

LKT M2 Entertainment Limited
Financial Statements
31 December 2017

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LKT M2 Entertainment Limited

Financial Statements

Period from 1 June 2017 to 31 December 2017

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LKT M2 Entertainment Limited

Officers and Professional Advisers

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

LKT M2 Entertainment Limited

Director's Report

Period from 1 June 2017 to 31 December 2017

The director presents his report and the financial statements of the company for the period ended 31 December 2017.

Director

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

M J M Nielsen

Director's responsibilities statement

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 period. 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.

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.

Small company provisions

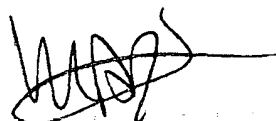
This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

LKT M2 Entertainment Limited

Director's Report *(continued)*

Period from 1 June 2017 to 31 December 2017

This report was approved by the board of directors on 10/10/2018 and signed on behalf of the board by:

A handwritten signature in black ink, appearing to be 'M J M Nielsen', with a long horizontal line extending to the right.

M J M Nielsen
Director

LKT M2 Entertainment Limited

Independent Auditor's Report to the Members of LKT M2 Entertainment Limited

Period from 1 June 2017 to 31 December 2017

Opinion

We have audited the financial statements of LKT M2 Entertainment Limited for the period ended 31 December 2017 which comprise the statement of comprehensive income, statement of financial position and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its result for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

LKT M2 Entertainment Limited

Independent Auditor's Report to the Members of LKT M2 Entertainment Limited (continued)

Period from 1 June 2017 to 31 December 2017

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the director's report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the director's report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the director was not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the director's report and from the requirement to prepare a strategic report.

LKT M2 Entertainment Limited

Independent Auditor's Report to the Members of LKT M2 Entertainment Limited (continued)

Period from 1 June 2017 to 31 December 2017

Responsibilities of the director

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, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

LKT M2 Entertainment Limited

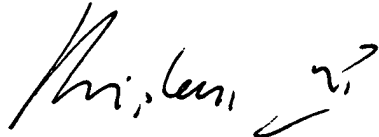
Independent Auditor's Report to the Members of LKT M2 Entertainment Limited (continued)

Period from 1 June 2017 to 31 December 2017

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Stephen Joberns (Senior Statutory Auditor)

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

11 October 2018

LKT M2 Entertainment Limited

Statement of Comprehensive Income

Period from 1 June 2017 to 31 December 2017

| | Note | Period from 1 Jun 17 to 31 Dec 17 £ | Period from 1 Jan 17 to 31 May 17 £ |
|--|------|--|--|
| Turnover | | 488,282 | 1,004,474 |
| Cost of sales | | (571,075) | (1,163,214) |
| Gross loss | | (82,793) | (158,740) |
| Administrative expenses | | (7,500) | (29,308) |
| Operating loss | | (90,293) | (188,048) |
| Loss before taxation | | (90,293) | (188,048) |
| Tax on loss | 6 | 90,293 | 188,048 |
| Result for the financial period and total comprehensive income | | <u>—</u> | <u>—</u> |

All the activities of the company are from continuing operations.

The notes on pages 10 to 13 form part of these financial statements.

LKT M2 Entertainment Limited

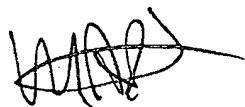
Statement of Financial Position

31 December 2017

| | Note | 31 Dec 17 £ | £ | 31 May 17 £ |
|---|------|------------------|----------|------------------|
| Current assets | | | | |
| Debtors | 7 | 475,816 | | 507,307 |
| Cash at bank and in hand | | <u>13,940</u> | | <u>12,524</u> |
| | | 489,756 | | 519,831 |
| Creditors: amounts falling due within one year | 8 | <u>(489,755)</u> | | <u>(519,830)</u> |
| Net current assets | | | <u>1</u> | <u>1</u> |
| Total assets less current liabilities | | | <u>1</u> | <u>1</u> |
| Net assets | | | <u>1</u> | <u>1</u> |
| Capital and reserves | | | | |
| Called up share capital | | | <u>1</u> | <u>1</u> |
| Members funds | | | <u>1</u> | <u>1</u> |

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

These financial statements were approved by the board of directors and authorised for issue on 10/10/2018, and are signed on behalf of the board by:



M J M Nielsen
Director

Company registration number: 09175426

The notes on pages 10 to 13 form part of these financial statements.

LKT M2 Entertainment Limited

Notes to the Financial Statements

Period from 1 June 2017 to 31 December 2017

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is 7 Berners Mews, London, W1T 3AN.

2. Statement of compliance

These financial statements have been prepared in compliance with the provisions of FRS 102 Section 1A, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. 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.

Comparatives

The accounts cover the period from 1 June 2017 to 31 December 2017. The comparatives cover the period from 1 January 2017 to 31 May 2017.

The accounting period has been shortened to ensure that the accounting period and tax credit claim is conterminous.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying small entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under section 1A of FRS 102:

- No cash flow statement has been presented for the company.
- Disclosures in respect of financial instruments have not been presented.

Judgements and key sources of estimation uncertainty

Accruals are estimated by reference to purchase orders raised at the period end and estimates to complete. Payments received on account are estimated by reference to percentage of completion of the animation.

Revenue recognition

Revenue relates to the production of the animation series entitled "Lego City 2018". It represents the value of the work done in the period, including estimates of amounts not invoiced and is stated after trade discounts, other taxes and net of VAT.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

LKT M2 Entertainment Limited

Notes to the Financial Statements *(continued)*

Period from 1 June 2017 to 31 December 2017

3. Accounting policies *(continued)*

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.

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

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 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 entity after deducting all of its financial liabilities.

4. Staff costs

The company has been incorporated to produce an animation series called "Lego City 2018". In common with the film and television industry the majority of crew are hired on short term contracts for the duration of principal production or are self-employed.

The Director did not receive any form of remuneration.

5. Auditor's remuneration

| | Period from 1 Jun 17 to 31 Dec 17 £ | Period from 1 Jan 17 to 31 May 17 £ |
|--|--|--|
| Fees payable for the audit of the financial statements | <u>7,500</u> | <u>7,500</u> |

LKT M2 Entertainment Limited

Notes to the Financial Statements *(continued)*

Period from 1 June 2017 to 31 December 2017

6. Tax on loss

Major components of tax income

| | Period from 1 Jun 17 to 31 Dec 17 £ | Period from 1 Jan 17 to 31 May 17 £ |
|-----------------------|--|--|
| Current tax: | | |
| UK current tax income | (90,293) | (188,048) |
| Tax on loss | <u>(90,293)</u> | <u>(188,048)</u> |

Reconciliation of tax income

The tax assessed on the result on ordinary activities for the period is lower than (2017: lower than) the standard rate of corporation tax in the UK of 19% (2017: 19.60%).

| | Period from 1 Jun 17 to 31 Dec 17 £ | Period from 1 Jan 17 to 31 May 17 £ |
|---|--|--|
| Loss on ordinary activities before taxation | (90,293) | (188,048) |
| Animation tax relief | <u>(90,293)</u> | <u>(188,048)</u> |

7. Debtors

| | 31 Dec 17 £ | 31 May 17 £ |
|------------------------------------|----------------|----------------|
| Amounts owed by group undertakings | 41,002 | – |
| Prepayments and accrued income | 156,473 | 7,502 |
| Corporation tax recoverable | 278,341 | 499,805 |
| | <u>475,816</u> | <u>507,307</u> |

8. Creditors: amounts falling due within one year

| | 31 Dec 17 £ | 31 May 17 £ |
|------------------------------------|----------------|----------------|
| Trade creditors | 470,392 | 472,764 |
| Amounts owed to group undertakings | – | 28,539 |
| Accruals and deferred income | 15,000 | 7,500 |
| Social security and other taxes | 4,363 | 11,027 |
| | <u>489,755</u> | <u>519,830</u> |

LKT M2 Entertainment Limited

Notes to the Financial Statements *(continued)*

Period from 1 June 2017 to 31 December 2017

9. Related party transactions

As a wholly-owned subsidiary of M2 Entertainment Limited and ultimately M2 Group ApS, whose financial statements are publicly available, the Company has taken advantage of the exemption under FRS102 Paragraph 33.1A on the basis the disclosure need not be given regarding related party transactions with other wholly-owned subsidiaries of the group.

No further transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 102.

10. Controlling party

In the opinion of the directors the immediate parent undertaking is M2 Entertainment Limited, a company incorporated in England and Wales. The ultimate controlling party is Mads Munk, by virtue of his shareholding in M2 Group ApS, a company registered in Denmark.