

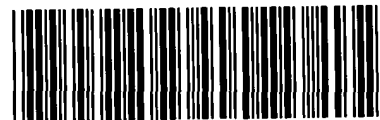
Megahertz Limited

Registered number: 08072421

Director's report and financial statements

For the year ended 31 December 2017

THURSDAY



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MEGAHERTZ LIMITED

COMPANY INFORMATION

Director	J Flay
Registered number	08072421
Registered office	5th Floor Merck House Seldown Lane Poole Dorset BH15 1TW
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor 5th Floor Merck House Seldown Lane Poole Dorset BH15 1TW

MEGAHERTZ LIMITED

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MEGAHERTZ LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Introduction

The director presents his strategic report for Megahertz Limited Group for the period ended 31 December 2017.

Business review

The company is pleased to report its second successive year of trading a profit, after completing a successful studio build project in France in the second half of 2017. Together with the delivery of a number of trucks to Malaysia in January 2018 and the continued build and support of a studio build in Singapore, a significant increase in revenue was achieved.

In turn, the company's balance sheet position has significantly improved from 2015, with the net liabilities decreasing year on year.

The company will be delivering another studio build in 2018 to the same Malaysian company mentioned above as well as providing 2 years support to the French company mentioned above too. Projects have also been carried out in the UK, as well as in South Africa. These are markets which the company has historically, and will continue to, support for their broadcast needs.

Principal risks and uncertainties

The director considers that the principal risk to the business relates to the value of the Great British Pound, specifically, in relation to the progress of Brexit negotiations and the final outcome. This risk is mitigated somewhat by the fact that the majority of business is either inside the UK or outside the EU, and a weaker pound makes British labour rates more affordable compared with overseas competition.

A further identified risk is that there are some underlying changes afoot within the broadcast industry. With the continued growth of Netflix and other subscription-based services, traditional broadcasters are seeing a decline in advertising revenues, which is causing uncertainty, and leads to delays in spending decisions. Given that project durations are often up to a year, delays to a project being concluded can affect the Profit and Loss in any given financial year.

With the issues outlined above the company is expected to break even during FY2018.

MEGAHERTZ LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Financial key performance indicators

Megahertz is a project-based business, and the projects are typically large (compared to annual turnover) and long (often in excess of 12 months). As such, meaningful KPI's are difficult to set and evaluate. The business is very "lumpy". Whilst we measure income by region, income by project type, Net Income and GP by project, region and type, other metrics discussed with the Management Team are:

Sales Pipeline: With a typical target of 4 x annual turnover, the sales team is encouraged to identify pipeline projects that Megahertz can pursue.

Proposals Effectiveness: the Management Team frequently analyses significant bids (ie for projects over £50,000 value) for the following:

Win/Loss ratio	- historically, a win rate of 1 in 4 projects is acceptable for large projects.
Win/Loss reason	- a post mortem is carried out for each bid, generating a lessons learned log.
Decision duration	- often the highest value bids have a "gestation period" between Tender and contract award that is significantly longer than originally indicated. Such delays make cash flow and resource planning challenging.

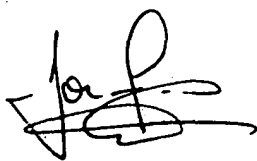
For Megahertz, as working capital has been provided by means of loans and not equity, the debt/equity ratios are not appropriate to measure, having no meaning to the real value of the business. As project cash flows fluctuate, loans are repaid when appropriate.

Future developments

The company will be delivering another studio build in 2018 to the same Malaysian company mentioned above as well as providing 2 years support to the French company mentioned above too. Projects have also been carried out in the UK, as well as in South Africa. These are markets which the company has historically, and will continue to, support for their broadcast needs.

This report was approved by the board and signed on its behalf.

J Flay
Director



Date: 25 Sep 2018

MEGAHERTZ LIMITED

**DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

The director presents his report and the financial statements for the year ended 31 December 2017.

Director's responsibilities statement

The director is responsible for preparing the Group strategic report, the Director's report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies for the Group's financial statements 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The director is 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 the Group and to enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £990,333 (2016 - £714,345).

The directors do not recommend payment of a dividend.

Director

The director who served during the year was:

J Flay

Matters covered in the strategic report

The mandatory disclosures in relation to the principal risks and uncertainties and the future developments of the company are considered by the directors to be of strategic importance. These have therefore been included in the Strategic Report.

MEGAHERTZ LIMITED

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Disclosure of information to auditor

The director at the time when this Director's report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the company and the Group's auditor is unaware, and
- he has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the Group's auditor is aware of that information.

Post balance sheet events

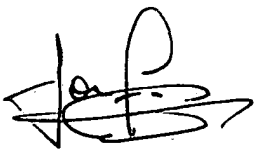
There have been no significant events affecting the Group since the year end.

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

J Flay
Director



Date:

25 Sep 2018.

MEGAHERTZ LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEGAHERTZ LIMITED

Opinion

We have audited the financial statements of Megahertz Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, the Group and company Statement of financial positions, the Consolidated Statement of Changes in Equity, the Group Consolidated statement of cash flows and 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 FRS 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 group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 group and parent 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.

The financial statements of the group and of the parent company for the year ended 31 December 2016 were unaudited.

Conclusions relating to going concern

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

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

Other information

The director is 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.

MEGAHERTZ LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEGAHERTZ LIMITED

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 the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

MEGAHERTZ LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEGAHERTZ LIMITED

Responsibilities of Directors

As explained more fully in the director's responsibilities statement set out on page 3, 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 group's and the parent 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 intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of the audit 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.



Stephen Mills

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

5th Floor
Merck House
Seldown Lane
Poole
BH15 1TW

Date: 25/9/18

MEGAHERTZ LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	Unaudited 2016 £
Turnover	4	20,060,814	12,963,628
Cost of sales		(16,923,211)	(9,791,776)
Gross profit		<u>3,137,603</u>	<u>3,171,852</u>
Administrative expenses		(1,813,688)	(2,055,722)
Operating profit	5	<u>1,323,915</u>	<u>1,116,130</u>
Interest receivable and similar income	9	34	25
Interest payable and expenses	10	(343,668)	(264,110)
Profit before taxation		<u>980,281</u>	<u>852,045</u>
Tax on profit	11	10,052	(137,700)
Profit for the financial year		<u>990,333</u>	<u>714,345</u>
Profit for the year attributable to:			
Owners of the parent company		<u>990,333</u>	<u>714,345</u>
		<u>990,333</u>	<u>714,345</u>

There were no recognised gains and losses for 2017 or 2016 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2017 (2016:£NIL).

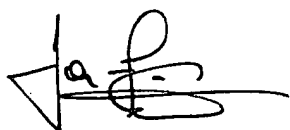
The notes on pages 14 to 30 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £	Unaudited 2016 £
Fixed assets			
Intangible assets	12	37,413	75,594
Tangible assets	13	69,910	62,697
		<u>107,323</u>	<u>138,291</u>
Current assets			
Stocks	15	218,191	21,782
Debtors	16	16,880,488	8,440,074
Cash at bank and in hand	17	3,736,911	3,514,474
		<u>20,835,590</u>	<u>11,976,330</u>
Creditors: amounts falling due within one year	18	(12,880,279)	(7,288,824)
Net current assets		<u>7,955,311</u>	<u>4,687,506</u>
Total assets less current liabilities		<u>8,062,634</u>	<u>4,825,797</u>
Creditors: amounts falling due after more than one year	19	(8,959,003)	(6,727,920)
Provisions for liabilities			
Other provisions	21	(35,188)	(19,767)
		<u>(35,188)</u>	<u>(19,767)</u>
Net liabilities		<u>(931,557)</u>	<u>(1,921,890)</u>
Capital and reserves			
Called up share capital	22	10,000	10,000
Profit and loss account	23	(941,557)	(1,931,890)
		<u>(931,557)</u>	<u>(1,921,890)</u>

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

J Flay
Director



Date: 25 Sep 2018

The notes on pages 14 to 30 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £	Unaudited 2016 £
Fixed assets			
Intangible assets	12	37,413	75,594
Tangible assets	13	69,910	62,697
Investments	14	26,406	26,406
		<u>133,729</u>	<u>164,697</u>
Current assets			
Stocks	15	218,191	21,782
Debtors	16	10,813,309	6,119,286
Cash And Cash Equivalents		1,368,071	1,767,518
		<u>12,399,571</u>	<u>7,908,586</u>
Creditors: amounts falling due within one year	18	(5,318,960)	(4,088,984)
Net current assets		<u>7,080,611</u>	<u>3,819,602</u>
Total assets less current liabilities		<u>7,214,340</u>	<u>3,984,299</u>
Creditors: amounts falling due after more than one year	19	(8,959,003)	(6,727,920)
Provisions for liabilities			
Other provisions	21	(35,188)	(19,767)
		<u>(35,188)</u>	<u>(19,767)</u>
Net liabilities		<u>(1,779,851)</u>	<u>(2,763,388)</u>
Capital and reserves			
Called up share capital	22	10,000	10,000
Profit and loss account	23	(1,789,851)	(2,773,388)
		<u>(1,779,851)</u>	<u>(2,763,388)</u>

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

J Flay
Director



Date:

25 Sep 2018

The notes on pages 14 to 30 form part of these financial statements.

MEGAHERTZ LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Profit and loss account	Equity attributable to owners of parent company	Total equity
	£	£	£	£
At 1 January 2016	10,000	(2,646,235)	(2,636,235)	(2,636,235)
Comprehensive income for the year				
Profit for the year	-	714,345	714,345	714,345
At 1 January 2017	10,000	(1,931,890)	(1,921,890)	(1,921,890)
Profit for the year	-	990,333	990,333	990,333
At 31 December 2017	10,000	(941,557)	(931,557)	(931,557)

The notes on pages 14 to 30 form part of these financial statements.

MEGAHERTZ LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016	10,000	(2,646,235)	(2,636,235)
Comprehensive income for the year			
Loss for the year	-	(127,153)	(127,153)
At 1 January 2017	10,000	(2,773,388)	(2,763,388)
Comprehensive income for the year			
Profit for the year	-	983,537	983,537
At 31 December 2017	10,000	(1,789,851)	(1,779,851)

The notes on pages 14 to 30 form part of these financial statements.

MEGAHERTZ LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 £	Unaudited 2016 £
Cash flows from operating activities		
Profit for the financial year	990,333	714,345
Adjustments for:		
Amortisation of intangible assets	43,184	42,696
Depreciation of tangible assets	29,271	20,983
Interest paid	343,668	264,111
Interest received	(34)	(25)
Taxation charge	(10,052)	137,700
(Increase)/decrease in stocks	(196,409)	37,127
(Increase) in debtors	(8,440,417)	(6,586,952)
Increase in creditors	5,650,476	4,655,148
Increase/(decrease) in provisions	15,421	(7,003)
Corporation tax (paid)/received	(64,883)	-
Net cash generated from operating activities	<u>(1,639,442)</u>	<u>(721,870)</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	(5,000)	-
Purchase of tangible fixed assets	(36,484)	(52,084)
Interest received	34	25
Net cash from investing activities	<u>(41,450)</u>	<u>(52,059)</u>
Cash flows from financing activities		
Other new loans	2,246,997	3,777,071
Interest paid	(343,668)	(264,111)
Net cash used in financing activities	<u>1,903,329</u>	<u>3,512,960</u>
Net increase in cash and cash equivalents	<u>222,437</u>	<u>2,739,031</u>
Cash and cash equivalents at beginning of year	3,514,474	775,443
Cash and cash equivalents at the end of year	<u><u>3,736,911</u></u>	<u><u>3,514,474</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	3,736,911	3,514,474
	<u><u>3,736,911</u></u>	<u><u>3,514,474</u></u>

The notes on pages 14 to 30 form part of these financial statements.

MEGAHERTZ LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. General information

Megahertz Limited (no. 08072421) is a private company limited by shares incorporated in England and Wales. Its registered office is 5th Floor, Merck House, Seldown Lane, Poole, BH15 1TW. The principal business address is 39 Lancaster Way, Ely, CB6 3NW.

Its principal activity is the supply of equipment and other technical solutions to the broadcasting industry.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

The financial statements for the group and parent company for the year ended 31 December 2016 are unaudited.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of income and retained earnings from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

The director has assessed the company's ability to continue as a going concern and has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. In doing this he has considered the results for the year, expectations of future trading and the availability of continued funding in the form of commercial loans. On the basis of this information the director is satisfied that there are no material uncertainties as to the ability to continue as a going concern and so the accounts have been prepared on this basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated statement of comprehensive income within 'other operating income'.

2.5 Revenue

Revenue comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Revenue arising from maintenance contracts is recognised evenly over the duration of the contract.

Long-term contracts

Long-term contracts are assessed on a contract by contract basis and reflected in the consolidated Statement of Income and retained earnings by recording revenue and related costs as contract activity progresses. Revenue is ascertained in a manner appropriate to the stage of completion of the contract and credit taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty. Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

Amounts recoverable on contracts

Amounts recoverable on contracts are included in debtors and represent the value of work done in excess of amounts invoiced to the customer.

Payments on account

Payments on account are included in creditors and represent amounts receivable from the customer in excess of the group valuation of work done.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight line basis over the lease term.

2.7 Interest income

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

2.8 Finance costs

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Borrowing costs

All borrowing costs are recognised in the Consolidated statement of comprehensive income in the year in which they are incurred.

2.10 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Consolidated statement of income and retained earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the group in independently administered funds.

2.11 Taxation

Tax is recognised in the Consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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 and the Group operate and generate income.

2.12 Warranty Provision

The warranty provision is based on historic data for the average cost of repair.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.13 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated statement of comprehensive income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.14 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Plant & machinery	- 25% reducing balance
Motor vehicles	- 25% reducing balance
Computer equipment	- 33% straight line

2.15 Stocks

Stocks are stated at the lower of cost and net realisable value. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Consolidated statement of income and retained earnings.

2.16 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

MEGAHERTZ LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)**2.17 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.18 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated statement of comprehensive income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)**2.20 Financial instruments**

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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 debtors and creditors, 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 the 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.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of these financial statements requires management to note judgements and estimates that affect the reported amount of assets and liabilities at the balance sheet date and the reported profits during the financial year. These include the following:

Impairment of WIP

The provision policy for impairment of WIP is based on the ongoing evaluation of the individual jobs and management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of the profit in WIP and provisions are made against old WIP accordingly.

Revenue and profit recognition

Revenue and profit recognition requires forecasts to be made on the outcome of long term contracts which require assessments and judgements to be made to estimate the expected remaining costs and revenues.

4. Turnover

Analysis of turnover by country of destination:

	2017	Unaudited 2016
	£	£
United Kingdom	2,618,075	3,047,432
Rest of Europe	7,590,415	13,271
Rest of the world	9,852,324	9,902,925
	<u>20,060,814</u>	<u>12,963,628</u>

MEGAHERTZ LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

5. Operating profit

The operating profit is stated after charging:

	2017	Unaudited 2016
	£	£
Depreciation of tangible fixed assets	29,270	20,983
Amortisation of intangible assets, including goodwill	43,181	42,696
Exchange differences	(145,340)	441,939
Other operating lease rentals	178,398	153,739
Defined contribution pension cost	53,524	41,731

6. Auditor's remuneration

	2017	Unaudited 2016
	£	£
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	17,150	-
Fees payable to the Group's auditor and its associates in respect of:		
Taxation compliance services	1,000	950
All other services	4,425	3,375
	5,425	4,325

MEGAHERTZ LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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7. Employees

Staff costs, including director's remuneration, were as follows:

	Group	Group	Company	Company
	2017	Unaudited	2017	Unaudited
	£	2016	£	2016
		£		£
Wages and salaries	1,629,593	1,709,296	1,447,080	1,202,774
Social security costs	174,509	139,057	157,001	133,893
Cost of defined contribution scheme	53,524	41,731	53,524	41,731
	<u>1,857,626</u>	<u>1,890,084</u>	<u>1,657,605</u>	<u>1,378,398</u>

The average monthly number of employees, including the director, during the year was as follows:

	2017	Unaudited
	No.	2016
		No.
Employees	<u>30</u>	<u>29</u>

8. Director's remuneration

	2017	Unaudited
	£	2016
		£
Director's emoluments	98,355	77,659
Company contributions to defined contribution pension schemes	2,667	-
	<u>101,022</u>	<u>77,659</u>

During the year retirement benefits were accruing to 1 director (2016 - NIL) in respect of defined contribution pension schemes.

The director and certain senior management who have authority and responsibility for planning, directing and controlling activities of the company are considered to be key management personnel. Total remuneration in respect of these individuals is £359,267 (2016 - £302,072).

MEGAHERTZ LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

9. Interest receivable

	2017 £	Unaudited 2016 £
Other interest receivable	34	25
	<u>34</u>	<u>25</u>

10. Interest payable and similar expenses

	2017 £	Unaudited 2016 £
Bank interest payable	-	92
Other loan interest payable	343,668	264,018
	<u>343,668</u>	<u>264,110</u>

11. Taxation

	2017 £	Unaudited 2016 £
Corporation tax		
Current tax on profits for the year	-	137,700
Adjustments in respect of previous periods	(10,052)	-
	<u>(10,052)</u>	<u>137,700</u>
Total current tax	<u>(10,052)</u>	<u>137,700</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on (loss)/profit on ordinary activities	<u>(10,052)</u>	<u>137,700</u>

MEGAHERTZ LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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11. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	Unaudited 2016 £
Profit on ordinary activities before tax	980,281	852,045
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	188,704	170,409
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	8,312	8,539
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	6,492	3,893
Capital allowances for year in excess of depreciation	254	(6,285)
Utilisation of tax losses	(195,459)	-
Provisions tax adjustment	-	(982)
Adjustments to tax charge in respect of prior periods	(10,050)	-
Short term timing difference leading to an increase (decrease) in taxation	(7)	13
Other timing differences leading to an increase (decrease) in taxation	(8,298)	(37,887)
Total tax charge for the year	(10,052)	137,700

MEGAHERTZ LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

12. Intangible assets**Group and Company**

	Software Licences £	Goodwill £	Total £
Cost			
At 1 January 2017	1,805	210,500	212,305
Additions	-	5,000	5,000
At 31 December 2017	<u>1,805</u>	<u>215,500</u>	<u>217,305</u>
Amortisation			
At 1 January 2017	1,639	135,072	136,711
Charge for the year	166	43,015	43,181
At 31 December 2017	<u>1,805</u>	<u>178,087</u>	<u>179,892</u>
Net book value			
At 31 December 2017	<u>-</u>	<u>37,413</u>	<u>37,413</u>
At 31 December 2016	<u>166</u>	<u>75,428</u>	<u>75,594</u>

MEGAHERTZ LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

13. Tangible fixed assets**Group and Company**

	Plant & machinery £	Motor vehicles £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2017	40,696	5,000	70,055	115,751
Additions	22,000	9,600	4,884	36,484
At 31 December 2017	<u>62,696</u>	<u>14,600</u>	<u>74,939</u>	<u>152,235</u>
Depreciation				
At 1 January 2017	20,417	2,800	29,838	53,055
Charge for the year on owned assets	8,836	2,476	17,958	29,270
At 31 December 2017	<u>29,253</u>	<u>5,276</u>	<u>47,796</u>	<u>82,325</u>
Net book value				
At 31 December 2017	<u>33,443</u>	<u>9,324</u>	<u>27,143</u>	<u>69,910</u>
At 31 December 2016	<u>20,279</u>	<u>2,200</u>	<u>40,218</u>	<u>62,697</u>

MEGAHERTZ LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

14. Fixed asset investments**Subsidiary undertakings**

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
Megahertz Broadcast PTE Limited	Ordinary	100 %	Supply of equipment and other technical solutions to broadcasting industry

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2017	26,406
At 31 December 2017	26,406
Net book value	
At 31 December 2017	26,406
At 31 December 2016	26,406

15. Stocks

	Group 2017 £	Group Unaudited 2016 £	Company 2017 £	Company Unaudited 2016 £
Finished goods and goods for resale	218,191	21,782	218,191	21,782
	218,191	21,782	218,191	21,782

MEGAHERTZ LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

16. Debtors

	Group	Group	Company	Company
	2017	Unaudited	2017	Unaudited
	£	2016	£	2016
		£		£
Trade debtors	3,584,935	1,570,442	1,207,943	712,530
Amounts owed by group undertakings	-	-	3,089,874	3,522,212
Other debtors	973,000	293,205	973,000	286,759
Prepayments and accrued income	464,938	139,024	359,907	139,024
Amounts recoverable on long term contracts	11,857,615	6,437,403	5,182,585	1,458,761
	<u>16,880,488</u>	<u>8,440,074</u>	<u>10,813,309</u>	<u>6,119,286</u>

17. Cash and cash equivalents

	Group	Group	Company	Company
	2017	Unaudited	2017	Unaudited
	£	2016	£	2016
		£		£
Cash at bank and in hand	3,736,911	3,514,474	1,368,071	1,767,518
	<u>3,736,911</u>	<u>3,514,474</u>	<u>1,368,071</u>	<u>1,767,518</u>

18. Creditors: Amounts falling due within one year

	Group	Group	Company	Company
	2017	Unaudited	2017	Unaudited
	£	2016	£	2016
		£		£
Other loans	372,992	357,077	372,992	357,077
Trade creditors	2,584,611	1,108,144	1,559,935	1,001,598
Corporation tax	62,765	137,700	28,030	-
Other taxation and social security	214,242	175,142	52,608	135,523
Other creditors	31,132	20,698	31,132	20,698
Accruals and deferred income	9,614,537	5,490,063	3,274,263	2,574,088
	<u>12,880,279</u>	<u>7,288,824</u>	<u>5,318,960</u>	<u>4,088,984</u>

MEGAHERTZ LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

19. Creditors: Amounts falling due after more than one year

	Group 2017 £	Group Unaudited 2016 £	Company 2017 £	Company Unaudited 2016 £
Other loans	8,959,003	6,727,920	8,959,003	6,727,920
	<u>8,959,003</u>	<u>6,727,920</u>	<u>8,959,003</u>	<u>6,727,920</u>

20. Loans

	Group 2017 £	Group Unaudited 2016 £	Company 2017 £	Company Unaudited 2016 £
Amounts falling due within one year				
Other loans	372,992	357,077	372,992	357,077
	<u>372,992</u>	<u>357,077</u>	<u>372,992</u>	<u>357,077</u>
Amounts falling due 2-5 years				
Other loans	8,959,003	6,727,920	8,959,003	6,727,920
	<u>8,959,003</u>	<u>6,727,920</u>	<u>8,959,003</u>	<u>6,727,920</u>
	<u>9,331,995</u>	<u>7,084,997</u>	<u>9,331,995</u>	<u>7,084,997</u>

MEGAHERTZ LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

21. Provisions**Group**

	Warranty costs £
At 1 January 2017	19,767
Charged to profit or loss	15,421
At 31 December 2017	35,188

Company

	Warranty costs £	Total £
At 1 January 2017	19,767	19,767
Charged to profit or loss	15,421	15,421
At 31 December 2017	35,188	35,188

22. Share capital

	2017 £	Unaudited 2016 £
Allotted, called up and fully paid		
10,000 (2016 - 10,000) Ordinary shares shares of £1.00 each	10,000	10,000

23. Reserves**Profit & loss account**

Profit and loss account includes all current and prior period profits and losses.

MEGAHERTZ LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

24. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £53,524 (2016 : £41,731). Contributions totalling £13,643 (2016 : £7,138) were payable to the fund at the balance sheet date and are included in other creditors.

25. Commitments under operating leases

At 31 December 2017 the Group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group	Group
	2017	Unaudited
	£	2016
		£
Due within 1 year	87,807	154,218
Later than 1 year and not later than 5 years	17,471	104,571
	<u>105,278</u>	<u>258,789</u>

26. Controlling party

The director do not consider there to be a single ultimate controlling party.