

Company registration number 08072421 (England and Wales)

MEGAHERTZ LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

MEGAHERTZ LIMITED

COMPANY INFORMATION

Director	J Flay
Company number	08072421
Registered office	Gable House 239 Regents Park Road Finchley London United Kingdom N3 3LF
Auditor	SPW (UK) LLP Gable House 239 Regents Park Road London N3 3LF

MEGAHERTZ LIMITED

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MEGAHERTZ LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The director presents the strategic report for the year ended 31 December 2021.

Fair review of the business

Whilst the company didn't manage to achieve a break-even year that we had forecasted in the 2020 strategic report, the company did manage to end the year with a small negative EBITDA, which given the current circumstances that the world is facing, is not a terrible outcome, and the company is still delighted with the hard work of the director and employees of the company, and thanks our suppliers and customers who we continue to have brilliant relations with.

2021 saw revenue being generated in the usual areas of Megahertz expertise such as television studios, outside broadcast vehicles (OB), satellite news gathering vehicles (SNG), support work on numerous vehicles as well as some equipment sales.

A studio build for a South African customer was completed in the year after commencing in 2020.

There were also some other studios built for a well-known online jewellery retailer and a very large digital entertainment company, with Megahertz branching out into slightly different markets successfully. This accounted for half a million in revenue for the year, and Megahertz is hopeful to continue these relationships into the future with new exciting projects.

During the year there were some SNG trucks, delivered to such companies as Fox TV. As with 2020 these vehicles took a lot longer to build than would be the case in a normal world, with social distancing measures being put in place, but once delivered our customers were very satisfied with the final product. These projects generated revenue of over £293k, with some projects straddling the year end and being delivered in 2022, or still in progress. The company has also continued to build vehicles for UK police forces, a potentially valuable and growing source of revenue.

Principal risks and uncertainties

As previously identified, the principal risks continue to be:

- Value of the Great British Pound. In the end, the Brexit negotiations did not have a negative impact on the value of the GBP, as no-deal was avoided and the transition appears to have been quite smooth. The strength of the pound was also helped due to the UK's vaccination roll out. The company keeps a keen eye on such things to avoid foreign currency losses, wherever possible.
- Changes in the broadcast industry. As identified in the 2019 accounts, 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.
- COVID-19. Not only do the above changes in the broadcast industry affect spending decisions, but COVID-19 has also lead to companies delaying some projects as they re-assess their needs in the new world we are heading towards. Project durations are also being affected with the constant changes in travel rules, as well as timescales constantly being pushed back as some companies come to terms with working in a COVID-19 world.
- Cost of living crisis. As with the rest of the world, the war in Ukraine has seen a lot of uncertainty around price increases, across the board, with the natural knock-on effects being felt by companies and individuals alike.

MEGAHERTZ LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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 review 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

With the uncertainty around the war in Ukraine, which began in February 2022, Megahertz has managed to win some very high profile business which is setting up the company nicely for 2022 and beyond.

As of the time of these accounts Megahertz is happy to announce the following developments:

- A studio build is in progress in Abu Dhabi for a very high profile multinational cable news channel, which should complete in 2022, or Q1 of 2023. This project will generate over £3m in revenue for the company.
- An OB build is in progress for a major UK broadcasting company, to the value of over £3m in revenue, with delivery planned at the end of 2023. Megahertz is working with another large UK company to deliver this project.

Projects are in progress for customers in Wales, Switzerland and South Africa, and we also delivered an OB truck to a customer in Ireland, which shows Megahertz continuing to deliver across the globe on the systems integration stage.

On behalf of the board

J Flay
Director

6 October 2022

MEGAHERTZ LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The director presents his annual report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the company and group continued to be that of supplier of equipment and other technical solutions to the broadcasting industry.

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The director does not recommend payment of a further dividend.

Director

The director who held office during the year and up to the date of signature of the financial statements was as follows:

J Flay

Energy and carbon report

As the group has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

J Flay

Director

6 October 2022

MEGAHERTZ LIMITED

DIRECTOR'S RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

The director is responsible for preparing the Annual Report and the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company, 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 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 ;
- prepare the on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

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 2021 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including 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 group's and the parent company's affairs as at 31 December 2021 and of the group's 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 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.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The director is responsible for the other information contained within the annual report. 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 course of 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 a 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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the 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.

MEGAHERTZ LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF MEGAHERTZ LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 director

As explained more fully in the director's responsibilities statement, the director is 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 director determines 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 director is responsible for assessing 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 director either intends to liquidate the parent company or to cease operations, or has 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 is available on 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.

Shirish Shah (Senior Statutory Auditor)
For and on behalf of SPW (UK) LLP

6 October 2022

Chartered Accountants
Statutory Auditor

Gable House
239 Regents Park Road
London
N3 3LF

MEGAHERTZ LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Turnover	3	6,574,959	12,338,165
Cost of sales		(4,853,560)	(9,466,139)
Gross profit		<u>1,721,399</u>	<u>2,872,026</u>
Administrative expenses		(1,803,181)	(2,353,878)
Operating (loss)/profit	4	<u>(81,782)</u>	<u>518,148</u>
Interest receivable and similar income	8	34,521	40,618
Interest payable and similar expenses	9	(258,422)	(310,042)
(Loss)/profit before taxation		<u>(305,683)</u>	<u>248,724</u>
Tax on (loss)/profit	10	-	(12,502)
(Loss)/profit for the financial year	23	<u><u>(305,683)</u></u>	<u><u>236,222</u></u>

(Loss)/profit for the financial year is all attributable to the owners of the parent company.

MEGAHERTZ LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	£	£
(Loss)/profit for the year	(305,683)	236,222
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(305,683)</u>	<u>236,222</u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

MEGAHERTZ LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021		2020	
		£	£	£	£
Fixed assets					
Goodwill	11		83		1,083
Other intangible assets	11		51		70
			<u>134</u>		<u>1,153</u>
Total intangible assets			134		1,153
Tangible assets	12		39,522		44,687
			<u>39,656</u>		<u>45,840</u>
Current assets					
Stocks	15	824,449		50,173	
Debtors	16	2,348,505		5,650,305	
Cash at bank and in hand		<u>2,864,234</u>		<u>3,380,853</u>	
		6,037,188		9,081,331	
Creditors: amounts falling due within one year	17	<u>(5,984,621)</u>		<u>(11,380,297)</u>	
Net current assets/(liabilities)			<u>52,567</u>		<u>(2,298,966)</u>
Total assets less current liabilities			<u>92,223</u>		<u>(2,253,126)</u>
Creditors: amounts falling due after more than one year	18		(2,650,019)		-
Provisions for liabilities					
Provisions	20	<u>19,350</u>		<u>18,337</u>	
			<u>(19,350)</u>		<u>(18,337)</u>
Net liabilities			<u>(2,577,146)</u>		<u>(2,271,463)</u>
Capital and reserves					
Called up share capital	22		10,000		10,000
Profit and loss reserves	23		<u>(2,587,146)</u>		<u>(2,281,463)</u>
Total equity			<u>(2,577,146)</u>		<u>(2,271,463)</u>

The financial statements were approved and signed by the director and authorised for issue on 6 October 2022

J Flay
Director

MEGAHERTZ LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021		2020	
		£	£	£	£
Fixed assets					
Goodwill	11		83		1,083
Tangible assets	12		38,919		43,778
Investments	13		26,510		26,510
			<u>65,512</u>		<u>71,371</u>
Current assets					
Stocks	15	824,449		50,173	
Debtors	16	2,338,338		5,640,268	
Cash at bank and in hand		2,824,001		2,952,698	
		<u>5,986,788</u>		<u>8,643,139</u>	
Creditors: amounts falling due within one year	17	<u>(5,928,652)</u>		<u>(11,308,756)</u>	
Net current assets/(liabilities)			<u>58,136</u>		<u>(2,665,617)</u>
Total assets less current liabilities			<u>123,648</u>		<u>(2,594,246)</u>
Creditors: amounts falling due after more than one year	18		(2,650,019)		-
Provisions for liabilities					
Provisions	20	19,350		18,337	
		<u>19,350</u>	<u>(19,350)</u>	<u>18,337</u>	<u>(18,337)</u>
Net liabilities			<u>(2,545,721)</u>		<u>(2,612,583)</u>
Capital and reserves					
Called up share capital	22		10,000		10,000
Profit and loss reserves	23		(2,555,721)		(2,622,583)
Total equity			<u>(2,545,721)</u>		<u>(2,612,583)</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £66,863 (2020 - £295,558 profit).

The financial statements were approved and signed by the director and authorised for issue on 6 October 2022

J Flay
Director

Company Registration No. 08072421

MEGAHERTZ LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2020	10,000	(2,517,685)	(2,507,685)
	<hr/>	<hr/>	<hr/>
Year ended 31 December 2020:			
Profit and total comprehensive income for the year	-	236,222	236,222
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	10,000	(2,281,463)	(2,271,463)
	<hr/>	<hr/>	<hr/>
Year ended 31 December 2021:			
Loss and total comprehensive income for the year	-	(305,683)	(305,683)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	10,000	(2,587,146)	(2,577,146)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

MEGAHERTZ LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2020	10,000	(2,918,141)	(2,908,141)
	<hr/>	<hr/>	<hr/>
Year ended 31 December 2020:			
Profit and total comprehensive income for the year	-	295,558	295,558
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	10,000	(2,622,583)	(2,612,583)
	<hr/>	<hr/>	<hr/>
Year ended 31 December 2021:			
Profit and total comprehensive income for the year	-	66,862	66,862
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	10,000	(2,555,721)	(2,545,721)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

MEGAHERTZ LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash generated from operations	26	2,842,361		2,032,520	
Interest paid		(258,422)		(310,042)	
Income taxes (paid)/refunded		(15,002)		2,500	
Net cash inflow from operating activities		<u>2,568,937</u>		<u>1,724,978</u>	
Investing activities					
Purchase of intangible assets		-		(684)	
Proceeds from disposal of intangibles		19		-	
Purchase of tangible fixed assets		(9,215)		(17,792)	
Proceeds from disposal of tangible fixed assets		306		-	
Interest received		34,521		40,618	
Net cash generated from investing activities			<u>25,631</u>		<u>22,142</u>
Financing activities					
Repayment of borrowings		(3,111,187)		(9,257)	
Net cash used in financing activities			<u>(3,111,187)</u>		<u>(9,257)</u>
Net (decrease)/increase in cash and cash equivalents			<u>(516,619)</u>		<u>1,737,863</u>
Cash and cash equivalents at beginning of year		3,380,853		1,642,990	
Cash and cash equivalents at end of year		<u>2,864,234</u>		<u>3,380,853</u>	

MEGAHERTZ LIMITED

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

		2021		2020	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	27	2,903,635		2,045,896	
Interest paid		(258,422)		(310,042)	
Income taxes (paid)/refunded		(15,002)		2,500	
		<u>2,630,211</u>		<u>1,738,354</u>	
Net cash inflow from operating activities					
Investing activities					
Purchase of tangible fixed assets		(9,215)		(17,792)	
Proceeds from disposal of subsidiaries		-		(104)	
Interest received		34,521		40,618	
Dividends received		326,973		-	
		<u>352,279</u>		<u>22,722</u>	
Net cash generated from investing activities					
Financing activities					
Repayment of borrowings		(3,111,187)		(9,257)	
		<u>(3,111,187)</u>		<u>(9,257)</u>	
Net cash used in financing activities					
Net (decrease)/increase in cash and cash equivalents					
		(128,697)		1,751,819	
Cash and cash equivalents at beginning of year		2,952,698		1,200,879	
		<u>2,824,001</u>		<u>2,952,698</u>	
Cash and cash equivalents at end of year					

MEGAHERTZ LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Megahertz Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. On 22 March 2022 its registered office changed to Gable House, 239 Regents Park Road, London N3 3LF. 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.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

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.

1.2 Business combinations

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

1.3 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Megahertz Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries are consolidated in the group's financial statements from the date that control commences until the date that control ceases.

MEGAHERTZ LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

1.4 Going concern

In determining whether the company's financial statements can be prepared on a going concern basis, the director considered the business activities, together with the factors likely to affect its future development, performance and position; these are set out in the strategic report.

The business forecasts and projections, taking account of reasonably possible changes in trading performance show that the company should be able to operate within the level of its current cash resources.

Creditors due within one year total £8.9m (2020: £11.3m) which includes a loan balance of £4m (2020: £7m). Constructive discussions have resulted in our principal ledgers agreeing in writing to not require repayment of these loans for a period not less than 12 months from the date of approval of these financial statements. We are grateful for the support of our lenders. Accordingly, as at the date of this report, the director has a reasonable expectation that the company has adequate resources to continue in business for a period of at least twelve months following signing of these financial statements. Thus, the director continues to adopt the going concern basis of accounting in preparing the financial statements.

1.5 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Long-term contracts

Long-term contracts are assessed on a contract by contract basis and reflected in the statement of comprehensive income by recording turnover and related costs as contract activity progresses. Turnover 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 company's valuation of work done. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.6 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

MEGAHERTZ LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

1.7 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	33% straight line
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1.8 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	25% reducing balance
Computers	33% straight line
Motor vehicles	25% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.9 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.10 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.11 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

MEGAHERTZ LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.12 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.13 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

MEGAHERTZ LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.14 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

MEGAHERTZ LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.16 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that 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 reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.17 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.18 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

MEGAHERTZ LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. 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.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

	2021	2020
	£	£
Turnover analysed by class of business		
Technical broadcasting solutions	6,574,959	12,338,165
	<u>6,574,959</u>	<u>12,338,165</u>
	2021	2020
	£	£
Turnover analysed by geographical market		
United Kingdom	1,573,522	4,145,864
Rest of Europe	3,354,012	4,718,853
Rest of the world	1,647,425	3,473,448
	<u>6,574,959</u>	<u>12,338,165</u>
	2021	2020
	£	£
Other revenue		
Interest income	34,521	40,618
	<u>34,521</u>	<u>40,618</u>

MEGAHERTZ LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

4 Operating (loss)/profit

	2021	2020
	£	£
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(157,999)	135,333
Depreciation of owned tangible fixed assets	14,074	13,752
Amortisation of intangible assets	1,000	1,000
Operating lease charges	118,182	117,562
	<u> </u>	<u> </u>

5 Auditor's remuneration

	2021	2020
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	21,360	15,000
	<u> </u>	<u> </u>

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2021 Number	2020 Number	Company 2021 Number	2020 Number
Directors	1	1	1	1
Employees	22	25	22	25
Total	<u>23</u>	<u>26</u>	<u>23</u>	<u>26</u>

Their aggregate remuneration comprised:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Wages and salaries	1,469,222	1,697,401	1,469,222	1,697,401
Social security costs	11,891	14,203	11,891	14,203
	<u>1,481,113</u>	<u>1,711,604</u>	<u>1,481,113</u>	<u>1,711,604</u>

7 Director's remuneration

	2021	2020
	£	£
Remuneration for qualifying services	95,000	111,667
	<u> </u>	<u> </u>

MEGAHERTZ LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

8	Interest receivable and similar income	2021	2020
		£	£
	Interest income		
	Interest on bank deposits	-	508
	Other interest income	34,521	40,110
	Total income	<u>34,521</u>	<u>40,618</u>
	Investment income includes the following:		
	Interest on financial assets not measured at fair value through profit or loss	-	508
		<u>-</u>	<u>508</u>
9	Interest payable and similar expenses	2021	2020
		£	£
	Interest on financial liabilities measured at amortised cost:		
	Other interest on financial liabilities	258,422	310,042
		<u>258,422</u>	<u>310,042</u>
10	Taxation	2021	2020
		£	£
	Current tax		
	UK corporation tax on profits for the current period	-	15,002
	Adjustments in respect of prior periods	-	(2,500)
	Total current tax	<u>-</u>	<u>12,502</u>

MEGAHERTZ LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £	2020 £
(Loss)/profit before taxation	(305,683)	248,724
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(58,080)	47,258
Tax effect of expenses that are not deductible in determining taxable profit	192	1,408
Tax effect of utilisation of tax losses not previously recognised	(2,843)	(42,120)
Adjustments in respect of prior years	-	12,502
Permanent capital allowances in excess of depreciation	1,000	(1,659)
Other non-reversing timing differences	-	(1,365)
Other permanent differences	(11,053)	(14,795)
Effect of overseas tax rates	8,659	11,273
Dividend income	62,125	-
Taxation charge	-	12,502

11 Intangible fixed assets

Group	Goodwill £	Software £	Total £
Cost			
At 1 January 2021	215,500	1,875	217,375
Disposals	-	(19)	(19)
At 31 December 2021	215,500	1,856	217,356
Amortisation and impairment			
At 1 January 2021	214,417	1,805	216,222
Amortisation charged for the year	1,000	-	1,000
At 31 December 2021	215,417	1,805	217,222
Carrying amount			
At 31 December 2021	83	51	134
At 31 December 2020	1,083	70	1,153

MEGAHERTZ LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

11 Intangible fixed assets (Continued)

Company	Goodwill £	Software £	Total £
Cost			
At 1 January 2021 and 31 December 2021	215,500	1,805	217,305
Amortisation and impairment			
At 1 January 2021	214,417	1,805	216,222
Amortisation charged for the year	1,000	-	1,000
At 31 December 2021	215,417	1,805	217,222
Carrying amount			
At 31 December 2021	83	-	83
At 31 December 2020	1,083	-	1,083

12 Tangible fixed assets

Group	Plant and equipment £	Computers £	Motor vehicles £	Total £
Cost				
At 1 January 2021	77,951	96,966	14,600	189,517
Additions	3,249	5,966	-	9,215
Disposals	(306)	-	-	(306)
At 31 December 2021	80,894	102,932	14,600	198,426
Depreciation and impairment				
At 1 January 2021	50,958	83,642	10,230	144,830
Depreciation charged in the year	6,136	6,962	976	14,074
At 31 December 2021	57,094	90,604	11,206	158,904
Carrying amount				
At 31 December 2021	23,800	12,328	3,394	39,522
At 31 December 2020	26,993	13,324	4,370	44,687

MEGAHERTZ LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Tangible fixed assets (Continued)

Company	Plant and equipment	Computers	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2021	77,042	96,966	14,600	188,608
Additions	3,249	5,966	-	9,215
At 31 December 2021	<u>80,291</u>	<u>102,932</u>	<u>14,600</u>	<u>197,823</u>
Depreciation and impairment				
At 1 January 2021	50,958	83,642	10,230	144,830
Depreciation charged in the year	6,136	6,962	976	14,074
At 31 December 2021	<u>57,094</u>	<u>90,604</u>	<u>11,206</u>	<u>158,904</u>
Carrying amount				
At 31 December 2021	<u>23,197</u>	<u>12,328</u>	<u>3,394</u>	<u>38,919</u>
At 31 December 2020	<u>26,084</u>	<u>13,324</u>	<u>4,370</u>	<u>43,778</u>

13 Fixed asset investments

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Investments in subsidiaries	14	-	-	26,510	26,510

Movements in fixed asset investments

Company	Shares in subsidiaries £
Cost or valuation	
At 1 January 2021 and 31 December 2021	<u>26,510</u>
Carrying amount	
At 31 December 2021	<u>26,510</u>
At 31 December 2020	<u>26,510</u>

14 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Megahertz Broadcast PTE Limited	Singapore, 135 Cecil St, 069536	Ordinary	100.00
Megahertz Kazakhstan	Kazakhstan, Nur-Sultan, D.Konayev St 4, 010017	Ordinary	100.00

MEGAHERTZ LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

15 Stocks		Group 2021 £	2020 £	Company 2021 £	2020 £
	Finished goods and goods for resale	824,449	50,173	824,449	50,173
16 Debtors		Group 2021 £	2020 £	Company 2021 £	2020 £
Amounts falling due within one year:					
	Trade debtors	709,304	1,397,673	709,304	1,397,673
	Gross amounts owed by contract customers	766,518	2,649,187	766,518	2,649,187
	Amounts owed by group undertakings	-	45,000	-	45,000
	Other debtors	104,732	1,103,194	95,195	1,093,479
	Prepayments and accrued income	767,951	455,251	767,321	454,929
		2,348,505	5,650,305	2,338,338	5,640,268
17 Creditors: amounts falling due within one year		Group 2021 £	2020 £	Company 2021 £	2020 £
	Notes				
	Other borrowings	19 1,414,130	7,175,336	1,414,130	7,175,336
	Trade creditors	1,148,635	407,054	1,148,635	407,054
	Corporation tax payable	-	15,002	-	15,002
	Other taxation and social security	46,940	78,104	46,940	78,104
	Deferred income	21 3,179,518	3,181,773	3,179,518	3,181,773
	Other creditors	82,713	92,113	29,538	25,224
	Accruals and deferred income	112,685	430,915	109,891	426,263
		5,984,621	11,380,297	5,928,652	11,308,756
18 Creditors: amounts falling due after more than one year		Group 2021 £	2020 £	Company 2021 £	2020 £
	Notes				
	Other borrowings	19 2,650,019	-	2,650,019	-

MEGAHERTZ LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

19 Loans and overdrafts

	Group 2021 £	2020 £	Company 2021 £	2020 £
Other loans	4,064,149	7,175,336	4,064,149	7,175,336
Payable within one year	1,414,130	7,175,336	1,414,130	7,175,336
Payable after one year	2,650,019	-	2,650,019	-

The other loans incur interest at a rate between 4.1% and 5% above the base rate (2020: 4.1% and 5% above base rate) per annum, are non-compounding and are not secured. These loans are repayable on demand.

20 Provisions for liabilities

	Group 2021 £	2020 £	Company 2021 £	2020 £
	19,350	18,337	19,350	18,337

Movements on provisions:

Group	£
At 1 January 2021	18,337
Additional provisions in the year	1,013
At 31 December 2021	19,350
Company	£
At 1 January 2021	18,337
Additional provisions in the year	1,013
At 31 December 2021	19,350

21 Deferred income

	Group 2021 £	2020 £	Company 2021 £	2020 £
Other deferred income	3,179,518	3,181,773	3,179,518	3,181,773

MEGAHERTZ LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

22 Share capital

Group and company	2021	2020	2021	2020
Ordinary share capital	Number	Number	£	£
Issued and fully paid				
Ordinary shares of £1 each	10,000	10,000	10,000	10,000

Each ordinary share entitles the holder to one voting right and no right to fixed income.

23 Reserves

Profit and loss account

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

24 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Within one year	106,463	106,463	106,463	106,463
Between two and five years	145,961	251,484	145,961	251,484
	<u>252,424</u>	<u>357,947</u>	<u>252,424</u>	<u>357,947</u>

25 Controlling party

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

MEGAHERTZ LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

26	Cash generated from group operations	2021	2020
		£	£
	(Loss)/profit for the year after tax	(305,683)	236,222
	Adjustments for:		
	Taxation charged	-	12,502
	Finance costs	258,422	310,042
	Investment income	(34,521)	(40,618)
	Amortisation and impairment of intangible assets	1,000	1,000
	Depreciation and impairment of tangible fixed assets	14,074	13,752
	Increase/(decrease) in provisions	1,013	(7,185)
	Movements in working capital:		
	(Increase)/decrease in stocks	(774,276)	453,238
	Decrease in debtors	3,301,800	1,788,997
	Increase/(decrease) in creditors	382,787	(3,917,203)
	(Decrease)/increase in deferred income	(2,255)	3,181,773
	Cash generated from operations	2,842,361	2,032,520
27	Cash generated from operations - company	2021	2020
		£	£
	Profit for the year after tax	66,862	295,558
	Adjustments for:		
	Taxation charged	-	12,502
	Finance costs	258,422	310,042
	Investment income	(361,494)	(40,618)
	Amortisation and impairment of intangible assets	1,000	1,000
	Depreciation and impairment of tangible fixed assets	14,074	13,752
	Increase/(decrease) in provisions	1,013	(7,185)
	Movements in working capital:		
	(Increase)/decrease in stocks	(774,276)	453,238
	Decrease in debtors	3,301,930	1,796,747
	Increase/(decrease) in creditors	398,359	(3,970,913)
	(Decrease)/increase in deferred income	(2,255)	3,181,773
	Cash generated from operations	2,903,635	2,045,896

MEGAHERTZ LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

28 Analysis of changes in net debt - group

	1 January 2021	Cash flows	31 December 2021
	£	£	£
Cash at bank and in hand	3,380,853	(516,619)	2,864,234
Borrowings excluding overdrafts	(7,175,336)	3,111,187	(4,064,149)
	<u>(3,794,483)</u>	<u>2,594,568</u>	<u>(1,199,915)</u>

29 Analysis of changes in net debt - company

	1 January 2021	Cash flows	31 December 2021
	£	£	£
Cash at bank and in hand	2,952,698	(128,697)	2,824,001
Borrowings excluding overdrafts	(7,175,336)	3,111,187	(4,064,149)
	<u>(4,222,638)</u>	<u>2,982,490</u>	<u>(1,240,148)</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.