

Registration number: 08315430

Industrial Light & Magic (UK) Ltd.

Annual report and audited financial statements

for the period from 3 October 2021 to 1 October 2022

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Industrial Light & Magic (UK) Ltd.

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Industrial Light & Magic (UK) Ltd.

Strategic report

For the period from 3 October 2021 to 1 October 2022

The Directors present their Strategic report of Industrial Light & Magic (UK) Ltd. (the "Company") for the period from 3 October 2021 to 1 October 2022.

Principal activities, business review and future developments

The Company is a wholly-owned subsidiary undertaking of Lucasfilm Entertainment Company Limited LLC, incorporated in the United States of America, and its principal activity is motion picture, television series visual effects production and live events in United Kingdom. The Directors consider the results for the period and the financial condition of the Company at the end of the period to be satisfactory as the Company continues to expand its production activities.

The results for the Company show a profit of £3,820,000 (2021: £5,491,000) for the financial period and turnover of £85,862,000 (2021: £73,951,000). The decrease in profit in comparison to the prior period is due to multiple project schedules being changed and assets being written off, including £0.8m of capital expenditure relating to real estate. The Company achieved a 14% increase in revenue as compared to the prior period, which was due to an increase in visual effects and virtual production contracts won, as well as the continued benefits of hybrid working allowing the Company to grow headcount above its office capacity and allowing subsequent increased workloads. The Company also continues its new revenue stream Stagecraft, part of Virtual Production; the process of shooting visual effects and main shoot capture simultaneously, with the use of LED screens.

The Company's future development plans are to increase market share and remain competitive, through making technological advances and hiring talented artists to maintain a high level of service to all clients.

Key performance indicators ("KPIs")

The Company's Directors have used the following KPI's to indicate the Company's performance.

The Company's key performance indicators are as follows:

Measure	Description	2022	2021
		£000	£000
Turnover	Total sales for the financial period	85,862	73,951
Profit	Overall profit for the financial period	3,820	5,491

Going concern

The Directors have received assurances of continued financial support from a fellow group undertaking, in the form of a letter of support for similar period of at least 12 months from the date of these financial statements being signed. The Directors are comfortable that the fellow group undertaking is in a good financial position to support the Company.

On the basis of their assessment of the Company's financial position and resources, the Directors believe that the Company is well placed to manage its business risks. Therefore, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Refer to note 3 for further details.

Principal risks and uncertainties

The activity of the Company is complex and as such a wide range of factors could materially affect future developments and performance. The most significant factors affecting our operations include the following:

Industrial Light & Magic (UK) Ltd.

Strategic report

For the period from 3 October 2021 to 1 October 2022 (continued)

Principal risks and uncertainties (continued)

(i) Changes in UK, Europe and Worldwide economic and political conditions

A decline in economic activity in the UK and across European and International markets (including the United States of America) in which we do business, can adversely affect demand of our VFX services, thus reducing our revenues. Economic conditions can also impair the ability of those with whom we do business to satisfy their obligations to us.

(ii) Changes in public and consumer preferences

Our business distributes visual effects services whose success depends substantially on our customer requirements and preferences that change in often unpredictable ways. The success of our business depends on our ability to consistently provide visual effects services that meet the changing preferences of our consumers.

(iii) Changes in technology and in consumer consumption patterns

The media entertainment business in which we participate depends significantly on our ability to exploit new technologies to distinguish our services from those of our competitors. In addition, new technologies affect the demand for our services, the manner and markets in which our services are provided to consumers and the time and manner in which consumers acquire and view the end product.

(iv) Public consumer preferences may be adversely affected by changes in economic factors and changes in consumer spending patterns

Many economic and other factors outside our control, including consumer confidence, consumer spending levels, employment levels, consumer debt levels, inflation and deflation, as well as the availability of consumer credit, affect consumer spending habits. A significant deterioration in the global financial markets and economic environment, recessions or an uncertain economic outlook adversely affects consumer spending habits and results in lower levels of economic activity. Any of these events and factors could cause consumers to curtail spending and could have a negative impact on our financial performance and position in future financial periods. The Company also highlights that consumer taste in cinema attendance, OTT paid subscriptions and piracy may impact the Company's results.

(v) Changes in production tax incentives locally and globally

Local tax incentives can be beneficial; however adverse changes to tax incentives could also have a negative impact. Regular review of the available incentives and potential impact is undertaken.

(vi) Talent retention

Our employees are our greatest asset; so staff retention and training of a talented workforce along with recruiting new talent is crucial to our success.

(vii) Damage to our reputation or brands may negatively impact our Company

Our reputation and globally recognisable brand are integral to the success of our business.

Industrial Light & Magic (UK) Ltd.

Strategic report

For the period from 3 October 2021 to 1 October 2022 (continued)

Section 172 (1) statement

Industrial Light & Magic (UK) Ltd. (known as “ILM”) is a subsidiary of The Walt Disney Company, the Company is subject to organisational and management systems which enable the Board of Directors (“the Board”) to oversee governance of the activities of the Company. As is normal for large companies, the Board delegates authority for day-to-day management of the Company to management. The Board ensures that when applying Disney Group policies and delegating responsibility for operational matters to management, it does so with due regard to its fiduciary duties and responsibilities.

The Directors are aware of their duty under section 172 (1) of the Companies Act 2006 to act in a way that they consider to be in good faith and would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so they have considered (amongst other matters) factors (a) to (f) listed below:

- a. the likely consequences of any decision in the long term;
- b. the interests of the Company's employees;
- c. the need to foster the Company's business relationships with suppliers, production partners, clients and education providers;
- d. the impact of the Company's operations on the community and the environment;
- e. the desirability of the Company maintaining a reputation for high standards of business conduct; and
- f. the need to act fairly between members of the Company.

In performing their duties under section 172 (1), the Directors of the Company have had regard to the matters set out in section 172 (1) as follows:

a. The likely consequences of any decision in the long term

The Board are aware that their decisions and strategies can have long-term effects on the success of the Company's business and on its stakeholders. They aim to make well-informed decisions whilst being mindful of stakeholder impacts. Our key stakeholders of the Company include suppliers, clients, community, production partners and employees. Some of the decisions the Board has taken during the course of the period are set out below and show how the decisions have been made both with a view to creating long term success for the Company and taking into consideration the interests of its stakeholders.

Following the change in government guidelines, offices re-opened to all employees during February 2022. The Company have put additional safety measures in place, such as training, guides, signage and property restrictions to protect those that need to work in the office and for the return of all employees.

ILM continues to see benefits of having employees working from home more frequently to give a better work-life balance to our employees, while keeping productivity of our workforce at the same level. We have and continue to make technological investments and advancements allowing employees to maintain the production of high-quality work which they are able to produce in the studio and at home.

ILM strives to be at the forefront of technology and technique and to solidify that position ILM continues its Stagecraft service, the process of shooting visual effects and main shoot capture simultaneously with the use of LED screens.

b. The interests of the Company's employees

The Company strives to provide a safe working environment, a diverse and inclusive culture and ensure adherence to all relevant Disney HR policies and processes for its employees. We understand the importance of our employees for our long-term success and are committed to providing a safe working environment, a diverse and inclusive culture and appropriate training and development.

The health and safety of our employees is a priority. Health and Safety policies already in place were significantly enhanced as a result of the Covid-19 pandemic to ensure a safe environment in the office and at home.

Industrial Light & Magic (UK) Ltd.

Strategic report

For the period from 3 October 2021 to 1 October 2022 (continued)

Section 172 (1) statement (continued)

b. The interests of the Company's employees (continued)

In addition to a comprehensive benefits program, we also offer Health and Wellness support with additional resources we provide to our employees. For example, we have wellbeing resources available throughout the Company such as:

- **Disney's Employee Assistance Program:** offers free confidential advice on both professional and personal matters all period round, at any time of the day.
- **Mental Health First Aiders:** provides mental health support for employees, helping signpost them to tailored mental health support as needed.
- **Reward Gateway:** a perks platform providing a range of retail discounts and access to general wellness advice and videos around fitness, healthy eating and mental well-being.
- **Enrichment & Speaker Series:** a series of talks and out of work hours courses for employees to hone artistic skills, socialise and open up new perspectives.

ILM has an ongoing commitment to diversity and inclusion (D&I), the Company's six pillars of D&I. The Company is committed to moving these efforts forward.

From a culture perspective, our Employee Resource Groups (ERGs) are voluntary, employee-led groups formed around shared identity, interests and pursuits. In the UK, we currently have the following ERG.

- **DNA:** Advocates, celebrates, and educates on behalf of all LGBTQ+ and ally employees, fostering a culture of authenticity and inclusivity across the Company.
- **Mosaic:** Educating and celebrating ethnic and cultural diversity within the Studio.
- **Circuit:** Equips and motivates women at ILM to build impactful careers.
- **Enabled:** Create a sense of belonging and support employees with disability and neurodiversity at ILM.
- **The Green Team:** Educates and champions green and sustainable initiatives within the studio.
- **Alliance:** Supporting all the above groups.

c. The need to foster the Company's business relationships with suppliers, production partners, clients and education providers

Suppliers

The Company has high standards for its service providers and has a thorough tender process designed to obtain the best quality, service and value. The Company adheres to: (i) the Disney International Labour Standards Program which seeks to foster safe, inclusive, and respectful workplaces wherever Disney-branded products are made; (ii) UK government regulations such as UK Modern Slavery Act 2015.

Production Partners

We work closely with our 3rd party production partners to ensure they plan the work to ensure that their commitments can be appropriately met with relevant project management. Over the periods we have conducted regular partner studio visits to help ensure strong relationships and a common understanding of their needs.

Industrial Light & Magic (UK) Ltd.

Strategic report

For the period from 3 October 2021 to 1 October 2022 (continued)

Section 172 (1) statement (continued)

d. The impact of the Company's operations on the community and the environment (continued)

The Company is adopting The Walt Disney Company's ambitious environmental goals for 2030 for the Disney Group. These goals focus on key areas of our business where we believe we can have a significant, lasting impact and make a positive difference in protecting our planet. We have listed some of our key goals below:

- achieving net zero greenhouse gas emissions for direct operations;
- purchasing or producing 100% zero carbon electricity for all direct operations;
- collaborating with industry groups and investing in low carbon fuel innovation;
- reducing the Company's plastics footprint across all businesses.
- ensure all paper, wood and palm oil used in Disney-branded packaging and products is from certified sustainable sources.

The Company continues to look at ways to reduce its environmental impact; such as purchasing energy efficient equipment as well as having auto on/off lights in the office.

e. The desirability of the Company maintaining a reputation for high standards of business conduct

The Company is committed to operating its businesses with integrity and adopting governance policies that promote the thoughtful and independent representation of its stakeholders' interests. The Board has adopted Corporate Governance Guidelines which address, among other things, the composition and functions of the Board and independence. The Walt Disney Company's Standards of Business Conduct are applicable to all employees of the Company including the Board.


The Company regularly engages its leaders and employees in these Standards of Business Conduct through training and other forms of communication. It is compulsory that all office-based employees complete the mandatory online courses, examples include: Standards of Business Conduct, TWDC Agents Policy and Avoiding Corrupt Business Practices.

Acting responsibly and conducting business ethically is an integral part of the Disney brand. The Walt Disney Company's global commitment to conduct business and create products in a responsible and ethical manner focuses on six areas: ethical conduct, responsible content, environmental stewardship, community engagement, civic engagement and respectful workplaces. The Company continues to work toward our goals and regularly set new challenges to ensure it is constantly striving to improve.

f. The need to act fairly as between members of the Company

The Company is a wholly owned subsidiary of Lucasfilm Entertainment Company, LLC. One of the Directors of our Company, I L Aultman, is also on the Board of Lucasfilm Entertainment Company, LLC. Therefore the parent company is aware of the key decisions and financial performance of the Company and has a keen interest in the strategies and future outlook of the Company.

Approved by the Board on 4 August 2023 and signed on its behalf on 7 August 2023 by:

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 T A Bermingham
 Director

Industrial Light & Magic (UK) Ltd.

Directors' report

For the period from 3 October 2021 to 1 October 2022

The Directors present their report and the audited financial statements of Industrial Light & Magic (UK) Ltd. (the "Company") for the period from 3 October 2021 to 1 October 2022.

Future developments

Details of future developments can be found in the Strategic Report on page 1 and form part of this report by cross-reference.

Dividends

No dividends were paid during the period (2021: £nil). The Directors do not recommend the payment of a dividend for the period (2021: £nil). No final dividend has been proposed by the Directors.

Financial risk management

The Company's operations expose it to financial risks. The most significant are described below.

(i) Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers entering into contracts and providing services. The amount of exposure to any individual counterparty is subject to a limit, which is assessed continually by the Company's credit control function.

(ii) Foreign exchange risk

The Company may hold assets and liabilities denominated in foreign currencies. No derivative financial instruments are used to manage the risk of fluctuating exchange rates, so no hedge accounting is applied. The Company has in place a foreign exchange policy, driven by the ultimate parent company, The Walt Disney Company, and will reconsider the appropriateness of this policy should operations change in nature.

Directors of the Company

The Directors who held office during the period and up to the date of signing the financial statements, were as follows:

I L Aultman

B Morris

R J Haywood

T A Bermingham

C T H Gavazzi

Research and development

The Company invests heavily in research and development to stay competitive across the visual effects and virtual production field.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled whilst in employment, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Industrial Light & Magic (UK) Ltd.

Directors' report

For the period from 3 October 2021 to 1 October 2022 (continued)

Employee involvement

Consultation with employees has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made which are likely to affect their interests, and that all employees are aware of the financial and economic performance of their business units, and of the Company as a whole. Communication with all employees continues through newsletters, briefing groups and the availability of the annual report. This is consistent with the section 172 (1) statement found within the Strategic report.

Stakeholder engagement

We focus on providing high quality work to our clients and operating our business responsibly. We continue to maintain strong relationships and open communication with all of our stakeholders. Our ongoing and transparent communication with our stakeholders allows them to provide feedback and allows us to make well informed and appropriate decisions which benefit the Company and stakeholders as a whole. This is consistent with the section 172 (1) statement found within the Strategic report.

Our strategic decisions were made with our stakeholders in mind and we will continue to engage with them and incorporate their views in our future planning and decision making.

Political donations

There were no political donations made by the Company in the current or prior period.

Streamlined energy and carbon reporting (SECR) disclosure

The SECR disclosure presents our carbon footprint within the United Kingdom across Scope 1, 2 and to some extent Scope 3 emissions, an appropriate intensity metric, the total energy use of electricity, gas and transport fuel and an energy efficiency actions summary taken during the relevant financial period.

	Period to 1 October 2022	Period to 2 October 2021
Energy consumption used to calculate emissions (kWh)	4,262,369	4,868,178
Emissions from combustion of gas (Scope 1) tCO ₂ e	7	8
Emissions from business travel in rental cars or employee-owned vehicles where the Company is responsible for purchasing the fuel (Scope 3) tCO ₂ e	25	101
Emissions from purchased electricity (Scope 2, location-based) tCO ₂ e	797	930
Emissions from purchased electricity (Scope 2, market-based) tCO ₂ e	-	-
Total gross tCO ₂ e based on above (location-based)	829	1,039
Total gross tCO ₂ e based on above (market-based)	32	109
Intensity ratio (tCO ₂ e/headcount) (location-based)*	1.2014	1.65710
Intensity ratio (tCO ₂ e/headcount) (market-based)	0.0464	0.17384

*Please see note 6 for details on headcount.

Please see the methodology notes on page 9 for more details on the calculation above.

Industrial Light & Magic (UK) Ltd.

Directors' report

For the period from 3 October 2021 to 1 October 2022 (continued)

Streamlined energy and carbon reporting (SECR) disclosure (continued)

Energy efficiency action summary

Period to 1st October 2022

In 2022, Industrial Light & Magic (UK) Ltd. confirmed the continuous efforts to achieve direct and indirect savings in energy and associated carbon emissions through operational and technological improvements. We took a focused approach to the energy usage. We have been turning off unnecessary items when not in use. Therefore we could reduce our utility bills.

Methodology Notes

Reporting Period	3 October 2021 - 1 October 2022
Boundary (consolidation approach)	Operational approach
Alignment with financial reporting	SECR disclosure has been prepared in line with Industrial Light & Magic (UK) Ltd.'s annual financial statements made up to 1 October 2022.
Reporting method	GHG Emissions reporting are in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard
Emissions factor source	DEFRA, 2022 for all emissions factors https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022
Calculation method	Activity Data x Emission Factor = GHG emissions Activity Data x Conversion Factor = kWh consumption
Other relevant information on calculation	Where applicable consumption was converted to kWh using conversion factors linked above, while emissions were calculated with the DEFRA emission factors. Transport data was calculated from cost and mileage. Cost was converted to litres using DEFRA annual Average Retail prices for oil products and converted from litres to kWh using the method above. Mileage was converted to kWh and GHG emissions using the method above. In absence of the exact engine sizes of the vehicles average conversion factors were used to calculate emissions. In absence of exact fuel types for cost and mileage UK Vehicle Licensing Statistics was used to determine fuel types. Where the energy consumption was not practical to obtain, the estimated electricity data was calculated based on the landlord billed cost. The cost was converted into kWh based on the parent undertakings' pence/kWh.
Reason for the intensity measurement choice	Following the recommendations of the SECR legislation and based on the nature of our business, Headcount (tCO ₂ e /Headcount) gives the best overview on our efficiency performance on a longer scale.
Rounding	Due to rounding there might be a minor difference compared to the actual GHG emissions (no more than 1%).
Amount of renewable electricity (kWh) imported from the grid and backed by REGOs.	4,119,170

Industrial Light & Magic (UK) Ltd.

Directors' report

For the period from 3 October 2021 to 1 October 2022 (continued)

Post balance sheet events

Further details on events subsequent to the period end can be found in note 20.

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Director to prepare financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law.

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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

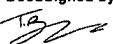
The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Disclosure of information to auditors

Each of the persons who is a Director in office at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 4 August 2023 and signed on its behalf on 7 August 2023 by:

DocuSigned by:

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T A Bermingham
Director

Industrial Light & Magic (UK) Ltd.

Independent Auditors' report to the Members of Industrial Light & Magic (UK) Ltd.

Report on the audit of the financial statements

Opinion

In our opinion, Industrial Light & Magic (UK) Ltd.'s financial statements:

- give a true and fair view of the state of the Company's affairs as at 1 October 2022 and of its profit for the period from 3 October 2021 to 1 October 2022.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and audited financial statements (the "Annual Report"), which comprise: Statement of financial position as at 1 October 2022; Income statement and Statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Industrial Light & Magic (UK) Ltd.

Independent Auditors' report to the Members of Industrial Light & Magic (UK) Ltd. (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 1 October 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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.

Industrial Light & Magic (UK) Ltd.

Independent Auditors' report to the Members of Industrial Light & Magic (UK) Ltd. (continued)

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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation and employment law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate manual journal entries. Audit procedures performed by the engagement team included:

- Inquiries with management of known or suspected instances of non-compliance with laws and regulations, and fraud;
- Inquiries with management and external counsel of any pending litigation;
- Identifying and testing journal entries and, including those with unusual account combinations or those with unexpected users or words;
- Challenging assumptions and judgements made by management in accounting estimates, specifically in relation to percentage of completion calculations in revenue recognition; and
- Incorporating an element of unpredictability into our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Industrial Light & Magic (UK) Ltd.

Independent Auditors' report to the Members of Industrial Light & Magic (UK) Ltd. (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Prashant Bagree

Prashant Bagree (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London Date: 7 August 2023

Industrial Light & Magic (UK) Ltd.

Income statement

For the period from 3 October 2021 to 1 October 2022

		Period ended 1 October 2022 £ 000	Period ended 2 October 2021 £ 000
Turnover	4	85,862	73,951
Cost of sales		<u>(43,775)</u>	<u>(38,793)</u>
Gross profit		42,087	35,158
Administrative expenses		(36,689)	(31,043)
Write off of fixed assets		(802)	-
Other operating income		<u>-</u>	<u>86</u>
Operating profit	5	<u>4,596</u>	<u>4,201</u>
Profit before taxation		4,596	4,201
Tax on profit	8	<u>(776)</u>	<u>1,290</u>
Profit for the financial period		<u><u>3,820</u></u>	<u><u>5,491</u></u>

The above results were derived from continuing operations.

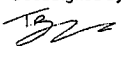
There were no recognised gains or losses for the period other than those included in the Income statement above, and therefore no separate statement of comprehensive income has been presented.

The notes on pages 18 to 33 form an integral part of these financial statements.

Industrial Light & Magic (UK) Ltd.**Statement of financial position
As at 1 October 2022**

		1 October 2022 £ 000	2 October 2021 £ 000
	Note		
Fixed assets			
Tangible assets	9	9,233	9,070
Current assets			
Debtors	10	26,422	29,368
Cash at bank and in hand		20,738	21,767
		47,160	51,135
Creditors: amounts falling due within one year	11	(29,463)	(37,171)
Net current assets		17,697	13,964
Total assets less current liabilities		26,930	23,034
Provisions for liabilities	12	(738)	(662)
Net assets		26,192	22,372
Capital and reserves			
Called up share capital	14	-	-
Share premium account	14	20,000	20,000
Profit and loss account	14	6,192	2,372
Total shareholders' funds		26,192	22,372

The financial statements on pages 18 to 33 of Industrial Light & Magic (UK) Ltd. (registration number: 08315430) were approved by the Board of Directors and authorised for issue on 4 August 2023. They were signed on its behalf on 7 August 2023 by:

DocuSigned by:

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T A Bermingham
 Director

The notes on pages 18 to 33 form an integral part of these financial statements.

Industrial Light & Magic (UK) Ltd.

Statement of changes in equity

For the period from 3 October 2021 to 1 October 2022

	Called-up share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 4 October 2020	-	20,000	(3,119)	16,881
Profit for the period	-	-	5,491	5,491
Total comprehensive income	-	-	5,491	5,491
At 2 October 2021	-	20,000	2,372	22,372
At 3 October 2021	-	20,000	2,372	22,372
Profit for the period	-	-	3,820	3,820
Total comprehensive income	-	-	3,820	3,820
At 1 October 2022	-	20,000	6,192	26,192

The notes on pages 18 to 33 form an integral part of these financial statements.

Industrial Light & Magic (UK) Ltd.

Notes to the financial statements

For the period from 3 October 2021 to 1 October 2022

1 General information

Industrial Light & Magic (UK) Ltd. (the "Company") is a private Company limited by shares. It is incorporated and domiciled in the England, United Kingdom under the Companies Act 2006.

The address of its registered office is:

3 Queen Caroline Street

London

W6 9PE

Industrial Light & Magic (UK) Ltd. is a wholly owned subsidiary of Lucasfilm Entertainment Company Limited LLC, whose ultimate parent is The Walt Disney Company incorporated in the United States of America. The controlling and ultimate controlling party is The Walt Disney Company incorporated in the United States of America. See note 18 for further information.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the UK including Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102")".

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in "Critical accounting judgements and key source of estimation uncertainty" section of this note.

Statement of compliance

The financial statements of Industrial Light & Magic (UK) Ltd. have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Going concern

The Directors have received assurances of continued financial support from a fellow group undertaking, in the form of a letter of support for similar period of at least 12 months from the date of these financial statements being signed. The Directors are comfortable that the fellow group undertaking is in a good financial position to support the Company.

On the basis of their assessment of the Company's financial position and resources, the Directors believe that the Company is well placed to manage its business risks. Therefore, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Refer to note 3 for further details.

Industrial Light & Magic (UK) Ltd.

Notes to the financial statements

For the period from 3 October 2021 to 1 October 2022 (continued)

2 Summary of significant accounting policies (continued)

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the Company shareholders. A qualifying entity is defined as a member of a Group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated.

Industrial Light & Magic (UK) Ltd. is a wholly owned subsidiary of Lucasfilm Entertainment Company Limited LLC, whose ultimate parent company is The Walt Disney Company, incorporated in the United States of America. The consolidated financial statements of The Walt Disney Company are publicly available.

As a qualifying entity, the Company has taken advantage of the following exemptions in its financial statements:

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

Accounting reference date

The Company has taken advantage of flexibility under the Companies Act 2006 to end the accounting period on the closest Saturday to 30 September each period. An accounting reference date of 1 October 2022 has been adopted for the current period (2021: 2 October 2021). The current financial period represents the 52 weeks ended Saturday 1 October 2022 (Prior period: 52 weeks ended Saturday 2 October 2021).

Foreign currencies

(i) Functional and presentation currency

The Company financial statements are presented in pound sterling and rounded to thousands. The Company's functional and presentation currency is the pound sterling.

(ii) Transactions and balances

Transactions in foreign currencies are translated using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are expressed in sterling at the appropriate rates ruling at the period end date. All foreign exchange gains and losses are taken to the Income statement.

Turnover

Revenue from work performed under fixed-fee contracts, principally visual effects, is recognised using the percentage of completion method.

Industrial Light & Magic (UK) Ltd.

Notes to the financial statements

For the period from 3 October 2021 to 1 October 2022 (continued)

2 Summary of significant accounting policies (continued)

Turnover (continued)

The Company uses the percentage of completion method to recognise revenue from work performed under fixed-fee contracts. These contracts are usually with motion picture, TV production and event production companies all using the same method of revenue recognition. Revenue is calculated by reference to the current agreed total revenue, estimated total costs and costs incurred. The accuracy of revenue recognised is particularly sensitive to the estimated total costs for a given contract. This requires close contract management oversight and professional judgement to identify any required revisions in cost. In the case of an onerous loss contract, the Company will recognise the net loss of the contract as a provision as soon as the loss is anticipated. Revisions in cost and revenue estimates are reflected in the period in which the facts requiring the revision is formalised. When revised cost estimates indicate a loss on an individual contract, the total estimated loss is provided for in the current period in its entirety without regard to the percentage of completion.

Revenue is recognized when contractually agreed work is carried out and invoiced, in line with the revenue recognition policy, if these amounts are fully recoverable.

Revenue is accrued when contractually agreed work is carried out, and recognised in line with the revenue recognition policy, if these are fully recoverable.

Revenue is deferred when contractually agreed work is invoiced but not yet carried out or recognised in line with the revenue recognition policy and classified as a liability.

These contracts are usually with motion picture, TV production and event production companies.

All revenue amounts are recognised exclusive of VAT.

Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements and paid holiday arrangement. Holiday pay is recognised as an expense in the period in which the service is received.

The Company recognises a holiday pay accrual by measuring the expected cost at the undiscounted amount, expected to be paid, for unused entitlements that have accumulated up to the reporting date and presents this amount as falling due within one period at the reporting date.

Short term benefits

The Company recognises a holiday pay accrual by measuring the expected cost at the undiscounted amount, expected to be paid, for unused entitlements that have accumulated up to the reporting date and presents this amount as falling due within one period at the reporting date.

Defined contribution pension plans

Pension contributions are made to two defined contribution schemes. Contributions are charged to the Income statement as they fall due. The assets of the schemes are held separately from those of the Company in an independently administered fund.

Industrial Light & Magic (UK) Ltd.

Notes to the financial statements

For the period from 3 October 2021 to 1 October 2022 (continued)

2 Summary of significant accounting policies (continued)

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. The tax income (expense) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax income (expense). Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Credits received on qualifying research and development expenditure are offset against the corporation tax balance. Any amounts received in excess of the corporation tax balance are treated as government grants and recognised as a reduction in expenditure in the Income statement during the period the claim was submitted.

(ii) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the period end date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the period end date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the period end date. Deferred tax is measured on a non-discounted basis.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

Leases

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged to the Income statement in the period in which they are incurred on a straight line basis over the lease term.

Tangible assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation and depreciated down to the residual value over the estimated useful economic life of the asset. The residual values and useful economic lives of all asset types are reassessed annually and the Directors believe a 0% residual value is appropriate considering all relevant factors. Costs that are directly attributable to the development of new business application hardware and software, which are incurred during the period prior to the date that the systems are placed into operational use, are capitalised. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Industrial Light & Magic (UK) Ltd.

Notes to the financial statements

For the period from 3 October 2021 to 1 October 2022 (continued)

2 Summary of significant accounting policies (continued)

Tangible assets and depreciation (continued)

Depreciation is calculated on a straight line basis at rates estimated to write off the cost of the assets to the residual value. The principal useful lives in use are:

Asset class	Depreciation rate
Buildings, leasehold improvements	over the life of the lease or asset whichever is shorter
Office equipment, furniture, fixtures and fittings	3 - 5 years
Information systems	3 - 5 years

Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Income statement, unless the asset has been revalued when the amount is recognised in the other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the Income statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Income statement.

Government grants

For the period ending 2 October 2021, the Company recognised income from the Coronavirus Job Retention Scheme claiming amounts allowed from HM Revenue and Customs based on 80% of an employee's usual salary for hours not worked, up to a maximum of £2,500 per month. The Company received £86,101 in government grants related to wage subsidies in response to the COVID-19 pandemic in the prior period. In the current period no equivalent grant income was received.

Grants are accounted for under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in other operating income within profit or loss in the same period as the related expenditure.

Research and development expenditure credit

Credits received on qualifying research and development expenditure are offset against the corporation tax balance. Any amounts received in excess of the corporation tax balance are treated as government grants and recognised as a reduction in expenditure in the Income statement during the period the claim was submitted.

Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand. As at 1 October 2022 the Company does not hold short-term highly liquid investments or bank overdrafts.

Industrial Light & Magic (UK) Ltd.

Notes to the financial statements

For the period from 3 October 2021 to 1 October 2022 (continued)

2 Summary of significant accounting policies (continued)

Financial instruments

(i) Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Income statement.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Income statement.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one period or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The Company does not hold or issue derivative financial instruments.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, if it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Industrial Light & Magic (UK) Ltd.

Notes to the financial statements

For the period from 3 October 2021 to 1 October 2022 (continued)

2 Summary of significant accounting policies (continued)

Related party transactions

The Company has taken the exemption as provided by paragraph 33.1A of FRS 102 and does not disclose transactions with members of the same Group that are wholly owned. The address at which the consolidated financial statements of the ultimate parent company are publicly available is included in note 18.

3 Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates, that have been used to derive these financial statements.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(i) Useful economic lives of tangible assets (E)

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of the assets. See note 2 for useful economic lives for each class of asset and note 9 for the carrying amount of tangible fixed assets.

(ii) Percentage of completion method for revenue from fixed-fee contracts (E)

The Company uses the percentage of completion method to recognise revenue from work performed under fixed-fee contracts. Revenue is calculated by reference to the current agreed total revenue, estimated total costs and costs incurred. The accuracy of revenue recognised is particularly sensitive to the estimated total costs for a given contract. This requires close contract management oversight and professional judgement and any required revisions in cost.

In the case of an onerous loss contract, the Company will recognise the net loss of the contract as a loss contract provision as soon as the loss is anticipated.

4 Turnover

The analysis of the Company's turnover for the period from continuing operations is as follows:

	Period ended 1 October 2022 £ 000	Period ended 2 October 2021 £ 000
The rendering of services	<u>85,862</u>	<u>73,951</u>

The analysis of the Company's turnover for the period by geographical destination during the period was as follows:

Industrial Light & Magic (UK) Ltd.

Notes to the financial statements

For the period from 3 October 2021 to 1 October 2022 (continued)

4 Turnover (continued)

	Period ended 1 October 2022 £ 000	Period ended 2 October 2021 £ 000
United Kingdom	72,701	71,549
United States of America	9,216	2,284
Canada	3,933	118
Australia	12	-
	<u>85,862</u>	<u>73,951</u>

Other operating income recognised in the current period is £nil (2021: £86,000). The amounts recognised in the prior period was due to government grants received in respect of the Coronavirus Job Retention Scheme.

5 Operating profit

Operating profit is stated after charging/(crediting):

	Period ended 1 October 2022 £ 000	Period ended 2 October 2021 £ 000
Depreciation expense	3,073	2,449
Foreign exchange losses/(gains)	422	(5)
Operating leases - land and building	6,944	6,810
Auditors' remuneration - audit services	48	44

6 Staff costs

The aggregate remuneration (including Directors' remuneration) were comprised as follows:

	Period ended 1 October 2022 £ 000	Period ended 2 October 2021 £ 000
Wages and salaries	45,311	40,533
Social security costs	5,548	4,488
Other pension costs (note 17)	1,902	1,655
	<u>52,761</u>	<u>46,676</u>

Industrial Light & Magic (UK) Ltd.

Notes to the financial statements

For the period from 3 October 2021 to 1 October 2022 (continued)

6 Staff costs (continued)

The average monthly number of persons (including Directors) employed by the Company during the period was as follows:

	Period ended 1 October 2022 No.	Period ended 2 October 2021 No.
Administration	276	250
Artists	414	377
	<u>690</u>	<u>627</u>

7 Directors' remuneration

The Directors' remuneration for the period was as follows:

	Period ended 1 October 2022 £ 000	Period ended 2 October 2021 £ 000
Aggregate emoluments	408	324
Company contributions paid to pension scheme	4	7
	<u>412</u>	<u>331</u>

During the period, one (2021: one) Director was directly remunerated by the Company. The remaining four (2021: five) Directors in service during the reporting period were remunerated by The Walt Disney Company Limited and Lucasfilm Entertainment Company Limited LLC. It is not possible to make an allocation of their emoluments as their services to this Company are incidental to their other roles. No compensation for loss of office was paid to the Directors (2021: nil).

Industrial Light & Magic (UK) Ltd.

Notes to the financial statements

For the period from 3 October 2021 to 1 October 2022 (continued)

8 Tax on profit

The credit for taxation is based on the taxable profit for the period, and comprises:

	Period ended 1 October 2022 £ 000	Period ended 2 October 2021 £ 000
Analysis of tax credit for the period		
Current tax		
UK corporation tax at 19.00%	-	-
Adjustments in respect of prior periods	(644)	(694)
Total current tax credit	<u>(644)</u>	<u>(694)</u>
Deferred taxation		
Origination and reversal of timing differences	755	(33)
Adjustments relating to prior periods	665	(31)
Effect of decreased tax rate on opening balance	-	(532)
Total deferred tax credit	<u>1,420</u>	<u>(596)</u>
Tax on profit	<u><u>776</u></u>	<u><u>(1,290)</u></u>

Industrial Light & Magic (UK) Ltd.

Notes to the financial statements

For the period from 3 October 2021 to 1 October 2022 (continued)

8 Tax on profit (continued)

The tax on profit before tax for the period is lower than the standard rate of corporation tax in the UK (2021 - lower than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	Period ended 1 October 2022 £ 000	Period ended 2 October 2021 £ 000
Reconciliation of tax		
Profit before taxation	<u>4,596</u>	<u>4,201</u>
Tax on profit at standard CT rate of 19.00%	873	798
Expenses not deductible for tax purposes	-	6
Remeasurement of deferred tax for changes in tax rates	182	(548)
Prior year adjustment	-	31
Fixed asset difference	(179)	(156)
Adjustments to tax charge in respect of previous periods	(644)	(694)
Adjustment to tax charge in respect of previous periods - deferred tax	665	(31)
Group relief claimed	(121)	(672)
Adjustments to brought forward values	-	(24)
Tax credit for the period	<u>776</u>	<u>(1,290)</u>

Factors affecting the future tax charges

Finance Act 2020 was substantively enacted on 11 March 2020 with the result that the corporation tax rate continues to apply at 19% from 1 April 2020 and during the current year. Legislation has been introduced in the Finance Bill 2021 to set the Corporation Tax main rate at 25% for financial years beginning 1 April 2023.

Industrial Light & Magic (UK) Ltd.

Notes to the financial statements

For the period from 3 October 2021 to 1 October 2022 (continued)

9 Tangible assets

	Office equipment, furniture, fixtures and fittings £ 000	Information systems £ 000	imp
Cost			
At 3 October 2021	6,358	15,194	
Additions	389	2,043	
Write off of fixed assets	(844)	(51)	
Adjustments	-	6	
At 1 October 2022	5,903	17,192	
Accumulated depreciation			
At 3 October 2021	3,466	13,222	
Charge for the period	1,130	1,151	
Write off of fixed assets	(469)	(51)	
At 1 October 2022	4,127	14,322	
Carrying amount			
At 1 October 2022	1,776	2,870	
At 2 October 2021	2,892	1,972	

CIP (Construction In Progress) refers to assets which are yet to be categorised in the fixed asset register. These assets were not :

Industrial Light & Magic (UK) Ltd.

Notes to the financial statements

For the period from 3 October 2021 to 1 October 2022 (continued)

10 Debtors

	1 October 2022 £ 000	2 October 2021 £ 000
Trade debtors	12,279	1,012
Amounts owed by group undertakings	7,313	19,715
Other debtors	2	122
Deferred tax asset (see note 13)	862	2,281
Prepayments and accrued income	5,966	6,238
	<u>26,422</u>	<u>29,368</u>

The Company has no provisions for impairment of trade debtors during the current or prior period.

Amounts owed by group undertakings are unsecured, repayable on demand and interest free.

11 Creditors: Amounts falling due within one year

	1 October 2022 £ 000	2 October 2021 £ 000
Amounts falling due within one year		
Trade creditors	-	2,349
Amounts owed to group undertakings	1,175	5,774
Other taxation and social security	7,327	6,386
Other creditors	890	80
Corporation tax	17	-
Accruals and deferred income	20,054	22,582
	<u>29,463</u>	<u>37,171</u>

Amounts owed to group undertakings are interest free, repayable on demand and unsecured.

12 Provisions for liabilities

	Loss contract provision £ 000	Property related provision £ 000	Total £ 000
At 2 October 2021	256	406	662
Utilised in the year	76	-	76
At 1 October 2022	<u>332</u>	<u>406</u>	<u>738</u>

Industrial Light & Magic (UK) Ltd.

Notes to the financial statements

For the period from 3 October 2021 to 1 October 2022 (continued)

12 Provisions for liabilities (continued)

The property-related provisions are intended to be utilised in 2027.

Loss contract provision was provided to recognise total projected losses on one (2021: four) loss making ongoing projects as at 1 October 2022.

13 Deferred tax asset

Deferred taxation provided for at 19% (2021: 19%) in the financial statements is set out below:

	£ 000
As at 3 October 2021	2,281
Utilisation	(1,419)
As at 1 October 2022	862

	1 October 2022 £ 000	2 October 2021 £ 000
Accelerated capital allowances	862	2,281
Undiscounted deferred tax asset	862	2,281

The deferred tax asset (accounted for in note 10) comprises the following amounts:

	Period from 3 October 2021 to 2 October 2022 £ 000	Period from 4 October 2020 to 2 October 2021 £ 000
Asset at start of period	2,281	1,685
Amount credited to the Income statement	(1,419)	596
Asset at end of the year	862	2,281

The enactment of The Finance Bill 2022 has increased the rate at which deferred tax will be recognised at from 19% to 25%.

14 Called up share capital and reserves

	1 October 2022 No.	£	2 October 2021 No.	£
Ordinary shares of £1 each	101	101	101	101

All shares are held by Lucasfilm Entertainment Company Limited LLC.

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

Industrial Light & Magic (UK) Ltd.

Notes to the financial statements

For the period from 3 October 2021 to 1 October 2022 (continued)

14 Called up share capital and reserves (continued)

Share premium account

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

Profit and loss account

The profit and loss reserve represents cumulative profits or losses, including net of dividends paid and other adjustments.

15 Financial commitment

The Company has the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	1 October 2022 £'000	2 October 2021 £'000
Land and buildings:		
Not later than one year	2,881	2,877
Later than one year and not later than five years	11,364	11,524
Later than five years	-	2,721
Total	14,245	17,122

16 Financial instruments

		1 October 2022 £ 000	2 October 2021 £ 000
Financial assets measured at amortised cost:	Note		
Trade debtors	10	12,279	1,012
Amounts owed by group undertakings	10	7,313	19,715
Other debtors	10	2	122
Cash and cash equivalents		20,738	21,767
		<u>40,332</u>	<u>42,616</u>
			(As restated)
		1 October 2022 £ 000	2 October 2021 £ 000
Financial liabilities measured at amortised cost:	Note		
Trade creditors	11	-	2,349
Amounts owed to group undertakings	11	1,175	5,774
Accruals and deferred income	11	2,000	3,460
		<u>3,175</u>	<u>11,583</u>

Industrial Light & Magic (UK) Ltd.

Notes to the financial statements

For the period from 3 October 2021 to 1 October 2022 (continued)

16 Financial instruments (continued)

The prior period financial liabilities measured at amortised cost have been restated to separate accruals and deferred income. There is no impact on the primary statements or other notes as a result of this restatement.

17 Pensions

Some pension benefits for employees are provided under The Walt Disney Retirement Savings Plan and others are provided under the Industrial Light & Magic (UK) Ltd. - Group personal pension plan (the "Plan"). The Plan is a defined contribution arrangement with contributions being made by members and the Company on an age-related basis.

The pension cost charge represents the contribution payable by the Company under the rules of the Plan. Pension costs incurred by the Company for the period amounted to £1,902,000 (2021: £1,655,000).

Amounts prepaid in relation to the pension scheme at 1 October 2022 were £194,000 (2021: £nil). Amounts outstanding in relation to the pension scheme at 1 October 2022 were £nil (2021: £nil).

18 Ultimate parent undertaking

Ultimate parent

Industrial Light & Magic (UK) Ltd. is a wholly owned subsidiary of Lucasfilm Entertainment Company Limited LLC, whose ultimate parent is The Walt Disney Company incorporated in the United States of America. The controlling and ultimate controlling party is The Walt Disney Company incorporated in the United States of America.

Parent undertaking

The largest and smallest group for which consolidated financial statements are prepared and of which the Company is a member is as follows:

Name (Tax ID number)	The Walt Disney Company (83-0940635)
Country of incorporation	United States of America
Address from where copies of the group financial statements can be obtained	500 South Buena Vista St. Burbank, California 91521-9722 USA

19 Related party transactions

The Company is a wholly owned subsidiary of Lucasfilm Entertainment Company Limited LLC whose ultimate parent is The Walt Disney Company. The Company has taken the exemption as provided by paragraph 33.1A of FRS 102 and does not disclose transactions with members of the same Group that are wholly owned. The address at which the consolidated financial statements of the ultimate parent company are publicly available is included in note 18.

The Company did not have any transactions during the period with related parties that were not part of the same Group.

20 Post balance sheet events

There are no current year post balance sheet events to disclose after the year end.