

Registered No 2505086

SDI Media Group Limited

Annual Report and Financial Statements

For the year ended 31 December 2006

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SDI Media Group Limited

Annual report for the year ended 31 December 2006

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Directors and advisers

Directors

R Flynn
S Danieli

Secretary

S Morris

Auditors

PricewaterhouseCoopers
1 Embankment Place
London
WC2N 6RH

Registered office

Cambridge House
100 Cambridge Grove
London
W6 0LE

Principal bankers

Barclays Bank PLC
27 Soho Square
London
W1D 3QR

Directors' report

The directors present their report and financial statements for the year ended 31 December 2006

Results and dividends

The company did not trade during the period and has made neither a profit nor a loss. A profit and loss account has been prepared to reflect the receipt and subsequent payment of a dividend. A dividend of £1,000,000 (2005: nil) was paid.

Principal activity and review of the business

The principal activity of the company is that of a holding company.

Directors

The directors who served the company during the year were as follows:

M Faigen (resigned 26 Feb 2008)
S Danieli
R Flynn (appointed 26 Feb 2008)
B Perlstein (resigned 27 Feb 2008)

There are no directors' interests requiring disclosure under the Companies Act 1985.

Statement of directors' responsibilities

Company law required the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

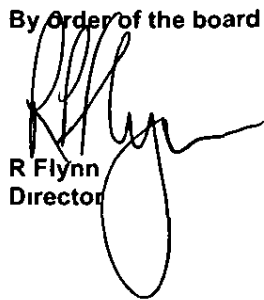
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2006 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The directors have relied upon the provisions of Sections 249A and 388A of the Companies Act 1985 and have resolved not to appoint auditors

By Order of the board

A handwritten signature in black ink, appearing to be 'R Flynn', written over the printed name and title.

**R Flynn
Director**

**Profit and loss account
for the year 31 December 2006**

	Notes	Year ended 31 December 2006	Year ended 31 December 2005
		£	£
Income from shares in group undertakings		<u>1,000,000</u>	-
Operating profit		<u>1,000,000</u>	-
Profit on ordinary activities before taxation		1,000,000	-
Tax on profit on ordinary activities		-	-
Profit for the financial year		<u>1,000,000</u>	-

Balance sheet at 31 December 2006

	Notes	2006 £	2005 £
Fixed assets	6		
Investments		<u>20,000</u>	<u>20,000</u>
Capital and reserves	7		
Called up share capital		<u>20,000</u>	<u>20,000</u>
Analysed as			
Equity		10,000	10,000
Non-equity		10,000	10,000
	8	<u>20,000</u>	<u>20,000</u>

For the period/year ended 31st December 2006 the company was entitled to the exemption under section 249A of the Companies Act 1985

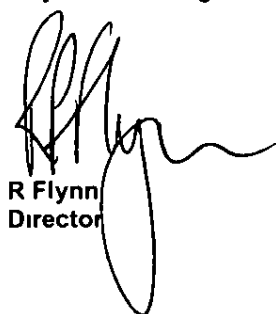
Members have not required the company to obtain an audit in accordance with section 249(B)(2) of the Companies Act 1985

The directors acknowledge their responsibility for

(i) ensuring the company keeps accounting records which comply with section 221, and

(ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of its profit or loss for the financial year, in accordance with section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company

The financial statements on page 4 were approved by the board of directors on 14th May 2007 and signed on its behalf by



R Flynn
Director

Notes to the financial statements at 31 December 2006

1 Accounting policies

Accounting convention

The financial statements are prepared under historical cost convention

Group financial statements

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group financial statements as it is exempt from the requirements to do so by virtue of Section 248 of the Companies Act 1985 as it meets the definition of a medium sized group.

Cash flow statement

The company is exempt from the requirement of FRS1 to prepare a cash flow statement on the grounds that the company meets the definition of a small company in terms of section 246 of the Companies Act 1985.

Fixed asset investments

Fixed asset investments are stated at cost. The carrying values of fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

2 Directors emoluments

The directors did not receive any remuneration during the year (2005: £nil).

Auditors' remuneration is borne by a subsidiary undertaking.

3 Staff costs

The company had no employees during this or the previous year.

4 Dividends

	2006 Number	2005 Number
Equity shares – interim dividend paid	<u>1,000,000</u>	<u>-</u>

5 Investments

	Subsidiary undertakings
Cost	£
At 1 January and 31 December 2006	20,000
	<u>20,000</u>

The company holds share capital in the following subsidiaries

Name of company	Country of registration or incorporation	Holding	Proportion of voting rights and shares held	Nature of business
	£	£	£	£
Screen Subtitling Systems Limited	England and Wales	Ordinary	100%	Subtitling equipment
SDI Media UK Limited	England and Wales	Ordinary	100%	Provision of subtitles for DVD, television, and video

The aggregate capital and reserves of Screen Subtitling Systems Limited at 31 December 2006 was £1,170,888 (2005 £1,549,943) Screen Subtitling Systems Limited earned a profit after tax of £620,945 (2005 £466,920) in the year ended 31 December 2006

The aggregate capital and reserves of SDI Media UK Limited at 31 December 2006 was £653,344 (2005 £324,481) SDI Media UK Limited made a profit after tax of £328,863 (2005 profit £221,684) in the year ended 31 December 2006

6 Share capital

	2006	2005
	£	£
Authorised		
50,000 ordinary shares of £1 each	50,000	50,000
250,000 redeemable shares of £1 each	250,000	250,000
	<u>300,000</u>	<u>300,000</u>
Allotted, called up and fully paid		
10,000 ordinary shares of £1 each	10,000	10,000
10,000 redeemable shares of £1 each	10,000	10,000
	<u>20,000</u>	<u>20,000</u>

The redeemable shares can be redeemed by either the issuer or the holder of the share at any date after 31 December 2002, provided that at least 14 days written notice is provided by either party

The shares are to be redeemed at their paid up value, together with any arrears of dividend or amount owing in respect of the shares

7 Reconciliation of shareholders' funds and movements on reserves

	2006	2005
	£	£
Opening shareholders' funds	20,000	20,000
Profit/(loss) for the financial year	1,000,000	-
Dividend paid	(1,000,000)	-
Closing shareholders' funds	<u>20,000</u>	<u>20,000</u>

8 Related party transactions

A dividend of £1,000,000 was received from Screen Subtitling Systems Ltd. A dividend of £1,000,000 was paid to SDI Media Ltd.

9 Ultimate parent undertaking and controlling party

The immediate parent undertaking is SDI Media Group Limited. The ultimate parent undertaking during the year to 31 December 2006 was Warburg Pincus LLC, a private equity group incorporated in the United States of America whose address is 466 Lexington Avenue, New York, NY10017-3147, USA.

On 14th August 2007, a controlling stake in SDI Media Group Inc was acquired by Elevation Partners who became the ultimate parent undertaking from that date.

The smallest and largest group in which the results of the group are consolidated is that headed by SDI Media Group Inc.