

# REGISTRAR OF COMPANIES

## Manga Entertainment Limited

### Annual report and audited financial statements

31 December 2010

Company Registration Number  
2202664 (England and Wales)

THURSDAY



A32 22/09/2011 216  
COMPANIES HOUSE

<b>Directors</b>	B Clark G E Curtis C Lomax M N Debevoise C P Albrecht
<b>Secretary</b>	J S Beabout
<b>Registered office</b>	6 Heddton Street London W1B 4BT
<b>Registered number</b>	2202664 (England and Wales)
<b>Auditors</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL
<b>Business Address</b>	6 Heddton Street London W1B 4BT
<b>Bankers</b>	Coutts & Co 440 Strand London WC2R 0QS

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## **Directors' report** 31 December 2010

The directors present their report with the financial statements of the company for the year ended 31 December 2010

### **Principal activity**

The principal activity of the company continues to be the licensing, marketing and distribution of film rights through DVD, theatrical, television and other channels

### **Review of business and future developments**

The profit and loss account is shown on page 6 of the financial statements

The calendar year 2010 saw a decline in consumer spending for home entertainment products, a fall in the physical volume of titles sold, continuing strong competition in acquiring suitable products at reasonable prices and the difficulty in selling DVDs into retailers. Despite this, the company saw an increase of 8% in net revenues to £3.6 million (2009 - £3.3 million)

The company's main focus is on its solid position in the niche film market of Japanese animation and continues to license products locally and take on sales and distribution arrangements for similar products

### **Dividends**

The directors do not recommend payment of an ordinary dividend and the retained profit for the year is transferred to reserves

### **Financial instruments and risk management**

The principal financial instruments of the company comprise bank balances, trade debtors, trade creditors and inter-company loans. The main purpose of these instruments is to raise funds for the company's operation and to reduce financial costs from external party borrowings

The company's activities expose it to a number of financial risks including credit risk, liquidity risk, interest rate risk and foreign currency risk

#### **Credit risk**

The company's maximum exposure to credit risk in relation to financial assets is represented by bank balances, trade and other receivables. The company has no significant concentration of credit risk except for loans to other companies within the group

**Financial instruments and risk management** (continued)

**Liquidity risk**

The company's policy on liquidity risk is to ensure that sufficient cash is available to fund ongoing operations. The company's ultimate controlling entity follows a policy of loaning money within the group to maximise liquidity benefits. Loans to the company are not subject to interest and are not repayable at short notice. The loan and cash balances are regularly reviewed to ensure the company has adequate funds to meet future working capital requirements.

**Interest rate risk**

The company's borrowings do not attract interest, and therefore exposure to interest rate risk is limited.

**Foreign currency risk**

The company's principal foreign currency exposure arises from transactions in foreign currencies. The company does not have a formal hedging policy but monitors its exposure to these currencies.

**Directors**

The directors in office during the year were as follows

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G E Curtis	
C Lomax	
B Clark	
M Debevoise	
C Albrecht	(appointed 1 January 2010)

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**Directors' responsibilities**

The directors are responsible for preparing the directors' report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

## **Directors' report** 31 December 2010

### **Directors' responsibilities** (continued)

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

Each of the directors 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 ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Signed on behalf of the board of directors



C Lomax  
Director

Approved by the board on 16/09/11

## **Independent auditor's report** 31 December 2010

### **Independent auditor's report to the shareholders of Manga Entertainment Limited**

We have audited the financial statements of Manga Entertainment Limited for the year ended 31 December 2010, which comprise the profit and loss account, the balance sheet, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities set out in the directors' report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **Opinion on financial statements**

In our opinion the financial statements

- ◆ give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006

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**Independent auditor's report** 31 December 2010

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

**Matters on which we are required to report by exception**

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

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

*Buzzacott LLP*

Simon Wax, Senior statutory auditor  
for and on behalf of Buzzacott LLP  
Statutory Auditor, Chartered Accountants  
130 Wood Street  
London  
EC2V 6DL

16.9.11



## Profit and loss account Year ended 31 December 2010

	Notes	Year ended 31 December 2010 £	Year ended 31 December 2009 £
<b>Turnover</b>	1	<b>3,575,144</b>	3,301,523
Cost of sales		<b>(2,295,824)</b>	(1,919,971)
<b>Gross profit</b>		<b>1,279,320</b>	1,381,552
Selling and distribution costs		<b>(700,390)</b>	(548,194)
Administrative expenses		<b>(207,225)</b>	(288,111)
<b>Operating profit</b>	2	<b>371,705</b>	545,247
Interest receivable and similar income		<b>240</b>	13,941
<b>Profit on ordinary activities before taxation</b>		<b>371,945</b>	559,188
Tax on profit on ordinary activities	4	—	6,134
<b>Retained profit for the financial period</b>	14	<b>371,945</b>	565,322

All of the company's activities in the current and preceding periods are derived from continuing operations

The company has no recognised gains or losses other than those shown above and therefore no separate statement of total recognised gains or losses has been presented

There is no difference between the results stated above and their historical cost equivalents

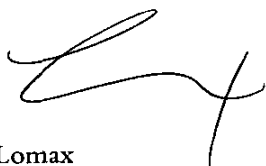
The notes on pages 8 to 16 form part of the audited financial statements

# **Balance sheet** 31 December 2010

	Notes	2010 £	2010 £	2009 £	2009 £
<b>Fixed assets</b>					
Tangible assets	5		<b>250,849</b>		223,055
Investments	6		<u>—</u>		<u>—</u>
			<b>250,849</b>		223,055
<b>Current assets</b>					
Stocks	7	<b>148,994</b>		123,525	
Debtors – receivable in more than one year	8	<b>4,618,328</b>		3,304,469	
Debtors – receivable in less than one year	8	<b>369,913</b>		584,919	
Cash at bank and in hand		<u>—</u>		<u>76,018</u>	
		<b>5,137,235</b>		4,088,931	
<b>Creditors</b> amounts falling due within one year	9	<b>(1,048,044)</b>		(519,707)	
<b>Net current assets</b>			<b>4,089,191</b>		3,569,224
<b>Total assets less current liabilities</b>			<b>4,340,040</b>		3,792,279
<b>Creditors</b> amounts falling due after more than one year	10		<b>(2,933,639)</b>		(2,845,561)
<b>Provision for liabilities</b>					
Other provisions	11		<b>(163,849)</b>		(76,111)
			<b>1,242,552</b>		870,607
<b>Capital and reserves</b>					
Called up share capital	12		<b>3,043,696</b>		3,043,696
Profit and loss account	13		<b>(4,377,180)</b>		(4,749,125)
<b>Non-equity interests</b>					
Called up share capital	12		<b>2,576,036</b>		2,576,036
<b>Shareholder's funds</b>	14		<b>1,242,552</b>		870,607

The notes on pages 8 to 16 form part of the audited financial statements

Approved on behalf of the board of directors and authorised for issue by



C Lomax  
Director

Approved on 16/5/11

**Manga Entertainment Limited**  
Company number: 2202664 (England and Wales)

## **Principal accounting policies 31 December 2010**

### **Basis of accounting**

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom Accounting Standards

### **Going concern**

The directors have received assurances from Starz Media, LLC and Manga Entertainment LLC that they will not demand repayment of amounts owed to them at the time of approval of these financial statements for a period of at least 12 months from the date of signing these financial statements or until the company is in a position to make such repayments. Starz Media Group, LLC has confirmed that it will provide continuing financial support to the company sufficient to allow it to continue trading for the foreseeable future.

On this basis, the directors consider it appropriate to prepare the financial statements on a going concern basis.

However, should this support be withdrawn or future funding not be available, the going concern basis used in preparing the company's financial statements may be invalid and adjustments would have to be made to reduce the value of assets to their realisable amount and to provide for any further liabilities which might arise. The financial statements do not include any adjustment to the company's assets or liabilities that might be necessary should this basis not continue to be appropriate.

### **Cash flow**

The financial statements do not include a cash flow statement because the company is a wholly owned subsidiary and the consolidated financial statements of its ultimate parent undertaking, in which the company is included, are publicly available. It is therefore exempt from the requirement to prepare such a statement under Financial Reporting Standard 1 'Cash flow statements'.

### **Turnover**

Turnover consists of sales of goods, theatrical income, film sales and film sales commission, at invoiced value excluding VAT and discounts. Turnover is recognised as earned when and to the extent that the company obtains the right to consideration in exchange for goods and services. Full value is taken for contracted sales when all conditions have been met.

### **Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated over 4 years on a reducing balance basis.

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## **Principal accounting policies 31 December 2010**

### **Investments**

Fixed asset investments are stated at cost less provision for permanent diminution in value. Investments are tested for impairment at each reporting period to ensure the carrying value does not exceed its recoverable amount.

### **Stocks**

Stocks of raw materials and finished goods are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items. Stock values are computed using the first in, first out method. Costs included are those incurred in bringing the product to its present location and condition, including purchase price and other directly attributable costs less trade discounts and subsidies.

The estimation technique used for the calculation of provisions against cost for obsolete and slow moving item uses historic sales as a basis for future stock level requirements.

### **Royalty reserves**

Royalty reserves included in prepayments consist of amounts paid by the company in advance of royalties due on film titles.

Royalty reserves are not recoverable if sales do not achieve the required level and therefore a provision for non recoverability is made based on projected future sales.

### **Pensions**

The pension cost charge in respect of defined contribution personal pension schemes is comprised of the contributions payable for the period.

### **Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of transaction. All differences are taken to profit and loss account.

### **Deferred taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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## **Principal accounting policies** 31 December 2010

### **Provision for sales returns**

The company operates a four months return policy on sales. The company therefore provides for sales returns based on an average of previous returns experience.

### **Group financial statements**

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a small-sized group. The company has therefore taken advantage of the exemption provided by section 401 of the Companies Act 2006 from preparing group financial statements.

## Notes to the financial statements 31 December 2010

### 1 Turnover

Turnover and the result before taxation arose solely from the company's principal activity carried out in the United Kingdom

### 2 Operating profit

Operating profit is stated after charging

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Depreciation of tangible fixed assets	233,259	167,573
Auditor's remuneration - for audit services	13,500	13,750
- for taxation services	2,660	2,600
- for other services	7,050	6,550
Foreign exchange loss	—	25,514

### 3 Staff costs

Staff costs were as follows

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Wages and salaries	149,048	169,956
Social security costs	15,171	17,486
Pension contributions	7,034	7,682
	171,253	195,124

No directors' remuneration was paid during the year ended 31 December 2010 (2009 £nil)

The average monthly number of employees during the year was as follows

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Office staff	4	4
Sales staff	1	1
	5	5

## Notes to the financial statements 31 December 2010

### 4 Taxation

The tax charge/(credit) on ordinary activities for the period was as follows

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Current tax		
UK corporation tax	—	—
Adjustment in respect of prior period	—	(6,134)
<b>Current tax charge/(credit)</b>	<b>—</b>	<b>(6,134)</b>

The tax assessed for the period is lower than the standard rate of corporation tax of 28% (2009 – 28%)  
The differences are explained below

Profit on ordinary activities before taxation	<b>371,945</b>	559,188
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28% (2009 – 28%)	<b>104,145</b>	156,573
Effects of		
Expenses not deductible for tax purposes	<b>343</b>	—
Utilisation of tax losses	<b>(104,421)</b>	(156,573)
Under provision of current tax	<b>(67)</b>	—
Adjustments in respect of prior period	—	(6,134)
	<b>—</b>	<b>(6,134)</b>

At 31 December 2010, deferred tax assets of approximately £516,000 (2009 – £616,000) in respect of tax losses have not been recognised by the company as the directors consider there is not sufficient evidence that this asset will be recoverable in the foreseeable future

### 5 Tangible fixed assets

	Master film costs £
<b>Cost</b>	
At 1 January 2010	<b>1,013,952</b>
Additions	<b>261,053</b>
At 31 December 2010	<b>1,275,005</b>
<b>Accumulated depreciation</b>	
At 1 January 2010	<b>790,897</b>
Charge for the year	<b>233,259</b>
At 31 December 2010	<b>1,024,156</b>
<b>Net book value</b>	
At 31 December 2010	<b>250,849</b>
At 31 December 2009	<b>223,055</b>

## Notes to the financial statements 31 December 2010

### 6 Fixed asset investments

	Shares in group undertakings £
<b>Cost</b>	
At 1 January 2010 & at 31 December 2010	200,000
<b>Impairment</b>	
At 1 January 2010	200,000
During the year	—
At 31 December 2010	200,000
<b>Net book value</b>	
At 31 December 2010	—
At 31 December 2009	—

#### Holdings of more than 20%:

The company owns the entire share capital of the following company

Company	Principal Activity	Country of registration or incorporation	Shares held	
			Class	%
<b>Subsidiary undertakings</b>				
Manga Entertainment LLC	Video distributors	USA	Ordinary	100

The aggregate amount of capital and reserves was £8,391,696 and the result of this undertaking for the year ended 31 December 2010 was a loss of £343,790 (unaudited)

### 7 Stocks

	2010 £	2009 £
Raw materials	—	36,778
Finished goods	148,994	86,747
	<b>148,994</b>	<b>123,525</b>



## Notes to the financial statements 31 December 2010

### 8 Debtors

	2010 £	2009 £
<i>Amounts receivable in more than one year</i>		
Amounts owed by group undertakings	<b>4,618,328</b>	3,304,469
	<b>4,618,328</b>	3,304,469
<i>Amounts receivable within one year</i>		
Trade debtors	<b>17,938</b>	27,851
Prepayments and accrued income	<b>312,314</b>	517,714
Other debtors	<b>39,661</b>	39,354
	<b>369,913</b>	584,919

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

	2010 £	2009 £
Trade creditors	<b>21,720</b>	17,509
Accruals and deferred income	<b>1,026,324</b>	502,198
	<b>1,048,044</b>	519,707

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

	2010 £	2009 £
Amounts owed to group undertakings	<b>2,933,639</b>	2,845,561

Amounts due to group undertakings are unsecured, interest free and not repayable within 12 months from the date of approval of the financial statements

### 11 Provision for liabilities

	2010 £	2009 £
Other provisions		
At 1 January 2010	<b>76,111</b>	49,134
Movement in the period	<b>87,738</b>	26,977
At 31 December 2010	<b>163,849</b>	76,111

Other provisions represent an estimate of the value of future returns of DVDs sold as the majority of sales are made on a sale or return basis

## Notes to the financial statements 31 December 2010

### 12 Share capital

	2010 £	2009 £
Allotted, called up and fully paid		
3,043,696 Ordinary shares of £1 each	<b>3,043,696</b>	3,043,696
2,576,036 Deferred shares of £1 each	<b>2,576,036</b>	2,576,036
	<b>5,619,732</b>	5,619,732

The deferred shares do not carry the right to any dividend or distribution and are not redeemable

They carry no votes at the general meetings of the company. At any separate general meeting of the holders of the deferred shares on any show of hands any shareholder present in person shall have a vote, and on a poll every such holder present in person or by proxy shall have one vote for each deferred share of which they are the holder.

On a winding up of the company, the deferred shareholders have a right to receive £1 per share, but only after the holders of the ordinary shares have received the nominal amount paid up on their shares plus a further £10 million on aggregate.

### 13 Statement of movements on profit and loss account

	2010 £	2009 £
Balance at 1 January	<b>(4,749,125)</b>	(5,314,447)
Profit for the period	<b>371,945</b>	565,322
Balance at 31 December	<b>(4,377,180)</b>	(4,749,125)

### 14 Reconciliation of movements in shareholder's funds

	2010 £	2009 £
Profit for the financial year	<b>371,945</b>	565,322
Opening shareholder's funds	<b>870,607</b>	305,285
Closing shareholder's funds	<b>1,242,552</b>	870,607

### 15 Pension costs

The company made payments to employees' personal pension schemes. The assets of these schemes are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions paid by the company and amounted to £7,034 (2009 - £7,682).

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**Notes to the financial statements** 31 December 2010

**16 Related party transactions**

The financial statements do not include disclosure of transactions between the company and entities that are part of the Liberty Media Corporation Group. This is because as a subsidiary whose shares are 100% controlled within the group the company is exempt from the requirement to disclose such transactions under Financial Reporting Standard 8 "Related Party Disclosures"

**17 Ultimate parent undertaking and control**

The largest and smallest group in which the results of the company are consolidated is that headed by Liberty Media Corporation, a company incorporated in the United States of America. The consolidated accounts, which are available to the public, may be requested from Liberty Media Corporation, 12300 Liberty Boulevard, Englewood, CO 80112, USA.

The immediate parent undertaking is Starz Media, LLC. The ultimate parent undertaking is Liberty Media Corporation, a company registered in the USA.

The directors do not believe there was a controlling party in either of the two periods.