

DT Digital Cinema Limited

Report and Financial Statements

For the year to 31 December 2018

Company number: 9612903

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COMPANIES HOUSE

Directors

J Cummins

A Bell

R Levy

S Shafique

Auditors

Ernst & Young LLP

1 More London Place

London SE1 2AF

Solicitors

Berwin Leighton Paisner LLP

Adelaide House

London Bridge

London EC4R 9HA

Registered Office

Film House

142 Wardour Street

London

W1F 8DD

Strategic report

The directors present their strategic report and the financial statements for the year ended 31 December 2018.

The accounting reference date was changed to December during 2017 to bring it into line with the other UK Deluxe group companies. Due to this change in reporting date the comparative amounts are not entirely comparable.

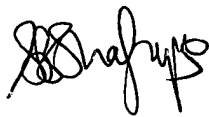
Principal activity and review of the business

The company was an intermediate parent undertaking during the year. The company's sole activity during the year is the investment in group companies.

Principal risks and uncertainties

The risks and uncertainties of the company are integrated with the risks of Deluxe UK Holdings Limited, its intermediate parent undertaking, and are reliant on the activity levels of major contracted customers and UK film production levels.

This report was approved by the board on 25th June 2019 and signed on its behalf by:



S Shafique

Director

25th June 2019

Registered No. 9612903

Directors' report

The directors present their report and financial statements for the year to 31 December 2018.

Results and dividends

The result for the year to 31 December 2018 was a loss of £213,000 (seven-month period to 31 December 2017: £296,000 loss) due principally to the financing charge associated with the unwinding of the deferred consideration. The company was established to acquire the whole of the share capital of DT Cinema UK Limited.

Future developments

The company is expected to continue as an intermediate parent undertaking.

Going concern

The financial statements have been prepared on the going concern basis as the company's intermediate parent undertaking, Deluxe UK Holdings Limited, has agreed to continue to provide necessary financial support for a period of at least twelve months from the date of approval of the financial statements of the company. The directors, having made sufficient enquiries, are satisfied that Deluxe UK Holdings Limited is in a position to continue provide the necessary financial support for a period of 12 months from approval of financial statements and hence have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Directors

The directors who served the company during the period and subsequently appointed were as follows:

R Julien	(resigned 28 April 2018)
R Howl	(resigned 7 December 2018)
J Cummins	(appointed 1 May 2018)
A Bell	(appointed 7 December 2018)
R Levy	(appointed 7 December 2018)
S Shafique	(appointed 7 December 2018)

Political and charitable contributions

There were no charitable or political contributions during the period (seven-month period to 31 December 2017: £nil).

Accounting Standards

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Director's Report – (continued)

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting. This report was approved by the board on 24th June 2019 and signed on its behalf by



S Shafique

Director

25th June 2019

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 Standard and applicable law), including Financial Reporting Standard 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 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

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.

Independent auditors' report

to the members of DT Digital Cinema Limited

Opinion

We have audited the financial statements of DT Digital Cinema Limited (the "Company") for the year ended 31 December 2018 which comprise income statement, statement of financial position, statement of changes in equity and the related notes 1 to 12. 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 2018 and of its loss 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 below. 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

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.

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.

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.

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

Independent auditors' report - Continued

to the members of DT Digital Cinema Limited

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 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 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Independent auditors' report - Continued

to the members of DT Digital Cinema Limited

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.

A handwritten signature in black ink that reads "Andrew Davison". The signature is written in a cursive, flowing style.

Andrew Davison (Senior statutory auditor)

for and on behalf of Ernst & Young LLP,

London

25th June 2019

Income statement

for the year ended 31 December 2018

		<i>Year to</i> <i>31 December</i> <i>2018</i>	<i>7 month</i> <i>period to</i> <i>31 December</i> <i>2017</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
Interest receivable and similar income	3	195	54
Interest payable and similar charges	4	(408)	(350)
<i>Loss on ordinary activities before taxation</i>		(213)	(296)
Tax	5	-	-
<i>Loss for the financial year/period</i>		<u>(213)</u>	<u>(296)</u>

All amounts relate to continued operations.

There are no recognised gains nor losses in either period other than the profit and loss for that period, therefore no separate Statement of Other Comprehensive Income has been prepared.

The notes on pages 12 to 17 form part of these financial statements.

Statement of financial position

at 31 December 2018

		31 December 2018	31 December 2017
	Notes	£000	£000
<i>Fixed assets</i>			
Investments	6	6,010	6,010
Debtors: Amounts falling due after more than one year	7	1,819	1,624
Creditors: Amounts falling due after more than one period	8	(8,884)	(8,476)
<i>Net liabilities</i>		<u>(1,055)</u>	<u>(842)</u>
Called up share capital	9	7	7
Profit and loss account		(1,062)	(849)
		<u>(1,055)</u>	<u>(842)</u>

These accounts were approved by the Board of Directors on 24th June 2019, and signed on its behalf by:



S Shafique

Director

25th June 2019

Company Registration No. 9612903

Statement of changes in equity

for the year ended 31 December 2018

	<i>Called up share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	£000	£000	£000
As at 31 May 2017	7	(553)	(546)
Loss for the period	-	(296)	(296)
As at 31 December 2017	7	(849)	(842)
Loss for the year	-	(213)	(213)
As at 31 December 2018	7	(1,062)	(1,055)

Notes to the Financial Statements

for the year ended 31 December 2018

1. Accounting policies

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Information about significant areas of estimation uncertainties and critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the relevant note.

Company information

DT Digital Cinema Limited is a company limited by shares and incorporated in England. The Registered Office is Film House, 142 Wardour Street, London, W1F 8DD.

Statement of Compliance

The Company's financial statements have been prepared in compliance with FRS102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as it applies to the financial statements for the period ended 31 December 2017.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it relating to cash flow (see note 11) and related party transactions (see note 12).

Basis of preparation

The company's financial statements have been prepared in compliance with FRS102 as it applies to the financial statements of the company for the year ended 31 December 2018. The financial statements are prepared in pounds sterling which is the functional currency of the company and rounded to the nearest £'000.

Change of reporting date

The accounting reference date was changed to December during 2017 to bring it into line with the other UK Deluxe group companies. Due to this change in reporting date the comparative amounts are not entirely comparable.

Going concern

The financial statements have been prepared on the going concern basis as the company's intermediate parent undertaking Deluxe UK Holdings Limited, has agreed to continue to provide necessary financial support for a period of at least twelve months from the date of approval of the financial statements of the company. The directors, having made sufficient enquiries, are satisfied that Deluxe UK Holdings Limited is in a position to continue to provide the necessary financial support for a period of 12 months from approval of financial statements and hence have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Statement of cash flows

The intermediate parent undertaking Deluxe Entertainment Services Group Inc. prepares and files a group statement of cash flows, which includes the cash flows of the company. The company has therefore relied on the exemption provided by FRS 102 section 7 from preparing its own statement of cash flows.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the period. However the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements: amortisation of intangible assets policy.

Notes to the Financial Statements

for the year ended 31 December 2018

1. Accounting policies (continued)

Impairment of non-financial assets

The company assesses at each reporting date whether an asset may be impaired. If any such indication exists the company estimates recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the company estimates, the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

Investments

Fixed asset investments are shown at cost less provision for impairment. The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Financial liabilities

Borrowings are initially recognised at the fair value of the proceeds, net of related transaction costs. These transaction costs, and any discount or premium on issue, are subsequently amortised under the effective interest rate method through the income statement as interest over the life of the loan, and added to the liability disclosed in the balance sheet. Related accrued interest is included in the borrowings figure.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least one year after the balance sheet date.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the statement of total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date.

All exchange gains and losses arising on the settlement of foreign currency transactions and on the retranslation of monetary assets and liabilities are included in the income statement.

Notes to the Financial Statements

for the year ended 31 December 2018

2. Staff costs, directors' remuneration and audit fee

There were no employees of the company during the period.

No remuneration was paid or is payable to the directors in their capacity as director of the company. The directors also provide services to other group undertakings and received remuneration from a fellow group undertaking Deluxe 142 Limited in respect of services to the group. The directors consider that the proportion of the remuneration that relates to services to this company is £nil.

The audit fee of £3,000 (2017: £3,000) has been borne by an intermediate holding company, Deluxe UK Holdings Limited.

3. Interest receivable and similar income

	<i>Year to 31 December 2018 £000</i>	<i>7 month period to 31 December 2017 £000</i>
Unwinding of loan note due from subsidiary (Note 7)	95	54
Foreign exchange gains	100	-
	<u>195</u>	<u>54</u>

4. Interest payable and similar charges

	<i>Year to 31 December 2018 £000</i>	<i>7 month period to 31 December 2017 £000</i>
Unwinding of interest of deferred consideration (Note 8)	408	265
Foreign exchange loss	-	85
	<u>408</u>	<u>350</u>

Notes to the Financial Statements

for the year ended 31 December 2018

5. Tax

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	<i>Year to 31 December 2018 £000</i>	<i>7 month period to 31 December 2017 £000</i>
Current tax:		
UK corporation tax on the loss for the year	—	—
Total current tax (note 5(b))	—	—
Deferred tax:		
Origination and reversal of timing differences	-	-
Total deferred tax (note 5(d))	-	-
Total tax expense	-	-

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (December 2017: 19%). The differences are explained below:

	<i>Year to 31 December 2018</i>	<i>7 month period to 31 December 2017 £000</i>
Loss on ordinary activities before tax	(213)	(296)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (seven-month period to 31 December 2017: 19%).	(41)	(57)
Effects of:		
Losses carried forward	41	57
Total tax expense (note 5(a))	-	-

Notes to the Financial Statements

for the year ended 31 December 2018

(c) Factors that may affect future tax charges

A reduction in the corporation tax rate from 20% to 19% (effective from 1 April 2017) and a further reduction to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current charge accordingly. Furthermore, the Chancellor of the Exchequer announced on 16 March 2016 that the corporation tax rate would reduce to 17% effective from 1 April 2020. This rate was substantively enacted on 6 September 2016.

(d) Deferred tax

The Company has a deferred tax asset as follows which has not been recognised as there is insufficient evidence to support its recoverability:

	31 December 2018	31 December 2017
	£000	£000
Losses carried forward at 17% (2017 – 17%)	155	119
Unrecognised deferred tax asset at 17% (2017 – 17%)	<u>155</u>	<u>119</u>

6. Investments

£000

Shares in subsidiary undertakings:

At 31 December 2018 and 2017

6,010

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of Business</i>
<i>Subsidiary undertakings</i>			
DT Cinema UK	Ordinary Shares	100%	Post Production

7. Debtors: Amounts falling due after more than one year

	31 December 2018	31 December 2017
	£000	£000
Amounts owed by group undertakings	1,819	1,624
	<u>1,819</u>	<u>1,624</u>

The amounts owed by group undertakings represents a loan note which is non-interest bearing and which is due to mature in 2025. The movement in 2017 is due to the unwinding of the net present value calculation on the loan note.

Notes to the Financial Statements

for the year ended 31 December 2018

8. Creditors: Amounts falling due after more than one year

	<i>31 December 2018</i>	<i>31 December 2017</i>
	<i>£000</i>	<i>£000</i>
Deferred consideration	8,884	8,476
	<u>8,884</u>	<u>8,476</u>

As part of the acquisition of the business, there is deferred consideration of £10million payable by 2025. In accordance with FRS102 this has been discounted using the company's weighted average cost of capital based on the directors' best estimate of when the deferred consideration will be paid.

Notes to the Financial Statements

for the year ended 31 December 2018

9. Issued share capital

		31 December 2018 and 2017	31 December 2018 and 2017
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>USD</i>	<i>GBP</i>
Ordinary shares of USD1 each	9,010	9,010	5,879
Preference share capital of USD1 each	990	990	646

The ordinary shares hold full voting and are entitled to fully participate in respect of equity in the event of a winding up. The preference shares do not confer any voting rights and are not entitled to payments of dividend. In the event of a liquidation or capital reduction, the preference shareholders shall be entitled to receive an amount equal to the lesser of USD1,000 and 9.9% of the assets available for distribution. The preference shares may, after 1 June 2025 be redeemed at the option of the company for an agreed redemption price of USD1,000.

10. Cashflow statement

The company has taken advantage of the exemption under FRS102.1.12 not to include a cashflow statement as it is a wholly owned subsidiary of a group that produces publicly available group accounts.

11. Related party transactions

The company has taken advantage of the exemption under FRS 102 33.1A "Related Party Disclosures" not to disclose transactions with fellow group members that are wholly owned.

12. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Deluxe 142 Limited. The ultimate controlling party is MacAndrews and Forbes Media Group Inc., a company incorporated in the USA. The smallest group for which group financial statements are drawn up is Deluxe Entertainment Services Group Inc., a company incorporated in the USA. A copy of the group financial statements of Deluxe Entertainment Services Group Inc. can, subject to certain conditions, be obtained from 2400 West Empire Avenue, Burbank, CA91504, USA.