

PPC Creative Limited

Annual Report and Financial Statements

Year Ended

31 December 2022

Company Number 07357972

WEDNESDAY



AC50MRIQ

A21

14/06/2023

#43

COMPANIES HOUSE

PPC Creative Limited

Company Information

Directors	M Nakamura B Nicholls M Sullivan S Nagase (Resigned 22 June 2022) J Suh (Appointed 14 January 2022) T Nishio (Appointed 22 June 2022)
Company secretary	M Sullivan
Registered number	07357972
Registered office	6-8 Kingly Court London W1B 5PW
Independent auditor	Ernst & Young LLP 1 More London Place London SE1 2AF

PPC Creative Limited

Contents

	Page
Strategic Report	1 - 3
Directors' Report	4 - 6
Directors' Responsibilities Statement	7
Independent Auditor's Report	8 - 11
Statement of Comprehensive Income	12
Statement of Financial Position	13
Statement of Changes in Equity	14
Notes to the Financial Statements	15 - 31

PPC Creative Limited

Strategic Report For the Year Ended 31 December 2022

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2022.

PPC's business

PPC Creative Limited ("PPC") is a full service creative and production agency that delivers marketing materials to an international client base of film studios, broadcasters, streaming platforms, programme producers and brand advertisers. As part of the Imagica Group, and with offices in London and Los Angeles ("LA"), we originate cross platform international creative marketing campaigns as well as producing foreign language localisation and adaption, delivering client's marketing assets into over 60 languages and to over 30 countries around the world. Our creative and localisation services cover all Audio Visual, Digital, Print, Immersive, Social and Outdoor advertising platforms.

Business review

The year has seen the total number of movie titles released increase on 2021, and with that global box office revenues, have continued to grow (although they are not back to pre-pandemic levels). There were 3,038 titles released globally in 2022 generating \$22.2bn in ticket sales compared to 2,190 releases in 2021 generating \$19.2bn and 1,992 releases in 2020 generating \$8.1bn. However, in 2019 (pre-pandemic) there were 3,492 titles generating \$38.9bn, so the industry is still working its way back to more normal trading conditions.

A major contributory factor to the laboured recovery has been that in 2022 film production itself was obviously halted and it has taken some time for producers to restart shoots, to reschedule talent and crews' timetables, and to finish content. All of this led to a shortage of movie product. Over time the industry is righting itself and the slates for future years look very full.

The company's fortunes have recovered better than the industry benchmark and 2022 saw us deliver our highest ever revenues, even surpassing those achieved in the years pre-pandemic. In part, this success has been attributable to the areas of diversification that we focused on when global cinema closed, allowing us to find incremental revenue streams outside of traditional theatrical entertainment marketing, across broadcasters and streaming clients.

Through the year we have continued to operate a hybrid working policy and grown our headcount in both the London and LA offices. As we look ahead, we believe the company will continue to thrive both as the film industry continues to grow and as we work to further broaden our non-theatrical client base

Turnover in the year was £13,864k (2021 - £9,905k).

Capex in the year was £817k (2021 - £331k).

PPC Creative Limited

Strategic Report (continued) For the Year Ended 31 December 2022

Key performance indicators

The business and its performance are closely monitored with KPI's for revenue, gross margin and EBITDA both on a consolidated basis but also by discipline and revenue stream.

Turnover from continuing operations

As the prime measure of our economic output, turnover growth is key to measuring shareholder return and the success of our expansion strategies.

Turnover in the year was £13,864k (2021 - £9,905k).

Gross margin

Gross margin from continuing operations was 90% (2021 - 91%).

Gross margin from continuing operations was £12,475k (2021 - £9,027k).

Gross margin provides an indication of the quality of turnover growth and is also a measure of the value added by the company, reflecting the quality of our creative and production services.

Strategy

As we embark on 2023, we sense the production pipelines for shooting and post services, that had been in a state of hiatus during the pandemic, are normalising and, with that, the studio slates are looking strong. In tandem with this we are finding that the client's expectations on lead times are becoming more demanding and the breadth of deliverables increasing. Our aim is to implement innovation and utilise tech as well as continuing to work with our clients to meet their demands, whilst still delivering high quality marketing collateral to a global marketplace.

As well as this, we will continue to service and grow our new and established non theatrical clients across streaming platforms, broadcasters, programme producers and consumer targeted brand clients. The volumes of content across streaming clients in particular shows no signs of slowing down and we have proven that we can operate effectively in both the big screen and small screen markets.

In part, the pandemic forced us to expediate our diversification and we have successfully grown our service offering and our capacity across both offices, as well as, further establishing our reputation for providing clients with a premium service by creating, developing, adapting, localising and delivering marketing assets in multiple languages and in multiple formats for use across the world. Our honed and refined offering has proven to be resilient; it remains best in class and the business is well positioned to continue the upwards trajectory we have established in 2022.

PPC Creative Limited

Strategic Report (continued) For the Year Ended 31 December 2022

Principal risks and uncertainties

Financial risk management objectives and policies

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 is undertaken and, customers' credit is re-assessed periodically. Existing customers that become "high risk" due to the periodic re assessment are placed on a restricted customer list and future credit sales are made only with approval of management.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

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. The board reviews rolling 12-month cash flow projections on a monthly basis. At the end of the financial year, these projections indicated that the company expected to have sufficient liquid' resources to meet its obligations. The company also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on a portion of its long-term borrowings. Revenue/market volatility is a significant risk, and this is driven by the fluctuation and fluid nature of release dates for motion picture content. It is often challenging to forecast revenues on a short-term basis and this therefore creates some liquidity risk throughout the year. However, the business is well capitalised and regularly monitors both trading performance and cash flow. The board are comfortable that this risk is suitably controlled.

Outlook

PPC continues to establish itself as a major vendor in the international film and entertainment industries. We are well placed to build on the successes of 2022 and to continue our growth trajectory. We will be developing new innovations to ensure we are offering our clients an expedient, efficient and reliable service, as well as increasing our headcount and capacities in line with new business growth,

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

B Nicholls
Director



Date:

07/06/23

PPC Creative Limited

Directors' Report For the Year Ended 31 December 2022

The directors present their report together with the audited financial statements for the year ended 31 December 2022.

Principal activity

The principal activities of the business have been disclosed in the strategic report on page 1.

Directors

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

M Nakamura
B Nicholls
M Sullivan
S Nagase (Resigned 22 June 2022)
J Suh (Appointed 14 January 2022)
T Nishio (Appointed 22 June 2022)

Qualifying third party indemnity provisions

The company has put in place qualifying third party indemnity provisions for all of the directors of PPC Creative Limited.

Existence of branches of the company outside of the United Kingdom

The company has a branch in Los Angeles in the United States.

Dividends

No dividends have been proposed at year end (2021 - £Nil).

PPC Creative Limited

Directors' Report (continued) For the Year Ended 31 December 2022

Going concern

As we started 2022, the global film industry was finding its feet again after the turbulence of recent years. As the year progressed the number of theatrical releases started to grow month by month and the longtail impacts that the pandemic had on films in production started to ease. That said, Global Box office reached \$26bn which was significantly down on the yearly averages of \$41bn in the years pre the pandemic. However, during the year, 3 of the films released delivered more than \$1bn each in worldwide box office - Top Gun Maverick, Avatar Way of Water and Jurassic World Dominion and PPC worked across all of them.

After the years of survival in 2020 and 2021 we had assumed 2022 would be a year of stabilisation with 2023 being a year of growth and the signs are that this will be borne out.

For 2023, studios and cinema operators are all being very bullish about how the year will perform and with three new Marvel titles, a reboot of Little Mermaid, a long-awaited next instalment of the Indiana Jones franchise, a new Mission: Impossible movie, Fast X, Super Mario and Trolls 3, there are a high volume of tentpole releases to support their optimism.

The business has started 2023 very positively, posting good Q1 results and we are anticipating solid growth for the business through this year and into 2024. We will need to look at our capacity in LA and in London with a real need to relocate both operations to help us accommodate increased headcount and capitalise on new opportunities. We have prepared forecasts for the 14 months to June 2024 and they indicate that we will have sufficient cash to meet our liabilities as they fall due for payment. The directors have stress tested the cash flow forecast and noted significant positive headroom even under stress tested conditions. Given the business environment, the directors do not consider this to be a plausible scenario. As there is significant positive headroom under the cashflow forecast and the stress test, we have not considered it necessary to perform a reverse stress test.

The ongoing Russian Ukraine conflict has also been assessed by the directors and whereas they are likely to have minimal impact on the company revenues, they are continuing to impact our overhead costs such as utilities with energy price inflation. These are minimal in the grand scheme of running the business but, the directors are monitoring them and all costs carefully.

The company has considered any risks resulting from the UK's departure from the European Union on the 31 January 2020 and the free trade deal between the UK and the EU that came into force on 1st January 2021. The Company has not seen any impact from these events nor, does it expect any in the future regarding the UK's departure from the EU.

With Covid 19 no longer being considered a National Incident the business does not perceive any significant risks directly related to Coronavirus but will obviously follow Government advice should there be another outbreak or new variant that sees them escalate the threat level of the virus.

Based on their assessment, the directors do not believe any outside financial support will be required. However, the ultimate parent company, Imagica Group Inc. have informed the directors that financial support would be made available if required should management forecasts prove to be unattainable due to any unforeseen events and circumstances.

PPC Creative Limited

Directors' Report (continued) For the Year Ended 31 December 2022

Likely future developments in the business of the company

Per the strategic report on page 1, our aim is to implement innovation and utilise tech as well as continuing to work with our clients to meet their demands, whilst still delivering high quality marketing collateral to a global marketplace.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Ernst & Young, 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 by:


B Nicholls
Director

Date:

07/06/23

PPC Creative Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2022

The directors are responsible for preparing the financial statements including the strategic report and directors' report 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

PPC Creative Limited

Independent Auditor's Report to the Members of PPC Creative Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of PPC Creative Limited for the year ended 31 December 2022 which comprise the primary statements such as the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Total Comprehensive Income, the Statement of Changes in Equity and the related notes 1 to 25, 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 FRS 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 company's affairs as at 31 December 2022 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 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 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

PPC Creative Limited

Independent Auditor's Report to the Members of PPC Creative Limited (continued)

Other information (continued)

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 strategic report or directors' report.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, 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.

PPC Creative Limited

Independent Auditor's Report to the Members of PPC Creative Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations. In addition, the company has to comply with laws and regulations related to its operations such as, UK employment regulations, health and safety regulations, UK Bribery Act and Global Data Protection Regulations (GDPR).
- We understood how PPC Creative Limited is complying with those frameworks by understanding the oversight of those charged with governance (i.e. considering the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage earnings), the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by understanding the business processes, obtaining and reading internal policies, holding enquiries of management as to any fraud risk framework within the entity.
- We reperformed journal entry postings between revenue, trade receivables and cash and investigated key items that fell outside of our expectations. To further supplement this procedure, we traced a sample of cash collections to supporting bank statements.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved:
 - Consideration of fraud risks during the planning of and throughout our audit, including making enquiries of management.
 - Enquiring of management concerning actual and potential litigation and claims, and instances of non compliance with laws and regulations.
 - Understanding the oversight by those charged with governance of management's controls over fraud risk including the whistleblowing processes.
 - Reviewing minutes of meetings of those charged with governance and documented.
 - Consideration of the effectiveness of management's controls designed to address the risk of fraud.
 - Reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements.
 - Determining an appropriate strategy to address those identified risks of fraud.
 - Considering the key management estimates for possible manipulation or evidence of possible management bias or excessive optimism.
 - We tested specific transactions back to source documentation or independent confirmations as appropriate.
 - Performing analytical procedures and testing journal entries to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

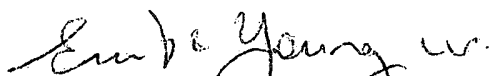
PPC Creative Limited

Independent Auditor's Report to the Members of PPC Creative Limited (continued)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.



Mohan Pandian (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor
London
United Kingdom

Date: 9 June 2023

PPC Creative Limited

Statement of Comprehensive Income For the Year Ended 31 December 2022

	Note	2022 £000	2021 £000
Turnover	4	13,864	9,905
Cost of sales		(1,389)	(878)
Gross profit		12,475	9,027
Administrative expenses		(10,186)	(8,055)
Other operating income	9	68	236
Operating profit	8	2,357	1,208
Interest receivable and similar income	10	2	1
Interest payable and similar charges	11	(50)	(27)
Profit before taxation		2,309	1,182
Taxation	12	(415)	(237)
Profit for the financial year		1,894	945
Other comprehensive income for the year			
Currency translation differences		(132)	(13)
Total comprehensive income for the year		1,762	932

All amounts relate to continuing operations.

The notes on pages 15 to 31 form part of these financial statements.

PPC Creative Limited

Registered number: 07357972

**Statement of Financial Position
As at 31 December 2022**

	Note	2022 £000	2022 £000	2021 £000	2021 £000
Fixed assets					
Intangible assets	13		378		315
Tangible assets	14		1,139		687
			<u>1,517</u>		<u>1,002</u>
Current assets					
Debtors	15	4,019		3,050	
Cash at bank and in hand	16	2,808		1,290	
		<u>6,827</u>		<u>4,340</u>	
Creditors: amounts falling due within one year	17	(3,609)		(2,198)	
Net current assets			<u>3,218</u>		<u>2,142</u>
Total assets less current liabilities			<u>4,735</u>		<u>3,144</u>
Creditors: amounts falling due after more than one year	18		-		(201)
Provisions for liabilities					
Deferred taxation	19		(102)		(72)
Net assets			<u>4,633</u>		<u>2,871</u>
Capital and reserves					
Called up share capital	21		500		500
Foreign exchange reserve	22		(123)		9
Profit and loss account	22		4,256		2,362
Total equity			<u>4,633</u>		<u>2,871</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

B Nicholls
Director

Date:

07/06/23

M Sullivan
Director

Date:

07/06/23

The notes on pages 15 to 31 form part of these financial statements.

PPC Creative Limited

Statement of Changes in Equity For the Year Ended 31 December 2022

	Called up share capital	Foreign exchange reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2022	500	9	2,362	2,871
Comprehensive income for the year				
Profit for the year	-	-	1,894	1,894
Currency translation differences	-	(132)	-	(132)
At 31 December 2022	500	(123)	4,256	4,633

Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital	Foreign exchange reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2021	500	22	1,417	1,939
Comprehensive income for the year				
Profit for the year	-	-	945	945
Currency translation differences	-	(13)	-	(13)
At 31 December 2021	500	9	2,362	2,871

The notes on pages 15 to 31 form part of these financial statements.

PPC Creative Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

1. General information

PPC Creative Limited is a private company, limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and principal activities are set out in the strategic and directors' report.

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 presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest thousand pounds.

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Imagica Group Inc. which is the largest and smallest group which includes the company and for which publicly available consolidated financial statements are prepared as at 31 March 2023. These financial statements may be obtained from www.imagicagroup.co.jp.

PPC Creative Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.3 Going concern

As we started 2022, the global film industry was finding its feet again after the turbulence of recent years. As the year progressed the number of theatrical releases started to grow month by month and the longtail impacts that the pandemic had on films in production started to ease. That said, Global Box office reached \$26bn which was significantly down on the yearly averages of \$41bn in the years pre the pandemic. However, during the year, 3 of the films released delivered more than \$1bn each in worldwide box office - Top Gun Maverick, Avatar Way of Water and Jurassic World Dominion and PPC worked across all of them.

After the years of survival in 2020 and 2021 we had assumed 2022 would be a year of stabilisation with 2023 being a year of growth and the signs are that this will be borne out.

For 2023, studios and cinema operators are all being very bullish about how the year will perform and with three new Marvel titles, a reboot of Little Mermaid, a long-awaited next instalment of the Indiana Jones franchise, a new Mission: Impossible movie, Fast X, Super Mario and Trolls 3, there are a high volume of tentpole releases to support their optimism.

The business has started 2023 very positively, posting good Q1 results and we are anticipating solid growth for the business through this year and into 2024. We will need to look at our capacity in LA and in London with a real need to relocate both operations to help us accommodate increased headcount and capitalise on new opportunities. We have prepared forecasts for the 14 months to June 2024 and they indicate that we will have sufficient cash to meet our liabilities as they fall due for payment. The directors have stress tested the cash flow forecast and noted significant positive headroom even under stress tested conditions. Given the business environment, the directors do not consider this to be a plausible scenario. As there is significant positive headroom under the cashflow forecast and the stress test, we have not considered it necessary to perform a reverse stress test.

The ongoing Russian Ukraine conflict has also been assessed by the directors and whereas they are likely to have minimal impact on the company revenues, they are continuing to impact our overhead costs such as utilities with energy price inflation. These are minimal in the grand scheme of running the business but, the directors are monitoring them and all costs carefully.

The company has considered any risks resulting from the UK's departure from the European Union on the 31 January 2020 and the free trade deal between the UK and the EU that came into force on 1st January 2021. The Company has not seen any impact from these events nor, does it expect any in the future regarding the UK's departure from the EU.

With Covid 19 no longer being considered a National Incident the business does not perceive any significant risks directly related to Coronavirus but will obviously follow Government advice should there be another outbreak or new variant that sees them escalate the threat level of the virus.

Based on their assessment, the directors do not believe any outside financial support will be required. However, the ultimate parent company, Imagica Group Inc. have informed the directors that financial support would be made available if required should management forecasts prove to be unattainable due to any unforeseen events and circumstances.

PPC Creative Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.4 Turnover

Turnover represents amounts invoiced and delivered to clients, excluding sales taxes, for services provided.

Turnover for each type of revenue stream is recognised on the following basis:

- (a) Revenues for localisation work are recognised when they are delivered.
- (b) Revenues for non-localisation work are recognised when they are delivered and invoiced.

In both cases, production costs are charged to the statement of comprehensive income when the associated revenue is recognised.

In preparing these financial statements, the directors have made the following judgement:

Determining when the entity has an enforceable right to payment for services provided. Factors considered include stage of completion in respect of ongoing services, agreement that revenue can be billed and is collectable taking account of the terms of the service. In the absence of formal contractual arrangements, the receipt of a purchase order represents the most appropriate form of evidence of acceptance regarding the enforceable right to payment for services provided.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

Depreciation is provided on the following basis:

Leasehold improvements	- over the term of the lease
Plant and machinery	- 20% on cost per annum
Fixtures, fittings and equipment	- 20% on cost per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

PPC Creative Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.6 Intangible assets other than goodwill

Externally acquired intangible assets including software are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Amortisation is provided on the following basis and is included within administrative expenses in the statement of comprehensive income.

Amortisation is provided on the following bases:

Software	-	20 % on cost per annum
----------	---	------------------------

2.7 Leased assets: Lessor

Where assets are leased to a third party and give rights approximating to ownership (finance leases), the assets are treated as if they have been sold outright. The amount removed from the fixed assets is the net book value on disposal of the asset. The profit on disposal, being the excess of the present value of the minimum lease payments over net book value is credited to the statement of comprehensive income.

Finance lease payments are analysed between capital and interest components so that the interest element of the payment is credited to the statement of comprehensive income over the term of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts owed by the lessee.

All other leases are treated as operating leases. Their annual rentals are credited to the statement of comprehensive income on a straight line basis over the term of the lease.

2.8 Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the statement of comprehensive income over the shorter of estimated useful economic life and the term of the lease.

Finance lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the statement of comprehensive income over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the statement of comprehensive income on a straight line basis over the term of the lease.

Where the company has a legal obligation, a dilapidations provision is created on inception of a lease. These provisions are a best estimate of the cost required to return leased properties to their original condition upon termination of the lease.

PPC Creative Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.9 Financial instruments

The company only enters into basic financial instrument 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 and loans from related parties.

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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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.

2.10 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.

PPC Creative Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.11 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.

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.

2.12 Financial liabilities and equity

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.

2.13 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.

2.14 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

PPC Creative Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.16 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the statement of comprehensive income in the same period as the related expenditure.

3. Critical accounting judgements and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

The directors do not consider there to be any key sources of estimation uncertainty.

PPC Creative Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

4. Turnover

All turnover arose within the United Kingdom and the United States.

	2022 £000	2021 £000
United Kingdom	12,560	8,639
United States	1,304	1,266
	<u>13,864</u>	<u>9,905</u>

5. Employees

Staff costs, including directors' remuneration, were as follows:

	2022 £000	2021 £000
Wages and salaries	6,773	5,053
Social security costs	762	499
Cost of defined contribution scheme	152	118
	<u>7,687</u>	<u>5,670</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2022 No.	2021 No.
Directors	2	2
Administration	143	118
	<u>145</u>	<u>120</u>

PPC Creative Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

6. Directors' remuneration

	2022 £000	2021 £000
Directors' emoluments	405	322
Amounts receivable under long-term incentive schemes	313	76
Company contributions to defined contribution pension schemes	17	15
	<u>735</u>	<u>413</u>

During the year retirement benefits were accruing to 2 directors (2021 - 2) in respect of defined contribution pension schemes.

Emoluments of the highest paid director were £233,424 (2021 - £180,618). Company pension contributions of £7,616 (2021 - £5,706) were made on their behalf.

During the year two directors including the highest paid director received bonus under the long term incentive schemes (2021 – Nil).

7. Auditor's remuneration

Fees payable to the company's auditor for the audit of the company's annual financial statements totalled £58k (2021 - £49k).

8. Operating profit

This is arrived at after charging:

	2022 £000	2021 £000
Depreciation of tangible fixed assets	305	349
Auditor's remuneration (see note 7)	58	49
Other operating lease rentals	<u>697</u>	<u>666</u>

PPC Creative Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

9. Other operating income

	2022 £000	2021 £000
Other income	68	-
Government grants receivable	-	236
	<u>68</u>	<u>236</u>

Other income relates to recovery of an old debt belonging to the now dissolved Picture Production Company Limited.

Government grants relates to furlough income received.

10. Interest receivable

	2022 £000	2021 £000
Other interest receivable	<u>2</u>	<u>1</u>

11. Interest payable and similar expenses

	2022 £000	2021 £000
Other interest payable	<u>50</u>	<u>27</u>

PPC Creative Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

12. Taxation

	2022 £000	2021 £000
UK corporation tax		
Current tax on profit for the year	363	218
Adjustments in respect of previous years	22	-
Total current tax	385	218
Deferred tax		
Origination and reversal of timing differences	45	1
Effects of change in tax rates	14	17
Adjustments in respect of prior periods	(29)	1
Total deferred tax	30	19
Taxation on profit on ordinary activities	415	237

PPC Creative Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £000	2021 £000
Profit on ordinary activities before tax	2,309	1,182
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	439	225
Effects of:		
Fixed asset differences	(38)	(5)
Expenses not deductible for tax purposes	7	1
Adjustments to tax charge in respect of previous periods	22	(2)
Remeasurement of deferred tax for changes in tax rates	14	17
Adjustments to tax charge in respect of prior periods - deferred tax	(29)	1
Total tax charge for the year	415	237

Factors that may affect future tax charges

The main rate of corporation tax is currently 19%. It was announced in the Finance (No. 2) Bill 2021 that the main rate of corporation tax will increase to 25% from 1 April 2023.

PPC Creative Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

13. Intangible assets

	Software £000
Cost	
At 1 January 2022	336
Additions	76
At 31 December 2022	<u>412</u>
Amortisation	
At 1 January 2022	21
Charge for the year	13
At 31 December 2022	<u>34</u>
Net book value	
At 31 December 2022	<u><u>378</u></u>
At 31 December 2021	<u><u>315</u></u>

PPC Creative Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

14. Tangible fixed assets

	Leasehold improvements £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Total £000
Cost				
At 1 January 2022	1,297	2,273	133	3,703
Additions	-	739	3	742
Disposals	-	(174)	-	(174)
Re-translation	43	46	5	94
At 31 December 2022	1,340	2,884	141	4,365
Depreciation				
At 1 January 2022	1,249	1,685	82	3,016
Charge for the year	33	253	19	305
Disposals	-	(174)	-	(174)
Re-translation	43	32	4	79
At 31 December 2022	1,325	1,796	105	3,226
Net book value				
At 31 December 2022	15	1,088	36	1,139
At 31 December 2021	48	588	51	687

Finance leases relate to plant and equipment purchased for the business in 2016 and expired in 2021. Depreciation of £Nil (2021 - £47k) was charged on assets held under finance leases during the year.

PPC Creative Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

15. Debtors

	2022 £000	2021 £000
Trade debtors	2,615	1,870
Amounts recoverable on long-term contracts	58	44
Other debtors	297	197
Prepayments and accrued income	1,049	939
	<u>4,019</u>	<u>3,050</u>

16. Cash and cash equivalents

	2022 £000	2021 £000
Cash at bank and in hand	<u>2,808</u>	<u>1,290</u>

17. Creditors: amounts falling due within one year

	2022 £000	2021 £000
Trade creditors	503	428
Corporation tax	-	100
Taxation and social security	318	352
Other creditors	1,912	598
Accruals and deferred income	876	720
	<u>3,609</u>	<u>2,198</u>

Included within other creditors is an invoice finance creditor of £1,204k (2021 - £448k) which is secured by way of a fixed and floating charge on the assets of the company.

18. Creditors: amounts falling due after more than one year

	2022 £000	2021 £000
Other creditors	<u>-</u>	<u>201</u>

PPC Creative Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

19. Deferred taxation

	2022 £000	2021 £000
At beginning of year	(72)	(53)
Charged to profit or loss	(30)	(19)
At end of year	(102)	(72)

The provision for deferred taxation is made up as follows:

	2022 £000	2021 £000
Accelerated capital allowances	(281)	(133)
Short term timing differences	179	61
	(102)	(72)

The Finance Bill 2021 has set out measures to increase the rate of Corporation Tax to 25% on profits over £250,000 from April 2023.

20. Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £152k (2021 - £118k). At year end, contributions amounting to £7k (2021 - £7k) were owed by the company and are included in other creditors.

21. Share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
500,100 ordinary shares of £1 each	500	500

Ordinary shares entitle the holder to one vote per share and full rights in respect of dividend and capital distribution (including on winding-up).

PPC Creative Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

22. Reserves

Called up share capital

Called up share capital reserve represents the nominal value of the shares issued.

Foreign exchange reserve

Foreign exchange reserve comprises translation differences arising from the translation of the financial statements of the company's foreign entities into Sterling (£).

Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

23. Commitments under operating leases

At 31 December 2022 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £000	2021 £000
Not later than 1 year	829	732
Later than 1 year and not later than 5 years	373	304
	<u>1,202</u>	<u>1,036</u>

24. Related party transactions

At year end, Imagica Group Inc. was the beneficial holder of 500,100 Ordinary shares.

25. Controlling party

At 31 December 2022 the company's ultimate parent company and controlling party was Imagica Group Inc., a company listed on the Tokyo Stock Exchange. The registered office of Imagica Group Inc. is 1-14-2 Kaigan, Minato-ku, Tokyo, Japan (Postcode:105-0022).

The consolidated financial statements are available on the company's website www.imagicagroup.co.jp.