

Company Registration No. 06077708 (England & Wales)

MGM CHANNEL POLAND LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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MGM CHANNEL POLAND LIMITED

COMPANY INFORMATION

Directors	L Malnay M Moriarty
Company number	06077708
Registered office	105-109 Salusbury Road London NW6 6RG
Auditors	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB
Solicitors	Taylor Wessing 5 New Street Square London EC4A 3TW

MGM CHANNEL POLAND LIMITED

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MGM CHANNEL POLAND LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

Principal activities, business review and future developments

The principal activity of the company is the operation of The MGM HD Channel. MGM HD is a primarily movie driven subscription and advertising supported linear television channel which is transmitted with a capability to be received in both standard definition and high definition formats on an encrypted basis with Polish language voice over narration (and/or subtitles) and distributed to subscribers of DTH, cable, ADSL, MMDS and SMATV television systems in Poland.

The channel has been licensed as a television licensable content service (License No. 1138) by the Office of Communications in the United Kingdom (Ofcom) and the broadcast of the channel is subject to compliance with the orders, directions, codes and guidelines issued by Ofcom and/or the Broadcast Committee of Advertising Practice from time to time.

The board is pleased with the result for the year which ended with a profit before tax of \$879,506 (2014: \$861,839).

The improved operating performance of the channel in 2015 was due to a large extent in the growth in subscribers on the DTH platform, which was the primary pay television platform on which the channel is distributed in Poland. In November 2012, the platform was merged with the pay television platform Cyfra+ owned by Canal+ to form a combined pay TV platform called nc+. As a result of these developments the directors expect a continued expansion in operations during 2016 which could increase opportunities to acquire high quality content result in increased viewing figures for the MGM HD channel and greater advertising revenue.

Post Balance Sheet Event

Subsequent to the year end, on 4 April 2016 AMC Network International Broadcasting Limited purchased from ITI Neovision S.A. their 45% shareholding in the company.

Key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. As far as can be predicted, the directors do not foresee any change to the rules and regulations for MGM HD that would have a material adverse impact on its business.

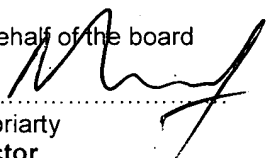
Along with purely financial parameters the company has also defined performance figures that cannot be measured directly in financial terms. These particularly include channel audience shares. These shares are analysed constantly as a part of early risk detection, and at the same time serve as performance indicators of the channels programming quality and brand value in generating revenue.

Despite the economic crisis which has resulted in a much higher level of commercial competition the development in audience share was satisfactory during 2015.

Financial risk management

Details of financial instruments and policies with regard to financial risk management are given in note 7 to the financial statements.

On behalf of the board


M Moriarty
Director

Date 26/9/16

MGM CHANNEL POLAND LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and financial statements for the year ended 31 December 2015.

Results and dividends

The results for year are set out on page 5. No dividends have been paid or proposed in the year (2014: £nil).

Directors

The following directors have held office since 1 January 2015:

D R Warner (Resigned on 4 April 2016)

D Miller-Jones (Resigned on 4 April 2016)

M Moriarty

L Malnay

M Rougeron (Appointed on 14 January 2014 and resigned on 4 April 2016)

Directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the profit or loss of the company for that period.

In preparing these financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

Auditors

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

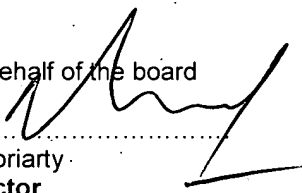
MGM CHANNEL POLAND LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board


M Moriarty
Director

Date 26/9/16

MGM CHANNEL POLAND LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MGM CHANNEL POLAND LIMITED

We have audited the financial statements of MGM Channel Poland Limited for the year ended 31 December 2015 set out on pages 5 to 17. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, 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 auditors' 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 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 (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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs, as adopted by the European Union; and
- have been prepared in accordance with the provisions of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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.

RSM UK Audit LLP

Suneel Gupta

For and on behalf of RSM UK Audit LLP (Formerly Baker Tilly UK Audit LLP), Statutory Auditor

Chartered Accountants

25 Farringdon Street

London

EC4A 4AB

29 September 2016

MGM CHANNEL POLAND LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

		Year ended 31 December 2015 USD\$	Year ended 31 December 2014 USD\$
	Notes		
Revenue		5,108,397	4,873,212
Cost of sales		(4,118,627)	(3,824,419)
Gross profit		<u>989,770</u>	<u>1,048,793</u>
Administrative expenses		(110,264)	(186,965)
Operating Profit	2	<u>879,506</u>	<u>861,828</u>
Finance income		-	11
Profit before taxation		<u>879,506</u>	<u>861,839</u>
Taxation	3	(178,102)	(183,795)
Profit for the year and total comprehensive income for the year		<u><u>701,404</u></u>	<u><u>678,044</u></u>

The income statement has been prepared on the basis that all operations are continuing operations.

MGM CHANNEL POLAND LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital USD\$	Retained earnings USD\$	Total equity USD\$
For the year ended 31 December 2015			
Balance at 1 January 2015	198	2,145,794	2,145,992
Profit for the year	-	701,404	701,404
Balance at 31 December 2015	198	2,847,198	2,847,396
	Share capital USD\$	Retained earnings USD\$	Total equity USD\$
For the year ended 31 December 2014			
Balance at 1 January 2014	198	1,467,750	1,467,948
Profit for the year	-	678,044	678,044
Balance at 31 December 2014	198	2,145,794	2,145,992

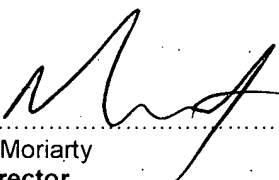
MGM CHANNEL POLAND LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2015

	Notes	31 Dec 2015		31 Dec 2014	
		USD\$	USD\$	USD\$	USD\$
Current assets					
Programme rights		893,864		878,066	
Trade and other receivables	4	2,312,987		1,589,896	
Prepayments		3,157		3,321	
Cash and cash equivalents		71,554		60,500	
		<u>3,281,562</u>		<u>2,531,783</u>	
Total current assets					
Current liabilities					
Trade and other payables	5	290,249		262,624	
Taxation		83,581		83,068	
Accruals		60,336		40,099	
		<u>434,166</u>		<u>385,791</u>	
Total current liabilities					
Net current assets			2,847,396		2,145,992
Net assets			<u>2,847,396</u>		<u>2,145,992</u>
Equity					
Called up share capital	6	198		198	
Retained earnings		2,847,198		2,145,794	
		<u>2,847,396</u>		<u>2,145,992</u>	
Total equity			<u>2,847,396</u>		<u>2,145,992</u>

Approved and authorised for issue by the Board of Directors on 26/9/16

Signed on behalf of the Board of Directors


M Moriarty
Director

Company Registration No: 06077708

MGM CHANNEL POLAND LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	31 Dec 2015		31 Dec 2014	
	USD\$	USD\$	USD\$	USD\$
Net cash flows from operating activities				
Profit before taxation	879,506		861,839	
(Increase)/Decrease in programme rights	(15,798)		(48,628)	
(Increase) in trade and other receivables and prepayments	(722,927)		(671,135)	
(Decrease)/increase in trade and other payables and accruals	48,375		(664,773)	
Cash inflow/(outflow) from operations		189,156		(522,697)
Tax paid		(178,102)		(172,856)
Net cash inflow/(outflow) from operating activities		11,054		(695,553)
Net increase/(decrease) in cash and cash equivalents		11,054		(695,553)
Cash, cash equivalents and bank overdrafts at beginning of year		60,500		756,053
Cash, cash equivalents and bank overdrafts at end of year		71,554		60,500

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1 Summary of significant accounting policies

1.1 Statement of Compliance – Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union, IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB, which were endorsed by the European Union, that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2015.

The same accounting policies, presentation and methods of computation are followed as were applied in the preparation of the Company's financial statements for the year ended 31 December 2014.

Interpretations early adopted by the company

There were no standards or interpretations early adopted by the company in 2015.

The following standards and interpretations became applicable for 2015 but had no effect on the financial statements:

- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of interests in other entities
- IFRS 13 Fair value measurement
- IAS 27 (as revised in 2011) Separate Financial Statements
- IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures
- Amendment to IAS 27 – Investment Entities
- Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities
- Amendment to IAS 36 – Recoverable Amount Disclosures for Non-Financial Asset
- Amendment to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting
- Amendment to IFRS 10 – Investment Entities
- Amendment to IFRS 12 – Investment Entities
- IFRIC Interpretation 21 "Levies"

The company has elected not to adopt in 2015 any standards or interpretations in advance of their effective application dates:

- IFRS 9 Financial Instruments (effective 1 January 2018)
- IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective 1 January 2016)
- IFRS 10 and IFRS 12 Investment Entities: Applying the Consolidation Exception (effective 1 January 2016)
- IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016)
- IFRS 14 Regulatory Deferral Accounts (effective 1 January 2017)
- IFRS 15 Revenue from contracts with customers (effective 1 January 2018)
- IAS 1 Disclosure Initiative (effective 1 January 2016)
- IAS 16 and IAS 41 Agriculture: Bearer Plants (effective 1 January 2016)
- IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016)
- IAS 27 Equity Method in Separate Financial Statements (effective 1 January 2016)

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Summary of significant accounting policies (continued)

1.2 General Principles

Historical cost convention

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

Foreign currencies

Transactions in currencies other than USD\$ are accounted for at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date (the closing rate). Exchange gains and losses on short term foreign currency borrowings and deposits are included with net interest payable. Exchange differences on all other transactions, except relevant foreign currency loans, are recognised on the income statement.

Currency

The financial statements are presented in USD\$ as this is considered to be the functional currency. The year end exchange rate was USD\$ 1.48 (2014: USD\$ 1.56) to the one GBP and the average exchange rate for the year was USD\$ 1.53 (2014: USD\$ 1.64) to the one GBP.

1.3 Going concern

The directors have reasonable expectations that the company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis of preparing the financial statements is considered appropriate by the directors.

1.4 Critical accounting assessments and principal sources of uncertainty

Drawing up the financial statements in accordance with IFRS requires the management to make the necessary estimates and assessments. The management bases its estimates on past experience and other reasonable assessment criteria. These are reviewed periodically and the effects of such reviews are taken into account in the financial statements of the period concerned. Future events liable to have a financial impact on the company are also included in this.

The estimated results of this may consequently diverge from the actual results. Assessments and estimates were made, inter alia, regarding:

- determining write-downs on programme rights;
- determining provisions for irrecoverable receivables.

There is a significant probability that the estimates and assessments will result in an adjustment in the value of the assets and liabilities in future financial years.

Details of the policies for determining these write-downs and provisions are shown in note 1.6.

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

Summary of significant accounting policies (continued)

1.5 Statement of Comprehensive Income

Revenue recognition

Revenue is recognised when it is probable that the economic benefits from a transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of VAT and other sales-related taxes.

Revenue from the exploitation of programming inventory is recognised over the licence period.

Revenue resulting from sales of advertising time, services and programming is recognised in the year in which the advertising is broadcast or programming is delivered. Where advertising services are exchanged for advertising services of a similar nature the transaction is not regarded as other generating revenue.

In the current and prior years, all material sales arose from the exploitation of programming inventory which is considered to be a single segment.

Taxation

The tax expense represents the sum of the tax currently payable and any deferred tax.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that will never become taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets are recognised for the unused tax losses carried forward and unused tax credits, in so far as it is expected that future taxable profits will be available against which these unused tax losses carried forward and unused tax credits can be offset. For this purpose, the management bases its opinion on factors such as long-term planning strategy and opportunities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current assets and liabilities on a net basis.

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies (Continued)

1.6 Balance sheet

Program rights

Program rights include rights to transmit television channels, rights to broadcast individual programs or events, and rights to broadcast multiple sport and other events during the licence term (such as during a sports season). Acquired program rights are recognised as assets at cost when the rights are acquired, less any impairment.

Available rights, the use of which is deferred, are presented as rights available for use and are amortised from when the rights are available for transmission.

Amortisation period is generally the term of the licence, whilst the method of amortisation reflects the expected inflow of economic benefits to the company as a result of utilisation of the licence:

Rights to transmit television channels – amortisation is linear during the licence term.

Rights to broadcast individual programs or events – amortised evenly over the licence term.

Film rights – amortisation is linear during the licence term, unless the licence is for a limited number of showings. In the case of a limited number of showings, amortisation of rights is charged in whole on first showing or is allocated to multiple showings, if the inflow of economic benefits to the company related to respective showings can be reliably estimated.

Rights to broadcast multiple events during the licence period (such as sports season) – amortisation is linear during the licence period.

Not later than at the end of each fiscal year the acquired program rights are reviewed for impairment losses by comparing their carrying value with their recoverable value, defined as the higher of fair value less cost to sell and their value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment testing should also be performed each time when as a result of changes in legal environment or economic conditions the carrying value of the rights may be lower than their realisable value.

Receivables

Short-term receivables are recognised initially at fair value and subsequently measured at amortised cost less any provision for impairment. Impairment provisions are recognised when there is objective evidence that the Company will be unable to collect all of the amounts due under the terms of the receivable, the amount of such provision being the difference between the net carrying amount and the present value of expected future cash flows associated with the impaired receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all its liabilities.

Equity instruments issued by the company are recorded at the proceeds received, net of direct issuance costs.

Provisions

Provisions are recognised in the balance sheet when the company has a present obligation (legal or constructive) resulting from a past event and which is expected to result in a future outflow of resources which can be reliably estimated.

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

2 Profit from operations for the year is stated after charging:

	31 Dec 2015 USD\$	31 Dec 2014 USD\$
Amortisation of programme rights	1,429,962	1,350,670
Auditors' remuneration – audit of the financial services	22,005	23,689
Auditors' remuneration – taxation compliance services	2,921	4,184
Gain on foreign exchange transactions	(13,135)	(8,322)

There are no staff other than the directors. See note 9 for directors' remuneration.

3 Taxation

	31 Dec 2015 USD\$	31 Dec 2014 USD\$
UK Corporation tax	178,102	183,795
	<u>178,102</u>	<u>183,795</u>

The difference between the total tax expense shown and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	31 Dec 2015 USD\$	31 Dec 2014 USD\$
Profit before taxation	879,506	861,839
Tax on profit on ordinary activities at standard UK corporation tax rate of 20.25 % (2014: 21.50%)	<u>178,100</u>	<u>185,295</u>
Effects of:		
Amounts at lower tax rate	-	(59)
Other tax adjustments	2	(1,441)
Total tax expense for the year	<u>178,102</u>	<u>183,795</u>

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

4 Trade and other receivables

	31 Dec 2015 USD\$	31 Dec 2014 USD\$
Amounts owed by related undertakings	2,310,735	1,586,516
Taxation recoverable	2,252	3,380
	<u>2,312,987</u>	<u>1,589,896</u>

The carrying value of loans and receivables is \$2,310,735 (2014: \$1,586,516) and is considered to be comparable to its fair value. None of the financial assets are past due or impaired.

5 Trade and other payables

	31 Dec 2015 USD\$	31 Dec 2014 USD\$
Trade payables	3,969	12,392
Amounts owed to related undertakings	286,280	250,232
	<u>290,249</u>	<u>262,624</u>

The carrying value of financial liabilities measured at amortised cost is \$373,830 (2014: \$345,692) and is considered to be comparable to its fair value. All amounts are due within one year.

6 Share capital

	31 Dec 2015 USD\$	31 Dec 2014 USD\$
Authorised share capital:		
1,000 Ordinary shares of £1 each	<u>1,980</u>	<u>1,980</u>
	31 Dec 2015 USD\$	31 Dec 2014 USD\$
Allotted, called up and fully paid:		
100 Ordinary shares of £1 each	<u>198</u>	<u>198</u>

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

7 Financial instruments

The directors' financial risk management objective is to minimise the risks to which the company is exposed in the use of financial instruments without impeding the trading position of the company.

The company's financial instruments comprise cash and cash equivalents and items such as trade payables and trade receivables which arise directly from its operations. The main purpose of the financial instruments is to raise finance for the company's operations.

The company's operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates and liquidity risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related costs, and exposure to exchange rate fluctuations.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Foreign currency exchange risk

The company policy is to mitigate exposure to exchange rate fluctuations by regular review of commitments denominated in other currencies undertaken in conjunction with a review of exchange movements over time. The company is prepared to reduce exposure where the results of the review indicate that it would be prudent to do so. This would include early settlement of liabilities or restrictions on credit offered.

On the basis that the majority of revenue and costs are denominated in USD, the directors are of the opinion that the foreign exchange risk is minimal. Due to the risk being insignificant, no sensitivity analysis has been prepared.

Credit risk

The company is not exposed to significant credit risk.

Liquidity risk

The company actively maintains a mixture of long term and short term working capital finance that is designed to ensure it has sufficient available funds for operations and planned expansions. The company is not exposed to significant liquidity risk.

Interest rate risk

The company is not exposed to significant interest rate risk.

The company has not entered into derivatives transactions and has not traded in financial instruments during the year under review. Due to the risk being insignificant, no sensitivity analysis has been prepared.

Capital Risk Management

The company aims to manage its overall capital so as to ensure that the company continue to operate as a going concern, whilst providing an adequate return to shareholders.

The Company's capital structure represents the equity attributable to the shareholders of the company together with borrowings and cash and cash equivalents. The structure is reviewed on an ongoing basis to ensure that an appropriate level of gearing is being used.

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

7. Financial instruments (continued)

Classification of financial instruments:

The classification of financial instruments by the company are disclosed as follows:

	Loans and receivables at amortised cost	
	31 Dec 2015	31 Dec 2014
	USD\$	USD\$
Assets as per balance sheet		
Trade and other receivables excluding prepayments	2,312,987	1,589,896
Cash and cash equivalents	71,554	60,500
	<u>2,384,451</u>	<u>1,650,396</u>
	Financial liabilities at amortised cost	
	31 Dec 2015	31 Dec 2014
	USD\$	USD\$
Liabilities as per balance sheet		
Trade payables including accruals	3,969	12,392
Amounts owed to related undertakings	286,280	250,232
	<u>290,249</u>	<u>262,624</u>

8. Control

The immediate parent company is considered by the directors to be AMC Movieco Inc. (formerly MGM Networks Inc.), a company incorporated in the USA, by virtue of its majority interest in share capital. The ultimate parent company is AMC Networks Inc., a company incorporated in the USA.

The directors believe there is no single ultimate controlling party.

9. Transactions with Directors and key management personnel

Directors' fees of \$52,137 (2014: \$56,333) were paid as management fees to limited companies controlled by two of the directors.

The company paid \$18,415 (2014: \$19,847) to DMJ Management Ltd for the services of Donald Miller-Jones, and \$33,722 (2014: \$36,486) to New Joint Media Ltd, for the services of David Warner.

There is not considered to be any key management personnel other than the directors.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

10 Related Party Disclosures

During the year the company incurred service fees of \$2,597,436 (2014: \$2,473,749) payable to ITI Neovision S.A., a significant shareholder, for the provision of technical services related to the operation of the MGM Channel. In addition the company made sales to ITI Neovision S.A. of \$5,108,397 (2014: \$4,865,139) in respect of programme content and advertising services provided and had net cash receipts \$1,786,741 (2014: \$1,721,058) from ITI Neovision S.A.. The company also incurred advertising expenses of \$nil (2014: \$77,952) and made advertising sales of \$nil (2014: \$77,952) to ITI Neovision S.A..

At the year end the company was owed \$2,310,735 by ITI Neovision S.A. (2014: \$1,586,516).

The company also incurred office service charges of \$39,049 (2014: \$36,913) payable to Neovision UK, a subsidiary of ITI Neovision S.A., for the use of shared facilities.

At the year end, the company owed \$286,280 (2014: \$250,232) to Neovision UK Limited.

The company also incurred advertising expenses of \$nil (2014: \$7,322) and made advertising sales of \$nil (2014: \$7,322) to Telewizja Religia Sp.zoo, a member of the ITI Neovision S.A. group.

At the year end, the company owed \$nil (2014: \$ nil) to Telewizja Religia Sp.zoo.

11 Capital and lease commitments

At the year end the company was committed to the purchase of programming rights from MGM Networks Inc., amounting to \$1,468,891 over the next year (2014: \$2,892,343 over two years).

12 Post Balance Sheet Event

Subsequent to the year end, on 4 April 2016 AMC Network International Broadcasting Limited purchased from ITI Neovision S.A. their 45% shareholding in the company.