

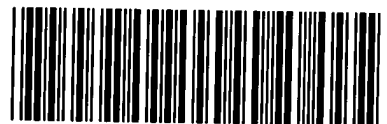
**Manga Entertainment
Limited**

**Directors' report and financial
statements**

For the year ended 31 December 2017

Registered number: 02202664

TUESDAY



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04/09/2018
COMPANIES HOUSE

Company Information

Directors	G S Collins (appointed 10 January 2018) J I Mazandarani (appointed 10 January 2018)
Registered number	02202664
Registered office	6 Heddon Street London W1B 4BT
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 year ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Director

The director who served during the year was:

C Lomax (resigned 28 December 2017)

On 10 January 2018, the company appointed G S Collins and J I Mazandarani 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.

Small companies note

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.



J I Mazandarani
Director

Date: 31-Aug-2018

Independent auditor's report to the members of Manga Entertainment Limited
For the year ended 31 December 2017

Opinion

We have audited the financial statements of Manga Entertainment Limited (the 'company') for the year ended 31 December 2017, 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 December 2017 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.

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.

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.

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

For the year ended 31 December 2017

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 year 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.

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.

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

For the year ended 31 December 2017

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: 3/9/18

Statement of income and retained earnings

For the year ended 31 December 2017

	2017 £	2016 £
Revenue	5,449,489	4,892,669
Cost of sales	(3,250,526)	(2,942,879)
Gross profit	2,198,963	1,949,790
Distribution costs	(822,627)	(617,714)
Administrative expenses	(1,194,615)	(888,226)
Operating profit	181,721	443,850
Interest receivable and similar income	204	211
Profit before tax	181,925	444,061
Tax on profit	(36,724)	(88,985)
Profit after tax	145,201	355,076
Retained earnings at the beginning of the year	(4,744,845)	(5,099,921)
Profit for the year	145,201	355,076
Retained earnings at the end of the year	(4,599,644)	(4,744,845)

The notes on pages 7 to 14 form part of these financial statements.

Statement of financial position

As at 31 December 2017

	Note	2017 £	As restated 2016 £
Fixed assets			
Intangible assets	4	940,797	825,754
Tangible assets	5	338,764	424,584
		<u>1,279,561</u>	<u>1,250,338</u>
Current assets			
Stocks	6	574,082	451,593
Debtors: amounts falling due within one year	7	1,403,402	1,708,639
Cash at bank and in hand		48,401	172,144
		<u>2,025,885</u>	<u>2,332,376</u>
Creditors: amounts falling due within one year	8	(1,969,434)	(2,396,349)
Net current assets/(liabilities)		<u>56,451</u>	<u>(63,973)</u>
Total assets less current liabilities		<u>1,336,012</u>	<u>1,186,365</u>
Provisions for liabilities			
Other provisions	9	(43,904)	(39,458)
		<u>(43,904)</u>	<u>(39,458)</u>
Net assets		<u><u>1,292,108</u></u>	<u><u>1,146,907</u></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		(4,599,644)	(4,744,845)
		<u><u>1,292,108</u></u>	<u><u>1,146,907</u></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:


J I Mazandarani
Director

Date: 31-Aug-2018

The notes on pages 7 to 14 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2017

1. General information

The company is a private company limited by shares and incorporated in England & Wales. Its registered office is 6 Heddon Street, London, W1B 4BT and its 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 following principal accounting policies have been applied:

2.2 Revenue

Revenue consists of sales of goods, theatrical income, film sales and film sales commission. It 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.

2.3 Revenue

Revenue comprises the amount receivable for goods and service provided in the normal course of business, net of value added tax (or equivalent), returns, rebates and discounts.

Revenue is generated from the licensing, marketing and distribution and trading of feature films, television and video programming, television and film production and merchandising sales. The following summarises the company's revenue recognition policies:

- Revenue is recognised when there is reasonable contractual certainty that the revenue is receivable and will be received.
- Revenue from the sale of home entertainment physical DVD and Blu-ray goods are recognised at the point at which the goods are despatched. A provision is made for returns based on historical trends.
- Revenue from the sale of home entertainment goods operating under scanned based trading is recognised at the point of sale of the goods. The company maintains ownership of the goods within retailers' warehouses or stores until such time the items are scanned at the point of sale. No provision is made for returns of goods under scanned based trading.
- Revenue from television licensing represents the contractual value of licence fee which is recognised when the licence term has commenced, the production is available for delivery and collection of the fee is reasonably assured.
- Revenue from the exploitation of television and film rights is recognised based upon the completion of contractual obligation relevant to individual agreement.
- Revenue from digital sales is recognised on transmission or during the period of transmission of the programme.

Notes to the financial statements

For the year ended 31 December 2017

2. Accounting policies (continued)

2.4 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.

2.5 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.

2.6 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.

2.7 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.

2.8 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 year ended 31 December 2017

2. Accounting policies (continued)

2.9 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

2.10 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.

2.11 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.

2.12 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 the Statement of income and retained earnings 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.

2.13 Interest income

Interest income is recognised in the Statement of income and retained earnings using the effective interest method.

2.14 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 the Statement of income and retained earnings in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position 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 year ended 31 December 2017

2. Accounting policies (continued)

2.15 Taxation

Tax is recognised in the Statement of income and retained earnings, 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 year was as follows:

	2017 No.	2016 No.
Office staff	7	6
Sales staff	3	3
	<u>10</u>	<u>9</u>

Notes to the financial statements
For the year ended 31 December 2017

4. Intangible assets

	Investment in films £	Development costs £	Total £
Cost			
Prior year adjustment	3,255,645	-	3,255,645
At 1 January 2017 (as restated)	3,255,645	-	3,255,645
Additions	540,499	-	540,499
Additions - internal	-	461,499	461,499
At 31 December 2017	3,796,144	461,499	4,257,643
Amortisation			
Prior year adjustment	2,429,891	-	2,429,891
At 1 January 2017 (as restated)	2,429,891	-	2,429,891
Charge for the year	886,955	-	886,955
At 31 December 2017	3,316,846	-	3,316,846
Net book value			
At 31 December 2017	479,298	461,499	940,797
At 31 December 2016 (as restated)	825,754	-	825,754

Notes to the financial statements

For the year ended 31 December 2017

5. Tangible fixed assets

	Computer equipment £	Master film costs £	Total £
Cost or valuation			
At 1 January 2017	10,549	3,886,162	3,896,711
Additions	-	378,470	378,470
At 31 December 2017	10,549	4,264,632	4,275,181
Depreciation			
At 1 January 2017	3,223	3,468,904	3,472,127
Charge for the year	3,516	460,774	464,290
At 31 December 2017	6,739	3,929,678	3,936,417
Net book value			
At 31 December 2017	3,810	334,954	338,764
At 31 December 2016	7,326	417,258	424,584

6. Stocks

	2017 £	2016 £
Finished goods	574,082	451,593

Stock recognised in cost of sales during the year as an expense was £855,278 (2016 - £737,429).

No impairment loss (2016 - £nil) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

7. Debtors

	2017 £	As restated 2016 £
Trade debtors	1,042,505	1,250,483
Other debtors	36,382	65,394
Prepayments and accrued income	324,515	392,762
	1,403,402	1,708,639

Notes to the financial statements

For the year ended 31 December 2017

8. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	714,530	861,907
Amounts owed to group undertakings	-	218
Corporation tax	36,724	88,985
Other taxation and social security	262,175	244,865
Accruals and deferred income	956,005	1,200,374
	<u>1,969,434</u>	<u>2,396,349</u>

9. Provisions

	Other provisions £
At 1 January 2017	39,458
Charged to profit or loss	4,446
At 31 December 2017	<u>43,904</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.

10. Prior year adjustment

Investments in film, previously recognised as debtors, have been reclassified as intangible fixed assets to bring the financial statements in line with industry standards. This prior year adjustment has impacted the financial statements for the year ended 31 December 2016 by increasing intangible fixed assets by £825,754 and decreasing debtors due within one year by £825,754. There is no impact on net assets or profit or loss.

11. 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 £29,618 (2016 - £21,628). At 31 December 2017, £3,262 remained payable in relation to these pension schemes (2016 - £4,405).

Notes to the financial statements

For the year ended 31 December 2017

12. Commitments under operating leases

At 31 December 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Land and buildings		
Not later than 1 year	120,300	120,300
Later than 1 year and not later than 5 years	60,150	120,300
Later than 5 years	-	60,150
	<u>180,450</u>	<u>300,750</u>

13. Related party transactions

During the year, £nil (2016 - £303,000) was advanced to a company in which one of the directors has a significant influence. At 31 December 2017, £nil (2016 - £28,736) was due from the related company to Manga Entertainment Limited.