

**COMPANY REGISTRATION NUMBER 5294258**

**MATERIAL ENTERTAINMENT  
FINANCIAL STATEMENTS  
31 DECEMBER 2013**



**MATERIAL ENTERTAINMENT**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2013**

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**MATERIAL ENTERTAINMENT**  
**OFFICERS AND PROFESSIONAL ADVISERS**

**The board of directors**

E A Romano  
R J Fox  
N G Green  
T H Green

**Company secretary**

RB Secretariat Limited

**Registered office**

Eagle House  
108-110 Jermyn Street  
London  
SW1Y 6HB

**Auditor**

Shipleys LLP  
Chartered Accountants  
& Statutory Auditor  
10 Orange Street  
Haymarket  
London  
WC2H 7DQ

# **MATERIAL ENTERTAINMENT**

## **DIRECTORS' REPORT**

### **YEAR ENDED 31 DECEMBER 2013**

The directors present their report and the financial statements of the company for the year ended 31 December 2013.

#### **PRINCIPAL ACTIVITIES**

The principal activity of the company during the year was the development, production and exploitation of film projects.

#### **DIRECTORS**

The directors who served the company during the year were as follows:

E A Romano  
R J Fox  
N G Green  
T H Green

T H Creighton was appointed as a director on 8 September 2014.

D Bisoni was appointed as a director on 8 September 2014.

E A Romano resigned as a director on 8 September 2014.

R J Fox resigned as a director on 8 September 2014.

#### **DIRECTORS' RESPONSIBILITIES**

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 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 year.

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

- select suitable accounting policies 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 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.

# **MATERIAL ENTERTAINMENT**

## **DIRECTORS' REPORT** *(continued)*

### **YEAR ENDED 31 DECEMBER 2013**

Each of the persons who is a director at the date of approval of this report confirm that:

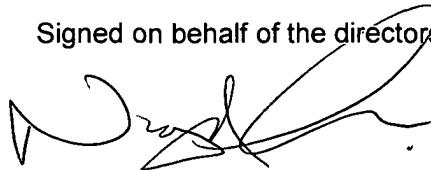
- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

#### **SMALL COMPANY PROVISIONS**

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

Registered office:  
Eagle House  
108-110 Jermyn Street  
London  
SW1Y 6HB

Signed on behalf of the directors



N G GREEN  
Director

Approved by the directors on .....17/12/2014

# **MATERIAL ENTERTAINMENT**

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MATERIAL ENTERTAINMENT**

**YEAR ENDED 31 DECEMBER 2013**

We have audited the financial statements of Material Entertainment for the year ended 31 December 2013. 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 shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 and express an opinion on 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 Ethical Standards for Auditors.

### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 2013 and of its loss 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.

### **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.

## **MATERIAL ENTERTAINMENT**

### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MATERIAL ENTERTAINMENT *(continued)***

**YEAR ENDED 31 DECEMBER 2013**

#### **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; 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' exemption in preparing the directors' report.



STEWART JELL (Senior Statutory  
Auditor)  
For and on behalf of  
SHIPLEYS LLP  
Chartered Accountants  
& Statutory Auditor

10 Orange Street  
Haymarket  
London  
WC2H 7DQ

.....18/12/14.....

**MATERIAL ENTERTAINMENT**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2013**

	Note	2013 £	2012 £
<b>TURNOVER</b>		1,120	2,420
Administrative expenses		(19,327)	(20,269)
<b>OPERATING LOSS</b>	2	(18,207)	(17,849)
Interest receivable		4,248	4,503
Interest payable and similar charges		(694)	(707)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(14,653)	(14,053)
Tax on loss on ordinary activities	3	–	–
<b>LOSS FOR THE FINANCIAL YEAR</b>		(14,653)	(14,053)
Balance brought forward		(6,616,068)	(6,602,015)
Balance carried forward		<u>(6,630,721)</u>	<u>(6,616,068)</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the  
year as set out above.

The notes on pages 8 to 11 form part of these financial statements.



# MATERIAL ENTERTAINMENT

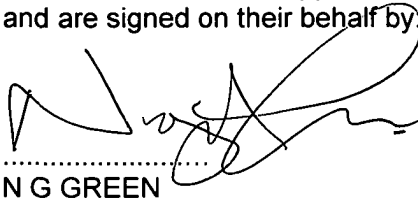
## BALANCE SHEET

31 DECEMBER 2013

	Note	2013 £	2012 £
<b>FIXED ASSETS</b>			
Investments	4	—	2
<b>CURRENT ASSETS</b>			
Debtors	5	13,304	2,157,844
Cash at bank		1,984,471	3,098,974
		<u>1,997,775</u>	<u>5,256,818</u>
<b>CREDITORS: Amounts falling due within one year</b>	6	<u>(18,168)</u>	<u>(3,262,560)</u>
<b>NET CURRENT ASSETS</b>		<u>1,979,607</u>	<u>1,994,258</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,979,607</u>	<u>1,994,260</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	8	8,610,328	8,610,328
Profit and loss account		<u>(6,630,721)</u>	<u>(6,616,068)</u>
<b>SHAREHOLDERS' FUNDS</b>	9	<u>1,979,607</u>	<u>1,994,260</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

These accounts were approved by the directors and authorised for issue on 18/12/14, and are signed on their behalf by:

  
 N G GREEN

Company Registration Number: 5294258

The notes on pages 8 to 11 form part of these financial statements.

**MATERIAL ENTERTAINMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2013**

**1. ACCOUNTING POLICIES**

**Basis of accounting**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable UK accounting standards.

**Consolidation**

In the opinion of the directors, the company and its subsidiary undertakings comprise a small group. The company has therefore taken advantage of the exemption provided by Section 398 of the Companies Act 2006 not to prepare group accounts.

**Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is small.

**Turnover**

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

**Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

**Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**MATERIAL ENTERTAINMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2013**

**1. ACCOUNTING POLICIES** *(continued)*

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

**Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**Going concern**

On the 3 September 2013, New Line Productions (UK) Limited and Production Investments Limited entered in to a deed with Material Entertainment, in relation to the termination of the Material Entertainment joint venture agreement dated 14 December 2004 and the subscription agreement dated 15 May 2005. Thus the accounts have been prepared on this basis.

**2. OPERATING LOSS**

Operating loss is stated after charging/(crediting):

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Auditor's fees	8,000	8,000
Net loss/(profit) on foreign currency translation	<u>63</u>	<u>(6)</u>

**3. TAXATION ON ORDINARY ACTIVITIES**

**Factors affecting current tax charge**

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 23.25% (2012 - 24.50%).

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Loss on ordinary activities before taxation	<u>(14,653)</u>	<u>(14,053)</u>
Loss on ordinary activities by rate of tax	(3,409)	(3,443)
Capital allowances for period in excess of depreciation	(237)	(315)
Unrelieved tax losses	<u>3,646</u>	<u>3,758</u>
Total current tax	<u>-</u>	<u>-</u>

**MATERIAL ENTERTAINMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2013**

**4. INVESTMENTS**

	Subsidiary undertakings
	£
<b>COST</b>	
At 1 January 2013	2
Disposals	(2)
	<u>-</u>
At 31 December 2013	<u>-</u>
<b>NET BOOK VALUE</b>	
At 31 December 2013	-
	<u>-</u>
At 31 December 2012	<u>2</u>

The company disposed of 100% of the ordinary share capital of RFBR Limited and Circle6 Limited during the year. Both companies are incorporated in England and Wales.

**5. DEBTORS**

	2013	2012
	£	£
Amounts owed by group undertakings	10,258	2,157,597
Other debtors	3,046	247
	<u>13,304</u>	<u>2,157,844</u>

**6. CREDITORS: Amounts falling due within one year**

	2013	2012
	£	£
Trade creditors	8,415	8,415
Amounts owed to group undertakings	186	3,228,519
Corporation tax	17	1,220
Other creditors	9,550	24,406
	<u>18,168</u>	<u>3,262,560</u>

**7. RELATED PARTY TRANSACTIONS**

The company was under the joint control of New Line Productions (UK) Limited and Production Investments Limited throughout the current and previous year. Both companies are registered in England and Wales.

No transactions with related parties were undertaken such as are required to be disclosed under FRS 8.

**MATERIAL ENTERTAINMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2013**

**8. SHARE CAPITAL**

**Allotted, called up and fully paid:**

	<b>2013</b>		<b>2012</b>	
	<b>No</b>	<b>£</b>	<b>No</b>	<b>£</b>
Ordinary shares of £1 each	<u>8,610,328</u>	<u>8,610,328</u>	<u>8,610,328</u>	<u>8,610,328</u>

**9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Loss for the financial year	(14,653)	(14,053)
Opening shareholders' funds	<u>1,994,260</u>	<u>2,008,313</u>
Closing shareholders' funds	<u>1,979,607</u>	<u>1,994,260</u>

**10. ULTIMATE PARENT COMPANY**

The company is owned 50% by New Line Productions (UK) Limited and Production Investments Limited, both of which are companies registered in England and Wales.