

Company Registration No. 08495607 (United Kingdom)

M2 Entertainment Limited

**Annual report and financial statements
for the year ended 31 December 2014**



M2 Entertainment Limited

Company information

Director	M Nielsen
Company number	08495607
Registered office	1st Floor 37 Dean Street London W1D 4PT
Independent auditors	Saffery Champness Lion House Red Lion Street London WC1R 4GB

M2 Entertainment Limited

Contents

	Page
Strategic report	1
Director's report	2 - 3
Independent auditors' report	4 - 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 15

M2 Entertainment Limited

Strategic report

For the year ended 31 December 2014

The director presents his strategic report for the year ended 31 December 2014.

Review of the business

The performance for the company during 2014 was in line with the expectations.

Development and financial performance during the year

In financial year 2014, the company has commissioned several new larger animation projects, which have had a positive effect on the financial year 2014 and are expected to have a positive effect on the profit in the coming financial years.

Financial position at the reporting date

The balance sheet shows that the company's net assets at the year end has increased from £ 460,719 to £882,386 This is mainly due to an increase in work in progress, which represents the value of commissioned projects that are expected to affect the profit positively in the coming financial years.

The company is exposed to currency risks by virtue of the proportion of the business being invoiced in foreign currencies. The company reduces its exposure by controlling the cash flows and holding cash in foreign currencies in order to hedge this exposure.

Key performance indicators

The entity's key performance indicators are considered to be as follows:

1. Turnover - £ 7,365,917 (2013: 7,726,670)
2. Operating profit/loss - £ 463,464 (2013: -£132,899)

On behalf of the board


.....
M Nielsen
Director
24.03.15
.....

M2 Entertainment Limited

Director's report

For the year ended 31 December 2014

The director presents his report and financial statements for the year ended 31 December 2014.

Principal activities

The principal activity of the company is the production and commissioning of animated television programmes for broadcast purpose.

Results and dividends

The results for the year are set out on page 6.

Director

The following director has held office since 1 January 2014:

M Nielsen

Auditors

Saffery Champness have expressed their willingness to remain in office as auditors of the company.

Statement of director's responsibilities

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is 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 director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

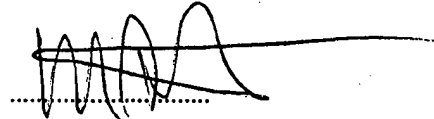
M2 Entertainment Limited

Director's report (continued)
For the year ended 31 December 2014

Statement of disclosure to auditors

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

On behalf of the board

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

.....
M Nielsen

Director

24.03.15
.....

M2 Entertainment Limited

Independent auditors' report

To the members of M2 Entertainment Limited

We have audited the financial statements of M2 Entertainment Limited for the year ended 31 December 2014 set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 director and auditors

As explained more fully in the Director's Responsibilities Statement set out on pages 2 - 3, the director is 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 director; 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 2014 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

M2 Entertainment Limited

Independent auditors' report (continued)
To the members of M2 Entertainment Limited

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.

JH QH

John Graydon (Senior Statutory Auditor)
for and on behalf of Saffery Champness

.....25/3/15.....

Chartered Accountants
Statutory Auditors

Lion House
Red Lion Street
London
WC1R 4GB

M2 Entertainment Limited

**Profit and loss account
For the year ended 31 December 2014**

		2014	2013
	Notes	£	£
Turnover	2	7,365,917	7,726,670
Cost of sales		<u>(6,560,545)</u>	<u>(7,679,575)</u>
Gross profit		805,372	47,095
Administrative expenses		<u>(341,393)</u>	<u>(179,582)</u>
Operating profit/(loss)	3	463,979	(132,487)
Interest payable and similar charges	4	<u>(515)</u>	<u>(412)</u>
Profit/(loss) on ordinary activities before taxation		463,464	(132,899)
Tax on profit/(loss) on ordinary activities	5	<u>308,204</u>	<u>593,518</u>
Profit for the year	12	<u><u>771,668</u></u>	<u><u>460,619</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

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

M2 Entertainment Limited

**Balance sheet
As at 31 December 2014**

			2014		2013
	Notes	£	£	£	£
Fixed assets					
Investments	7		6		-
Current assets					
Stocks	8	1,037,253		-	
Debtors	9	2,185,160		5,607,271	
Cash at bank and in hand		45,081		10,117	
		<u>3,267,494</u>		<u>5,617,388</u>	
Creditors: amounts falling due within one year	10	<u>(2,385,114)</u>		<u>(5,156,669)</u>	
Net current assets			<u>882,380</u>		<u>460,719</u>
Total assets less current liabilities			<u>882,386</u>		<u>460,719</u>
Capital and reserves					
Called up share capital	11		100		100
Profit and loss account	12		882,286		460,619
Shareholders' funds	13		<u>882,386</u>		<u>460,719</u>

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

Approved by the Board and authorised for issue on 24.03.15



M Nielsen
Director

Company Registration No. 08495607

M2 Entertainment Limited

Notes to the financial statements For the year ended 31 December 2014

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group financial statements as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of MJM Invest ApS, a company incorporated in Denmark, and is included in the consolidated financial statements of that company.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

In respect of long-term contract and contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Value of work done in respect of long-term contract and contracts for on-going services is determined by reference to the stage of completion.

1.4 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.5 Stock and work in progress

Work in progress shown in the accounts represents the value of film rights acquired for the purposes of future resale. Work in progress is valued at the lower of cost and net realisable value.

1.6 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.7 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

M2 Entertainment Limited

Notes to the financial statements (continued)
For the year ended 31 December 2014

2 Turnover

Geographical market

	Turnover	
	2014	2013
	£	£
Europe	7,365,917	7,726,670
	<u>7,365,917</u>	<u>7,726,670</u>

3 Operating profit/(loss)

	2014	2013
	£	£
Operating profit/(loss) is stated after charging:		
Loss on foreign exchange transactions	7,238	-
	<u>7,238</u>	<u>-</u>

No director received any remuneration during the year (2013 : Nil)

Auditors' remuneration

Fees payable to the company's auditor for the audit of the company's annual accounts

annual accounts	20,911	12,589
Advisory	21,547	28,316
Taxation	2,550	1,747
other	7,974	-
	<u>52,982</u>	<u>42,652</u>

4 Interest payable

	2014	2013
	£	£
On bank loans and overdrafts	515	412
	<u>515</u>	<u>412</u>

M2 Entertainment Limited**Notes to the financial statements (continued)****For the year ended 31 December 2014**

5	Taxation	2014	2013
		£	£
	Domestic current year tax		
	U.K. corporation tax	(310,517)	(593,518)
	Adjustment for prior years	2,313	-
		<u>(308,204)</u>	<u>(593,518)</u>
	Total current tax		
		<u>(308,204)</u>	<u>(593,518)</u>
	Factors affecting the tax charge for the year		
	Profit/(loss) on ordinary activities before taxation	463,464	(132,899)
		<u>463,464</u>	<u>(132,899)</u>
	 Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21.49% (2013 - 23.00%)	 99,598	 (30,567)
		<u>99,598</u>	<u>(30,567)</u>
	Effects of:		
	Enhanced losses arising from the tv tax credit	(426,811)	(515,470)
	Difference between the rate of corporation tax and the rate of relief under the TV tax credit	(53,444)	(47,481)
	Income taxable for the period	70,140	-
	Adjustments to previous periods	2,313	-
		<u>(407,802)</u>	<u>(562,951)</u>
	Current tax charge for the year	<u>(308,204)</u>	<u>(593,518)</u>
6	Dividends	2014	2013
		£	£
	Ordinary interim paid	350,000	-
		<u>350,000</u>	<u>-</u>

M2 Entertainment Limited**Notes to the financial statements (continued)****For the year ended 31 December 2014****7 Fixed asset investments**

	Shares in subsidiary undertakings £
Cost	
At 1 January 2014	-
Additions	6
At 31 December 2014	6
Net book value	
At 31 December 2014	6

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
LKT M2 Entertainment Limited	United Kingdom	Ordinary	100.00
LFP M2 Entertainment Limited	United Kingdom	Ordinary	100.00
FRD M2 Entertainment Limited	United Kingdom	Ordinary	100.00
2D M2 Entertainment Limited	United Kingdom	Ordinary	100.00
MM Music and Entertainment Limited	United Kingdom	Ordinary	100.00
MM Talent Limited	United Kingdom	Ordinary	100.00

All of the subsidiaries were incorporated in the year and have yet to file their first period accounts. As such, no results have been reported.

8 Work in progress	2014	2013
	£	£
Work in progress	1,037,253	-

M2 Entertainment Limited

Notes to the financial statements (continued)
For the year ended 31 December 2014

9 Debtors	2014	2013
	£	£
Trade debtors	1,287,066	-
Amounts owed by parent and fellow subsidiary undertakings	14,751	4,690,781
Corporation tax	310,517	593,518
Called up share capital not paid	-	100
Other debtors	329,496	322,872
Prepayments and accrued income	243,330	-
	<u>2,185,160</u>	<u>5,607,271</u>

10 Creditors: amounts falling due within one year	2014	2013
	£	£
Trade creditors	710,395	260,169
Amounts owed to parent and fellow subsidiary undertakings	1,381,472	4,493,685
Other creditors	20,770	-
Accruals and deferred income	272,477	402,815
	<u>2,385,114</u>	<u>5,156,669</u>

11 Share capital	2014	2013
	£	£
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

M2 Entertainment Limited

Notes to the financial statements (continued)
For the year ended 31 December 2014

12 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2014	460,618
Profit for the year	771,668
Dividends paid	(350,000)
Balance at 31 December 2014	<u>882,286</u>

13 Reconciliation of movements in shareholders' funds

	2014 £	2013 £
Profit for the financial year	771,668	460,619
Dividends	(350,000)	-
	<u>421,668</u>	<u>460,619</u>
Proceeds from issue of shares	100	100
Net addition to shareholders' funds	421,768	460,719
Opening shareholders' funds	<u>460,719</u>	<u>-</u>
Closing shareholders' funds	<u>882,386</u>	<u>460,719</u>

14 Employees

Number of employees

All production staff and directors were contracted and paid through a fellow group company.

Employment costs	2014 £	2013 £
Wages and salaries	<u>840,650</u>	<u>1,348,894</u>

M2 Entertainment Limited

Notes to the financial statements (continued) For the year ended 31 December 2014

15 Control

The company's immediate parent undertaking is M2 Group ApS (Formerly known as MJM Invest ApS), a company registered in Denmark.

The ultimate controlling party is Mads Munk, by virtue of his shareholding in the immediate parent company.

16 Related party relationships and transactions

The company has taken advantage of the exemption available in FRS 8 "Related party disclosures" whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

During the year M2 Entertainment Limited was involved in various other related party transactions. All transactions were carried out arm's length basis, these were:

	2014
M2 Film A/S	£
Balance due from M2 Film A/S to the company as at 1 January 2014	197,096
Amounts received from M2 Films A/S by the company	(4,164,059)
Amounts owed in respect of acquisition of rights by M2 Films A/S	3,878,587
Production services fee charged by the company to M2 Films A/S	17,944
Production costs incurred by M2 Film A/S on behalf of the company	(1,552,644)
Payments made by the company to M2 Film A/S	464,659
Balance due to M2 Film A/S by the company as at 31 December 2014	<u>(1,158,417)</u>
 Picture This Studio Co. Ltd	
Amounts owed by the company to Picture This Studio Co. Ltd in respect of production costs	(56,085)
Amounts paid by the company to Picture This Studio Co. Ltd	56,085
Balance due to Picture This Studio Co. Ltd as at 31 December 2014	<u>-</u>

M2 Entertainment Limited

Notes to the financial statements (continued)

For the year ended 31 December 2014

16 Related party relationships and transactions (continued)

Duckling and Sonne ApS

Amounts owed by the company to Duckling and Sonne ApS in respect of production costs (5,060)

Amounts paid by the company to Duckling and Sonne ApS 5,060

Balance due to Duckling and Sonne ApS as at 31 December 2014 -

M2 Group Aps (Formerly known as MJM Investment ApS)

Dividend issued to M2 Group (332,500)

Payment of dividend in year 332,500

Costs incurred on behalf of M2 Group 210

Balance due from MJM Investment ApS at 31 December 2014 210

Nature of relationship

M2 Film A/S - Fellow group undertaking

Picture This Studio Co. Ltd - Fellow group undertaking

Duckling and Sonne ApS - Fellow group undertaking

M2 Group Aps (Formerly known as MJM Investment ApS) - parent undertaking
