

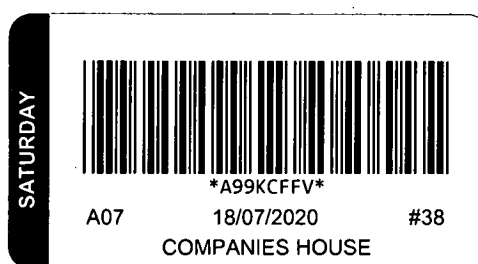
SDI Media Group Limited

Report and Financial Statements

Year Ended

31 December 2019

Company Number 02505086



SDI Media Group Limited

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

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Directors

A Abisso
D Brown (appointed 1st April 2020)

Secretary and registered office

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

Company number

02505086

Auditor

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

SDI Media Group Limited

Strategic report for the year ended 31 December 2019

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

Business review

The principal activity of SDI Media Group Limited is that of a holding company. On 01 November 2018 the company sold its 100% shareholding in Screen Subtitling Systems Limited. The income statement for 2018 reflected the profit on disposal along with pre-sale dividends from Screen, so a similar result was not expected in 2019. The company continues to hold a 100% shareholding in its subsidiaries PPC Creative Limited and SDI Media UK Ltd. The directors consider the results for the year to be satisfactory.

Principal risks and uncertainties

The Company, through its subsidiaries, is somewhat exposed to the usual financial risks. The principal financial risks affecting the Company are reviewed on an ongoing basis and appropriate processes are put in place to effectively manage them. These are set out below:

Credit risk - Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The company is mainly exposed to credit risk from credit sales. It is company policy, implemented locally, to assess the credit risk of new customers before entering contracts. Each new customer is analysed individually for creditworthiness before the company's standard payment and delivery terms and conditions are offered.

A monthly review of the trade receivables' ageing analysis is undertaken and customers' credit is reassessed periodically. Existing customers that become "high risk" as a result of the periodic reassessment are placed on a restricted customer list and future credit sales are made only with approval of the local management.

Foreign exchange risk - The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Group level foreign exchange risk is mitigated by the multinational nature of the business, and diversification of currencies in which the Group operates.

Liquidity risk - Liquidity risk arises from the company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the company will encounter difficulty in meeting its financial obligations as they fall due. 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 entities to generate cash in the foreseeable future.

COVID-19: The current situation with COVID-19 has resulted in macroeconomic uncertainty and naturally raises concerns about liquidity risk. Further information about COVID-19 and Going Concern is contained in the Directors' Report, below, and in the individual accounts of the subsidiaries.

Value of underlying investments - Management monitor the current and future anticipated financial performance of investments on an ongoing basis with a view to any potential diminishment in value.

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

SDI Media Group Limited

**Strategic report
for the year ended 31 December 2019 (continued)**

Financial key performance indicator

The results for the Company show a pre-tax profit of **£2,394,131** (2018 - £11,148,941) for the year. This profit is primarily derived from dividends received from the subsidiary undertakings and represents the only key performance indicator of the Company. The directors are satisfied with this performance.

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



**D Brown
Director**

Date: 16th July 2020

SDI Media Group Limited

Directors' report for the year ended 31 December 2019

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

Principal activity

The principal activity of SDI Media Group Limited is that of a holding company.

Results and dividends

The profit for the year, after taxation, amounted to £2,373,361 (2018 - £11,148,941).

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

Directors

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

A Abisso
M Nakamura (resigned 1st April 2020)
D Brown (appointed 1st 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. The subsidiary undertakings have been affected to varying degrees by the pandemic. PPC expect their EBITDA to be significantly reduced in 2020 due to the impact on the film industry, with theatrical releases being put on hold and cinemas forced to close during the lockdown. By contrast, SDI Media UK Ltd generates most of their revenue from broadcast subtitling, where operations have been able to continue largely as normal so the impact on 2020 results will not be so severe. Although there is uncertainty around the timing of a return to normality and this presents a risk for both subsidiaries, there is an expectation that economic conditions will improve by the end of the year.

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

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.

SDI Media Group Limited

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

COVID-19 - 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.

Principal risks and uncertainties

Principal risks and uncertainties are set out in the strategic report, above.

Future developments

The company will continue to act as a holding company for its subsidiaries, PPC Creative Limited and SDI Media UK Ltd. Further information is available in the individual accounts of the subsidiaries.

Disclosure of information to auditor

The Directors 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: 16th July 2020

SDI Media Group Limited

Directors' responsibilities statement for the year ended 31 December 2019

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 Group Limited

Independent auditor's report to the members of SDI Media Group Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of SDI Media Group 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 17.

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 Group Limited

Independent auditor's report to the members of SDI Media Group Limited (continued)

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. 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have 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 strategic report or the directors' report.

SDI Media Group Limited

Independent auditor's report to the members of SDI Media Group Limited (continued)

Matters on which we are required to report by exception

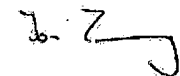
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

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
16th July 2020

SDI Media Group Limited

Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £	2018 £
Administrative expenses		(60)	(97)
Operating loss	3	(60)	(97)
Income from shares in group undertakings		2,440,000	10,458,563
Profit on disposal of subsidiary		-	1,266,089
Interest receivable and similar income	5	608,477	144,190
Interest payable and similar expenses	6	(654,286)	(719,804)
Profit before tax		2,394,131	11,148,941
Tax on profit	7	(20,770)	-
Profit for the financial year		2,373,361	11,148,941

There were no recognised gains or 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 12 to 20 form part of these financial statements.

SDI Media Group Limited

Statement of financial position at 31 December 2019

<i>Company number: 02505086</i>	<i>Note</i>	2019	2019	2018	2018
		£	£	£	£
Fixed assets					
Investments	8		17,712,258		17,712,258
			<u>17,712,258</u>		<u>17,712,258</u>
Current assets					
Debtors	9	7,662,913		8,613,345	
Debtors – due after more than one year	10	1,246,731		1,177,149	
Cash at bank and in hand	11	467,772		12,748	
		<u>9,377,416</u>		<u>9,803,242</u>	
Creditors: amounts falling due within one year	12	<u>(13,665,125)</u>		<u>(16,485,083)</u>	
Net current liabilities			<u>(4,287,709)</u>		<u>(6,681,840)</u>
Total assets less current liabilities			<u>13,424,549</u>		<u>11,030,418</u>
Provision for liabilities					
Deferred taxation	7		(20,770)		-
Net assets			<u>13,403,779</u>		<u>11,030,418</u>
Capital and reserves					
Called up share capital	13		10,000		10,000
Profit and loss account	14		13,393,779		11,020,418
			<u>13,403,779</u>		<u>11,030,418</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16th July 2020.



D Brown
Director

The notes on pages 12 to 20 form part of these financial statements.

SDI Media Group Limited

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

	Share capital £	Profit and loss account £	Total equity £
At 1 January 2019	10,000	11,020,418	11,030,418
Comprehensive income for the year			
Profit for the year	-	2,373,361	2,373,361
	<u>10,000</u>	<u>13,393,779</u>	<u>13,403,779</u>
At 31 December 2019	10,000	13,393,779	13,403,779

	Share capital £	Profit and loss account £	Total equity £
At 1 January 2018	10,000	(128,523)	(118,523)
Comprehensive income for the year			
Profit for the year	-	11,148,941	11,148,941
	<u>10,000</u>	<u>11,020,418</u>	<u>11,030,418</u>
At 31 December 2018	10,000	11,020,418	11,030,418

The notes on pages 12 to 20 form part of these financial statements.

SDI Media Group Limited

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

1 General information

SDI Media Group Limited is a private company limited by shares, incorporated in the United Kingdom and registered in England and Wales. The company's principal activity is that of a holding company.

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

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

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 - 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.

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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.

SDI Media Group Limited

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

2 Accounting policies (continued)

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.

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.

SDI Media Group Limited

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

2 Accounting policies (*continued*)

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'.

Financial liabilities

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Financial liabilities within the scope of IAS 39 are initially classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequently, the measurement of financial liabilities depends on their classification as follows:

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.

Interest income

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

SDI Media Group Limited

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

2 Accounting policies (continued)

Taxation

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.

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.

Key sources of estimation uncertainty

Fair value of loan receivables - in preparing the financial statements the directors have exercised judgement in the assumptions used to calculate the initial fair value of third party loan receivables. The balance in question is shown in note 10.

Impairment of investments - Calculation of the potential impairment of investments is based on the present value of estimated future cash flows. Estimation uncertainty arises in the assumptions made about future financial performance of the subsidiaries, the growth rate and in the choice of discount rate.

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 Operating profit

Audit fees of £5,000 (2018 - £4,250) in respect of the audit of the Company's annual financial statements have been borne by another group company.

4 Employees

The Company has no employees other than the directors, who did not receive any remuneration (2018 - £Nil).

5 Interest receivable and similar income

	2019 £	2018 £
Interest receivable from group companies	265,793	67,113
Interest on third party loan receivables	342,684	50,168
Foreign exchange gain on intercompany loans	-	26,909
	<u>608,477</u>	<u>144,190</u>

Interest on third party loan receivables includes amortization of the present value adjustment on the balance using an effective interest rate of 22.8%.

SDI Media Group Limited

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

6 Interest payable and similar expenses

	2019 £	2018 £
Interest payable on loan from group undertaking	620,043	719,804
Foreign exchange loss on intercompany loans	34,243	-
	<u>654,286</u>	<u>719,804</u>

Interest is payable on a loan from SDI Media Group Inc, at a rate of 4.25%.

7 Taxation

	2019 £	2018 £
Current tax:		
Total tax per statement of comprehensive income	-	-
Deferred tax:		
Origination and reversal of timing differences	19,931	-
Changes to tax rates	(2,097)	-
Adjustments in respect of previous periods	2,936	-
Total deferred tax	<u>20,770</u>	<u>-</u>
Taxation on profit	<u>20,770</u>	<u>-</u>

SDI Media Group Limited

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

7 Taxation (continued)

Factors affecting tax charge for the year

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

	2019 £	2018 £
Profit before tax	2,394,131	11,148,941
Profit multiplied by the standard rate of Corporation Tax in the UK of 19% (2018 – 19%)	454,885	2,118,299
Effects of:		
Expenses not deductible for tax purposes	(43,202)	-
Income not taxable	(463,600)	(2,227,684)
Adjustments to tax charge in respect of prior periods	2,936	-
Tax rates changes	(2,097)	-
Group relief	71,848	109,385
Total tax charge for the year	20,770	-
Deferred taxation		
	2019 £	2018 £
At beginning of the year	-	-
Adjustment in respect of prior years	2,936	-
Deferred tax charge to income statement for the period	17,834	-
Provision at end of period	20,770	-
Short term timing differences – non trading	20,770	-
Deferred tax liability	20,770	-

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 £2.4k. 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 £21k. This is due to the movement on non-trading temporary differences in the period.

SDI Media Group Limited

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

8 Fixed asset investments

	Investments in subsidiary companies £	Other fixed asset investments £	Total investments £
Cost and net book value			
At 31 December 2019	17,696,545	15,713	17,712,258
At 31 December 2018	17,696,545	15,713	17,712,258

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name and registered office	Class of shares	Holding	Nature of business
SDI Media UK Limited 32 Galena Road London W6 0LT	Ordinary	100%	Localisation services
PPC Creative Limited 6-8 Kingly Court London W1B 5PW	Ordinary	100%	Marketing services

All subsidiary undertakings were incorporated in the UK.

Other fixed asset investments are unquoted investments, representing a minority shareholding in an unassociated company, at cost.

9 Debtors

	2019 £	2018 £
Amounts owed by group undertakings	7,400,216	7,168,666
Restricted cash	-	1,000,000
Other debtors	262,697	444,679
	<u>7,662,913</u>	<u>8,613,345</u>

Amounts owed by group undertakings are various loan balances with group companies all of which are 100% owned by SDI Media Group Inc. The loans are repayable on demand and arose from group cash management activities in the normal course of business.

Restricted cash represents a balance held in escrow related to the acquisition of PPC Creative Ltd. This was payable to the vendor upon fulfilment of certain conditions related to the sale and sat alongside the deferred consideration liability shown in creditors. The balance was paid over during the year.

SDI Media Group Limited

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

10 Debtors – due after more than one year

	2019 £	2018 £
Other debtors	1,246,731	1,177,149

Debtors due after more than one year are third party loan receivables, initially recognised at present value. This represents deferred consideration from the sale of Screen Subtitling Systems Limited and is receivable in annual instalments up to November 2023.

11 Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	467,772	12,748

12 Creditors: amounts falling due within one year

	2019 £	2018 £
Amounts owed to group undertakings	13,655,125	15,475,083
Deferred consideration	-	1,000,000
Share capital treated as debt	10,000	10,000
	13,665,125	16,485,083

Amounts owed to group undertakings represent the balance on a loan from SDI Media Group Inc. The loan is repayable on demand and was made in connection with the acquisition of subsidiary companies.

Deferred consideration represents a balance held in escrow related to the acquisition of PPC Creative Ltd. This was payable to the vendor upon fulfilment of certain conditions related to the sale and sat alongside the restricted cash asset shown in debtors. The balance was paid over during the year.

13 Share capital

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

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

SDI Media Group Limited

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

13 Share capital (continued)

	2019 £	2018 £
Shares classified as debt		
<i>Allotted, called up and fully paid</i>		
10,000 redeemable shares of £1 each	10,000	10,000

The redeemable shares can be redeemed by either the issuer or the holder of the share at any date, 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.

Aside from the redemption rights, the two classes of share rank equally in all respects and no particular rights, preferences or restrictions apply to either class.

14 Reserves

Profit and loss account

This account includes all current and prior period retained profits and losses.

15 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.

16 Controlling party

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

The ultimate parent company and 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.

The smallest group in which the results of the company 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.

17 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. The subsidiary undertakings have been affected to varying degrees by the pandemic. PPC expect their EBITDA to be significantly reduced in 2020 due to the impact on the film industry, with theatrical releases being put on hold and cinemas forced to close during the lockdown. By contrast, SDI Media UK Ltd generates most of their revenue from broadcast subtitling, where operations have been able to continue largely as normal so the impact on 2020 results will not be so severe. Although there is uncertainty around the timing of a return to normality and this presents a risk for both subsidiaries, there is an expectation that economic conditions will improve by the end of the year.

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