

# Financial Statements

## SDI Media UK Limited

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For the year ended 31 December 2016

Registered number: 02219350

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**SDI Media UK Limited**

## Company Information

<b>Directors</b>	Mr A Abisso Mr M Nakamura (appointed 12 March 2016)
<b>Company secretary</b>	Mr A Agnew
<b>Registered number</b>	02219350
<b>Registered office</b>	32 Galena Road London England W6 0LT
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 80 Compair Crescent Ipswich Suffolk IP2 0EH
<b>Bankers</b>	Barclays Bank PLC 27 Soho Square London W1D 3QR

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# Strategic Report

For the year ended 31 December 2016

## **Business review and future developments**

The localisation industry is a fragmented worldwide industry, with many companies performing either one aspect of this business e.g. dubbing, subtitling etc. or trading solely in one country or geographical region.

The Company's ability to offer a "one stop shop" to UK-based clients has increased as the Group expands its global offering by opening new production offices in overseas territories.

The Company operates in a highly competitive market, particularly in the areas of price/margin and quality. This results in downward pressure on our margins and also the need to monitor how effectively we are fulfilling the needs of our customers. In order to mitigate these risks, our sales and vendor management teams are constantly working both to source, where necessary, new cost-efficient and quality-assured suppliers and also to ensure that levels of quality from our current suppliers are consistently maintained.

Furthermore, by encouraging continued dialogue with our customers, by way of a dedicated client management team, we are able to deal with any issues which may arise in order to continue to provide the highest quality of service, therefore maintaining and increasing their custom.

Increased competition and global economic matters will continue to put pressure on margins and prices but we believe that our investment in technology and the highest quality employees as well as our continued expansion both geographically and in our client and business base will enable us to improve our performance by increased market share and product offerings.

## **Principal risks and uncertainties**

For many years, the market has experienced increasingly pressured pricing and this situation continues. Our customers in the television segment also face uncertainties due to the rapid changes occurring in the market.

The continuing changes in the broadcast market will be challenging for the company and there is a clear need to expand our portfolio with new segments and a new set of clients. On-demand and streaming services have been increasing in volume, replacing some of the volumes lost on broadcast. Another area of growth has been Access Services, with demand driven by new broadcast legislation. The company is well-positioned to continue making gains in these areas.

## Strategic Report

For the year ended 31 December 2016

### Financial risk management

The Company's operations expose it to a variety of financial risks that include credit risk, liquidity risk and foreign exchange risk. The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Company.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department.

The key financial risks affecting the Company, which are reviewed on an ongoing basis and appropriate processes put in place to effectively manage them, are set out below:

**Credit risk** - The Company has a concentration of credit risk with respect to trade receivables due to the nature and structure of its customer base. Credit risk assessments are performed when signing up to new customers and regular credit control reviews are performed to monitor the collection of debt.

**Liquidity risk** - The Company actively monitors that it has sufficient funds for operations and any planned expansions. Cash at bank at year end was £82,401 (2015- £124,286). The Company and fellow Group companies ensure through cash management and communication that no European entity is overdrawn. Cash flow forecasts are performed regularly and reviewed by management to support this position. The company has obtained a letter of support from its ultimate parent company SDI Media Group Inc. covering the company's liabilities for a period of at least 12 months from the date of the signing of the financial statements.

**Foreign exchange risk** - The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from commercial transactions, and investments in foreign operations. Management monitor the Company's exposure to foreign exchange fluctuations regularly to ensure that any material exposures are managed.

The directors will revisit the appropriateness of these policies should the Company's operations change in size or nature.

### Financial key performance indicators

The results for the Company show a pre-tax profit of £7,798 (2015 - loss £701,227) for the year and sales of £4,366,896 (2015 - £6,683,937). These represent the key performance indicators of the Company.

This report was approved by the board on

*July 5, 2017*

and signed on its behalf.



Mr M Nakamura  
Director

## Directors' Report

For the year ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

### Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Principal activity

The principal activity is the provision of subtitling and dubbing services to the entertainment industry.

### Results and dividends

The profit for the year, after taxation, amounted to £99,516 (2015 - loss £727,220).

During the financial year, the company paid no dividends (2015 - £nil).

### Directors

The directors who served during the year were:

Mr R J Peckham (resigned 12 March 2016)  
Mr A Abisso  
Mr M Nakamura (appointed 12 March 2016)

SDI Media UK Limited

## Directors' Report (continued)

For the year ended 31 December 2016

### Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director 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's auditor is aware of that information.

### Post balance sheet events

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

### Auditor

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

This report was approved by the board on *July 5, 2017* and signed on its behalf.



Mr M Nakamura  
Director

## Independent Auditor's Report to the Members of SDI Media UK Limited

We have audited the financial statements of SDI Media UK Limited for the year ended 31 December 2016, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the 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'.

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.

### **Respective responsibilities of Directors and Auditor**

As explained more fully in the Directors' responsibilities statement 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its 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.





## Independent Auditor's Report to the Members of SDI Media UK Limited (continued)

### **Opinion 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 Directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' report.

A handwritten signature in black ink, appearing to read "P. Dearsley".

Paul Dearsley (Senior statutory auditor)

for and on behalf of

**Grant Thornton UK LLP**

Chartered Accountants  
Statutory Auditor

Ipswich

Date: 7 July 2017.

## Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	4	4,366,896	6,683,937
Cost of sales		(3,486,980)	(5,779,475)
<b>Gross profit</b>		<b>879,916</b>	<b>904,462</b>
Administrative expenses		(1,189,369)	(539,016)
Exceptional administrative expenses	11	271,706	(1,138,266)
<b>Operating loss</b>	5	<b>(37,747)</b>	<b>(772,820)</b>
Interest receivable and similar income	8	102,159	106,500
Interest payable and expenses	9	(56,614)	(34,907)
<b>Profit/(loss) before tax</b>		<b>7,798</b>	<b>(701,227)</b>
Tax on profit/(loss)	10	91,718	(25,993)
<b>Profit/(loss) for the year</b>		<b>99,516</b>	<b>(727,220)</b>
<b>Other comprehensive income for the year</b>			
<b>Total comprehensive income for the year</b>		<b>99,516</b>	<b>(727,220)</b>

The notes on pages 10 to 25 form part of these financial statements.

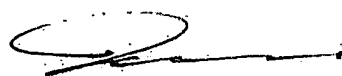
**SDI Media UK Limited**  
**Registered number:02219350**

## Balance Sheet

As at 31 December 2016

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Intangible assets	12	2,234,815	3,142,264
Tangible assets	13	169,589	136,017
		<u>2,404,404</u>	<u>3,278,281</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	14	6,580,099	7,737,754
Cash at bank and in hand	15	82,401	124,286
		<u>6,662,500</u>	<u>7,862,040</u>
Creditors: amounts falling due within one year	16	(7,737,581)	(9,890,371)
<b>Net current liabilities</b>		<u>(1,075,081)</u>	<u>(2,028,331)</u>
<b>Total assets less current liabilities</b>		<u>1,329,323</u>	<u>1,249,950</u>
<b>Provisions for liabilities</b>			
Deferred tax	17	-	(20,143)
		<u>-</u>	<u>(20,143)</u>
<b>Net assets</b>		<u><u>1,329,323</u></u>	<u><u>1,229,807</u></u>
<b>Capital and reserves</b>			
Called up share capital	18	10,000	10,000
Profit and loss account	19	1,319,323	1,219,807
		<u><u>1,329,323</u></u>	<u><u>1,229,807</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on *July 5 2017*

  
**Mr M Nakamura**  
 Director

## Statement of Changes in Equity

For the year ended 31 December 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016	10,000	1,219,807	1,229,807
<b>Comprehensive income for the year</b>			
Profit for the year	-	99,516	99,516
<b>Total comprehensive income for the year</b>	-	99,516	99,516
<b>At 31 December 2016</b>	<b>10,000</b>	<b>1,319,323</b>	<b>1,329,323</b>

## Statement of Changes in Equity

For the year ended 31 December 2015

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2015	10,000	1,947,027	1,957,027
<b>Comprehensive income for the year</b>			
Loss for the year	-	(727,220)	(727,220)
<b>Total comprehensive income for the year</b>	-	(727,220)	(727,220)
<b>At 31 December 2015</b>	<b>10,000</b>	<b>1,219,807</b>	<b>1,229,807</b>

The notes on pages 10 to 25 form part of these financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2016

## 1. General information

The company is a private limited liability company incorporated in Great Britain and registered in England and Wales.

The financial statements present information about the company on an individual, rather than a consolidated basis, as group accounts are prepared at a higher level within the group.

The company's principal activity is the provision of subtitling and dubbing services to the entertainment 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 management to exercise judgment in applying the Company's accounting policies (see note ).

The company has taken advantage of exemptions provided under FRS 102 in respect of certain financial instrument disclosures, key management personnel disclosures and in preparing a statement of cash-flows.

The following principal accounting policies have been applied:

### 2.2 Going concern

The balance sheet shows a position of net current liabilities in the entity at both the current and previous year end.

Cash requirements are routinely managed at group level, ensuring that cash is made available to group entities where it may be needed. Detailed cash forecasts are prepared regularly at entity level as part of that process. Longer term profit forecasts are used to assess the ability of the entity to generate cash in the foreseeable future.

The group parent has undertaken to continue to provide financial support as required for a period of at least 12 months from the date of approval of these financial statements.

The directors have concluded, based on the forecasts and parental support, that it is appropriate to prepare the financial statements on a going concern basis.

# Notes to the Financial Statements

For the year ended 31 December 2016

## 2. Accounting policies (continued)

### 2.3 Revenue

Revenue 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:

#### Rendering of services

Revenue from a contract to provide dubbing and subtitling services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the Company has completed its obligations to provide these services.

### 2.4 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.

All software is considered to have an estimated useful life of five years and is amortised over this period.

# Notes to the Financial Statements

For the year ended 31 December 2016

## 2. Accounting policies (continued)

### 2.5 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.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- straight line over the life of the lease
Fixtures, fittings and equipment	- straight line over 3-5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

### 2.6 Impairment of fixed assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### 2.7 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.

# Notes to the Financial Statements

For the year ended 31 December 2016

## 2. Accounting policies (continued)

### 2.8 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.

### 2.9 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other 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 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.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured at cost less impairment.

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

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

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

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



# Notes to the Financial Statements

For the year ended 31 December 2016

## 2. Accounting policies (continued)

### 2.10 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.

### 2.11 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 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 Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

### 2.12 Finance costs

Finance costs are charged to the 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.

### 2.13 Operating leases: the Company as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

## Notes to the Financial Statements

For the year ended 31 December 2016

### **2. Accounting policies (continued)**

#### **2.14 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 Statement of comprehensive income 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 Company in independently administered funds.

#### **2.15 Interest income**

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

#### **2.16 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company 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 Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet 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 Balance sheet.

## Notes to the Financial Statements

For the year ended 31 December 2016

### 2. Accounting policies (continued)

#### 2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the 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 balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

#### 2.18 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

# Notes to the Financial Statements

For the year ended 31 December 2016

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

Areas of judgement and key sources of estimation uncertainty relate to assumptions used in impairment reviews, the useful lives of fixed assets and the recoverability of certain debtor balances.

## 4. Turnover

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Subtitling and dubbing services	4,366,896	6,683,937
	<u>4,366,896</u>	<u>6,683,937</u>

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	3,214,990	5,593,942
Rest of Europe	649,609	769,155
Rest of the world	502,297	320,840
	<u>4,366,896</u>	<u>6,683,937</u>

## 5. Operating loss

The operating loss is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	42,530	24,617
Amortisation of intangible assets, including goodwill	675,064	577,766
Impairment of intangible assets	(271,706)	650,003
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	21,500	24,500
Exchange differences	722,853	(145,286)
Operating lease rentals	171,559	80,211
Defined contribution pension cost	22,821	8,892
	<u>22,821</u>	<u>8,892</u>

## Notes to the Financial Statements

For the year ended 31 December 2016

**6. Employees**

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	1,920,010	1,049,144
Social security costs	234,450	208,471
Pension costs	22,821	8,892
	<u>2,177,281</u>	<u>1,266,507</u>

In addition to the above, in 2015 an exceptional cost of £488,262 was paid to employees in respect of a Long Term Incentive Plan. There was no such cost in 2016.

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

	2016 27	2015 21
Administration and management	<u>27</u>	<u>21</u>

**7. Directors' remuneration**

During the year, no director received any emoluments (2015 - £NIL).

**8. Interest receivable**

	2016 £	2015 £
Interest receivable from group companies	37,676	70,311
Gain on foreign currency revaluation	64,483	36,189
	<u>102,159</u>	<u>106,500</u>

**9. Interest payable and similar charges**

	2016 £	2015 £
Other interest payable	479	27
Loans from group undertakings	56,135	34,880
	<u>56,614</u>	<u>34,907</u>

## Notes to the Financial Statements

For the year ended 31 December 2016

**10. Taxation**

	2016 £	2015 £
Current tax on profits for the year	-	29,722
Adjustments in respect of previous periods	(29,722)	-
	<u>(29,722)</u>	<u>29,722</u>
<b>Foreign tax</b>		
Foreign tax on income for the year	-	2,360
	<u>-</u>	<u>2,360</u>
<b>Total current tax</b>	<u>(29,722)</u>	<u>32,082</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	11,599	(443)
Changes to tax rates	1,301	(2,233)
Adjustments in respect of previous periods	(74,896)	(3,413)
<b>Total deferred tax</b>	<u>(61,996)</u>	<u>(6,089)</u>
<b>Taxation on (loss)/profit on ordinary activities</b>	<u>(91,718)</u>	<u>25,993</u>

## Notes to the Financial Statements

For the year ended 31 December 2016

**10. Taxation (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2015 - higher than) the standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	7,798	(701,227)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%)	1,560	(141,998)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	19,242	348,814
Foreign tax credit	-	(478)
Higher rate taxes on overseas earnings	-	2,360
Adjustments to tax charge in respect of prior periods	(104,618)	(3,413)
Tax rates changes	1,302	(2,233)
Group relief	27,057	(140,089)
Transfer pricing adjustments	(36,261)	(36,970)
<b>Total tax charge for the year</b>	<b>(91,718)</b>	<b>25,993</b>

**11. Exceptional items**

	2016 £	2015 £
Long term incentive plan	-	488,263
Net impairment of intangible assets	(271,706)	650,003
	<b>(271,706)</b>	<b>1,138,266</b>

# Notes to the Financial Statements

For the year ended 31 December 2016

## 12. Intangible assets

	Software £
<b>Cost</b>	
At 1 January 2016	4,599,679
Additions	850,129
Disposals	(1,354,220)
At 31 December 2016	<u>4,095,588</u>
<b>Amortisation</b>	
At 1 January 2016	1,457,415
Charge for the year	675,064
Impairment charge	78,177
Impairment losses written back	(349,883)
At 31 December 2016	<u>1,860,773</u>
<b>Net book value</b>	
At 31 December 2016	<u><u>2,234,815</u></u>
At 31 December 2015	<u><u>3,142,264</u></u>



## Notes to the Financial Statements

For the year ended 31 December 2016

**13. Tangible fixed assets**

	Leasehold improve- ments £	Fixtures, fittings and equipment £	Total £
<b>Cost or valuation</b>			
At 1 January 2016	145,294	451,000	596,294
Additions	49,690	26,412	76,102
At 31 December 2016	<u>194,984</u>	<u>477,412</u>	<u>672,396</u>
<b>Depreciation</b>			
At 1 January 2016	45,221	415,056	460,277
Charge for the period on owned assets	16,289	26,241	42,530
At 31 December 2016	<u>61,510</u>	<u>441,297</u>	<u>502,807</u>
<b>Net book value</b>			
At 31 December 2016	<u>133,474</u>	<u>36,115</u>	<u>169,589</u>
At 31 December 2015	<u>100,073</u>	<u>35,944</u>	<u>136,017</u>

## Notes to the Financial Statements

For the year ended 31 December 2016

**14. Debtors**

	2016 £	2015 £
Trade debtors	847,953	1,190,166
Amounts owed by group undertakings	4,516,225	6,055,147
Other debtors	108,000	143,578
Prepayments and accrued income	1,066,068	348,863
Deferred taxation	41,853	-
	<u>6,580,099</u>	<u>7,737,754</u>

There were no bad debt expenses recognised during the year (2015 - £2,184).

**15. Cash and cash equivalents**

	2016 £	2015 £
Cash at bank and in hand	82,401	124,286
	<u>82,401</u>	<u>124,286</u>

**16. Creditors: Amounts falling due within one year**

	2016 £	2015 £
Trade creditors	347,476	311,556
Amounts owed to group undertakings	6,230,068	8,431,919
Corporation tax	-	29,722
Other taxation and social security	168,793	362,039
Accruals and deferred income	991,244	755,135
	<u>7,737,581</u>	<u>9,890,371</u>

# Notes to the Financial Statements

For the year ended 31 December 2016

## 17. Deferred taxation

	2016 £	2015 £
At beginning of year	(20,143)	(26,231)
Charged to profit or loss	61,996	6,088
<b>At end of year</b>	<b>41,853</b>	<b>(20,143)</b>

The deferred taxation balance is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	40,476	(20,953)
Short term timing differences	1,377	810
	<b>41,853</b>	<b>(20,143)</b>

## 18. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
10,000 Ordinary shares shares of £1 each	10,000	10,000

Share capital represents the nominal value of shares that have been issued.

## 19. Reserves

### Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

## 20. 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 £22,821 (2015 - £8,892). Contributions totalling £3,588 (2015 - £nil) were payable to the fund at the balance sheet date.

## Notes to the Financial Statements

For the year ended 31 December 2016

### 21. Commitments under operating leases

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	180,000	102,621
Later than 1 year and not later than 5 years	540,000	720,000
	<u>720,000</u>	<u>822,621</u>

### 22. Related party transactions

The company has taken advantage of the exemptions allowed by FRS 102 paragraph 33.1A in the disclosures concerning related parties transactions with its parent and other group companies as the result of the companies being consolidated in the financial statements of Imagica Robot Holdings Inc.

### 23. Controlling party

The immediate parent undertaking is SDI Media Group Limited, a company incorporated in Great Britain and registered in England and Wales, which holds 100% of the share capital.

The ultimate controlling party is Imagica Robot Holdings Inc, a company incorporated in Japan. A copy of this company's financial statements can be obtained from its website.

The smallest group in which the results of the group are consolidated is SDI Media Group Inc and the largest group is Imagica Robot Holdings Inc.