

COMPANY REGISTRATION NUMBER: 08495607

M2 Entertainment Limited
Financial Statements
31 December 2015

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M2 Entertainment Limited

Officers and Professional Advisers

Director	M Nielsen
Registered office	7 Berners Mews London W1T 3AN
Auditor	Shipleys LLP Chartered accountant & statutory auditor 10 Orange Street Haymarket London WC2H 7DQ

M2 Entertainment Limited

Strategic Report

Year ended 31 December 2015

Review of the business

The performance for the company during 2015 was in line with the expectations.

Development and financial performance during the year

In financial year 2015, the company has made good progress with the animation projects commissioned in financial year 2014. The results of the work undertaken on these animation projects has had a positive effect on the profits for the current year.

Financial position at the reporting date

The balance sheet shows that the company's net assets at the year end have increased from £882,386 to £2,152,936. This is mainly due to the increased project activity that has been realised through a programme of outsourcing to related group undertakings in the year.

Key performance indicators

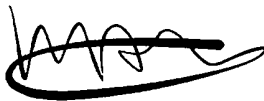
The entity's key performance indicators are considered to be as follows:

1. Turnover - £11,306,383 (2014: £7,365,917)
2. Operating profit - £1,925,333 (2014: £463,464)

Financial risk exposure

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 mitigate this exposure.

This report was approved by the board of directors on **29 SEP 2016** and signed on behalf of the board by:



M Nielsen
Director

Registered office:
7 Berners Mews
London
W1T 3AN

M2 Entertainment Limited

Director's Report

Year ended 31 December 2015

The director presents his report and the financial statements of the company for the year ended 31 December 2015.

Director

The director who served the company during the year was as follows:

M Nielsen

Dividends

Particulars of recommended dividends are detailed in note 8 to the financial statements.

Disclosure of information in the strategic report

A strategic report is included in these accounts in accordance with Section 414C(11) of the Companies Act 2006. The Strategic report includes a review of the business, the development and performance of the business during the year, the financial position at the reporting date and the principle risks and uncertainties to which the business is exposed.

Director's responsibilities statement

The director is responsible for preparing the strategic report, 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 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 judgments 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 them 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)*

Year ended 31 December 2015

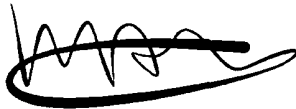
Auditor

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

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have 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.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on **29 SEP 2016** and signed on behalf of the board by:



M Nielsen
Director

Registered office:
7 Berners Mews
London
W1T 3AN

M2 Entertainment Limited

Independent Auditor's Report to the Shareholders of M2 Entertainment Limited

Year ended 31 December 2015

We have audited the financial statements of M2 Entertainment Limited for the year ended 31 December 2015 which comprise the statement of income and retained earnings, statement of financial position and the related notes. 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 director and auditor

As explained more fully in the director's responsibilities statement, 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 strategic report and the director's 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 2015 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 the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

M2 Entertainment Limited

Independent Auditor's Report to the Shareholders of M2 Entertainment Limited *(continued)*

Year ended 31 December 2015

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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



SIMON ROBINSON (Senior Statutory Auditor)

For and on behalf of
Shipleys LLP
Chartered accountant & statutory auditor
10 Orange Street
Haymarket
London
WC2H 7DQ

30 SEP 2016

M2 Entertainment Limited

Statement of Income and Retained Earnings

Year ended 31 December 2015

	Note	2015 £	2014 £
Turnover	3	11,306,383	7,365,917
Cost of sales		8,489,917	6,560,545
Gross profit		2,816,466	805,372
Administrative expenses		891,133	341,393
Operating profit	4	1,925,333	463,979
Other interest receivable and similar income		8,162	—
Interest payable and similar charges		—	515
Profit on ordinary activities before taxation		1,933,495	463,464
Tax on profit on ordinary activities	7	312,946	(308,204)
Profit for the financial year and total comprehensive income		1,620,549	771,668
Dividends paid and payable	8	(350,000)	(350,000)
Retained earnings at the start of the year		882,287	460,619
Retained earnings at the end of the year		2,152,836	882,287

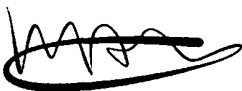
All the activities of the company are from continuing operations.

The notes on pages 9 to 14 form part of these financial statements.

M2 Entertainment Limited
Statement of Financial Position
31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Investments	9	613	6
Current assets			
Work in progress	10	2,283,674	1,037,253
Debtors	11	3,374,517	2,185,160
Cash at bank and in hand		39,240	45,081
		<u>5,697,431</u>	<u>3,267,494</u>
Creditors: amounts falling due within one year	12	<u>3,545,108</u>	<u>2,385,113</u>
Net current assets		<u>2,152,323</u>	<u>882,381</u>
Total assets less current liabilities		<u>2,152,936</u>	<u>882,387</u>
Net assets		<u><u>2,152,936</u></u>	<u><u>882,387</u></u>
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account	14	<u>2,152,836</u>	<u>882,287</u>
Shareholders funds		<u><u>2,152,936</u></u>	<u><u>882,387</u></u>

These financial statements were approved by the board of directors and authorised for issue on 29 SEP 2016, and are signed on behalf of the board by:



M Nielsen
Director

Company registration number: 08495607

The notes on pages 9 to 14 form part of these financial statements.

M2 Entertainment Limited

Notes to the Financial Statements

Year ended 31 December 2015

1. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'. There were no transitional adjustments required in the preparation of these financial statements.

2. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of M2 Group A/S which can be obtained on request. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) Disclosures in respect of share-based payments have not been presented.
- (e) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The company has taken advantage of the exemption from preparing consolidated financial statements contained in Section 400 of the Companies Act 2006 on the basis that it is a subsidiary undertaking of M2 Group A/S, a company incorporated in Denmark, and is included in the consolidated financial statements of that company.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for work done in the year in respect of long-term contracts and contracts for on-going services, including estimates of amounts not invoiced. The value of work done in respect of long-term contracts and contracts for on-going services is determined by reference to the stage of completion. All amounts recognised as turnover are stated net of discounts and of Value Added Tax.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

M2 Entertainment Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

2. Accounting policies *(continued)*

Income tax *(continued)*

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Investments

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

Stock and work in progress

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

3. Turnover

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2015 £	2014 £
Europe	<u>11,306,383</u>	<u>7,365,917</u>

M2 Entertainment Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

4. Operating profit

Operating profit or loss is stated after charging:

	2015	2014
	£	£
Foreign exchange differences	<u>204,947</u>	<u>7,238</u>

5. Auditor's remuneration

	2015	2014
	£	£
Fees payable for the audit of the financial statements	<u>4,750</u>	<u>20,911</u>
Fees payable to the company's auditor and its associates for other services:		
Taxation advisory services	5,250	21,547
Other non-audit services	<u>3,500</u>	<u>7,974</u>
	<u>8,750</u>	<u>29,521</u>

6. Staff costs

The average number of persons employed by the company during the year, including the director, amounted to 5 (2014: Nil).

The aggregate payroll costs incurred during the year, relating to the above, were:

	2015	2014
	£	£
Wages and salaries	<u>20,800</u>	<u>840,650</u>

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

7. Tax on profit on ordinary activities

Major components of tax expense/(income)

	2015	2014
	£	£
Current tax:		
UK current tax expense/(income)	<u>312,946</u>	<u>(308,204)</u>
Tax on profit on ordinary activities	<u>312,946</u>	<u>(308,204)</u>

M2 Entertainment Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

7. Tax on profit on ordinary activities *(continued)*

Reconciliation of tax expense/(income)

The tax assessed on the profit on ordinary activities for the year is lower than (2014: lower than) the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%).

	2015 £	2014 £
Profit on ordinary activities before taxation	1,933,495	463,464
Profit on ordinary activities by rate of tax	391,533	99,598
Enhanced losses arising from TV tax credit	—	(426,811)
Difference between the rate of corporation tax and the rate of relief under the TV tax credit	—	(53,444)
Income taxable for the period	—	70,140
Adjustments to previous years	—	2,313
Group relief	(78,587)	—
Tax on profit on ordinary activities	312,946	(308,204)

8. Dividends

	2015 £	2014 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	350,000	350,000

9. Investments

	Shares in subsidiary undertakings £
Cost	
At 1 January 2015	6
Additions	607
At 31 December 2015	613
Impairment	
At 1 Jan 2015 and 31 Dec 2015	—
Carrying amount	
At 31 December 2015	613
At 31 December 2014	6

Subsidiaries, associates and other investments

M2 Entertainment Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

9. Investments *(continued)*

The company owns 100% of the Ordinary share capital of the following subsidiary undertakings:

LKT M2 Entertainment Limited - Aggregate Capital & Reserves £1 / Result for the period £-

LFP M2 Entertainment Limited - Aggregate Capital & Reserves £1 / Result for the period £-

FRD M2 Entertainment Limited - Aggregate Capital & Reserves £8,637 / Result for the period £8,636

2D M2 Entertainment Limited - Aggregate Capital & Reserves £174 / Result for the period £173

MM Music and Entertainment Limited - Aggregate Capital & Reserves £4,971 / Result for the period £4,970

MM Talents Limited - Aggregate Capital & Reserves £(388,083) / Result for the period £(388,084)

All of the above are companies registered in the United Kingdom.

The company also owns the equity of MM Talents Inc, an entity registered during the year in the USA. This subsidiary has yet to file its first period accounts and as such no results are reported.

10. Work in progress

	2015 £	2014 £
Work in progress	<u>2,283,674</u>	<u>1,037,253</u>

11. Debtors

	2015 £	2014 £
Trade debtors	2,034,948	1,287,066
Amounts owed by group undertakings	758,713	14,751
Prepayments and accrued income	148,113	243,330
Corporation tax repayable	-	310,517
Other debtors	432,743	329,496
	<u>3,374,517</u>	<u>2,185,160</u>

12. Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	10,987	710,394
Amounts owed to group undertakings	1,933,993	1,381,472
Accruals and deferred income	1,287,182	272,477
Corporation tax	312,946	-
Other creditors	-	20,770
	<u>3,545,108</u>	<u>2,385,113</u>

M2 Entertainment Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

13. Called up share capital

Issued, called up and fully paid

	2015		2014	
	No	£	No	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

14. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

15. Related party transactions

The company has taken advantage of the exemption available in FRS102 whereby it has not disclosed transactions entered into between two or more members of the group provided that any subsidiary which is a party to the transaction is wholly owned by such a member. Group financial statements can be requested from the ultimate parent undertaking.

During the year the company was involved in the following related party transactions that were undertaken at arm's length basis under normal credit terms:

M2 Film A/S (fellow group undertaking) - net administration and lending costs of £205,706 were charged to the company and there remained a balance owing at the year end of £130,095. M2 Film A/S also provided short term interest free cash flow funding throughout the year with a balance owing of £1,085,588.

Hele Vejen ApS (fellow group undertaking) - net advertising costs of £58,500 were charged to the company and there remained a balance owing at the year end of £58,500.

16. Controlling party

The immediate and ultimate parent company is M2 Group A/S, a company registered in Denmark. The ultimate controlling party is M Nielsen by virtue of his shareholding in M2 Group A/S.