Manga Entertainment Limited

Annual report and audited financial statements

31 December 2011

Company Registration Number
02202664 (England and Wales)

Directors	B Clark G E Curtis C Lomax C P Albrecht M Winokur
Secretary	J S Beabout
Registered office	6 Heddon Street London W1B 4BT
Registered number	02202664 (England and Wales)
Auditors	Buzzacott LLP 130 Wood Street London EC2V 6DL
Business Address	6 Heddon Street London W1B 4BT
Bankers	Coutts & Co 440 Strand London WC2R 0QS

Contents

The directors present their report with the financial statements of the company for the year ended 31 December 2011

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 business environment in 2011 has seen another difficult year with higher inflation, increase in VAT, negative growth in UK GDP in Q4 2011 and a rise in unemployment. This has led to a drop in disposable income, consumer confidence, consumer spending and lower retail sales

In the home entertainment market, 2011 has once again shown an overall decline in value and volume year on year of 4 9% and 7 2% respectively DV and Blue-ray discs are still one of the most popular ways to watch home entertainment with sales of over 207 million units with a value of £1 75 billion

2011 has been a challenging year but Manga has managed to maintain the same level of turnover as last year and significantly increase its profitability to £627,365 (2010 - £371,945)

The company's main focus is on its solid position in the niche film market of Japanese animation and continues to license 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

Financial instruments and risk management (continued)

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

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

B Clark	
G E Curtis	
C Lomax	
C P Albrecht	
M Debevoise	(resigned 15 December 2011)

Statement of directors' responsibilities
The directors are responsible for preparing the directors' report and financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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

Statement of directors' responsibilities (continued)

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Signed on behalf of the board of directors

C Lomax
Director

Approved by the board on 21/9/12

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 2011, 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

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 2011 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

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of disclosure made on page 8 concerning the company's ability to continue as a going concern At 31 December 2011, the company had net assets of £2,070,401 This includes an amount of £4,793,549 due from Anchor Bay Entertainment UK Limited The company has received assurances that this amount is recoverable however Anchor Bay Entertainment UK Limited note that it is reliant on its parent group to meet this liability Should this support be withdrawn, this would create a material uncertainty which may cast doubt over the company's ability to continue as a going concern

In the opinion of the directors, the company will be able to secure continuing support to enable it to trade for the foreseeable future The financial statements do not include any adjustments that would result if sufficient funding was not obtained by the company

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 21/9/12

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

Profit and loss account Year ended 31 December 2011

	Notes	**Year ended 31 December 2011 £**	Year ended 31 December 2010 £
Turnover	1	**3,537,132**	3,575,144
Cost of sales		**(2,079,952)**	(2,295,824)
Gross profit		**1,457,180**	1,279,320
Selling and distribution costs		**(635,509)**	(700,390)
Administrative expenses		**(194,306)**	(207,225)
Operating profit	2	**627,365**	371,705
Interest receivable and similar income		**—**	240
Profit on ordinary activities before taxation		**627,365**	371,945
Tax on profit on ordinary activities	4	**—**	—
Retained profit for the financial year	14	**627,365**	371,945

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 2011

	Notes	2011 £	2011 £	2010 £	2010 £
Fixed assets					
Tangible assets	5		**348,783**		250,849
Investments	6		—		—
			348,783		250,849
Current assets					
Stocks	7	**184,913**		148,994	
Debtors – receivable in more than one year	8	**4,793,549**		4,618,328	
Debtors – receivable in less than one year	8	**346,999**		369,913	
Cash at bank and in hand		**1,146**		—	
		5,326,607		5,137,235	
Creditors amounts falling due within one year	9	**(698,755)**		(1,048,044)	
Net current assets			**4,627,852**		4,089,191
Total assets less current liabilities			**4,976,635**		4,340,040
Creditors amounts falling due after more than one year	10		**(2,767,527)**		(2,933,639)
Provision for liabilities					
Other provisions	11		**(138,707)**		(163,849)
			2,070,401		1,242,552
Capital and reserves					
Called up share capital	12		**3,244,180**		3,043,696
Profit and loss account	13		**(3,749,815)**		(4,377,180)
Non-equity interests					
Called up share capital	12		**2,576,036**		2,576,036
Shareholder's funds	14		**2,070,401**		1,242,552

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

C Lomax
Director

Approved on 21/9/12

Manga Entertainment Limited
Company number: 02202664 (England and Wales)

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

Basis of accounting

The financıal statements are prepared under the hıstorıcal cost conventıon and ın accordance wıth the Companıes Act 2006 and applıcable Unıted Kıngdom Accountıng Standards

Going concern

The dırectors have receıved assurances from Starz Medıa, LLC and Manga Entertaınment LLC that they wıll not demand repayment of amounts owed to them at the tıme of approval of these financıal statements for a perıod of at least 12 months from the date of sıgnıng these financıal statements or untıl the company ıs ın a posıtıon to make such repayments Starz Medıa Group, LLC has confirmed that ıt wıll provıde contınuıng financıal support to the company suffıcıent to allow ıt to contınue tradıng for the foreseeable future

On thıs basıs, the dırectors consıder ıt appropriate to prepare the financıal statements on the goıng concern basıs

However, should thıs support be wıthdrawn or future fundıng not be avaılable, the goıng concern basıs used ın preparıng the company's financıal statements may be ınvalıd and adjustments would have to be made to reduce the value of assets to theır realısable amount and to provıde for any further lıabılıtıes whıch mıght arıse The financıal statements do not ınclude any adjustment to the company's assets or lıabılıtıes that mıght be necessary should thıs basıs not contınue to be appropriate

Cash flow

The financıal statements do not ınclude a cash flow statement because the company ıs a wholly owned subsıdıary and the consolıdated financıal statements of ıts ultımate parent undertakıng, ın whıch the company ıs ıncluded, are publıcly avaılable It ıs therefore exempt from the requırement to prepare such a statement under Fınancıal Reportıng Standard 1 'Cash flow statements'

Turnover

Turnover consısts of sales of goods, theatrıcal ıncome, film sales and film sales commıssıon, at ınvoıced value excludıng VAT and dıscounts Turnover ıs recognısed as earned when and to the extent that the company obtaıns the rıght to consıderatıon ın exchange for goods and servıces Full value ıs taken for contracted sales when all condıtıons have been met

Tangıble fixed assets

Tangıble fixed assets are stated at cost less deprecıatıon Deprecıatıon ıs calculated over 4 years on a reducıng balance basıs

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

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

1 Turnover

Turnover and the result before taxation arose solely from the company's principal activity carried out wholly within the United Kingdom and the Republic of Ireland

2 Operating profit

Operating profit is stated after charging

		Year ended 31 December 2011 £	Year ended 31 December 2010 £
Depreciation of tangible fixed assets		**293,419**	233,259
Auditor's remuneration	- for audit services	**13,500**	13,500
	- for taxation services	**2,660**	2,660
	- for other services	**7,050**	7,050

3 Staff costs and average number of employees

Staff costs were as follows

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Wages and salaries	**149,498**	149,048
Social security costs	**15,550**	15,171
Pension contributions	**6,528**	7,034
	171,576	171,253

No directors' remuneration was paid during the year ended 31 December 2011 (2010 £nil)

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

	Year ended 31 December 2011	Year ended 31 December 2010
Office staff	**4**	4
Sales staff	**1**	1
	5	5

4 Taxation

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

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Current tax		
UK corporation tax	**—**	—
Adjustment in respect of prior period	**—**	—
Current tax charge/(credit)	**—**	—

The tax assessed for the period is lower than the standard rate of corporation tax of 26 5% (2010 – 28%) The differences are explained below

Profit on ordinary activities before taxation	**627,365**	371,945
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 26 5% (2010 – 28%)	**166,209**	104,145
Effects of		
Expenses not deductible for tax purposes	**382**	343
Utilisation of tax losses	**(166,591)**	(104,421)
Under provision of current tax	**—**	(67)
Adjustments in respect of prior period	**—**	—
	—	—

At 31 December 2011, deferred tax assets of approximately £316,000 (2010 - £516,000) 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 £
Cost	
At 1 January 2011	**1,275,005**
Additions	**391,353**
At 31 December 2011	**1,666,358**
Accumulated depreciation	
At 1 January 2011	**1,024,156**
Charge for the year	**293,419**
At 31 December 2011	**1,317,575**
Net book value	
At 31 December 2011	**348,783**
At 31 December 2010	**250,849**

6 Fixed asset investments

	Shares in group undertakings £
Cost	
At 1 January 2011 & at 31 December 2011	**200,000**
Impairment	
At 1 January 2011	**200,000**
During the year	**—**
At 31 December 2011	**200,000**
Net book value	
At 31 December 2011	—
At 31 December 2010	—

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	%
Subsidiary undertakings				
Manga Entertainment LLC	Video distributors	USA	Ordinary	100

The aggregate amount of capital and reserves was £8,290,858 and the result of this undertaking for the year ended 31 December 2011 was a loss of £100,838 (unaudited)

7 Stocks

	2011 £	2010 £
Finished goods	**184,913**	148,994
	184,913	148,994

8 Debtors

	2011 £	2010 £
Amounts receivable in more than one year		
Amounts owed by group undertakings	**4,793,549**	4,618,328
	4,793,549	4,618,328
Amounts receivable within one year		
Trade debtors	**10,413**	17,938
Prepayments and accrued income	**298,732**	312,314
Other debtors	**37,854**	39,661
	346,999	369,913

9 Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	**31,347**	21,720
Accruals and deferred income	**665,951**	1,026,324
Other creditors	**1,457**	—
	698,755	1,048,044

10 Creditors: amounts falling due after more than one year

	2011 £	2010 £
Amounts owed to group undertakings	**2,767,527**	2,933,639

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

Other provisions	2011 £	2010 £
At 1 January 2011	**163,849**	76,111
Movement in the period	**(25,142)**	87,738
At 31 December 2011	**138,707**	163,849

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

12 Share capital

Allotted, called up and fully paid	2011 £	2010 £
3,244,180 (2010 3,043,698) Ordinary shares of £1 each	**3,244,180**	3,043,696
2,576,036 Deferred shares of £1 each	**2,576,036**	2,576,036
	5,820,216	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

During the year, 200,484 ordinary shares were issued at their par value of £1

13 Statement of movements on profit and loss account

	2011 £	2010 £
Balance at 1 January	**(4,377,180)**	(4,749,125)
Profit for the period	**627,365**	371,945
Balance at 31 December	**(3,749,815)**	(4,377,180)

14 Reconciliation of movements in shareholder's funds

	2011 £	2010 £
Shares issued during the year	**200,484**	—
Profit for the financial year	**627,365**	371,945
Opening shareholder's funds	**1,242,552**	870,607
Closing shareholder's funds	**2,070,401**	1,242,552

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 £6,528 (2010 - £7,034)

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 in the two years under review is Starz Media, LLC From 6 January 2012, following a group restructure, the immediate parent undertaking is Anchor Bar Entertainment, 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