
SDI MEDIA LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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SDI MEDIA LIMITED

COMPANY INFORMATION

Directors	Mr A Abisso Mr M Nakamura
Company secretary	Mr A Agnew
Registered number	05161289
Registered office	32 Galena Road London England W6 0LT
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 80 Compair Crescent Ipswich Suffolk IP2 0EH

SDI MEDIA LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Independent auditor's report	3 - 5
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Notes to the financial statements	9 - 15

SDI MEDIA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Principal activity

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

Results and dividends

The profit for the year, after taxation, amounted to £524,520 (2016: loss £3,092,450).

During the financial year, the company paid no dividends (2016: £nil).

Directors

The directors who served during the year were:

Mr A Abisso
Mr M Nakamura

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 and 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Qualifying third party indemnity provisions

The company has provided 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.

SDI MEDIA LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

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.

Post balance sheet events

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

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on *April 17, 2018* and signed on its behalf.



Mr M Nakamura
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SDI MEDIA LIMITED

Opinion

We have audited the financial statements of SDI Media Limited for the year ended 31 December 2017, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

SDI MEDIA LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SDI MEDIA 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 this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

Matters on which we are required to report by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SDI MEDIA LIMITED (CONTINUED)

Responsibilities of directors for the financial statements

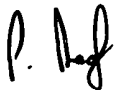
As explained more fully in the Directors' responsibilities statement on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the 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.

Auditors' 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditor's report.



Paul Dearsley ACA FCCA (Senior statutory auditor)

for and on behalf of

Grant Thornton UK LLP

Chartered Accountants

Statutory Auditor

Ipswich

Date: 24/4/2016

SDI MEDIA LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
Interest receivable and similar income	6	1,158,293	13,277
Interest payable and expenses	7	(633,773)	(3,105,727)
Profit/(loss) before tax		524,520	(3,092,450)
Profit/(loss) for the financial year		524,520	(3,092,450)

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2017 (2016:£NIL).

The notes on pages 9 to 15 form part of these financial statements.

SDI MEDIA LIMITED
REGISTERED NUMBER: 05161289

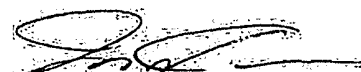
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Investments	9	10,237,963	10,237,963
		<u>10,237,963</u>	<u>10,237,963</u>
Current assets			
Debtors		2,932,725	
		<u>2,932,725</u>	
Creditors: amounts falling due within one year		(14,115,281)	
Net current assets/(liabilities)			<u>(11,182,556)</u>
Total assets less current liabilities		<u>10,237,963</u>	<u>(944,593)</u>
Net assets/(liabilities)		<u>10,237,963</u>	<u>(944,593)</u>
Capital and reserves			
Called up share capital	12	101	100
Other reserves	13	15,915,268	5,257,233
Profit and loss account	13	(5,677,406)	(6,201,926)
		<u>10,237,963</u>	<u>(944,593)</u>

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 and were signed on its behalf on

April 17, 2018



Mr M Nakamura
Director

The notes on pages 9 to 15 form part of these financial statements.

SDI MEDIA LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	100	5,257,233	(6,201,926)	(944,593)
Comprehensive income for the year				
Profit for the year	-	-	524,520	524,520
Total comprehensive income for the year	-	-	524,520	524,520
Shares issued during the year	1	-	-	1
Capital introduced	-	10,658,035	-	10,658,035
At 31 December 2017	101	15,915,268	(5,677,406)	10,237,963

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	100	5,257,233	(3,109,476)	2,147,857
Comprehensive income for the year				
Loss for the year	-	-	(3,092,450)	(3,092,450)
Total comprehensive income for the year	-	-	(3,092,450)	(3,092,450)
At 31 December 2016	100	5,257,233	(6,201,926)	(944,593)

The notes on pages 9 to 15 form part of these financial statements.

SDI MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. General information

SDI Media Limited is a private company limited by shares and incorporated in Great Britain and registered in England and Wales.

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

The company's principal activity is that of a holding company.

The financial statements are prepared in GBP.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

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

The following principal accounting policies have been applied:

2.2 Going concern

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

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

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

2.3 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.4 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.5 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.

2.6 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.7 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.

SDI MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.8 Interest income

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

2.9 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.

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

Areas of judgement and key sources of estimation uncertainty relate to assumptions used in impairment reviews.

4. Operating profit

Audit fees of £6,000 (2016 - £3,000) in respect of the audit of the Company's annual financial statements have been borne by another group company.

5. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2016 - £NIL).

6. Interest receivable

	2017 £	2016 £
Loan interest receivable	-	13,277
Exchange gain on foreign currency group balances	1,158,293	-
	<u>1,158,293</u>	<u>13,277</u>

SDI MEDIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

7. Interest payable and similar charges

	2017 £	2016 £
Interest payable on loan from group undertakings	633,773	682,242
Exchange loss on foreign currency group balances	-	2,423,485
	<u>633,773</u>	<u>3,105,727</u>

8. Taxation

	2017 £	2016 £
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>-</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - *lower than*) the standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>524,520</u>	<u>(3,092,450)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%)	100,952	(618,490)
Effects of:		
Group relief	-	322,798
Losses	(117,886)	260,499
Transfer pricing adjustments	16,934	35,193
Total tax charge/(credit) for the year	<u>-</u>	<u>-</u>

SDI MEDIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

9. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2017	10,237,963
At 31 December 2017	<u>10,237,963</u>
Net book value	
At 31 December 2017	<u>10,237,963</u>
At 31 December 2016	<u>10,237,963</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
SDI Media Group Limited	Ordinary	100 %	Holding company
SDI Media UK Limited*	Ordinary	100 %	Subtitling services
Screen Subtitling Systems Limited*	Ordinary	100 %	Subtitling equipment
SysMedia Limited*	Ordinary	100 %	Interactive services
Screen Systems Limited*	Ordinary	100 %	Dormant
Screen Limited*	Ordinary	100 %	Dormant

* Denotes an indirect shareholding

All subsidiary undertakings were incorporated in the UK.

Screen Group Limited, Screen Media UK Limited, Synapsys Limited, SysMedia Broadcast Limited and SysMedia North America Limited were dissolved in the year on 11 April 2017.

On 31 October 2017 SDI Media Group Limited (wholly owned subsidiary) acquired 100% of the shareholding in PPC Creative Limited.

SDI MEDIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10. Debtors

The prior year balance related to amounts owed by group undertakings, this balance was settled in the year as part of a debt to equity conversion.

The company has an unprovided deferred tax asset of approximately £393,000 (2016 - £510,000) on carried forward losses of approximately £2,312,366 (2016 - £2,998,000).

11. Creditors: Amounts falling due within one year

The unsecured US \$9,000,000 loan note due to SDI Media Group Inc, the immediate parent company, was settled in the year as part of a debt to equity conversion.

12. Share capital

	2017 £	2016 £
Shares classified as equity		
Allotted, called up and fully paid		
101 (2016 - 100) Ordinary shares shares of £1 each	<u>101</u>	<u>100</u>

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

13. Reserves**Other reserves**

This is a capital contribution representing funding received in 2004 from the company's parent, following a group restructure.

In addition it also includes the additional consideration in relation to the debt to equity conversion which took place in the year.

Profit and loss account

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

14. Related party transactions

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

SDI MEDIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

15. Controlling party

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

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

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