Company Number: 04801432

ARTS ALLIANCE MEDIA LIMITED
DIRECTORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

ARTS ALLIANCE MEDIA LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2021

CHAIRMAN	Zhou Pan
DIRECTORS	Zhou Pan Rui Ning Kiedaisch Howard
COMPANY SECRETARY	Alan Bowen
REGISTERED OFFICE	The WestWorks, White City Place 195 Wood lane London W12 7FQ
AUDITORS	Crowe U.K. LLP 55 Ludgate Hill London EC4M 7JW

ARTS ALLIANCE MEDIA LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2020

ARTS ALLIANCE MEDIA LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

OVERVIEW OF THE 12 MONTH PERIOD

For the 12-month period ended 31 December 2021 revenues have dropped compared to the previous financial year at £2.7 million (12-month period 2020: £4.2 million). This reduction is due to the Covid-19 pandemic which has resulted in enforced closure of the global cinema industry.

Administrative expenditure has been significantly reduced compared to prior year to £2.5 million (12-month period 2020: £5.7 million) in line with the revenue decrease. Management have focused on cost containment and reduction to enable the business to successfully negotiate the pandemic and ensure adequate cash reserves are available when the pandemic is over.

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 45,000 screens globally and provide software solutions to the largest exhibitors across all major marketplaces.

In 2021, as the World returns to some semblance of normality after the pandemic, AAM's business has slowly been picking up but is still behind pre-Covid levels as the number of movies coming through from the Studios is still not where it needs to be. During this time we have been busy with product development, commercial market exploitation ultimately delivering for our customers as we collectively rebuild the cinema industry after the preceding two years.

AAM continued to enhance our new flagship product Producer and have made many advancements in development and features to satisfy the requirements of Cineworld one of the largest exhibitor chains in the world. During 2022, Cineworld have deployed Producer across their US cinema estate, and that roll out will complete by the end of October 2022. We have begun the conversations with other major cinema chains and we expect to be able to make some significant announcements in Q4 of 2022 about commercial deals with new and existing customers.

Continued investment in our legacy products in Screenwriter and Lifeguard also provided new features for a more environmentally aware society. We modernised our products to become eco-friendly with new power saving features to help improve the environmental impact of cinema technology. Our commitment in raising awareness of the environment in our software development has enhanced our reputation to be forward thinking and leaders of software innovation.

We will be launching a new lighter version of our Screenwriter TMS in the next few weeks, which will enable the 70,000 non chain owned screens around the World to finally install a TMS system with most of the functionality without the cost of the full version. This will we believe be game-changing and will enable us to access a heretofore inaccessible market. We should be able to garner a market share of some 70% of global cinema screens as a consequence of this development.

AdFuser continued to attract new business opportunities to a wider non-traditional cinema advertising base. Screen Advertising Agencies and exhibitors understand in the post-covid world, there will be a different focus for advertisers and also how such advertising is consumed. Our continued investment in AdFuser and joint venture exploration with other development houses outside the traditional cinema space will ultimately provide potentially greater opportunities for AAM.

As we mentioned last year, despite the pandemic, AAM's business relationships with cinemas have remained strong. Our customer base have committed to AAM's software and opportunities for renewals and extensions re-commenced as soon as cinemas were able to operate again.

AAM will also be announcing the establishment of a US entity in the next month to establish a commercial presence in our biggest market. We will have sales and support staff on the ground who are able to service our customer base directly with ready access to our 24/7 development and support teams.

In conclusion, 2021 was a challenging year, but 2022 has very definitely been one of significant opportunity and which we are keen to build on into the middle of this decade.

FUTURE DEVELOPMENTS

Despite the pandemic, AAM's business relationships with cinemas have remained strong with only a very limited number of cinema's remaining closed indefinitely. Our customer base have committed to AAM's software and opportunities for renewals and extensions have restarted as soon as cinemas were able to operate again.

AAM also launched a new version of our flagship product Producer 2.0, that garnered much interest in the industry. The media coverage was very positive that generated to new leads and opportunities with our existing customer base.

Larger revenue contracts in Australia and Japan expired or due to expire in 2021 have either already renewed software contracts in the case of Event Cinema and Village Cinemas (both in Australia), while the remaining customers in the territory are finalizing their renewal agreements with imminent signing.

RESULTS, KEY PERFORMANCE INDICATORS AND DIVIDEND

The results for the year are summarised in the profit and loss account on page 10.

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, maintenance, and support revenues dropped compared to last year. This is due to a post COVID-19 pandemic world as the number of movies coming through from the Studios is still not where it needs to be.

Software screens deployed increased in the period, with the continued roll out of software across AAMs global exhibitor base.

The directors do not recommend the payment of a dividend (2020: 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.

RISKS AND UNCERTAINTIES

Political and market risk
The global pandemic has interrupted AAM deals and disrupted the cinema industry. Despite this global crisis, the marketplace has continued to move towards total cinema automatization and centralisation. As we climb out of the post Covid pandemic, our software monetization will accelerate our business growth and bottom line. We believe we will see significant recovery from 2022 forward, as the global cinema Industry is continuing to invest in our legacy products.

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.

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.

DIRECTORS

Kiedaisch Howard
Zhou Pan
Rui Ning

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.

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.

GOING CONCERN

The continuing impact of the restrictions imposed by governments globally to contain the global pandemic on AAM's operations, had an adversely negative impact on the financial results in 2021. For the most part, global exhibition had remained shut since March 2020, until October 2021. Those exhibitors who did open sporadically during the on/off nature of the restrictions, did so on a much reduced basis.

The industry as a consequence was not generating anything approaching revenue as usual, and all of our customers whom requested, were granted a suspension of their contracts, which meant for three quarters of the year our revenue was deferred. Finally, the major studios started to release new titles to exhibition in October, but the landscape was a few big titles and nothing else, so it was a very artificial end of year.

This year 2022, started off slowly, but we have finally seen strong green shoots of recovery across the cinema exhibition sector with very strong box office revenues for titles. We received £1.4m from AMC, in April which was the second tranche of the perpetual licence fee for the deployment of Screenwriter across their entire estate in Q1 and Q2, which was a strong revenue start to the year.

The benefit of some of the deals done in the second half of 2021, have come to fruition in the first half of 2022 from a cash flow and revenue recognition perspective. The ending of suspended contracts and consequential revenue resumption coupled with tighter financial management over the cost base has enabled AAM Limited to record an operating profit for the first half of 2022 of £491,000.

We have an exciting new product to bring to the market at the end of the Summer – "Screenlighter" is a slimmed down theatrical management system aimed at the approximate 70,000 screens in the World which are not part of large multinational chains, and whom historically have not been able to either afford a full TMS or have not had a need for the full functionality. This product will enable us to engage with the secondary and tertiary level exhibition owners globally with a product that will be revolutionary in the management of their theatres and which none of our competitors are providing.

Our headcount at the end of June 2022 is 21 people, but we are in the process of establishing a new sales, marketing and trading entity in the US. This is in recognition that our software revenues have pivoted in the last few years and are primarily being generated from across North America. We have engaged a support team to provide 24/7 support based in the same time zone and speaking English. We are also actively hiring software developers to be based in the US time zone also to provide our expanding US customer base with a full service solution.

We have signed a reseller deal with MMI to be their sales agent ex USA and we have already signed three deals under this arrangement. We have signed a sales and marketing deal with Timewaying to sell their LED screens globally and we have signed a joint venture deal with Cielo to develop Lifeguard in tandem with their software which will likely generate several million in incremental revenue over the next three to five years.

The Chinese cinema industry continues to be catastrophically impacted by the government's approach to the pandemic. There will not be any vaccination plan for the general public in China until 2023. Cinemas have opened and closed repeatedly due to continuing Covid outbreaks. Luxin-Rio, our parent company is in a continuing dialogue with shareholders and investors and, it is likely in the second half of 2022, that MediaMation, the manufacturer of MX4D benches will be fully controlled by LR and this will enable us to significantly drive revenue and profitability as the manufacturing cost will minimally be half the cost from MMI presently.

In conclusion, after a slow start to 2022, AAM Limited has shown a healthy profit for the first half of the year, as have the other group entities also. With our new US based trading entity and related physical presence, coupled with an exciting new theatrical management system produce which will enable us to offer a service to the smaller theatre chains, we believe the growth of AAM is very definitely on an upward trajectory and the next few years will see us return to pre-Covid levels of revenues across the Group.

The report was approved by the Board on 2022-9-29 and signed on its behalf.

Director

ZHOU PAN

Opinion

We have audited the financial statements of Arts Alliance Media Limited (the 'Company') for the year ended 31 December 2021, 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, 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).

In our opinion the financial statements:

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

Basis for 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 United Kingdom, including the Financial Reporting Council'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.

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which details the factors the Company has considered when assessing the going concern position. As stated in note 2.2, these events or conditions, along with the other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The financial statements do not reflect any adjustments that would be necessary should the going concern basis not be appropriate.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

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 this gives rise to material misstatement in the financial statements themselves. 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 the 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.

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, 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 Directors' responsibilities 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, 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.

Extent to which the audit is capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.
We design our procedures so as to obtain sufficient appropriate audit evidence that the financial statements are not materially misstated due to non-compliance with laws and regulations or due to fraud or error.

We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations – this responsibility lies with management with the oversight of the Directors.

Based on our understanding of the Company and industry, discussions with management and directors we identified financial reporting standards and Companies Act 2006 as having a direct effect on the amounts and disclosures in the financial statements. As part of the engagement team discussion about how and where the Company's financial statements may be materially misstated due to fraud, we did not identify any areas with an increased risk of fraud.
Our audit procedures included:

- completing a risk-assessment process during our planning for this audit that specifically considered the risk of fraud;
- enquiry of management about the Company's policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances of non-compliance;
- examining supporting documents for all material balances, transactions and disclosures;
- review, where applicable, of the Board of Directors' minutes;

Extent to which the audit is capable of detecting irregularities, including fraud (continues)

- enquiry of management, about litigations and claims and inspection of relevant correspondence;
- analytical procedures to identify any unusual or unexpected relationships;
- specific audit testing on and review of areas that could be subject to management override of controls and potential bias, most notably around the key judgments and estimates, including the carrying value of intangibles, accruals, provisions, recoverability of trade debtors and revenue recognition;

considering management override of controls outside of the normal operating cycles including testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements including evaluating the business rationale of significant transactions, outside the normal course of business

Extent to which the audit is capable of detecting irregularities, including fraud (continue)

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud because fraud may involve sophisticated and carefully organized schemes designed to conceal it, including deliberate failure to record transactions, collusion or intentional misrepresentations being made to us.

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.

Use of our report

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.

J. Ch

John Charlton
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

29 September 2022

ARTS ALLIANCE MEDIA LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
TURNOVER	4	**2,726,626**	4,214,202
Cost of sales		**(487,713)**	(1,053,105)
GROSS PROFIT		**2,238,913**	3,161,097
Administrative expenses		**(2,522,203)**	(5,793,142)
Other Income Furlough Grant Scheme		**97,862**	469,325
OPERATING LOSS	5	**(185,429)**	(2,162,720)
Interest payable and similar charges		**(428,279)**	(625,930)
Interest receivable		**-**	9
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		**(613,708)**	(2,788,641)
Taxation on loss on ordinary activities	8	**(1,729)**	(3,943)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		**(615,437)**	(2,792,854)
Exchange differences on translating foreign operations		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(615,437)**	(2,792,584)

All amounts for 2021 and 2020 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 YEAR ENDED 31 DECEMBER 2021

	Share capital £	Retained earnings £	Total equity £
At 1 January 2020	41,790,000	(43,549,791)	(1,759,791)
Comprehensive income for the year			
Loss for the year	-	(2,792,584)	(2,792,584)
Other comprehensive income for the year	-	-	-
Balance at 31 December 2020	41,790,000	(46,342,375)	(4,552,375)
Comprehensive income for the year			
Loss for the year	-	(615,437)	(615,437)
Other comprehensive income for the year	-	-	-
Balance at 31 December 2021	**41,790,000**	**(46,957,812)**	**(5,167,812)**

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

ARTS ALLIANCE MEDIA LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

COMPANY NUMBER: 04801432

	Notes	2021 £	2020 £
FIXED ASSETS			
Intangible assets	9	4,671,018	4,698,007
Investments	10	2,290,000	2,290,000
Tangible assets	11	178,977	304,088
		7,139,995	7,292,095
CURRENT ASSETS			
Debtors	12	2,463,411	2,570,712
Stock	13	1,769	6,932
Cash at bank and in hand		123,282	(145,468)
		2,588,462	2,432,176
CREDITORS: amounts falling due within one year	14	(6,727,724)	(6,716,862)
NET CURRENT LIABILITIES		(4,139,262)	(4,284,686)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,000,733	3,007,409
CREDITORS: amounts falling due after more than one year	15	(8,129,547)	(7,532,784)
PROVISIONS	17	(39,000)	(27,000)
NET (LIABILITIES)/ASSETS		(5,167,812)	(4,552,375)
CAPITAL AND RESERVES			
Share capital	18	41,790,000	41,790,000
Profit and loss account		(46,957,812)	(46,342,375)
SHAREHOLDERS' (DEFICIT)/FUNDS		(5,167,812)	(4,552,375)

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

Director 2022.9.29

ZHOU PAN

ARTS ALLIANCE MEDIA LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £	2020 £
Cash flows from operating activities		
Loss before interest and tax	**(185,429)**	(2,162,720)
Adjustments for:		
Depreciation, amortisation and impairment of fixed assets	**316,690**	577,871
Correction on amortisation		25
Movement in stock	**5,163**	12,967
Movement in debtors	**105,572**	1,174,014
Movement in creditors	**619,624**	982,874
Net cash inflow from operating activities	**861,621**	585,031
Cash flows from investing activities		
Purchase of tangible and intangible fixed assets	**(164,592)**	-
Investment in subsidiaries	**-**	(120,000)
Interest received	**-**	-
Net cash outflow from investing activities	**(164,592)**	(120,000)
Cash flows from financing activities		
Issue of ordinary share capital	**-**	-
Other interest paid	**(428,279)**	(625,921)
Net cash inflow from financing activities	**(428,279)**	(625,921)
Net increase in cash and cash equivalents	**268,752**	(160,890)
Cash and cash equivalents at beginning of year	**(145,468)**	15,422
Cash and cash equivalent at end of year	**123,282**	(145,468)

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

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 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 from the date of signature. On the basis of the net current liabilities and that the company does not have direct access to cash there is a material uncertainty as to the company's ability to continue as a going concern.

The Directors have reviewed the cash flow forecasts and budgets for the twelve months from the date the financial statements have been approved. The continued impact of Covid-19 on our customer base means that accurate forecasting continues to be challenging. However, the financial forecasts indicate that we will not require further financial support from our parent company in order to finance ongoing working capital or to ensure liabilities are settled as they fall due. While the parent company has confirmed their willingness to continue to support the business financially for a period of at least 12 months from the date of signature, we do not expect to need any such support. The surplus cash from profitable trading operations in 2022 year to date, supports this conclusion.

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

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.

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.

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.

	2021	2020
	£	£
United Kingdom	-	13,802
Europe	**1,253,927**	1,627,920
Rest of world	**1,472,699**	2,572,479
	2,726,626	4,214,202

5. OPERATING (LOSS) / PROFIT

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

	2021	2020
	£	£
Depreciation of tangible fixed assets		
- owned by the company	**125,110**	138,311
Amortisation of intangibles	**191,580**	439,560
Impairment of intangibles	-	-
Operating leases – land and buildings	**310,007**	321,969
Foreign currency (gain) / loss	**(60,610)**	87,189
Fees payable to the Company's auditors:		
- Statutory audit	**50,041**	25,000
Pension costs	**50,523**	88,697
	666,652	1,100,726

6. DIRECTORS' REMUNERATION

	2021 £	2020 £
Remuneration	**90,622**	188,973
Pension cost	**-**	-
Aggregate emoluments	**90,622**	188,973

The highest paid director received remuneration of **£90,622** (2020 - **£188,973**). The Directors are considered to be key management.

7. STAFF COSTS

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

	2021 £	2020 £
Wages and salaries	**1,636,096**	2,059,680
Social security costs	**110,878**	254,598
Other pension costs	**50,523**	95,012
	1,797,497	2,409,289

The average monthly number of employees, including the directors, during the 12 months period was as follow:

	2021 No.	2020 No.
Administrative staff	**21**	39
Directors	**1**	1
	22	40

8. TAXATION

	2021 £	2020 £
Deferred tax asset released/(recognised) in year	-	-
Current tax (credit) / charge for year	**(1,729)**	(3,943)
	(1,729)	(3,943)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR
The standard rate of corporation tax in the UK (19.75%). The differences are explained below:

	2021 £	2020 £
(Loss)/Profit on ordinary activities before tax	**(613,708)**	(2,162,720)
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.75% (2020: 19.75%)	**(121,207)**	(427,137)

9. INTANGIBLE FIXED ASSETS

	Development Costs £
Cost	
Opening balance	8,724,439
Opening balance correction	2
Additions	164,592
Retirement of software cost	-
Closing balance	8,889,033
Amortisation	
Opening balance	2,806,408
Opening balance correction	25
Opening balance reclassification	-
Charge for the year	(191,580)
Retirement of software cost	
	2,998,014
Closing balance	
Impairment	
Opening balance	1,220,000
Release of amortisation	-
Closing balance	1,220,000
Net book value	
At 31 December 2021	4,671,018
At 31 December 2020	4,698,007

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	2,290,000	-	2,170,000
Additions	-	-	-
Write off	-	-	-
Disposals	-	-	-
Closing balance	2,290,000	-	2,290,000
Impairment			
Opening balance	-	-	-
Charge for the year	-	-	-
Closing balance	-	-	-
Net book value			
At 31 December 2021	2,290,000	-	2,290,000
At 31 December 2020	2,290,000	-	2,290,000

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	290,882	469,691	760,573
Additions	-	-	-
Disposal	-	-	-
Closing balance	**290,882**	**469,691**	**760,573**
Depreciation			
Opening balance	242,408	214,077	453,525
Charge for the year	31,171	93,939	125,110
Eliminated on disposal	-	-	-
Closing balance	**273,579**	**308,016**	**581,595**
Net book value			
At 31 December 2021	**17,303**	**161,675**	**178,978**
At 31 December 2020	**48,474**	**255,613**	**304,088**

12. DEBTORS

	2021 £	2020 £
Trade debtors	**1,004,529**	1,225,884
Amounts owed by related parties	**981,252**	344,154
Other tax and social security	**71,600**	71,573
Other debtors	**406,030**	929,101
	2,463,411	2,570,712

13. STOCK

	2021 £	2020 £
Stock	**1,769**	6,932

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2020 £
Amounts falling due within one year:		
Trade creditors	**825,332**	1,051,617
Other creditors and accruals	**684,651**	874,334
Deferred income	**1,077,589**	1,045,908
Other taxes and social security costs	**-**	300,670
Amounts owed to related parties	**4,140,152**	3,444,333
	6,727,724	6,716,862

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

	2021 £	2020 £
Amounts falling due after more than one year:	**8,129,547**	7,532,784
Loans and borrowings	**8,129,547**	7,532,784

Deferred income is to be recognised as follows:

	Company 2021 £	Company 2020 £
Within one year	**1,077,589**	1,045,908
In the second to fifth years	-	-
Over five years	-	-
	1,077,589	1,045,908

16. FINANCIAL ASSETS AND LIABILITIES

Financial assets measured at amortised cost comprise of:

	2021 £	2020 £
Trade Debtors	**1,004,529**	1,225,884
Other Debtors	**157,503**	344,154
Amounts owed by related parties	**981,252**	929,101
	2,145,304	2,499,139

Financial Liabilities measured at amortised cost made of

	2021 £	2020 £
Trade creditors	**825,332**	1,051,617
Other creditors	**684,651**	874,334
Amounts owed to related parties	**4,140,152**	3,444,333
	5,650,135	5,370,284

17. PROVISIONS

	2021 £	2020 £
Provision:		
Opening balance	**27,000**	15,000
Additional provision in the year	**12,000**	12,000
Used during the year	-	-
	39,000	27,000

The company has provided for dilapidation costs.

18. SHARE CAPITAL

	2021 £	2020 £
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each	**41,790,000**	41,790,000

19. RELATED PARTY TRANSACTIONS

In accordance with IAS 24, transactions with fellow group companies have been separately disclosed

During the 12-month period, Arts Alliance Media Limited provided staff costs and administration services to Arts Alliance Media (Digital) totalling £0 (2020: £0).

During the 12-month period, Arts Alliance Media Limited provided staff costs and administration service to Arts Alliance Media D Ltd totalling £0 (2020: £0).

During the 12-month period, Arts Alliance Media DE Limited provided staff costs and administration service to Arts Alliance Media Ltd for £823,728 (2020: £668,995).

During the 12-month period, Arts Alliance Media Limited was provided staff costs and administration services by AAM Coop of £32,231 (2020: £218,783).

During the 12-month period, loans of the amount of £0 were given by Shandong Luxin-Rio Visual Technology Co. Ltd ("Luxin-Rio").

During the 12-month period, Arts Alliance Media Limited provided operational services to AAM China totalling £0 (2020: £546,977).

20. COMMITMENTS

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

	2021	2020
	£	£
Leases of premises which expire:		
Within one year	**362,950**	439,931
In the second to fifth years	**271,467**	757,661
Over five years	**-**	-
	634,417	1,197,592

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.