

Screen Subtitling Systems Limited

**Directors' report and financial
statements**

Registered number 2596832

31 December 2002



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Company information

Directors

CM Woods (Managing Director)	(resigned 27 June 2002)
BP East	(resigned 27 June 2002)
MJB Deakin	(appointed 15 June 2002)
SM Danieli	(appointed 27 June 2002)
M Berchin	

Secretary

BP East	(resigned 27 June 2002)
SM Danieli	(appointed 27 June 2002)

Registered office

The Old Rectory
Church Lane
Claydon
Ipswich
Suffolk
IP6 0EQ

Auditors

KPMG LLP
6 Lower Brook Street
Ipswich
Suffolk
IP4 1AP

Bankers

HSBC
48 St Nicholas Street
Ipswich
Suffolk
IP1 1TP

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activity

The principal activity of the company in the year under review was that of designing and manufacturing broadcast quality character generators and subtitling systems, for the broadcast television and video industries.

Results and dividends

The trading loss for the year, after taxation, amounted to £372,129 (2001: loss £652,712) as shown in the profit and loss account. The directors do not recommend the payment of a dividend (2001: £nil).

Fixed assets

Movements in tangible fixed assets are shown in note 7 to the accounts.

Directors

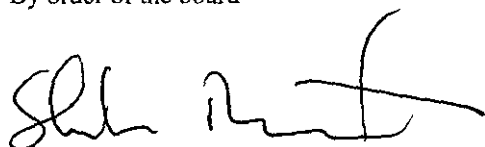
The directors shown below served the company throughout the year unless otherwise stated, and held no beneficial interests in the company's issued ordinary share capital, throughout the year ended 31 December 2002.

CM Woods (Managing Director)	(resigned 27 June 2002)
BP East	(resigned 27 June 2002)
MJB Deakin	(appointed 15 June 2002)
SM Danieli	(appointed 27 June 2002)
M Berchin	

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



SM Danieli
Secretary

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

6 Lower Brook Street

Ipswich

IP4 1AP

Independent auditors' report to the members of Screen Subtitling Systems Limited

We have audited the financial statements on pages 5 to 14.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

Chartered Accountants

Registered Auditor

Profit and loss account
for the year ended 31 December 2002

	<i>Note</i>	2002 £	2001 £
Turnover	2	1,625,763	1,874,548
Cost of sales		(560,464)	(755,942)
		<hr/>	<hr/>
Gross profit		1,065,299	1,118,606
Administrative expenses		(1,473,930)	(1,765,036)
Other operating income/expense		30,755	(10,602)
		<hr/>	<hr/>
Operating loss	3	(377,876)	(657,032)
Other interest receivable and similar income	5	1,097	4,320
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(376,779)	(652,712)
Tax on loss on ordinary activities	6	4,650	-
		<hr/>	<hr/>
Loss for the financial year transferred to reserves		(372,129)	(652,712)
		<hr/>	<hr/>

All amounts relate to continuing activities.

The company has no recognised gains and losses other than shown above, therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.

The notes on pages 7 to 14 form part of these financial statements.

Balance sheet
at 31 December 2002

	<i>Note</i>	2002	2001
		£	£
Fixed assets			
Tangible assets	7	17,107	46,792
Current assets			
Stocks	8	515,050	605,266
Debtors	9	359,991	423,818
Cash at bank and in hand		178,221	295,255
		<u>1,053,262</u>	<u>1,324,339</u>
Creditors: amounts falling due within one year	10	(326,653)	(255,286)
Net current assets		<u>726,609</u>	<u>1,069,053</u>
Net assets		<u>743,716</u>	<u>1,115,845</u>
Capital and reserves			
Called up share capital	12	10,000	10,000
Profit and loss account	13	733,716	1,105,845
Equity shareholders' funds	14	<u>743,716</u>	<u>1,115,845</u>

These financial statements were approved by the board of directors on 27 October 2003 and were signed on its behalf by:

M. S. B. Deakin

MJB Deakin
Director

The notes on pages 7 to 14 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. The company has adopted FRS19 'Deferred tax' in these financial statements. There have been no restatements required to comparatives.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Turnover

Turnover represents the value of goods and services invoiced to customers less returns, excluding value added tax.

Fixed assets and depreciation

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its expected useful life:

Plant and equipment	-	20% per annum
Computer equipment	-	33% per annum

Stock and work in progress

Stock and work in progress is valued at the lower of cost and net realisable value.

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Research and development expenditure

All costs relating to research and development of the company's products are written off in the year.

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences arising in the normal course of trading are dealt with in the profit and loss account for the year.

Pension scheme

The company operates a money purchase pension scheme for the directors and senior managers. The assets of the scheme are held separately from those of the company in an independently administered fund. The amounts charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Cash flow statement

The company has relied on the exemption available in FRS1 (revised 1996) not to prepare a cash flow statement, on the basis that it is a wholly owned subsidiary of a company incorporated in England and Wales.

Related party transactions

As the company is a wholly owned subsidiary of SDI Media Group Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of SDI Media Group Limited, within which this company is consolidated can be obtained from the address given in note 17.

2 Analysis of turnover

Turnover is derived from the company's principal activity.

An analysis of turnover by geographical market is given below:

	2002 £	2001 £
United Kingdom	717,443	544,997
Europe	327,267	448,786
Rest of the world	581,053	880,765
	<hr/> 1,625,763 <hr/>	<hr/> 1,874,548 <hr/>

Notes (continued)

3 Operating loss

The operating loss is stated after charging:

	2002 £	2001 £
Lease of buildings	40,000	40,000
Depreciation of tangible fixed assets	31,085	41,599
Auditors' remuneration:		
Audit	3,500	2,000
Other services	1,300	5,000
Development expenditure	62,465	70,076
	<hr/>	<hr/>
Directors' emoluments		
Remuneration	192,615	142,306
Company contributions to money purchase pension schemes	10,852	15,089
	<hr/>	<hr/>
	203,467	157,395
	<hr/>	<hr/>

The emoluments of the highest paid director were £77,543, and company pension contributions of £3,250 were made to a money purchase scheme on his behalf.

	Number of directors 2002	2001
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	3	2

4 Staff costs and numbers

	2002 £	2001 £
Wages and salaries	741,605	1,020,966
Social security costs	74,466	101,092
Pension costs	11,479	38,255
	<hr/>	<hr/>
	827,550	1,160,313
	<hr/>	<hr/>

The average monthly number of employees during the year (excluding directors) was made up as follows:

	Number of employees 2002	2001
Production	7	11
Sales	5	6
Administration	2	3
Development	12	11
	<hr/>	<hr/>
	26	31
	<hr/>	<hr/>

Notes (continued)

5 Other interest receivable and similar income

	2002 £	2001 £
Bank interest	1,097	4,320

6 Tax on loss on ordinary activities

Analysis of charge in period:

	2002 £	2001 £
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
Total current tax	-	-
Deferred tax (see note 11)		
Origination/reversal of timing differences	(6,585)	-
Adjustment in respect of previous years	1,935	-
	(4,650)	-
Tax on profit on ordinary activities	(4,650)	-

Notes (continued)

6 Tax on loss on ordinary activities (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (20001: higher than the standard rate of corporation tax in the UK (30%, 2001: 30%). The differences are explained below:

	2002 £	2001 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	(376,779)	(652,712)
	<hr/>	<hr/>
Current tax at 30% (2001: 30%)	(113,034)	(195,814)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	640	1,628
Depreciation for period in excess of capital allowances	6,585	1,935
Group relief not paid for	105,809	192,251
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

7 Tangible fixed assets

	Plant and equipment £	Computer equipment £	Total £
<i>Cost</i>			
At beginning of year	52,777	320,436	373,213
Additions	-	1,400	1,400
	<hr/>	<hr/>	<hr/>
At end of year	52,777	321,836	374,613
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	35,964	290,457	326,421
Charge for the year	2,965	28,120	31,085
	<hr/>	<hr/>	<hr/>
At end of year	38,929	318,577	357,506
	<hr/>	<hr/>	<hr/>
<i>Net book values</i>			
At 31 December 2002	13,848	3,259	17,107
	<hr/>	<hr/>	<hr/>
At 31 December 2001	16,813	29,979	46,792
	<hr/>	<hr/>	<hr/>

Notes (continued)

8 Stocks

	2002 £	2001 £
Raw materials	72,482	128,303
Work-in-progress	182,324	231,593
Finished goods	260,244	245,370
	<hr/> 515,050 <hr/>	<hr/> 605,266 <hr/>

9 Debtors

	2002 £	2001 £
Trade debtors	326,161	392,122
Amounts owed by group undertakings	1,000	1,000
Prepayments and accrued income	28,180	10,399
Deferred tax asset (see note 11)	4,650	20,297
	<hr/> 359,991 <hr/>	<hr/> 423,818 <hr/>

10 Creditors: amounts falling due within one year

	2002 £	2001 £
Trade creditors	138,439	61,695
Amounts owed to group undertakings	112,000	75,641
Other taxes and social security costs	50,684	27,705
Accruals	25,530	47,609
Other creditors	-	42,636
	<hr/> 326,653 <hr/>	<hr/> 255,286 <hr/>

Notes (continued)

11 Provision for liabilities and charges

The elements of deferred taxation are as follows:

	2002 £	2001 £
Differences between accumulated depreciation and amortisation and capital allowances	4,650	-
Deferred tax asset (see note 9)	4,650	
Deferred tax liability		-

12 Called up share capital

	2002 £	2001 £
<i>Authorised</i>		
10,000 ordinary shares of £1 each	10,000	10,000
<i>Allotted, called up and fully paid</i>		
10,000 ordinary shares of £1 each	10,000	10,000

13 Reserves

	£
As at 1 January 2002	1,105,845
Retained loss for the year	(372,129)
As at 31 December 2002	733,716

Notes (continued)

14 Reconciliation of shareholders' funds

	2002 £	2001 £
Loss for the year	(372,129)	(652,712)
Opening equity shareholders' funds	1,115,845	1,768,557
	<hr/>	<hr/>
Closing equity shareholders' funds	743,716	1,115,845
	<hr/>	<hr/>

15 Operating lease commitments

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as set out below:

	2002 £	2001 £
Land and buildings		
<i>Leases expiring</i>		
Within 2 - 5 years	40,000	40,000
	<hr/>	<hr/>

16 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £11,479 (2001 :£38,255).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

17 Parent undertaking

The immediate parent undertaking is SDI Media Group Limited, a company incorporated in England and Wales. The ultimate parent undertaking is Modern Times Group MTG AB, a public listed company incorporated in Sweden.

The smallest and largest group in which the results are consolidated is that headed by Modern Times Group MTG AB. The consolidated accounts of this group are available to the public and may be obtained from Modern Times Group MTG AB, PO Box 2094, 103 13 Stockholm, Sweden.