

Manga Entertainment Limited

Directors' report and financial statements

For the period ended 31 March 2019

Registered number: 02202664



Company Information

Directors F Cazemajou-Flint (appointed 18 April 2019)
I Durndell (appointed 18 April 2019)
R Purini (appointed 18 April 2019)

Registered number 02202664

Registered office 25 Golden Square
London
W1F 9LU

Independent auditor Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Bankers Coutts & Co
440 Strand
London
WC2R 0QS

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Directors' report

For the period ended 31 March 2019

The directors present their report and the financial statements of Manga Entertainment Limited ('the company') for the 15 month period started 1 January 2018 and ended 31 March 2019.

Directors

The directors who served during the period were:

G S Collins (appointed 10 January 2018, resigned 18 April 2019)
J I Mazandarani (appointed 10 January 2018, resigned 18 April 2019)

On 18 April 2019, the company appointed I Durndell, F Cazemajou-Flint and R Purini as directors.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 to 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.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.


Directors' report (continued)

For the period ended 31 March 2019

Small companies

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



F Cazemajou-Flint
Director

Date: 20/12/2019

Independent auditor's report to the members of Manga Entertainment Limited

For the period ended 31 March 2019

Opinion

We have audited the financial statements of Manga Entertainment Limited (the 'company') for the period started 1 January 2018 and ended 31 March 2019, which comprise the Statement of income and retained earnings, the Statement of financial position and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report to the members of Manga Entertainment Limited (continued)

For the period ended 31 March 2019

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Independent auditor's report to the members of Manga Entertainment Limited (continued)

For the period ended 31 March 2019

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

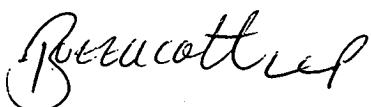
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Simon Wax (Senior statutory auditor)
for and on behalf of

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date:

20/12/19

Statement of income and retained earnings

For the period ended 31 March 2019

	Period ended 31 March 2019 £	Year ended 31 December 2017 £
Revenue	4,880,068	5,449,489
Cost of sales	(3,247,897)	(3,250,526)
Gross profit	1,632,171	2,198,963
Distribution costs	(590,977)	(822,627)
Administrative expenses	(1,399,679)	(1,194,615)
Operating (loss)/profit	(358,485)	181,721
Interest receivable and similar income	342	204
(Loss)/profit before tax	(358,143)	181,925
Tax on (loss)/profit	61,695	(36,724)
(Loss)/profit after tax	(296,448)	145,201
Retained earnings at the beginning of the period	(4,599,644)	(4,744,845)
(Loss)/profit for the period	(296,448)	145,201
Retained earnings at the end of the period	(4,896,092)	(4,599,644)

The notes on pages 8 to 15 form part of these financial statements.

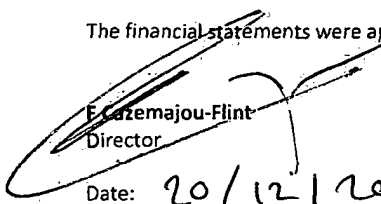
Statement of financial position

As at 31 March 2019

	Note	31 March 2019 £	31 December 2017 £
Fixed assets			
Intangible assets	4	831,977	940,797
Tangible assets	5	223,427	338,764
		<u>1,055,404</u>	<u>1,279,561</u>
Current assets			
Stocks	6	412,153	574,082
Debtors: amounts falling due within one year	7	779,387	1,403,402
Cash at bank and in hand		253,142	48,401
		<u>1,444,682</u>	<u>2,025,885</u>
Creditors: amounts falling due within one year	8	(1,479,397)	(1,969,434)
Net current (liabilities)/assets		<u>(34,715)</u>	<u>56,451</u>
Total assets less current liabilities		<u>1,020,689</u>	<u>1,336,012</u>
Provisions for liabilities			
Other provisions	9	(25,029)	(43,904)
		<u>(25,029)</u>	<u>(43,904)</u>
Net assets		<u>995,660</u>	<u>1,292,108</u>
Capital and reserves			
Called up share capital		5,820,497	5,820,497
Share premium account		71,255	71,255
Profit and loss account		(4,896,092)	(4,599,644)
		<u>995,660</u>	<u>1,292,108</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


F. Catemajou-Flint
Director

Date: 20/12/2019

The notes on pages 8 to 15 form part of these financial statements.

Notes to the financial statements

For the period ended 31 March 2019

1. General information

The company is a private company limited by shares and incorporated in England & Wales. Its registered office and principal place of business is 25 Golden Square, London, W1F 9LU. The registered number is 02202664.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

The financial statements have been prepared for the 15 month period started 1 January 2018 and ended 31 March 2019. This was to bring the company's reporting period in line with its new parent company. As a result, the comparative amounts presented in the financial statements and related notes are not entirely comparable.

The following principal accounting policies have been applied:

2.2 Revenue

Revenue includes the sale of DVDs, which is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue generated from the licensing, marketing and distribution and trading of feature films, television and video programming, television and film production and merchandising sales is recognised when:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.3 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Notes to the financial statements

For the period ended 31 March 2019

2. Accounting policies (continued)

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Computer equipment	- 33% straight line
Master film costs	- 85% in the first year, 9% in the second year and 6% in the third year

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of income and retained earnings.

2.5 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.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.6 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.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Notes to the financial statements

For the period ended 31 March 2019

2. Accounting policies (continued)

2.8 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.9 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.10 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.11 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.12 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

Notes to the financial statements

For the period ended 31 March 2019

2. Accounting policies (continued)

2.13 Taxation

Tax is recognised in profit or loss, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Employees

The average monthly number of employees, including the directors, during the period was as follows:

	2019 No.	2017 No.
Office staff	7	7
Sales staff	2	3
	<u>9</u>	<u>10</u>

Notes to the financial statements

For the period ended 31 March 2019

4. Intangible assets

	Investment in films £	Development costs £	Total £
Cost			
At 1 January 2018	3,796,144	461,499	4,257,643
Additions	810,190	-	810,190
Disposals	-	(69,021)	(69,021)
At 31 March 2019	4,606,334	392,478	4,998,812
Amortisation			
At 1 January 2018	3,316,846	-	3,316,846
Charge for the period	849,989	-	849,989
At 31 March 2019	4,166,835	-	4,166,835
Net book value			
At 31 March 2019	439,499	392,478	831,977
At 31 December 2017	479,298	461,499	940,797

Notes to the financial statements

For the period ended 31 March 2019

5. Tangible fixed assets

	Computer equipment £	Master film costs £	Total £
Cost or valuation			
At 1 January 2018	10,549	2,985,942	2,996,491
Additions	-	358,278	358,278
At 31 March 2019	10,549	3,344,220	3,354,769
Depreciation			
At 1 January 2018	6,739	2,650,988	2,657,727
Charge for the period	3,810	469,805	473,615
At 31 March 2019	10,549	3,120,793	3,131,342
Net book value			
At 31 March 2019	-	223,427	223,427
At 31 December 2017	3,810	334,954	338,764

6. Stocks

	31 March 2019 £	31 December 2017 £
Finished goods	412,153	574,082

Notes to the financial statements

For the period ended 31 March 2019

7. Debtors

	31 March 2019 £	31 December 2017 £
Trade debtors	479,757	1,042,505
Other debtors	97,596	36,382
Prepayments and accrued income	202,034	324,515
	<u>779,387</u>	<u>1,403,402</u>

8. Creditors: amounts falling due within one year

	31 March 2019 £	31 December 2017 £
Trade creditors	566,058	714,530
Amounts owed to group undertakings	979	-
Corporation tax	-	36,724
Other taxation and social security	169,803	262,175
Other creditors	17,897	-
Accruals and deferred income	724,660	956,005
	<u>1,479,397</u>	<u>1,969,434</u>

9. Provisions

	Other provisions £
At 1 January 2018	43,904
Utilised in period	(18,875)
At 31 March 2019	<u>25,029</u>

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

For the period ended 31 March 2019

10. Pension commitments

The company makes payments to employees' personal pension schemes. The assets of these schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions paid by the company and amounted to £30,161 (year ended 31 December 2017 - £29,618). At 31 March 2019, £3,262 remained payable in relation to these pension schemes (31 December 2017 - £3,262).

11. Commitments under operating leases

At 31 March 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	31 March 2019 £	31 December 2017 £
Land and buildings		
Not later than 1 year	30,075	120,300
Later than 1 year and not later than 5 years	-	60,150
	<u>30,075</u>	<u>180,450</u>

12. Related party transactions

During the period, £1,250 (year ended 31 December 2017 - £nil) was advanced to an entity in which one of the directors has a significant influence. There was no amount outstanding at 31 March 2019 (31 December 2017 - £nil).

13. Controlling party

At 31 March 2019, there was no ultimate controlling party of the company.

On 18 April 2019, the company was acquired by FUNimation Productions, LLC ('FUNimation'). There is no ultimate controlling party of FUNimation.

FUNimation's registered office is 1200 Lakeside Parkway Suite 100 Flower Mound, TX 75028, United States.