

# **Manga Entertainment Limited**

**Directors' report and accounts**

**30 June 1995**

Registered number 2202664



# Manga Entertainment Limited

## Directors' report and financial statements

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# Manga Entertainment Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 1995.

### Principal activities and business review

The results for the year are set out on the profit and loss account on page 4.

The company made a loss on ordinary activities after taxation of £2,562,190 (1994:£595,219). The principal activity of the company is video distribution.

### Proposed dividends and transfer to reserves

The directors do not propose the payment of a dividend.

### Directors and directors' interests

The directors who held office during the year were as follows:

J Chambers	(resigned 10 July 1995)
AM Frain	(resigned 1 November 1995)
JB Heyman	(resigned 3 January 1995)
MJ Preece	
A Macbeath	(resigned 31 March 1995)
M Simkins	(resigned 3 January 1995)
J Stannard	(appointed 1 January 1996)
L Guinness	(appointed 1 January 1996)
N Hughes	(appointed 1 August 1996)

The directors in office at the end of the financial year had no interest in the shares of the company.

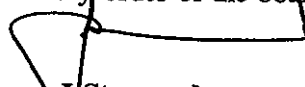
### Fixed assets

Movement in fixed assets are detailed in notes 9, 10 and 11 to the accounts.

### Auditors

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

By order of the board

  
J Stannard  
Director

40 St Peters Road  
London  
W6 9BB

# Manga Entertainment Limited

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

## Auditors' report to the members of Manga Entertainment Limited

We have audited the financial statements on pages 4 to 20.

### *Respective responsibilities of directors and auditors*

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### *Basis of opinion*

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

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

### *Opinion*

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 June 1995 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG  
Chartered Accountants  
Registered Auditors

26 September 1996

# Manga Entertainment Limited

## Profit and loss account for the year ended 30 June 1995

		1995 £	1994 £
<b>Turnover</b> - continuing operations	2	3,783,599	3,494,222
Cost of sales		(4,230,427)	(3,038,031)
		<hr/>	<hr/>
<b>Gross (loss)/profit</b>		(446,828)	456,191
Administrative expenses		(2,231,014)	(1,064,453)
		<hr/>	<hr/>
<b>Operating (loss)</b> - continuing operations	3-5	(2,677,842)	(608,262)
Interest receivable and similar income	6	217,961	92,393
Interest payable and similar charges	7	(102,309)	(79,350)
		<hr/>	<hr/>
<b>(Loss) on ordinary activities before and after taxation</b>	8	(2,562,190)	(595,219)
		<hr/>	<hr/>
<b>Retained loss for the financial year</b>		(2,562,190)	(595,219)
Retained loss brought forward		(2,755,016)	(2,159,797)
		<hr/>	<hr/>
Retained loss carried forward		(5,317,206)	(2,755,016)
		<hr/>	<hr/>

The company has no recognised gains or losses other than the loss for the year.

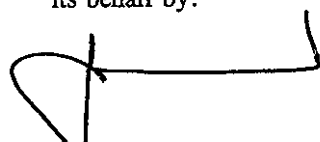
# Manga Entertainment Limited

## Balance sheet at 30 June 1995

	Note	1995		1994	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	9		68,060		54,751
Tangible assets	10		45,027		34,344
Investment in subsidiaries	11		699		2
			<u>113,786</u>		<u>89,097</u>
<b>Current assets</b>					
Film and video investments	12	3,320,378		1,771,737	
Stock	13	91,831		65,592	
Debtors	14	1,405,705		614,210	
Cash at bank and in hand		361,484		151,218	
		<u>5,179,398</u>		<u>2,602,757</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(1,451,174)</u>		<u>(998,834)</u>	
<b>Net current assets</b>			<u>3,728,224</u>		<u>1,603,923</u>
<b>Total assets less current liabilities</b>			<u>3,842,010</u>		<u>1,693,020</u>
<b>Creditors: amounts falling due after more than one year</b>	16	<u>(6,583,080)</u>		<u>(3,448,036)</u>	
<b>Net (liabilities)</b>			<u>(2,741,070)</u>		<u>(1,755,016)</u>
<b>Capital and reserves</b>					
Called up share capital	17		2,576,136		1,000,000
Profit and loss account			<u>(5,317,206)</u>		<u>(2,755,016)</u>
<b>Equity shareholders' funds</b>	18		<u>(2,741,070)</u>		<u>(1,755,016)</u>

A reconciliation of movement in shareholders' funds is given in note 18.

These financial statements were approved by the board of directors on 26 August 1996 and were signed on its behalf by:

  
J Stannard  
Director

# Manga Entertainment Limited

## Cash flow statement for the year ended 30 June 1995

	Note	1995		1994	
		£	£	£	£
Net cash outflow from operating activities	19	(4,335,075)		(1,424,614)	
<b>Return on investments and servicing of finance</b>					
Interest received		217,961		92,393	
Interest paid		(102,309)		(79,350)	
		<u>          </u>		<u>          </u>	
Net cash inflow from returns on investment and servicing of finance		115,652		13,043	
<b>Investing activities</b>					
Purchase of fixed assets		(57,552)		(80,684)	
Purchases of subsidiary undertakings		(799)		(2)	
		<u>          </u>		<u>          </u>	
Net cash (outflow) from investing activities		(58,351)		(80,686)	
Net cash (outflow) before financing		(4,277,774)		(1,492,257)	
<b>Financing</b>					
Issue of ordinary share capital	10			-	
Increase in long term loans		4,488,030		1,530,792	
		<u>          </u>		<u>          </u>	
Net cash inflow from financing		4,488,040		1,530,792	
Increase in cash and cash equivalents	20	<u>210,266</u>		<u>38,535</u>	



# Manga Entertainment Limited

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules and on a going concern basis, the validity of which is dependent on the continuing support of the ultimate holding company and third party funding (see note 16).

#### *Consolidation*

The company and its subsidiaries form a medium-sized group. The company has therefore taken advantage of the exemption given by section 248 of the Companies Act 1985 not to prepare group accounts.

#### *Foreign currency transactions*

Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Balances denominated in foreign currencies are translated at the rate ruling at the balance sheet date. All exchange differences are dealt with in the profit and loss account.

#### *Fixed assets*

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible and intangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Manga trademark	-	10% per annum
Motor vehicles and office equipment	-	25% - 33 1/3 %
Fixtures & fittings	-	20%

#### *Film and video investments*

Released film and video investments are valued at cost less amortisation which is calculated by applying the royalty rates specified in the film acquisition contract to the different income streams. Where the directors consider that future income streams are insufficient to write the film costs off over the remaining term of the agreement, an immediate write down is made.

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

# Manga Entertainment Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### *Pensions and other post retirement benefits*

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value.

#### *Leased assets*

Operating lease rentals are charged to the profit and loss account in the year in which they are incurred.

#### *Royalties receivable*

Royalties including non-returnable royalty advances and income from the licensing of distribution rights in overseas territories, are recognised on an accruals basis.

### 2 Turnover

Turnover consists of revenue from the sale of video cassettes and merchandising, dubbing income and the licensing of video, theatrical, merchandising and television broadcasting rights as follows:

	1995 £	1994 £
UK	2,728,381	2,944,641
Exports	1,055,218	549,581
	<hr/>	<hr/>
	3,783,599	3,494,222
	<hr/>	<hr/>

# Manga Entertainment Limited

## Notes (continued)

### 3 Operating loss

	1995	1994
	£	£
<i>Operating loss is stated after charging</i>		
Auditors' remuneration:		
Audit	12,000	6,500
Depreciation of tangible fixed assets	25,322	20,221
Amortisation of intangible fixed assets	8,238	6,084
Amounts provided against loans and investments in subsidiary undertakings	851,347	45,000
Hire of office equipment - rentals payable under operating leases	10,769	10,280
Hire of motor cars - rentals payable under operating leases	19,200	12,214
Rent payable - operating leases	41,049	38,108

### 4 Staff numbers and costs

The average number of persons (including directors) employed by the company during the year to 30 June 1995 was 19 (1994: 14):

	1995	1994
Salaries	396,814	290,611
Social security costs	40,282	31,600
Other pension costs	11,520	11,085
	<u>448,616</u>	<u>333,296</u>

# Manga Entertainment Limited

## Notes (continued)

### 5 Remuneration of directors

	1995 £	1994 £
Remuneration and benefits in kind	141,377	135,962
Pension contributions	11,520	11,085
	<u>152,897</u>	<u>147,047</u>

The emoluments in the period, excluding pension contributions, of the chairman were £nil (1994: £nil) and those of the highest paid director were £87,200 (1994:£82,200). The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid directors) were within the following ranges:

	Number of directors	
	1995	1994
£0 - £5,000	4	4
£50,001 - £55,000	1	1
£85,001 - £90,000	1	-
	<u>6</u>	<u>5</u>

The company paid £56,268 for consultancy services provided by Golden Square Films Limited, a company in which Mr J Chambers has a material beneficial interest.

### 6 Interest receivable and similar charges

	1995 £	1994 £
Waiver of interest on loan by parent undertaking	178,890	-
Bank interest receivable	10,935	5,139
Other interest receivable	1,003	1,590
Exchange gains	27,133	85,664
	<u>217,961</u>	<u>92,393</u>

# Manga Entertainment Limited

## Notes (continued)

### 7 Interest payable and similar charges

	1995	1994
	£	£
Interest payable to parent and fellow subsidiary undertakings	-	79,350
Interest payable on third party loan	<u>102,309</u>	<u>-</u>
	<u>102,309</u>	<u>79,350</u>

Neither the loan from the parent and fellow subsidiary undertaking or the third party loans are wholly repayable within five years.

### 8 Taxation

There is no corporation tax charge due to trading losses this year.

# Manga Entertainment Limited

## Notes (continued)

### 9 Intangible fixed assets

	Trademarks £
<i>Cost</i>	
At 1 July 1994	60,835
Additional expenditure	21,547
	<hr/>
At 30 June 1995	82,382
	<hr/>
<i>Amortisation</i>	
At 1 July 1994	6,084
Charged in year	8,238
	<hr/>
At 30 June 1995	14,322
	<hr/>
<i>Net book value</i>	
At 30 June 1995	68,060
	<hr/>
At 30 June 1994	54,751
	<hr/>

Intangible fixed assets comprises the cost of registering the Manga trademark in foreign territories and is written off over 10 years.

# Manga Entertainment Limited

## Notes (continued)

### 10 Tangible fixed assets

	Motor vehicles and office equipment £	Fixtures and fittings £	Total £
<i>Cost</i>			
At 1 July 1994	57,017	29,835	86,852
Additions	28,296	7,709	36,005
	<hr/>	<hr/>	<hr/>
At 30 June 1995	85,313	37,544	122,857
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 July 1994	34,997	17,511	52,508
Charge for year	17,812	7,510	25,322
	<hr/>	<hr/>	<hr/>
At 30 June 1995	52,809	25,021	77,830
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 30 June 1995	32,504	12,523	45,027
	<hr/>	<hr/>	<hr/>
At 30 June 1994	22,020	12,324	34,344
	<hr/>	<hr/>	<hr/>

# Manga Entertainment Limited

## Notes (continued)

### 11 Investment in subsidiaries

	Shares in group undertakings £
<i>Cost</i>	
At 1 July 1994	2
Additional investments	799
	<hr/>
At 30 June 1995	801
	<hr/>
<i>Provisions</i>	
At 1 July 1994	-
Charge for year	102
	<hr/>
At 30 June 1995	102
	<hr/>
<i>Net book value</i>	
At 30 June 1995	699
	<hr/>
At 30 June 1994	2
	<hr/>

Name	Country of registration	Class of shares held	Principal activity
Manga Publishing Limited	England and Wales	100% Ordinary shares	Publishing
Manga Studio Limited	England and Wales	100% Ordinary shares	Animation studio
Manga Entertainment Inc	USA	100% Ordinary shares	Video distribution



# Manga Entertainment Limited

## Notes (continued)

### 12 Film and video investments

	Film and video investments £
<i>Cost</i>	
At 1 July 1994	3,153,155
Additions	3,465,175
	<hr/>
At 30 June 1995	6,618,330
	<hr/>
<i>Amortisation and provisions</i>	
At 1 July 1994	1,381,418
Written off during the year	1,916,534
	<hr/>
At 30 June 1995	3,297,952
	<hr/>
<i>Net book value</i>	
At 30 June 1995	3,320,378
	<hr/>
At 30 June 1994	1,771,737
	<hr/>

### 13 Stocks

	1995 £	1994 £
Video stock	91,831	65,592
	<hr/>	<hr/>

# Manga Entertainment Limited

## Notes (continued)

### 14 Debtors

	1995 £	1994 £
Trade debtors	455,641	469,636
Amounts owed by subsidiary undertakings	715,649	7,699
Other debtors	64,941	97,150
Prepayments	169,474	39,725
	<u>1,405,705</u>	<u>614,210</u>

### 15 Creditors: amounts falling due within one year

	1995 £	1994 £
Trade creditors	940,862	378,778
Amounts owing to parent undertakings	-	223,140
Taxes and social security costs	18,015	43,706
Other creditors	110,261	70,061
Accruals	382,036	283,149
	<u>1,451,174</u>	<u>998,834</u>

### 16 Creditors: amounts falling due after more than one year

	1995 £	1994 £
Amounts owing to parent and fellow subsidiary undertakings	1,928,992	3,448,036
Third party loan	4,654,088	-
	<u>6,583,080</u>	<u>3,448,036</u>

The company has received an undertaking from its ultimate holding company that repayment of this loan will not be required until such time as the company has sufficient liquid funds to enable it to settle the liability without prejudicing the claims of other creditors. No interest is payable on this loan.

# Manga Entertainment Limited

## Notes (continued)

### 16 Creditors: amounts falling due after more than one year (continued)

The company has a third party loan facility of US\$12 million. At the year end the company had drawn down US\$7.4 million of this facility. The loan, together with any unpaid interest or accrued interest, is to be repaid at either the discretion of Manga Entertainment Limited or by four equal quarterly instalments, commencing 31 March 2000. Interest is payable at a rate of 1% above LIBOR quarterly. The loan is secured on the company assets taking priority over every other loan secured or otherwise.

### 17 Called up share capital

	1995 £	1994 £
<i>Authorised</i>		
Ordinary shares of £1 each	150	1,000,000
Deferred shares of £1 each	2,755,016	-
	<u>2,755,166</u>	<u>1,000,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	100	1,000,000
Deferred shares of £1 each	2,576,036	-
	<u>2,576,136</u>	<u>1,000,000</u>

On 1 February 1995 the authorised share capital of the company was increased by the creation of 60 ordinary shares of £1 and 1,755,106 deferred shares of £1. On the same date 999,910 ordinary shares were converted to deferred shares and 10 ordinary shares and 1,576,126 deferred shares were issued for cash at par. The 10 ordinary shares were issued pursuant to a loan agreement between Manga Entertainment Limited, Island International Limited and a third party (see note 16), in order to allow the third party to acquire 10% of the voting rights of the company.

In consideration for entering into the loan agreement Manga Entertainment Limited has granted the same third party the right to subscribe for a further 30% of the issued ordinary share capital of the company.

The option can be exercised between November 1998 and 31 December 2000.

# Manga Entertainment Limited

## Notes (continued)

### 17 Called up share capital (continued)

Deferred shares have no voting rights. Members of the company who own deferred shares are entitled to receive dividends from the company or participate in a surplus remaining on the winding up of the company, on the same basis as members who hold ordinary shares.

### 18 Reconciliation of movement in shareholders' funds

	1995 £	1994 £
Opening shareholders funds	(1,755,016)	(1,159,797)
Loss for the year	(2,562,190)	(595,219)
Issue of share capital	1,576,136	-
Closing shareholders' funds	<u>(2,741,070)</u>	<u>(1,755,016)</u>

### 19 Reconciliation of operating (loss) to net cash (outflow) from operating activities

	1995 £	1994 £
Operating (loss)	(2,677,842)	(608,262)
Depreciation charge	25,322	20,221
Amortisation intangible fixed assets	8,238	6,084
Provision on investment in subsidiary undertaking	102	-
Increase in film and video investments	(1,548,641)	(952,786)
Increase in stocks	(26,239)	(45,365)
Increase in debtors	(791,495)	(154,845)
Increase in creditors	675,480	310,339
Net cash (outflow) from operating activities	<u>(4,335,075)</u>	<u>(1,424,614)</u>

# Manga Entertainment Limited

## Notes (continued)

### 20 Analysis of changes in cash and cash equivalents during the period

	1995 £	1994 £
Balance at 1 July	151,218	112,683
Net cash inflow	210,266	38,535
	<hr/>	<hr/>
Balance at 30 June	361,484	151,218
	<hr/>	<hr/>

### 21 Analysis of changes in financing

	Share capital £	Amounts owing to parent and fellow subsidiary undertakings £	Long term loan £	Total £
Balance at 1 July 1994	1,000,000	3,671,176	-	4,671,176
Cash inflow from financing	10	(166,058)	4,654,088	4,488,040
Loan converted into shares	1,576,126	(1,576,126)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 1995	2,576,136	1,928,992	4,654,088	9,159,216
	<hr/>	<hr/>	<hr/>	<hr/>

Island International Limited converted £1,576,126 of its loan to Manga Entertainment Limited into deferred shares.

### 22 Lease commitments

	1995		1994	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	10,560	-	12,214
In the second to fifth years inclusive	41,000	17,292	41,000	10,560
	<hr/>	<hr/>	<hr/>	<hr/>
	41,000	27,852	41,000	22,774
	<hr/>	<hr/>	<hr/>	<hr/>

# Manga Entertainment Limited

## Notes *(continued)*

### 23      **Holding company**

The company's ultimate holding is Island International Limited, a company incorporated in the Bahamas.



PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

Report of the auditors to the directors of Manga Entertainment Limited  
pursuant to section 248(3) of the Companies Act 1985.

We have examined the financial statements of the company and each of its subsidiary undertakings for the year ended 30 June 1995.

*Basis of opinion*

The scope of our work for the purpose of this report was limited to confirming that the company is entitled to exemption from preparing group financial statements.

*Opinion*

In our opinion the company is entitled to the exemption from preparing group financial statements by Section 248 of the Companies Act 1985.

**KPMG**  
*Chartered Accountants*  
*Registered Auditors*