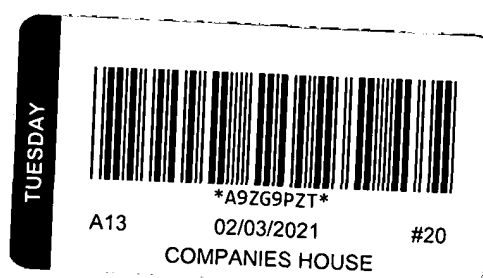


**THE UK FILM & TELEVISION PRODUCTION
COMPANY PLC**

ANNUAL REPORT

For the year ended 31 March 2020

Registered No: 04090944



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Strategic Report from the Chairman

Overview

Resources continue to be deployed on further development of “The Mirror Projection Project” through the partnership formed in late 2018. The main focus has been to build medical simulation laboratories (Extended Reality Laboratories (ERL’s)) the first of which now forms part of a new Patient Safety Centre in the Postgraduate Medical and Education Centre at County Hospital, Stafford. The Board continues to work on exploiting projects already invested in.

Trading and results

A loss on ordinary activities of £141,291 was recorded (2019: £92,529 loss). The result includes impairments of film projects totaling £76,267 (2019: £31,000).

The Company had net assets of £392,649 (2019: £533,940) at 31 March 2020, which included cash of £20,633 (2019: £164,789) and a total of film assets and work in progress (net of impairments) of £163,000 (2019: £253,717). Total investment in, and loans to, the Mirror Projection Project partnership at the balance sheet date was £253,400 (2019 - £135,045).

Outlook

In the absence of a CEO, the Board has taken an active support role in the Mirror Projection Project partnership and an active executive role in progressing the exploitation of existing film projects.

Significant resources and marketing effort continue to be deployed by the partnership centered on the partnerships flagship ERL facility in Stafford. The project is to be branded Sim4Med.

In the opinion of the directors there have been no material post balance sheet events, other than the continued disruption from the pandemic, and disclosures relating to going concern are included in note 1.

Principal risks and uncertainties

Early stage pioneering businesses such as the Mirror Projection Project carry risks, a failure to meet revenue targets would inevitably have an adverse impact on the Company – sales timelines when dealing with public bodies are often uncertain and unpredictable.

There is always risk in the film industry that films might not recoup their investment in full or at all, the Company’s existing film investments and work-in-progress projects are not exempt. This risk is increased in the current environment, given the disruption caused by the pandemic, which may continue to delay projects and/or the ability of our customers to install ERLs.

Section 172(1) Statement

The revised UK Corporate Governance Code (‘2018 Code’) was published in July 2018 and applies to accounting periods beginning on or after January 1, 2019. The Companies (Miscellaneous Reporting) Regulations 2018 (‘2018 MRR’) require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 (‘S172’) when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company.

Section 172(1) Statement (*continued*)

The Board welcomes the direction of the UK Financial Reporting Council (the 'FRC'). This S172 statement, which is reported for the first time, explains how The UK Film & Television Production Company plc directors:

- have engaged with employees, suppliers, customers and others; and
- have had regard to employee interests, the need to foster the company's business relationships with suppliers, customers and other, and the effect of that regards, including on the principal decisions taken by the company during the financial year.

The S172 statement focuses on matters of strategic importance to the Company, and the level of information disclosed is consistent with the size and the complexity of the business.

General confirmation of Directors' duties

The UK Film & Television Production Company plc Board has a clear framework for determining the matters within its remit. When making decisions, each Director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

S172(1) (A) "The likely consequences of any decision in the long term"

The Directors understand the business and the evolving environment in which we operate, including the challenges of navigating through the film and TV market transition accelerated by Covid-19. In 2019 the Board refreshed our strategy to focus long term on developing our interest in Extended Reality Laboratories and consequently reducing our involvement in the film and television development and production business.

S172(1) (B) "The interests of the company's employees"

The Company has no employees.

S172(1) (C) "The need to foster the company's business relationships with suppliers, customers and others"

Delivering our strategy requires strong mutually beneficial relationships with our suppliers, customers, and joint-venture partner. The UK Film & Television Production Company plc seeks the promotion and application of certain general principles in such relationships. The ability to promote these principles effectively is an important factor in the decision to enter into or remain in such relationships. Moreover, the Directors receive information updates on a variety of topics that indicate and inform how these stakeholders have been engaged.

S172(1) (D) "The impact of the company's operations on the community and the environment"

The UK Film & Television Production Company plc operates on a 'virtual basis' minimising the company's Carbon Footprint and impact on the community.

The board is aware of the need in the film and television development and production business to maintain a reputation for high standards of business conduct and ethics and aims to meet these high standards both through our own operations and those of our Joint Venture.

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders. In doing so, our Directors act fairly as between the Company's members but are not required to balance the Company's interest with those of other stakeholders, and this can sometimes mean that certain stakeholder interests may not be fully aligned.

The Board recognises that it has an important role in assessing and monitoring that our desired culture is embedded in the values, attitudes and behaviours we demonstrate, including in our activities and stakeholder relationships.

The Board recognises the role The UK Film & Television Production Company plc has to play in society and is committed to public collaboration and stakeholder engagement.

Principal decisions

The principal decisions made by the Board over the year was to allocate significant resources to our joint venture The Mirror Projection Project and cease new activity in the film and television development and production business.

Rupert Lywood
Chairman

DATE 25th February 2021

Directors' Report for the year ended 31 March 2020

The directors present their annual report and the audited financial statements for the year to 31 March 2020.

Principal activities and review of the business

The principal activities of the Company are to resource and support the development of medical simulation laboratories and act as Producer and provide Executive Producer services.

The income statement for the year is set out on page 10 and shows the loss after tax of £141,290.

A review of the business and future developments is detailed in the Strategic Report from the Chairman.

The company uses a variety of financial and non financial KPIs to monitor business performance, which are reviewed in the Strategic Report from the Chairman.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend (2019: £nil per share).

Directors

The directors of the Company who held office during the year and to the date of this report are:

Rupert C G Lywood
Joseph D'Morais
Julia Palau
Colin Luke

Going concern

The Company has net current assets of £139,249 (2019 – £398,895) at the balance sheet date, with the reduction caused by funding the loss in the year and the write down of WIP due to the current pandemic and market disruption. The Directors assessment of net recoverable value of WIP at the balance sheet date is Nil and the focus of the Directors is on the Mirror Projection Project.

The Directors continue to draw down on the guarantee (see note 15) post year end to fund commitments to the joint venture. As at 31 December 2020, the Company has cash of £16,045 and remaining draw down of the guarantee of £118,000 available. It is anticipated that the liquidity the guarantee affords will be sufficient to enable the Company to continue as a going concern.

The Directors acknowledge that in the event the guarantee is not paid, this indicates a material uncertainty that might cast significant doubt on the Company's ability to continue as a going concern and its ability to pay its liabilities as they fall due.

After making appropriate enquiries including review of forecasts and consideration of net realisable value of Investment in joint venture and guarantees provided to the Company, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, recognising the above uncertainties together with recovery of the investment in joint venture – see note 1 for further discussion on the going concern basis of preparation. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Directors' Report for the year ended 31 March 2020 (Continued)

Statement of internal financial control

The Directors acknowledge their responsibilities for the Company's system of internal control. In fulfilling these responsibilities, the Board has reviewed the effectiveness of the system of internal control on the basis of the criteria set out in the 'Guidance for Directors' Internal Control and Financial Reporting'. It has considered the major business and financial risks.

As might be expected in a Company of this size, a key control procedure is the day to day supervision of the business by the directors. Other control procedures include the review of regular financial and management information.

On the basis that a system can provide only reasonable but not absolute assurance and that it relates only to the needs of the business at that time, the system of internal financial control was found to be appropriate to the business as at the time of approving the financial statements.

Post balance sheet events

In the opinion of the directors there have been no material post balance sheet events, other than the continued disruption from the pandemic.

Financial risk management

The Company's operations expose it to a variety of financial risks as discussed below. The Directors seeks to limit the adverse effect of such risks on financial performance. Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies are set and implemented by the Directors.

Foreign currency risk:

The company has some exposure to foreign currency, due to holding funds in currencies other than the functional currency, although the majority of business is transacted in sterling.

Liquidity risk:

Operations for the Company are funded by its existing cash reserves and other liquid reserves. Where projects require additional funds we will seek discussion and approval from the shareholders.

As discussed above, the Directors are focussed on the development and success of the Mirror Projection project, and the continued development of the project may require further external funding from lenders, shareholders or directors. See note 1 for further information.

Forward looking cash flow projections are prepared and reviewed by the directors on a regular basis to assess any funding requirements.

Directors' Report for the year ended 31 March 2020 (*continued*)

Directors' responsibilities

The directors are responsible for preparing the annual 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 of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

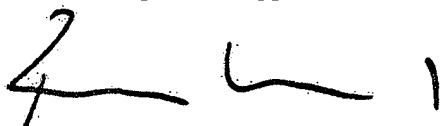
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

A resolution to reappoint BDO LLP as auditors will be proposed at the next annual general meeting.

This report was approved on behalf of the Board on 25th February 2021



Rupert Lywood
Director

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF THE UK FILM & TELEVISION PRODUCTION COMPANY PLC

Opinion

We have audited the financial statements of The UK Film & Television Production Company PLC ("the Company") for the year ended 31 March 2020 which comprise the Income statement and statement of total comprehensive income, the Statement of financial position, the Statement of movements in equity, the Statement of cash flows, and the notes to the financial statements, 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 March 2020 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 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.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements, which indicates the Directors' considerations over going concern. The company is dependent on the drawdown of the remaining guarantee provided by a director, the timing and receipt of which is not guaranteed. As stated in note 1 these events or conditions, along with other matters as set out in note 1, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UK FILM & TELEVISION PRODUCTION COMPANY PLC (continued)

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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and 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 and Director's 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UK FILM & TELEVISION PRODUCTION COMPANY PLC (continued)

Responsibilities of Directors

As explained more fully in the Directors' report, 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 at the Financial Reporting Council's website at: <https://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.



*Peter Smithson (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London, UK*

Date: 26 February 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**Income statement and statement of total comprehensive income
for the year ended 31 March 2020**

	Notes	Year to 31 March 2020 £	Year to 31 March 2019 £
Turnover	3	2,903	2,442
Cost of sales		(91,267)	(31,533)
Gross loss		(88,364)	(29,091)
Net operating expenses		(68,655)	(65,354)
Other income	15	15,000	-
Foreign exchange profit		351	511
Operating loss		(141,668)	(93,934)
Interest receivable		377	1,405
Loss on ordinary activities before taxation	2	(141,291)	(92,529)
Taxation charge on loss on ordinary activities	6	-	-
Loss for the financial year after taxation and total comprehensive loss for the year		(141,291)	(92,529)
Attributable to:			
Owners of the Company		(141,291)	(92,529)
Loss per share	14	(4.5)p	(3.0)p

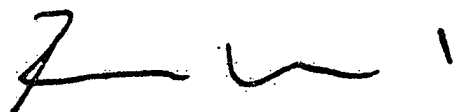
The Company has no recognised gains or losses other than those shown above.

The notes on pages 16 to 23 form part of these financial statements.

**Statement of Financial Position
as at 31 March 2020**

	Notes	31 March 2020 £	31 March 2019 £
Fixed assets			
Investment in joint venture	7	160,000	135,045
		<u>160,000</u>	<u>135,045</u>
Current assets			
Investment in films	8	163,000	182,767
Work-in-progress	9	-	70,950
Debtors – due in less than one year	10	2,032	5,360
Debtors – due in more than one year	7	93,400	-
Cash at bank and in hand		20,633	164,789
		<u>279,065</u>	<u>423,866</u>
Creditors: amounts falling due within 1 year	11	(46,416)	(24,971)
Net current assets		<u>232,649</u>	<u>398,895</u>
Net assets		<u>392,649</u>	<u>533,940</u>
Capital and reserves			
Called up share capital	13	1,560,710	1,560,710
Share premium account		1,390,382	1,390,382
Profit and loss account		(2,558,443)	(2,417,152)
Shareholders' funds - equity		<u>392,649</u>	<u>533,940</u>

The financial statements were approved by the board of directors and authorised for issue on 25 February 2021 by:



Rupert Lywood
Director

Company Registration Number: 04090944

The notes on pages 16 to 23 form part of these financial statements.

**Statement of changes in equity
for the year ended 31 March 2020**

	Share capital £	Share premium £	Profit and loss account £	Total equity £
At 1 April 2018	1,560,710	1,390,382	(2,324,623)	626,469
Loss and total comprehensive loss for the year	-	-	(92,529)	(92,529)
At 31 March 2019	1,560,710	1,390,382	(2,417,152)	533,940
Loss and total comprehensive loss for the year	-	-	(141,291)	(141,291)
At 31 March 2020	1,560,710	1,390,382	(2,558,443)	392,649

The notes on pages 16 to 23 form part of these financial statements.

**Statement of cash flows
for the year ended 31 March 2020**

	2020	2019
	£	£
<i>Cash flows used in operating activities</i>		
Loss for the financial year	(141,291)	(92,529)
<i>Adjustments for:</i>		
Interest received	(377)	(1,405)
Foreign exchange	(351)	(511)
Decrease in investment in films	19,767	2,033
Decrease in work-in-progress	70,950	31,000
Decrease in debtors	3,328	3,313
Increase/(Decrease) in creditors	21,445	(16,900)
	<hr/>	<hr/>
Net cash used in operating activities	(26,528)	(74,999)
<i>Cash flows used in investing activities</i>		
Interest received	377	1,405
Investment in and loan to joint venture	(118,355)	(98,314)
	<hr/>	<hr/>
Net cash used in investing activities	(117,979)	(96,909)
Net cash generated from financing activities	-	-
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(144,156)	(171,908)
Cash and cash equivalents at beginning of year	164,789	336,186
Foreign exchange gains	351	511
	<hr/>	<hr/>
Cash and cash equivalents at end of year	20,633	164,789
	<hr/>	<hr/>

The notes on pages 16 to 23 form an integral part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2020

1. Principal accounting policies

The UK Film and Television Production Company PLC is a company incorporated in England & Wales under the Companies Act 2006. The address of the registered office is given on the contents page and the nature of the group's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of 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 company's accounting policies.

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

The following principal accounting policies have been applied:

Going concern

In early 2020, the existence of a new coronavirus, now known as COVID-19, was confirmed and since this time COVID-19 has spread across a significant number of countries and has been classified as a pandemic by the World Health Organisation. The disruption to global economies, including the media and creative industries, has been significant. At this time the ultimate impact on the Company cannot be ascertained.

The Company has net current assets of £232,649 (2019 – £398,895) at the balance sheet date. The Company has been impacted by the current pandemic with delays to the Mirror Projection project. The disruption has also caused the Directors to assess the Net Realisable Value of WIP as Nil given the prospect of the projects being progressed in the near future. The Secret Sharer project, which is supported by a guarantee (see note 15), continued to be recognised at net realisable value.

The Directors continue to draw down on the guarantee (see note 15) post year end to fund commitments to the joint venture (see note 7). As at 31 December 2020, the Company has cash of £16,045 and remaining draw down of the guarantee of £118,000 available. Given the available resources the Directors are confident that the Company has sufficient resources to continue to enable it to settle its liabilities as they fall due and to continue as a going concern,

In light of the above, the Directors have reviewed the forecasts and resources available to the company for the period to March 2024, taking into consideration the remaining guarantee receivable, together with commitments made to the joint venture. The Directors have also prepared sensitised scenarios taking into account uncertainty in the timing of cash flows. The company is dependent on drawing down on the guarantee facility in order to provide further funding to the joint venture and settle its debts as they fall due, the timing of which is not guaranteed and payment may not be forthcoming. The Directors therefore acknowledge that this indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and therefore its ability to realise its assets and settle its liabilities as they fall due in the ordinary course of business.

Notes to the Financial Statements for the year ended 31 March 2020 (Continued)

Going concern (continued)

However, in view of the availability of the guarantee the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts. The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

Turnover

Turnover, which excludes Value Added Tax, represents net royalties receivable in respect of the exploitation of the company's films and the provision of producer and executive producer services. Turnover is recognised on an arising basis in line with the period covered by royalties or over the period the services relate to.

Joint ventures

An entity is treated as a joint venture where the Company holds a long term interest and shares control under a contractual agreement. Investments held as fixed assets are stated at cost less any provision for impairment.

Work-in-progress

Work-in-progress is valued at the lower of cost and net realisable value. Cost comprises direct expenditure incurred on specific film projects including pre and post-production costs. Net realisable value comprises the proceeds and royalties receivable by the company in respect of each film, less costs to sell.

Investment in films

Film projects are transferred from work-in-progress to investment in films six months following release of the film. Investment in films is included at the lower of cost and net realisable value. Costs comprise direct film costs. Net realisable value comprises the proceeds and royalties receivable by the company in respect of each film, less costs to sell.

Net realisable value

An assessment is made at each balance sheet date, by the directors, to determine whether a provision is required to adjust the carrying value of work-in-progress or investment in films to net realisable value. Where film projects are not expected to proceed, or the expected royalties, guarantees and future income are lower than cost, the related costs are written off to the Income statement. Any charge for writing down to net realisable value during the period is included in the profit and loss account as part of cost of sales and disclosed as an exceptional cost.

Notes to the Financial Statements for the year ended 31 March 2020 (Continued)

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'sterling', which is the company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses are presented as a separate line within the income statement.

Financial instruments

Financial assets

Financial assets are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax, and is recognised in profit or loss unless it relates to an item recognised in other comprehensive income or direct to equity.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Reserves

The company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- Share premium represents the difference between funds received for shares issued and their nominal value.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Notes to the Financial Statements for the year ended 31 March 2020 (Continued)

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements to determine whether there are indicators of impairment of the Company's film investments, joint ventures and work in progress. Factors taken into consideration, when reviewing each film investment and ongoing project, include the stage of development, access to sufficient funds for production, the economic viability and expected future financial performance of the asset. Factors taken into consideration when considering the investment in joint ventures include review of discussions with potential customers and collaborators.

The judgement is supported (where appropriate) by the use of discounted cash flows, knowledge of secured or expected sources of income and financing relating to the projects, taking into consideration internal and external industry experts.

2. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2020 £	2019 £
Exceptional items:		
Write down in carrying value of Coram's Children	53,500	-
Write down of carrying value of The Railway Children	4,767	-
Write down of carrying value of Axeman's Jazz	-	31,000
Write down of carrying value of Dreams of Leaving	18,000	-
Auditors' remuneration	16,275	12,424
	<u>88,542</u>	<u>43,424</u>

The exceptional write down in the carrying value of work in progress arises from the directors' assessment of the likely revenues from these films.

3. Turnover

Turnover is in respect of the Company's principal activity and has arisen as follows:

	2020 £	2019 £
United Kingdom	1,164	2,033
United States of America and rest of the world	1,739	409
	<u>2,903</u>	<u>2,442</u>

Notes to the Financial Statements for the year ended 31 March 2020 (Continued)

4. Directors' emoluments

	2020 £	2019 £
Directors' emoluments	-	-
Amounts paid to third parties in respect of Directors' services	41,294	41,294
	<u>41,294</u>	<u>41,294</u>

5. Employees

There were no staff costs in the current or prior year, excluding for directors' emoluments paid to third parties as included in note 4. The only employees of the Company are the directors.

6. Taxation

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom. The differences are explained below:

	2020 £	2019 £
Loss on ordinary activities before taxation	(141,291)	(92,529)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2019 - 19%)	(26,845)	(17,581)
Losses carried forward against future trading	26,845	17,581
Tax charge for the year	<u>-</u>	<u>-</u>

The Company has losses carried forward of approximately £2.5m (2019 - £2.4m) to offset future taxable profits, subject to HMRC approval. The potential deferred tax asset has not been recognised due to uncertainty over the timing and extent of the relief.

Notes to the Financial Statements for the year ended 31 March 2020 (Continued)

7. Investment in joint venture

	£
<i>Cost</i>	
As at 1 April 2019	135,045
Additions during the year	24,955
As at 31 March 2020	160,000

The only undertaking, in which the company's interest at the year end is 20% or more, was MirrorProjection LLP (the "LLP"), incorporated on 26 July 2018. The company is a joint member in the LLP and its investment constitutes a joint venture under FRS 102.

The principal activity of the LLP is that of the provision of light and visual projection and display goods and services for medical training, education, entertainment, and other purposes. The LLP was formed to exploit a project in development by the Company.

At 31 July 2020 the LLP had net assets of negative £42,492 (2019 – positive £14,908). The Company has committed to capital contributions totalling £160,000 which is fully drawn at the balance sheet date.

The Company has committed to providing a loan facility of up to £150,000 of which £93,400 was drawn at the balance sheet date.

8. Investment in films

	2020 £	2019 £
Brought forward as at 1 April		
Secret Sharer and The Railway Children	182,767	184,800
Recoupment – Secret Sharer	(15,000)	-
Impairments – Secret Sharer	(4,767)	-
Recoupment – The Railway Children	-	(2,033)
Carried forward as at 31 March	163,000	182,767

Investment in films is valued at the lower of cost and net realisable value. Net realisable value is based on the directors' assessment of the proceeds and royalties receivable by the company in respect of each film, less costs to sell. Due to their nature, these proceeds and royalties are dependent on the success of the film upon release and can take an extended period to realise the full expected value.

The directors have reviewed the net realisable value at the balance sheet date, based on forecasts and projections received from advisors, guarantees made and screenings to date. Following this review the directors have reduced the carrying value to their best estimate of net realisable value.

It should be noted that whilst the directors are confident of achieving a sufficient level of proceeds and royalties, this is dependent on the success of the film project in the market.

Notes to the Financial Statements for the year ended 31 March 2020 (Continued)

9. Work-in-progress

	2020 £	2019 £
Brought forward as at 1 April	70,950	138,681
Additions	550	-
Impairments	(71,500)	(31,000)
Transfer to Investment in joint venture	-	(36,731)
Carried forward as at 31 March	<u>-</u>	<u>70,950</u>

Work in progress is valued at the lower of cost and net realisable value. Net realisable value is based on the directors' assessment of the proceeds and royalties receivable by the company in respect of each project, less costs to sell. Due to their nature, these proceeds and royalties are dependent on the success of the film project upon release and can take an extended period to realise the full expected value.

10. Debtors

	2020 £	2019 £
Amounts falling due within 1 year:		
Unpaid share capital	2	2
Accrued income	-	93
VAT	2,030	5,265
	<u>2,032</u>	<u>5,360</u>

11. Creditors: amounts falling due within 1 year

	2020 £	2019 £
Trade creditors	4,799	-
Accruals and deferred income	41,618	24,971
	<u>46,417</u>	<u>24,971</u>

12. Financial instruments

Financial assets measured at amortised cost comprise cash, film investments, work in progress, trade debtors, unpaid share capital, accrued income and VAT. There are no financial assets measured at fair value through the profit or loss and the difference between the carrying value and market value of these assets is immaterial. Financial liabilities measured at amortised cost comprise trade creditors and accruals and deferred income.

Information regarding the group's exposure to and management of credit risk, liquidity risk, market risk, cash flow interest rate risk, and foreign exchange risk is included in the Directors' report.

Notes to the Financial Statements for the year ended 31 March 2020 (Continued)

13. Called up share capital

	2020 £	2019 £
Allotted and called up share capital		
3,121,420 ordinary shares of 50p each	1,560,710	1,560,710
	<u>1,560,710</u>	<u>1,560,710</u>

14. Earnings per ordinary share

Earnings per ordinary share have been calculated using the weighted average number of shares in issue during the relevant financial period. The weighted average number of shares in issue is 3,121,420 (2019: 3,121,420) and the loss on ordinary activities after taxation is £141,291 (2019: £92,529 loss). There is no difference between the basic or diluted earnings per share.

15. Related party transactions

Mr R Lywood is a director of Animatrix Limited, a company from which directors' fees of £12,000 (2019: £12,000) were charged during the year. The Company was also charged £1,058 (2019: £1,992) during the year from Animatrix Founders LLP, a company connected to Mr R Lywood in respect of legal advice.

Mr J D'Morais is a director of Blue Dolphin Film & Video, a company from which directors' fees of £12,000 (2019: £12,000) and expenses of £892 (2019: £740) were charged during the year.

Mrs J Palau is a director of Tusk Productions Limited, a company from which directors' fees of £12,000 (2019: £12,000) were charged during the year.

Mr Colin Luke received directors' fees of £5,294 (2019: £5,294) during the year.

Directors' fees totalling £17,294 (2019 - £5,646) were included in accruals at the balance sheet date and have been included in the above amounts.

A certain director had provided a guarantee to the Company totalling €200,000 (£178,000), which would be called should the Company not recoup all funds from the Secret Sharer film project. This guarantee is considered within the definition of Net Realisable Value. During the year the Company drew down £15,000 (2019 - Nil) of the guarantee and has drawn down a further £45,000 in the period since year end to 31 December 2020, with £118,000 undrawn.

Secret Sharer Sp z.o.o. ("Secret Sharer"), a company incorporated in Poland, has previously entered into an agreement with the Company as co-producer on the Secret Sharer film project ("Film"). Secret Sharer received a financing grant of €500,000 from PISF (Polski Instytut Sztuki Filmowej), which is only repayable by Secret Sharer once all other funders have recouped their investment in the Film. At the balance sheet date, the directors consider £nil (2019: £nil) was repayable to Secret Sharer.

16. Ultimate controlling party

In the opinion of the directors, there is no ultimate controlling party.