs are reported on revenue, EBITDA, net profit and cash flow. Non-financial KPIs include digital screens supported, SLA's resolved, number of software tickets resolved and successful deployment of software updates. These KPIs best represent the company's performance against its strategic objectives.

Software revenues were marginally ahead of the previous period. Maintenance and support revenues were 16% lower than that of last year, predominantly due to a fall in equipment sales. The change in mix of revenues to those achieving a higher margin led to a slight increase in gross profit.

Software screens deployed increased in the period, with the continued roll out of software across AAMs global exhibitor base. The first major deployments of Adfuser were undertaken in the period and post year end the company continued its global expansion with significant customer wins in North America and India.

The directors do not recommend the payment of a dividend (2017: Nil).

FINANCIAL INSTRUMENTS

The company's principal financial instruments comprise of:

- Bank facilities
- Short term loans
- Cash
- Trade debtors & creditors.

The main purpose of these instruments is to finance the business' working capital and capital expenditure.

ARTS ALLIANCE MEDIA LIMITED
STRATEGIC REPORT
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

RISKS AND UNCERTAINTIES

Political and market risk

The majority of the company's revenues are generated outside the United Kingdom. There is significant uncertainty and risk for the company associated with the type of Brexit achieved by the UK government. The worst case for AAM would be a 'hard' Brexit which may lead to additional tariffs and restrictions in employment of EU nationals. Until the result of Brexit is better understood costs associated with this cannot be quantified. Management monitor political changes and implement suitable measures to reduce any impact to the business.

Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The main exposures to foreign exchange risk are with Euro, Chinese Renminbi and US Dollar currencies. Foreign exchange risk predominantly arises from commercial transactions. On an on-going basis the company monitors its exposure to foreign exchange fluctuations.

Liquidity and credit risk

The company actively monitors that it has sufficient funds for operations and any planned expansions or capital investments. Short and long term cash flow forecasts are performed regularly and reviewed by management to ensure that the business is not over exposed. The company holds an overdraft facility which can be used to support any short term working capital needs. Moreover, the company has implemented processes to mitigate credit risk with respect to trade receivables. Regular credit risk assessments are performed by the credit control team to ensure appropriate credit and payment terms are offered to our customers. As well as this, weekly credit control reviews are performed to monitor the collection of debt and actions followed up by management to avoid bad debts arising.

Sales cycle and market risks

The high levels of functionality of some of the software provided by the business means that the time period required to effectively deploy the software can be long. This, combined with slow sales cycles, means that timing of future revenues can be unpredictable. The company mitigates this risk by maintaining regular communication with account managers and its customers as well as having established the new PSO team to assist in the process. An internal customer relationship management system, allows for real time proactive decision making to ensure the business goals are not affected and forecasting is provided on a real time basis.

Intellectual property rights

Despite the directors believing that adequate steps have been taken to protect the Intellectual Property Rights ("IPR") of the business they acknowledge that, due to the company's size and resources, it may not be able to detect and prevent all such infringements. Where any misappropriation of its proprietary information or other intellectual property rights are identified the directors will pursue the infringing parties to the extent of the law.

Staffing

AAM's reputation for high quality, innovative products, backed up by robust technical and customer-centric sales support, is directly attributable to the skills and commitment of the AAM team. The business therefore benefits greatly by the staff employed, and so employee retention is of huge importance to the business. The company acts to mitigate risks of key staff members leaving by investing heavily in training programs and having a clear career progression plan for them. Additionally, frequent salary reviews, as well as gender pay gap analysis, is undertaken to ensure staff are remunerated fairly and appropriately.

Adoption on the going concern basis

The directors have reviewed the cash flow forecasts for the twelve months from the date the financial statements and have been approved. They are optimistic about the opportunities arising for the business and have funding facilities in place, which with the working capital generated by the business, will be sufficient for it to continue trading and investing in its products for the next 12 months.

TRAINING AND DEVELOPMENT

There is a huge reliance on staff for the company, hence AAM has always sought to hire the best employees in its field in order to guarantee the highest levels of quality and customer service.

Investment in the staff has been a priority over the last few years and this has shown dividend with attrition rates decreasing year on year. The human resource function has implemented programs to improve career progression within the company.

The company has also introduced an internship scheme to university students across the business. This gives the candidates an insight into working at the forefront of ground breaking technology, helping them to gain important life skills. This benefits AAM by creating a strong pipeline of talent for the future.

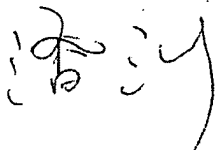
ARTS ALLIANCE MEDIA LIMITED
STRATEGIC REPORT
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

RESEARCH AND DEVELOPMENT

A crucial element to the company's continued expansion within the digital cinema marketplace has been its ability to develop innovative market leading products, based upon advanced in-house developed technologies. AAM's continued investment in its products differentiates it in the marketplace, as the company continues to provide software which is both functional and intuitive. In the period, AAM has continued to successfully execute its technology and product development road map maintaining its software at the forefront of the market.

Significant product investment over the past few years has endowed AAM with a broad suite of software products which are highly regarded in the marketplace. As a ground-breaking software and services company, AAM maintains its reputation as one of the most innovative companies in the digital cinema marketplace by adding new functionality and configuration options to its already market leading products.

AAM strives to develop the software products of the future. As a fundamental cornerstone of the growth strategy to expand the business, technological innovation derived from research and development will continue to form a substantial part of the company's activities.



ZHOU PAN - DIRECTOR

ARTS ALLIANCE MEDIA LIMITED
REPORT OF THE DIRECTORS
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

DIRECTORS

The directors who served during the year were:

John Woodward (Retired 25/10/2017)
John Aalbers (Resigned 28/02/2018)
Patrick Foley (Appointed 28/02/2018)
Thomas Hoegh (Retired 25/10/2017)
Martine Vice-Holter (Retired 25/10/2017)
Barrie Woolston (Retired 25/10/2017)
Carmen Carey (Retired 25/10/2017)
Mel Alcock (Retired 25/10/2017)
Nathan Hodge (Retired 25/10/2017)
Zhou Pan (Appointed 25/10/2017)
Rui Ning (Appointed 25/10/2017)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance. The Board has established both an Audit Committee, consisting of three Non-Executive Directors and a Remuneration Committee that consists of an Executive Director and three Non-Executive Directors. The Audit Committee has responsibility to monitor the integrity of the financial statements as well as the financial controls in place for the Group. The Remuneration Committee is responsible for setting policies on the Director's, management and employee's remuneration and for determining their individual packages. The main elements of an employee's remuneration package are basic salary and benefits, pension arrangements, annual bonus plan and long term share-based incentive plans (where applicable).

DISCLOSURE OF INFORMATION TO AUDITORS

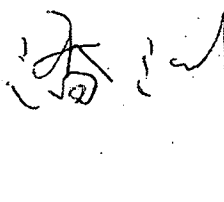
The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITORS

In accordance with section 489 of the Companies Act 2006, a resolution proposing that Crowe U.K. LLP be re-appointed will be put to the forthcoming Annual General Meeting.

The report was approved by the Board on 26/4/19 and signed on its behalf.

Director



ZHOU PAN

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ARTS ALLIANCE MEDIA LIMITED
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

OPINION

We have audited the financial statements of Arts Alliance Media Limited for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows, and the related notes numbered 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS OF OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

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

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

We have nothing to report in this regard.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ARTS ALLIANCE MEDIA LIMITED
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, 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.

RESPONSIBILITIES OF DIRECTORS

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Crowe U.K. LLP

Matthew Stallabrass (Senior statutory auditor)

For and on behalf of
Crowe U.K. LLP

Statutory Auditor

St. Bride's House
10 Salisbury Square
London
EC4Y 8EH

30 September 2019

ARTS ALLIANCE MEDIA LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
TURNOVER	4	16,827,749	10,933,026
Cost of sales		(2,789,052)	(1,800,962)
GROSS PROFIT		14,038,697	9,132,064
Administrative expenses		(17,251,105)	(10,759,549)
OPERATING LOSS	5	(3,212,408)	(1,627,485)
Interest payable and similar charges		(618,041)	(1,024,386)
Interest receivable		807	5,744
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,829,642)	(2,646,127)
Taxation on loss on ordinary activities	8	(223,535)	(216,842)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(4,053,177)	(2,862,969)
<i>Other comprehensive income:</i>			
Exchange differences on translating foreign operations		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(4,053,177)</u>	<u>(2,862,969)</u>

All amounts for 2018 and 2017 relate to continuing operations.

The notes numbered 1 to 21
form part of these financial statements

ARTS ALLIANCE MEDIA LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

COMPANY	Share capital £	Retained earnings £	Total equity £
At 1 July 2016	33,800,000	(35,779,269)	(1,979,269)
<i>Comprehensive income for the year</i>			
Profit for the year	-	(2,862,969)	(2,862,969)
Other comprehensive income for the year	1,715,000	-	1,715,000
Balance at 30 June 2017	35,515,000	(38,642,238)	(3,127,238)
<i>Comprehensive income for the year</i>			
Profit for the year	-	(4,053,177)	(4,053,177)
Other comprehensive income for the year	6,275,000	-	6,275,000
Balance at 31 December 2018	41,790,000	(42,695,415)	(905,415)

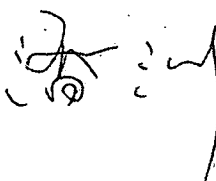
The notes numbered 1 to 21
form part of these financial statements

ARTS ALLIANCE MEDIA LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018
COMPANY NUMBER: 04801432

	Notes	Company 2018 £	Company 2017 £
FIXED ASSETS			
Intangible assets	9	4,450,703	3,669,271
Investments	10	1,300,000	-
Tangible assets	11	535,632	218,814
		<u>6,286,335</u>	<u>3,888,085</u>
CURRENT ASSETS			
Debtors	12	2,428,561	3,919,867
Stock	13	79,405	79,725
Cash at bank and in hand		320,559	-
		<u>2,828,525</u>	<u>3,999,592</u>
CREDITORS: amounts falling due within one year	14	(9,868,377)	(10,150,564)
Cash at bank and in hand		-	(6,869)
		<u>(9,868,377)</u>	<u>(10,157,433)</u>
NET CURRENT LIABILITIES		<u>(7,039,852)</u>	<u>(6,157,841)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(753,517)</u>	<u>(2,269,756)</u>
CREDITORS: amounts falling due after more than one year	15	-	(532,639)
PROVISIONS	17	(151,898)	(324,843)
		<u>(905,415)</u>	<u>(3,127,238)</u>
NET (LIABILITIES)/ASSETS		<u>(905,415)</u>	<u>(3,127,238)</u>
CAPITAL AND RESERVES			
Share capital	18	41,790,000	35,515,000
Profit and loss account		(42,695,415)	(38,642,238)
SHAREHOLDERS' (DEFICIT)/FUNDS		<u>(905,415)</u>	<u>(3,127,238)</u>

The financial statements were approved and authorised for issue by the Board on 16/9/19 and were signed on its behalf on

Director



ZHOU PAN

The notes numbered 1 to 21
form part of these financial statements

ARTS ALLIANCE MEDIA LIMITED+
STATEMENT OF CASH FLOWS
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

	Company 2018 £	Company 2017 £
Cash flows from operating activities		
Loss before interest and tax	(3,212,408)	(1,627,485)
Adjustments for:		
Depreciation, amortisation and impairment of fixed assets	2,298,247	1,815,493
Movement in stock	320	70,543
Movement in debtors	1,267,771	(1,053,608)
Movement in creditors and provisions	(987,771)	(1,019,375)
Net cash inflow from operating activities	<u>(633,841)</u>	<u>(1,814,432)</u>
Cash flows from investing activities		
Purchase of tangible and intangible fixed assets	(3,396,497)	(1,300,027)
Investment in subsidiaries	(1,300,000)	-
Interest received	-	2,444
Net cash outflow from investing activities	<u>(4,696,497)</u>	<u>(1,297,583)</u>
Cash flows from financing activities		
Issue of ordinary share capital	6,275,000	1,715,000
Other interest paid	(617,234)	(1,018,642)
Net cash inflow from financing activities	<u>5,657,766</u>	<u>696,358</u>
Net increase in cash and cash equivalents	327,428	(2,415,657)
Cash and cash equivalents at beginning of year	(6,869)	2,408,788
Cash and cash equivalents at end of year	<u>320,559</u>	<u>(6,869)</u>

The notes numbered 1 to 21 form part of these financial statements

ARTS ALLIANCE MEDIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

The company is a private company, limited by shares, incorporated in England and Wales with registration number 04801432. The address of the registered office is The Westworks, White City Place, 195 Wood Lane, W12 7FQ

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006

The preparation of the consolidated financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the group's accounting policies. Information is given in note 3.

2.2 Going Concern

The financial statements have been prepared on a going concern basis; this assumes that the company will be able to meet its financial commitments as they fall due, and the shareholders will continue to financially support the company, as there are sufficient external funds available. The shareholders have confirmed their willingness to continue to support the business financially for a period of at least 12 months.

The Directors have reviewed the cash flow forecasts and budgets for the twelve months from the date the financial statements have been approved. They are highly optimistic about the opportunities for the business and have put funding facilities in place which, with the working capital generated by the business, will be sufficient for it to continue trading and investing in its products for the next 12 months.

2.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales taxes.

AAM generates revenue from the provision of various classes of product:

- The provision of enterprise software solutions to the cinema industry. The recognition of these revenues is dependent on the structure of the sale. License revenue is recognised in full with any maintenance element realised over the period it relates. In the case of license only transactions, the revenue is deferred in line with the Group's recognition policy to match costs associated to the provision of the product.
- The company sells equipment, installation and support services across Europe. Equipment and installation revenue is recognised upon installation of the equipment, and revenue related to support is realised over the period it relates. The revenue is deferred in line with the Group's recognition policy to match costs associated to the provision of the service.
- Accounting and IT services are recognised in the period for which the service has been sold.

2.4 Intangible assets and amortisation

Intangible assets relate to software costs while they are in development. Intangible assets are stated at cost less amortisation and expensed over their estimated useful life. Amortisation is provided on a straight line basis over the estimated useful life at the following rates:

Development costs	33% straight line
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ARTS ALLIANCE MEDIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.7 Tangible fixed assets and depreciation

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

Fittings & furniture	20% straight line
Equipment	33% straight line

2.8 Gains and losses on the disposal of fixed assets

The profit or loss on the disposal of a tangible fixed asset is accounted for in the profit and loss account of the period in which the disposal occurs as the difference between the net sale proceeds and the carrying amount, whether carried at historical cost (less any provisions made) or at a valuation.

2.9 Stock

Stock is valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

2.10 Research and development costs

The Company capitalises expenditure incurred on the development of internally generated products if it can be demonstrated that:

- the Group is able to sell the product;
- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods in which the Group expects to benefit from selling the products developed (currently 3 years). The useful life and the value of the capitalised development cost are assessed for impairment annually. The value is written down immediately if impairment has occurred and the unimpaired cost amortised over the reduced useful life.

Development expenditure, not satisfying the above criteria, and expenditure on the research phase of internal projects are written off in the year in which they are incurred.

2.11 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2.12 Deferred Taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation. A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are calculated at the rates when timing differences are expected to reverse. Deferred tax assets and liabilities are not discounted.

ARTS ALLIANCE MEDIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.13 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are made for legal matters when such matters arise and are based on relevant professional advice. Further disclosure is not provided as to do so could be severely prejudicial to the interests of the group. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

2.14 Foreign currency translation

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

2.15 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

ARTS ALLIANCE MEDIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

- Debtors provision
- Stock provision
- Warranty provision
- Legal provision

Debtor provisions are assessed on management's understanding of the market and regular reviews of the aged debtors. The company's policy is to measure all stock at the lower of cost or net realisable value. Spares are measured therefore at zero value whereas remaining stock items are valued under the company's policy, i.e at net realisable value. Warranty provisions are assessed by management through their knowledge of what the cost of the warranty will be in future years. Provisions are made for legal matters when such matters arise and are based on relevant professional advice.

4. TURNOVER

Turnover represents software, installation, maintenance and support for digital cinema systems.

	2018 £	2017 £
United Kingdom	3,333,739	2,083,730
Europe	8,366,095	6,314,247
Rest of world	5,127,915	2,535,049
	<u>16,827,749</u>	<u>10,933,026</u>

5. OPERATING (LOSS) / PROFIT

The operating (loss)/profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets		
- owned by the company	246,969	192,904
Amortisation of intangibles	2,832,710	1,942,687
Impairment of intangibles	(781,432)	(38,228)
Operating leases – land and buildings	402,651	327,629
Foreign currency (gain) / loss	10,063	(132,606)
Fees payable to the Company's auditors:		
- Statutory audit	32,000	26,000
Pension costs	303,650	184,948
	<u>3,046,611</u>	<u>2,503,334</u>

ARTS ALLIANCE MEDIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

6. DIRECTORS' REMUNERATION

	2018 £	2017 £
Remuneration	501,333	366,700
Pension cost	<u>67,286</u>	<u>9,764</u>
Aggregate emoluments	<u>568,619</u>	<u>376,464</u>

The highest paid director received remuneration of £319,811 (2017 - £230,103) including pension contributions of £37,680. During the year retirement benefits were accruing to 2 directors (2017 - 1) in respect of contribution pension schemes. The Directors are considered to be key management.

7. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	8,438,358	6,193,902
Social security costs	970,699	720,519
Other pension costs	<u>303,650</u>	<u>184,948</u>
	<u>9,712,707</u>	<u>7,099,369</u>

The average monthly number of employees, including the directors, during the 18 months period was as follows:

	2018 No.	2017 No.
Administrative staff	99	107
Directors	<u>2</u>	<u>8</u>
	<u>101</u>	<u>115</u>

ARTS ALLIANCE MEDIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

8. TAXATION

	2018 £	2017 £
Deferred tax asset released/(recognised) in year	-	-
Current tax (credit) / charge for year	<u>223,535</u>	<u>216,842</u>
	<u>223,535</u>	<u>216,842</u>

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2017: lower than) the standard rate of corporation tax in the UK (19.75%). The differences are explained below:

	2018 £	2017 £
(Loss)/Profit on ordinary activities before tax	(3,829,642)	(2,646,127)
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.75% (2017: 19.75%)	(756,354)	(522,628)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There are approximately £32,266,397 (2017: 28,213,220) of tax losses which may be utilised against future trading profits. There was no deferred tax asset recognised in respect of them.

ARTS ALLIANCE MEDIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

9. INTANGIBLE FIXED ASSETS

	Development Costs £
Cost	
Opening balance	10,096,803
Additions	2,832,710
Retirement of software cost	<u>(4,713,427)</u>
Closing balance	<u>8,216,086</u>
Amortisation	
Opening balance	5,245,760
Charge for the year	2,832,710
Retirement of software cost	<u>(4,713,427)</u>
Closing balance	<u>3,365,043</u>
Impairment	
Opening balance	1,181,772
Release of amortisation	<u>(781,432)</u>
Closing balance	<u>400,340</u>
Net book value	
At 31 December 2018	<u>4,450,703</u>
At 30 June 2017	<u>3,669,271</u>

AAM Deploying Entity B.V. has a charge over certain intangible assets owned by the company.

10. FIXED ASSET INVESTMENTS

	Shares in subsidiary undertaking £	Loans to subsidiary undertaking £	Total £
Cost			
Opening balance	-	-	-
Additions	1,300,000	-	1,300,000
Write off	-	-	-
Disposals	-	-	-
Closing balance	<u>1,300,000</u>	<u>-</u>	<u>1,300,000</u>
Impairment			
Opening balance	-	-	-
Charge for the year	-	-	-
Closing balance	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
At 31 December 2018	<u>1,300,000</u>	<u>-</u>	<u>1,300,000</u>
At 30 June 2017	<u>-</u>	<u>-</u>	<u>-</u>

ARTS ALLIANCE MEDIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

FIXED ASSET INVESTMENTS (CONTINUED)

Subsidiary Undertakings

Arts Alliance Media Limited holds 100% shareholding in Qing Dao Ying Lian Arts Alliance Media Co. Ltd China. The principal activity of the company is the development of Theatre Management System. Consolidated financial statements were not prepared by Arts Alliance Media Ltd as these were presented as such by its immediate parent, Arts Alliance Media Investment Ltd BVI.

11. TANGIBLE FIXED ASSETS

Company	Equipment £	Fittings & furniture £	Total £
Cost			
Opening balance	608,947	79,123	688,070
Additions	104,691	459,096	563,787
Disposal	-	-	-
Closing balance	713,638	538,219	1,251,857
Depreciation			
Opening balance	428,658	40,598	469,256
Charge for the year	195,847	51,122	246,969
Eliminated on disposal	-	-	-
Closing balance	624,505	91,720	716,225
Net book value			
At 31 December 2018	89,133	446,499	535,632
At 30 June 2017	180,289	38,525	218,814

ARTS ALLIANCE MEDIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

12. DEBTORS

	2018 £	2017 £
Trade debtors	808,394	1,607,494
Amounts owed by related parties	991,972	549,162
Other tax and social security	4,812	98,702
Other debtors	623,383	1,664,509
	<u>2,428,561</u>	<u>3,919,867</u>

13. STOCK

	2018 £	2017 £
Stock	<u>79,405</u>	<u>79,725</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Amounts falling due within one year:		
Trade creditors	906,572	1,383,782
Other creditors and accruals	1,096,324	833,200
Deferred income	1,371,180	1,364,212
Other taxes and social security costs	326,763	177,328
Amounts owed to related parties	6,167,538	6,392,042
	<u>9,868,377</u>	<u>10,150,564</u>

ARTS ALLIANCE MEDIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018 £	2017 £
Amounts falling due after more than one year:		
Deferred income	-	532,639
Deferred income is to be recognised as follows:		
	Company 2018 £	Company 2017 £
Within one year	1,371,180	1,364,212
In the second to fifth years	-	532,639
Over five years	-	-
	<u>1,371,180</u>	<u>1,896,851</u>

16. FINANCIAL ASSETS AND LIABILITIES

Financial assets measured at amortised cost comprise of:

	2018 £	2017 £
Trade Debtors	2,441,058	1,607,494
Other Debtors	623,383	1,664,509
Amounts owed by related parties	<u>991,972</u>	<u>549,162</u>
	<u>4,056,413</u>	<u>3,821,165</u>

Financial Liabilities measured at amortised cost comprise of:

	2018 £	2017 £
Trade creditors	906,572	1,383,782
Other creditors	410,669	780,104
Amounts owed to related parties	<u>6,167,538</u>	<u>6,378,664</u>
	<u>7,484,779</u>	<u>8,542,550</u>

17. PROVISIONS

	2018 £	2017 £
Provision:		
Opening balance	324,843	314,220
Additional provision in the year	-	133,582
Used during the year	<u>(172,945)</u>	<u>(122,959)</u>
	<u>151,898</u>	<u>324,843</u>

The company has provided for warranty costs with regards to digital cinema equipment it has installed. The company expects to settle this obligation in the period January to December 2019.

ARTS ALLIANCE MEDIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

18. SHARE CAPITAL

	2018 £	2017 £
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each	<u>41,790,000</u>	<u>35,515,000</u>

During the year 6,275,000 additional shares were issued for consideration of £1 per share.

19. RELATED PARTY TRANSACTIONS

In accordance with FRS 102 S.33, transactions with fellow group companies have not been separately disclosed.

During the 18 month period, Arts Alliance Media Limited provided staff costs and administration services to AAMD Limited totaling £527,116 (2017: £641,538). As at the balance sheet date, Arts Alliance Media is owed £981,416 (2017: £367,085).

During the 18 month period, Arts Alliance Media Limited provided staff costs and administration services to Luxin-Rio totaling £5,817 (2017: £Nil). As at the balance sheet date, Arts Alliance Media is owed £5,817 (2017: £Nil).

During the 18 month period, Arts Alliance Media Limited provided staff costs and administration services to AAMI totaling £4,739 (2017: £Nil). As at the balance sheet date, Arts Alliance Media is owed £4,739 (2017: £Nil).

During the 18 month period, Arts Alliance Media Limited was provided staff costs and administration services by Arts Alliance Media (Digital Cinema) Cooperatie in the sum of £466,225 (2017: £Nil). As at the balance sheet date, Arts Alliance Media owes £131,687 (2017: £Nil).

During the 18 month period, Arts Alliance Media Limited was given a loan by Arts Alliance Media (Digital) Limited totaling £546,000 (2017: £Nil). As at Balance Sheet Arts Alliance Media Limited owed an amount of £520,377 (2017: £Nil).

During the 18 month period, Arts Alliance Media Limited was provided services by Arts Alliance Productions Limited, a company in which Thomas Hoegh has an interest, in the sum of £1,529.52 (2017: £50,029). As at the balance sheet date, Arts Alliance Media Limited is owed an amount of £14,908 (2017: £Nil).

During the 18 month period, Arts Alliance Media Limited was given a loan by Luxin-Rio totaling £5,117,656 (2017: £Nil). As at Balance Sheet Arts Alliance Media Limited owed an amount of £5,500,566.00 (2017: £Nil).

ARTS ALLIANCE MEDIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2018

20. COMMITMENTS

Commitments for operating lease payments on land and buildings were as follows:

	2018	2017
	£	£
Leases of premises which expire:		
Within one year	231,292	327,671
In the second to fifth years	-	291,174
Over five years	-	-
	<u>231,292</u>	<u>618,791</u>

21. CONTROLLING PARTY

The immediate parent company is Arts Alliance Media Investments Limited, a company incorporated in the British Virgin Islands. The ultimate parent company is Shandong Luxin-Rio Visual Technology Co. Ltd - a company based in mainland China that provides technical solutions for entertainment equipment within the cinema industry.