

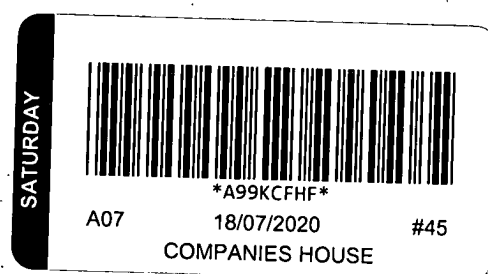
# **SDI Media UK Limited**

Report and Financial Statements

Year Ended

31 December 2019

Company Number 02219350



# **SDI Media UK Limited**

## **Report and financial statements for the year ended 31 December 2019**

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### **Directors**

A Abisso  
D Brown (appointed 1<sup>st</sup> April 2020)

### **Secretary and registered office**

A Agnew, 32 Galena Road, London, W6 0LT

### **Company number**

02219350

### **Auditor**

Deloitte LLP (Statutory Auditor)  
Hill House  
1 Little New Street  
London  
EC4A 3TR  
United Kingdom

# **SDI Media UK Limited**

## **Directors' report for the year ended 31 December 2019**

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The directors present their report and the audited financial statements for the year ended 31 December 2019.

The directors have prepared these financial statements in accordance with the small companies regime and have taken advantage of the small companies' exemptions provided by the Companies Act 2006 in preparing the directors' report and from the requirement to prepare a strategic report.

### **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 £520,980 (2018 - £208,774).

During the financial year, the company paid no dividends (2018 - £Nil).

### **Directors**

The directors who served during the year and up to the date of this report were:

A Abisso  
M Nakamura (resigned 1<sup>st</sup> April 2020)  
D Brown (appointed 1<sup>st</sup> April 2020)

### **Qualifying third party indemnity provisions**

The company has in place qualifying third party indemnity provisions in respect of the board of directors which were in force during the year and at the date of this report. This professional indemnity insurance operates at group level and is arranged by SDI Media Group Inc.

### **Subsequent events**

**COVID-19:** The global Coronavirus pandemic and the social distancing measures put in place to contain it are having a significant impact on business worldwide in 2020. The SDI group has acted to protect our staff and business globally – measures include enabling our staff to work from home wherever possible and taking appropriate cost-saving measures. It is inevitable that we will experience an impact from the general economic slowdown and there is a likelihood that orders for original content will fall for a time, where new productions have been postponed. A large majority of the company's revenue, however, is generated from broadcast subtitling where the operating workflow ordinarily involves freelance subtitling translators working remotely and the QC and delivery process being performed electronically. This means that our operations have been able to continue largely as normal and results for the year so far reflect that. Although there is uncertainty around the timing of a return to normality and this presents a risk, there is an expectation that economic conditions will improve by the end of the year. In these circumstances, results to date and management's projections indicate that while 2020 results will be adversely affected, they will not be severely impacted.

This is considered to be a non-adjusting subsequent event.

# SDI Media UK Limited

## Directors' report for the year ended 31 December 2019 (*continued*)

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### Going Concern

Cash requirements are routinely managed at SDI Media Group Inc. 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.

**COVID-19** - While the company's business is not expected to be severely impacted, the current situation with COVID-19 and the uncertainty around the timing of a return to normal operating conditions naturally raises concerns about levels of profits and cash. In assessing the ability of the parent company to provide financial support, the directors have reviewed the going concern assessment prepared by the group parent. That assessment takes account of the impact of COVID-19, considering revised financial projections for the Group and the funding resources available. It concludes that any substantial doubt about the company's ability to continue as a going concern is mitigated by the management plan and resources available.

We have received a letter of support from SDI Media Group Inc., confirming that they will continue to provide financial support for a period of at least 12 months from the date of these financial statements.

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

### Disclosure of information to auditor

The Director's confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

### Auditor

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

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



D Brown  
Director

Date: 16<sup>th</sup> July 2020

## **SDI Media UK Limited**

### **Directors' responsibilities statement for the year ended 31 December 2019**

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The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

# **SDI Media UK Limited**

## **Independent auditor's report to the members of SDI Media UK Limited**

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### **Independent auditor's report to the members of SDI Media UK Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion the financial statements of SDI Media UK Limited (the 'company');

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 24.

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).

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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**

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

## **SDI Media UK Limited**

### **Independent auditor's report to the members of SDI Media UK Limited (*continued*)**

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#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Report on other legal and regulatory requirements**

##### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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 any material misstatements in the directors' report.

## **SDI Media UK Limited**

### **Independent auditor's report to the members of SDI Media UK Limited (continued)**

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

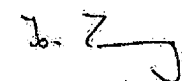
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

#### **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.



Jon Young FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London  
United Kingdom  
16<sup>th</sup> July 2020



## SDI Media UK Limited

### Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	3	4,180,062	3,678,419
Cost of sales		(3,664,462)	(3,466,838)
<b>Gross profit</b>		<b>515,600</b>	<b>211,581</b>
Administrative expenses		96,814	(95,659)
Exceptional administrative expenses	11	-	164,476
<b>Operating profit</b>	4	<b>612,414</b>	<b>280,398</b>
Interest receivable and similar income	8	15,277	1,370
Interest payable and similar expenses	9	(72,686)	(88,752)
<b>Profit before tax</b>		<b>555,005</b>	<b>193,016</b>
Tax on profit	10	(34,025)	15,758
<b>Profit for the financial year</b>		<b>520,980</b>	<b>208,774</b>

All amounts derive from continuing operations.

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income. There was no other comprehensive income for 2019 (2018 - £Nil).

The notes on pages 10 to 22 form part of these financial statements.

# SDI Media UK Limited

## Statement of financial position at 31 December 2019

<b>Company number: 02219350</b>	<b>Note</b>	<b>2019 £</b>	<b>2019 £</b>	<b>2018 £</b>	<b>2018 £</b>
<b>Fixed assets</b>					
Intangible assets	12		1,033,063		1,698,837
Tangible assets	13		110,972		125,587
			<b>1,144,035</b>		<b>1,824,424</b>
<b>Current assets</b>					
Debtors: amounts falling due within one year	14	7,740,034		5,239,004	
Cash at bank and in hand	15	37,889		90,646	
		<b>7,777,923</b>		<b>5,329,650</b>	
Creditors: amounts falling due within one year	16	(6,399,213)		(5,181,669)	
<b>Net current assets</b>			<b>1,378,710</b>		<b>147,981</b>
<b>Total assets less current liabilities</b>			<b>2,522,745</b>		<b>1,972,405</b>
Creditors: amounts falling due after more than one year	17		(163,056)		(133,696)
<b>Net assets</b>			<b>2,359,689</b>		<b>1,838,709</b>
<b>Capital and reserves</b>					
Called up share capital	18		10,000		10,000
Profit and loss account	19		2,349,689		1,828,709
			<b>2,359,689</b>		<b>1,838,709</b>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the 'small companies' regime.

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 16<sup>th</sup> July 2020.



D Brown  
Director

The notes on pages 10 to 22 form part of these financial statements.

## SDI Media UK Limited

### Statement of changes in equity for the year ended 31 December 2019

	Share capital £	Profit and loss account £	Total equity £
<b>At 1 January 2019</b>	10,000	1,828,709	1,838,709
<b>Comprehensive income for the year</b>			
Profit for the year	-	520,980	520,980
<b>At 31 December 2019</b>	<u>10,000</u>	<u>2,349,689</u>	<u>2,359,689</u>

	Share capital £	Profit and loss account £	Total equity £
<b>At 1 January 2018</b>	10,000	1,619,935	1,629,935
<b>Comprehensive income for the year</b>			
Profit for the year	-	208,774	208,774
<b>At 31 December 2018</b>	<u>10,000</u>	<u>1,828,709</u>	<u>1,838,709</u>

The notes on pages 10 to 22 form part of these financial statements.

# SDI Media UK Limited

## Notes forming part of the financial statements for the year ended 31 December 2019

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### 1 General information

SDI Media UK Limited is a private company, limited by shares and incorporated in England and Wales under the Companies Act 2006. 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.

The financial statements are prepared in GBP.

### 2 Accounting policies

#### *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 Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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, in compliance with Section 1A of FRS 102.

The following principal accounting policies have been applied:

#### *Going concern*

Cash requirements are routinely managed at SDI Media Group Inc. 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.

**COVID-19** - While the company's business is not expected to be severely impacted, the current situation with COVID-19 and the uncertainty around the timing of a return to normal operating conditions naturally raises concerns about levels of profits and cash. In assessing the ability of the parent company to provide financial support, the directors have reviewed the going concern assessment prepared by the group parent. That assessment takes account of the impact of COVID-19, considering revised financial projections for the Group and the funding resources available. It concludes that any substantial doubt about the company's ability to continue as a going concern is mitigated by the management plan and resources available.

We have received a letter of support from SDI Media Group Inc., confirming that they will continue to provide financial support for a period of at least 12 months from the date of these financial statements.

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

#### *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:

# SDI Media UK Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

### 2 Accounting policies (*continued*)

#### *Rendering of services*

Revenue from a contract to provide 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.

#### *Intangible assets*

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- the technical feasibility of completing the software so that it will be available for use;
- the intention to complete the software and use it;
- the ability to use the software;
- how the software will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use the software;
- the ability to measure reliably the expenditure attributable to the software during its development.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

- Software development costs - 5 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

#### *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             |

## SDI Media UK Limited

### Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

#### 2 Accounting policies (continued)

##### *Tangible fixed assets (continued)*

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.

##### *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.

##### *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.

##### *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.

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 reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position 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.

# SDI Media UK Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 2 Accounting policies (continued)

#### *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.

#### *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'.

##### *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.

##### *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.

##### *Pensions*

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 Statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

## SDI Media UK Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (*continued*)

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### 2 Accounting policies (*continued*)

#### *Interest income*

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

#### *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 Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

#### *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 reporting 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 Statement of financial position 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 reporting date.

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

In the application of the company's accounting policies, the directors are required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. 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.



# SDI Media UK Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 2 Accounting policies (continued)

*Judgements in applying accounting policies and key sources of estimation uncertainty (continued)*

Key sources of estimation uncertainty - Impairment of intangible assets

Calculation of the potential impairment of software intangibles is based on the present value of future cash flows. Estimation uncertainty exists in assumptions made about the timing of recharges to other SDI Group companies and in the choice of discount rate (see note 11).

Other than the above, management have concluded that there are no significant judgements or estimates that have a material effect on the financial statements.

## 3 Turnover

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

	2019 £	2018 £
Subtitling and dubbing services	4,180,062	3,678,419

Analysis of turnover by country of destination

	2019 £	2018 £
United Kingdom	2,729,981	2,228,062
Rest of Europe	779,404	740,408
Rest of the world	670,677	709,949
	4,180,062	3,678,419

## 4 Operating profit

	2019 £	2018 £
The operating profit is stated after charging:		
Depreciation of tangible fixed assets	27,899	35,340
Amortisation of intangible assets, including goodwill	875,199	864,926
Impairment of intangible assets	(92,252)	(93,102)
Exchange differences	(102,055)	(16,448)
Operating lease rentals	168,388	166,310
Defined-contribution pension cost	48,076	35,664

## 5 Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	22,500	21,750

## SDI Media UK Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

### 6 Employees

	2019 Number	2018 Number
The average monthly number of employees, including the directors, during the year was as follows:		
Administration and management	27	28
Staff costs, including directors' remuneration, were as follows:	£	£
Wages and salaries	1,973,185	2,154,011
Social security costs	233,726	258,826
Cost of defined contribution scheme	48,076	35,664
	<u>2,254,987</u>	<u>2,448,501</u>

### 7 Directors' remuneration

During the year, no director received any emoluments (2018 - £Nil).

### 8 Interest receivable

	2019 £	2018 £
Interest receivable from group companies	-	1,049
Other interest receivable	251	321
Foreign exchange gain on intercompany loans	15,026	-
	<u>15,277</u>	<u>1,370</u>

### 9 Interest payable and similar expenses

	2019 £	2018 £
Other loan interest payable	236	776
Loans from group undertakings	72,450	78,442
Foreign exchange loss on intercompany loans	-	9,534
	<u>72,686</u>	<u>88,752</u>

# SDI Media UK Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 10 Taxation

	2019 £	2018 £
<i>Corporation tax</i>		
Current tax on profits for the year	20,938	-
Adjustments in respect of previous periods	4,889	(24,009)
	<u>25,827</u>	<u>(24,009)</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	10,983	9,941
Changes to tax rates	(1,156)	(1,047)
Adjustments in respect of previous periods	(1,629)	(643)
	<u>8,198</u>	<u>8,251</u>
Total deferred tax		
	<u>34,025</u>	<u>(15,758)</u>
Taxation on profit		

### Factors affecting tax charge for the year

The charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2019 £	2018 £
Profit before tax	<u>555,005</u>	<u>193,016</u>
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%)	105,451	36,673
Effects of:		
Expenses not deductible for tax purposes	(1,682)	106
Adjustments to tax charge in respect of prior periods	3,260	(24,652)
Tax rates changes	(1,156)	(1,048)
Group relief	(71,848)	(26,837)
	<u>34,025</u>	<u>(15,758)</u>
Total tax charge / (credit) for the year		

# SDI Media UK Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 10 Taxation (continued)

### Deferred Tax

The standard rate of tax applied to reported profits is 19% (2018:19%). The standard rate of corporation tax was due to fall further to 17% with effect from 1 April 2020 and therefore closing deferred tax balances are stated at 17%. It was announced in the UK Budget on 11 March 2020 that the reduction to 17% would not take place and that the rate would remain at 19%. However, this change was not substantively enacted until 17 March 2020 which was after the balance sheet date and as such deferred tax balances continue to be recognised at 17%. The effect of a 2% increase in the corporation tax rate on the deferred tax balances at the balance sheet date would be £1.7k. During the year beginning 1 January 2020, the net reversal of the deferred tax assets is expected to decrease the corporation tax charge for the year by £15k. This is due to the movement on fixed assets and general provisions in the period.

## 11 Exceptional items

	2019 £	2018 £
Net impairment of intangible assets	-	(93,102)
Refund of bank charges	-	(71,374)
	-	(164,476)

Impairment of intangible assets represents an adjustment to the net book value of internal software assets. Future economic benefits from these assets arise when amortisation is recharged to other SDI Group companies over the life of the assets. An adjustment is made for the difference between the present value of this income stream and the carrying value of the assets. Following a period of major systems investment an original impairment cost was booked in 2015. Both the original impairment and the subsequent credits have previously been presented as exceptional items in the financial statements. An impairment adjustment of £92,252 (credit) was made in the current year but due to its repeating nature this is no longer considered to be an exceptional item.

Refund of bank charges was an amount credited by the bank to our account during 2018 following their review of historical overcharging on international payments. Given that the period under review was 2005 to 2015 and this had a significant impact on the result for the year, it was presented as exceptional.

# SDI Media UK Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 12 Intangible assets

	Software under development £	Software £	Total £
<b>Cost</b>			
At 1 January 2019	60,704	5,013,325	5,074,029
Additions	132,596	-	132,596
Transfers	(144,391)	144,391	-
Disposals	(15,423)	-	(15,423)
At 31 December 2019	<b>33,486</b>	<b>5,157,716</b>	<b>5,191,202</b>
<b>Amortisation</b>			
At 1 January 2019	-	3,375,192	3,375,192
Charge for the year	-	875,199	875,199
Disposals	-	-	-
Impairment losses written back	-	(92,252)	(92,252)
At 31 December 2019	-	<b>4,158,139</b>	<b>4,158,139</b>
<b>Net book value</b>			
At 31 December 2019	<b>33,486</b>	<b>999,577</b>	<b>1,033,063</b>
At 31 December 2018	60,704	1,638,133	1,698,837

## 13 Tangible fixed assets

	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
<b>Cost or valuation</b>			
At 1 January 2019	198,984	496,670	695,654
Additions	4,102	10,999	15,101
Disposals	(45,294)	(374,857)	(420,151)
At 31 December 2019	<b>157,792</b>	<b>132,812</b>	<b>290,604</b>
<b>Depreciation</b>			
At 1 January 2019	92,672	477,395	570,067
Charge for the year on owned assets	15,684	12,215	27,899
Disposals	(45,294)	(373,040)	(418,334)
At 31 December 2019	<b>63,062</b>	<b>116,570</b>	<b>179,632</b>
<b>Net book value</b>			
At 31 December 2019	<b>94,730</b>	<b>16,242</b>	<b>110,972</b>
At 31 December 2018	106,312	19,275	125,587

## SDI Media UK Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 *(continued)*

### 14 Debtors

	2019 £	2018 £
Trade debtors	564,318	393,082
Amounts owed by group undertakings	6,724,862	4,384,527
Other debtors	108,000	108,000
Prepayments and accrued income	327,697	330,040
Deferred taxation (below)	15,157	23,355
	<u>7,740,034</u>	<u>5,239,004</u>

Amounts owed by group undertakings are trading balances with group companies which are 100% owned by SDI Media Group Inc. The balances arise on an arm's length basis in the normal course of business, through intercompany trading and cost recharges.

### Deferred taxation

	2019 £	2018 £
At beginning of year	23,355	31,606
Charged to profit or loss	(8,198)	(8,251)
	<u>15,157</u>	<u>23,355</u>

The deferred tax asset is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	4,713	14,027
Short term timing differences	10,444	9,328
	<u>15,157</u>	<u>23,355</u>

### 15 Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	<u>37,889</u>	<u>90,646</u>

## SDI Media UK Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 *(continued)*

### 16 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	414,551	458,410
Amounts owed to group undertakings	5,013,290	3,965,162
Corporation tax	20,938	-
Other taxation and social security	167,228	90,759
Accruals and deferred income	783,206	667,338
	<u>6,399,213</u>	<u>5,181,669</u>

Amounts owed to group undertakings are trading balances with group companies which are 100% owned by SDI Media Group Inc. The balances arise on an arm's length basis in the normal course of business, through intercompany trading and cost recharges. They also include some intercompany loans which are repayable on demand and arise from group cash management activities.

### 17 Creditors: amounts falling due after more than one year

	2019 £	2018 £
Other creditors	163,056	133,696
	<u>163,056</u>	<u>133,696</u>

Creditors falling due after more than one year relate to long-term management incentive plans. All such items fall due within 5 years of the reporting date.

### 18 Share capital

	2019 £	2018 £
<i>Allotted, called up and fully paid</i>		
10,000 ordinary shares of £1 each	10,000	10,000
	<u>10,000</u>	<u>10,000</u>

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 or 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 £48,076 (2018 - £35,664). Contributions totalling £10,059 (2018 - £7,839) were payable to the fund at the year end.

## SDI Media UK Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

### 21 Commitments under operating leases

At 31 December 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	181,888	180,000
Later than 1 year and not later than 5 years	-	180,000
	<u>181,888</u>	<u>360,000</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 party transactions with its parent and other group companies as a result of the companies being consolidated in the financial statements of Imagica Group Inc.

### 23 Controlling party

The immediate parent undertaking is SDI Media Group Limited, a company incorporated and registered in the United Kingdom and holder of 100% of the share capital.

The ultimate controlling party is Imagica Group Inc, a company listed on the Tokyo Stock Exchange. The registered office of Imagica Group Inc is: Shinagawa-ku, Tokyo. The consolidated financial statements are available on the company's website [www.imagicagroup.co.jp](http://www.imagicagroup.co.jp).

The smallest group in which the results of the group are consolidated is SDI Media Group Inc (registered office 6060 Center Drive, Suite 100, Los Angeles, CA 90045) and the largest group is Imagica Group Inc.

### 24 Subsequent events

**COVID-19:** The global Coronavirus pandemic and the social distancing measures put in place to contain it are having a significant impact on business worldwide in 2020. The SDI group has acted to protect our staff and business globally – measures include enabling our staff to work from home wherever possible and taking appropriate cost-saving measures. It is inevitable that we will experience an impact from the general economic slowdown and there is a likelihood that orders for original content will fall for a time, where new productions have been postponed. A large majority of the company's revenue, however, is generated from broadcast subtitling where the operating workflow ordinarily involves freelance subtitling translators working remotely and the QC and delivery process being performed electronically. This means that our operations have been able to continue largely as normal and results for the year so far reflect that. Although there is uncertainty around the timing of a return to normality, there is an expectation that economic conditions will improve by the end of the year. In these circumstances, results to date and management's projections indicate that while 2020 results will be adversely affected, they will not be severely impacted.