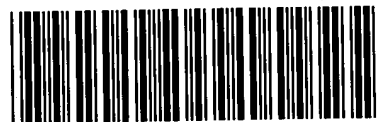


REGISTERED NUMBER: 06047620 (England and Wales)

**REPORT OF THE DIRECTOR AND
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
FOR
FILMON TV LIMITED**

THURSDAY



L5YF86V7

LD3

19/01/2017

#17

COMPANIES HOUSE

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Page
Company Information	1
Strategic Report	2
Director's Report	4
Report of the Independent Auditors	6
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12

FILMON TV LIMITED (REGISTERED NUMBER: 06047620)

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2015**

DIRECTOR: A A David

REGISTERED OFFICE: 1st Floor
111 Wardour Street
London
W1F 0UH

REGISTERED NUMBER: 06047620 (England and Wales)

AUDITORS: BDO LLP
55 Baker Street
London
W1U 7EU

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

The director presents their strategic report of the company for the year ended 31 December 2015.

REVIEW OF BUSINESS

Financial performance and key performance indicators

The Statement of Comprehensive Income on page 8 shows a loss for the year of £2,049,669 (2014: £187,882).

Revenues, the key performance indicator monitored by management, increased to £10,269,080 in the year ended 31 December 2015 from £9,432,194 in the year ended 31 December 2014. This is due to a combination of increasing volumes of impressions billed to existing ad sales clients, as well as adding new advertising partners. The company continues to innovate by exploring new ad placements and formats on the site thereby increasing the possibility of more ads being served.

The growth in ads impressions required an increase in our marketing budget in order to promote the website and our free content offering to attract more users and generate more advertising revenue. Therefore, resulting in the increase of loss by £1,861,787 for the year compared to 2014.

Future Developments

As well as continuing to develop and improve our apps for devices thereby making our content more accessible, we are active in developing partnerships with mobile partners such as T-Mobile to make the platform available to a greater number of users. We develop all our applications using a related party based in the Ukraine. We are constantly looking to acquire new and valuable content and are examining the growth of the platform into specialist sports and lifestyle channels.

Going concern

The directors have prepared the financial statements on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

The directors have prepared cashflow forecasts for the period ending December 31, 2017. These show that the Company will require further funding in that period.

The Company's ultimate controlling party, A. A. David, has undertaken to continue to provide financial support for its continued operations for a period of not less than one year from the date of signing these financial statements. However, the letter of support provided is not legally binding. Therefore, should financial support not be provided by the ultimate controlling party, the company would have to obtain additional sources of finance.

As a result, there is a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, while recognising this uncertainty, on the basis of projections, the directors believe that the level of financial support available from the ultimate controlling party, or the ability to obtain additional finance, will be sufficient and accordingly they consider the going concern basis of preparation to be appropriate.

STRATEGIC REPORT - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

SIGNIFICANT RISKS AND UNCERTAINTIES

Nature of operations

The company is competing in a cutting edge market which is constantly evolving. To compete in this market, it must continue to develop its bespoke entertainment platform. To ensure this happens a director continues to personally fund continuing development until the necessary external investment is obtained.

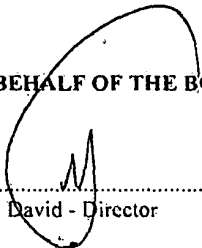
Credit risk

The company manages credit risk of debtors through a credit control process. Credit limits are agreed and closely monitored. The group's normal terms of business are assessed on a customer by customer basis with payments due within 30-90 days.

Financial risk

The company is dependent on the support of its ultimate owner (and director) being obtained. The director has given assurances that such support will continue for the foreseeable future.

ON BEHALF OF THE BOARD:



.....
A. A. David - Director

Date: 16/1/17

**DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the provision of a free ad funded online cable television platform, providing a broad menu of content and live television channels that can be streamed online over the internet and mobile devices. The company generates advertising revenue from its Free SD service (standard quality streams on TV channels and VoD titles) as well as subscription revenue to its HD service (higher quality streams) and DVR packages (recording space).

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2015 (2014: £nil).

DIRECTOR

A. A. David held office during the whole of the period from 1 January 2015 to the date of this report.

SUBSEQUENT EVENTS

The Company's ultimate parent is pursuing an initial public offering in the US, the timing of which is uncertain and is subject to the resolution of ongoing regulatory enquiries.

GOING CONCERN

The ability of the Company to continue as a going concern is dependent on the continued support of the Company's ultimate controlling party. Details of the considerations of the ability of the Company to continue as a going concern are included in the Strategic Report.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Strategic Report, Director's Report and the financial statements in accordance with the 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 International Financial Reporting Standards as adopted by the European Union. 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.
- state whether International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements.
- 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The director has taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The director is not aware of any relevant audit information of which the auditors are unaware.

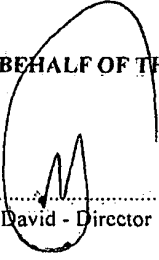
FILMON TV LIMITED (REGISTERED NUMBER: 06047620)

DIRECTOR'S REPORT- continued
FOR THE YEAR ENDED 31 DECEMBER 2015

AUDITORS

The auditors, BDO LLP, statutory auditor, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



.....
A. A. David - Director

Date: 16/1/17

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
FILMON TV LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2015**

We have audited the financial statements of FilmOn TV Limited for the year ended 31 December 2015 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and related notes. 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, 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.

Respective responsibilities of director and auditors

As explained more fully in the Statement of Director's Responsibilities, 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 Financial Reporting Council's (FRC) 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 FRC'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 loss 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 requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Company's ultimate controlling party, A. A. David, has undertaken to continue to provide financial support for its continued operations for a period of not less than one year from the date of signing these financial statements. However, the letter of support provided is not legally binding. Therefore, should financial support not be provided by the ultimate controlling party, the Company would have to obtain additional sources of finance. However, should it be required, there is no guarantee that such additional finance could be obtained. These conditions along with other matters disclosed in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
FILMON TV LIMITED – continued
FOR THE 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;

BDO LLP

David Butcher (Senior Statutory Auditor)
for and on behalf of BDO LLP, statutory auditor
55 Baker Street
London
W1U 7EU

Date: 16 January 2017

BDO is a limited liability partnership registered in England and Wales (with registered number OC305127)

FILMON TV LIMITED (REGISTERED NUMBER: 06047620)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	2014 £
Revenue	2	10,269,080	9,432,194
Cost of sales		<u>(9,973,510)</u>	<u>(7,083,764)</u>
GROSS PROFIT		295,570	2,348,430
Administrative expenses		<u>(2,326,717)</u>	<u>(2,427,194)</u>
OPERATING LOSS	4	(2,031,147)	(78,764)
Finance income		-	5
Finance costs	5	<u>(18,522)</u>	<u>(109,123)</u>
LOSS BEFORE INCOME TAX		(2,049,669)	(187,882)
Income tax	6	<u>-</u>	<u>-</u>
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(2,049,669)</u>	<u>(187,882)</u>

All amounts relate to continuing operations.

The notes on pages 12 to 24 form part of these financial statements

FILMON TV LIMITED (REGISTERED NUMBER: 06047620)

**STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2015**

	Notes	2015 £	2014 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	7	217,265	209,287
Property, plant and equipment	8	<u>229,792</u>	<u>393,868</u>
		<u>447,057</u>	<u>603,155</u>
CURRENT ASSETS			
Trade and other receivables	9	6,352,588	5,603,630
Cash and cash equivalents	10	<u>131,844</u>	<u>148,403</u>
		<u>6,484,432</u>	<u>5,752,033</u>
TOTAL ASSETS		<u>6,931,489</u>	<u>6,355,188</u>
SHAREHOLDERS' DEFICIT			
Called up share capital	11	2	2
Share premium		2,446,999	2,446,999
Retained earnings		<u>(11,576,010)</u>	<u>(9,526,341)</u>
TOTAL DEFICIT		<u>(9,129,009)</u>	<u>(7,079,340)</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	<u>16,060,498</u>	<u>13,434,528</u>
TOTAL LIABILITIES		<u>16,060,498</u>	<u>13,434,528</u>
TOTAL EQUITY AND LIABILITIES		<u>6,931,489</u>	<u>6,355,188</u>

The financial statements were approved by the director on 16/1/17 and were signed by:

.....
A A David - Director

The notes on pages 12 to 24 form part of these financial statements

FILMON TV LIMITED (REGISTERED NUMBER: 06047620)

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

	Called up share capital £	Share premium £	Retained earnings £	Total equity £
Balance at 1 January 2014	2	2,446,999	(9,338,459)	(6,891,458)
Total comprehensive loss	-	-	(187,882)	(187,882)
Balance at 31 December 2014	<u>2</u>	<u>2,446,999</u>	<u>(9,526,341)</u>	<u>(7,079,340)</u>
Total comprehensive loss	-	-	(2,049,669)	(2,049,669)
Balance at 31 December 2015	<u>2</u>	<u>2,446,999</u>	<u>(11,576,010)</u>	<u>(9,129,009)</u>

Called up share capital is the amount subscribed for shares at nominal value (note 11).

Share premium represents the excess of the amount subscribed for share capital over the nominal value of these shares.

Retained earnings represent the cumulative loss of the company.

The notes on pages 12 to 24 form part of these financial statements

FILMON TV LIMITED (REGISTERED NUMBER: 06047620)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015 £	2014 £
Cash flows from operating activities			
Cash used in operations	18	<u>(39,835)</u>	<u>(1,011,458)</u>
Net cash outflow from operating activities		<u>(39,835)</u>	<u>(1,011,458)</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(144,212)	(119,633)
Purchase of tangible fixed assets		(93,948)	(304,473)
Interest received		<u>-</u>	<u>5</u>
Net cash outflow from investing activities		<u>(238,160)</u>	<u>(424,101)</u>
Cash flows from financing activities			
Loans from directors		<u>261,436</u>	<u>1,489,736</u>
Net cash inflow from financing activities		<u>261,436</u>	<u>1,489,736</u>
(Decrease)/Increase in cash and cash equivalents		(16,559)	54,177
Cash and cash equivalents at beginning of year	10	<u>148,403</u>	<u>94,226</u>
Cash and cash equivalents at end of year	10	<u><u>131,844</u></u>	<u><u>148,403</u></u>

The notes on pages 12 to 24 form part of these financial statements

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

1. ACCOUNTING POLICIES

Basis of preparation

The company is a limited company registered in England and Wales (registered number 06675244) and is domiciled in the United Kingdom.

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The principal accounting policies adopted are set out below:

Going concern

The directors have prepared the financial statements on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

The directors have prepared cashflow forecasts for the period ending December 31, 2017. These show that the Company will require further funding in that period.

The Company's ultimate controlling party, A. A. David, has undertaken to continue to provide financial support for its continued operations for a period of not less than one year from the date of signing these financial statements. However, the letter of support provided is not legally binding. Therefore, should financial support not be provided by the ultimate controlling party, the company would have to obtain additional sources of finance. However, should it be required, there is no guarantee that such additional finance could be obtained.

As a result, there is a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, while recognising this uncertainty, on the basis of projections, the directors believe that the level of financial support available from the ultimate controlling party, or the ability to obtain additional finance, will be sufficient and accordingly they consider the going concern basis of preparation to be appropriate.

Adoption of new and revised standards and interpretations

a) Standards, amendments and interpretations effective in 2015.

The following standards and interpretations have been adopted by the group:

- Annual Improvements to IFRSs 2010-2012 cycle.
- Annual Improvements to IFRSs 2011-2013 cycle.

b) Standards, amendments and interpretations to existing standards that are not yet endorsed by the European Union

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, may have an effect on the Group's future financial statements:

- Amendments to IAS 1 Disclosure Initiative – effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisations – effective for accounting periods beginning on or after 1 January 2016.
- IFRS 15 Revenue from Contracts with Customers – effective for accounting periods beginning on or after 1 January 2018.
- IFRS 9 Financial Instruments and subsequent amendments – effective for accounting periods beginning on or after 1 January 2018.
- IFRS 16 Leases – effective for accounting periods beginning on or after 1 January 2019.
- Annual Improvements to IFRSs 2012-14 Cycle – effective for accounting periods beginning on or after 1 January 2016.

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

1. ACCOUNTING POLICIES - continued

Although the above new standards, interpretations and amendments, which have not been adopted early, are relevant to the group it is not envisaged they will have a material effect on the group's future financial statements, with the exception of IFRS 15 Revenue from Contracts with Customers. The Directors are still assessing the impact of IFRS 15 Revenue from Contracts with Customers.

Revenue recognition

The Company has two revenue streams: Advertising-supported video streaming and subscriber-based video streaming. Revenues are derived from video advertising impressions served and monthly premium subscription packages.

The Company recognises revenues when it is realised or realisable and earned. The Company considers revenue realised or realisable and earned when all of the following criteria are met:

- (i) persuasive evidence of an arrangement exists,
- (ii) the services have been rendered to the customer,
- (iii) the sales price is fixed or determinable, and
- (iv) collectability is reasonably assured.

Advertising supported video streaming revenues, net of agency commissions, are recognised in the period during which underlying advertisements are broadcast or published.

Subscription revenues are recognised ratably over the membership period. Revenues are presented net of the taxes that are collected from members and remitted to governmental authorities. Deferred revenue consists of membership fees billed to members that have not been recognised.

Intangible assets

Where the company owns a content license it is stated at cost less any impairments identified.

Where the company has licence to exploit content for a set period of time, the licence is amortised on a straight line basis over the relevant period. The useful economic life ranges from 1 to 10 years.

Amortisation is charged to the income statement as an administrative expense.

Intangible assets are monitored for indicators of any permanent diminution in value and if noted, are impaired by the difference between their net book value and recoverable amount.

Property, plant and equipment

Tangible assets are initially recognised at cost. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	- 20% on cost
Computer equipment	- 33% on cost

Financial instruments

Financial assets and liabilities are recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument. They are classified as follows:

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. The company's loans and receivables comprise of 'trade and other receivables'. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. The effect of discounting on these financial instruments is not considered material.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. ACCOUNTING POLICIES - continued

b) Other financial liabilities

The company classifies its financial liabilities as trade and other payables and tax payable which are recognised initially at fair value and subsequently measured at amortised cost.

c) Share capital

Financial instruments issued by the company are treated as equity only to the extent that they do not meet the definition of a financial liability. The company's shares are classified as equity instruments.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax is calculated on the comprehensive basis using the liability method, which requires provision for temporary differences between the tax bases of assets and liabilities and their carrying amounts on the balance sheet. Tax rates enacted at the balance sheet date are used to determine the deferred tax balances. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

Financial risk management objectives and policies

The objective of the company's capital management is to ensure that it maintains strong credit ratings and capital ratios. This will ensure that the business is correctly supported and shareholder value is maximised.

The company manages its capital structure through adjustments that are dependent on economic conditions. In order to maintain or adjust the capital structure, the company may choose to change or amend dividend payments to shareholders or issue new share capital to shareholders. There were no changes to the objectives, policies or processes during the period ended 31 December 2015.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Leased assets

The company has no assets which are financed by leasing agreements that give rights approximating to ownership ('finance leases'). As such, all leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

The benefits of lease incentives received on entering into new leases are spread over the lease term.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Depreciation and amortisation rates.

The directors have used judgement to select the rates at which categories of asset are depreciated or amortised. The rates used are designed to best reflect the underlying value of the assets over their useful lives.

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

1. ACCOUNTING POLICIES - continued**b) Legal proceedings.**

In accordance with IFRSs the company recognises a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the financial statements. Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognised or disclosed in the financial statements, could have a material effect on the company's financial position. Application of these accounting principles to legal cases requires the company's management to make determinations about various factual and legal matters beyond its control. The company reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of the litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisors, experience on similar cases and any decision of the company's management as to how it will respond to the litigation, claim or assessment.

2. REVENUE

The company operates in one business segment – the provision of subscription and advertising services.

The director of the company considers the business from a geographical perspective based on the location of its customers, who generate the revenue.

	2015	2014
	£	£
United Kingdom	557,127	876,383
United States of America	6,541,962	5,234,278
Europe	2,826,389	2,799,657
Rest of World	<u>343,602</u>	<u>521,876</u>
	<u>10,269,080</u>	<u>9,432,194</u>

3. EMPLOYEES AND DIRECTORS

	2015	2014
	£	£
Wages and salaries	1,107,518	1,349,369
Social security costs	<u>142,710</u>	<u>176,115</u>
	<u>1,250,228</u>	<u>1,525,484</u>

The average monthly number of employees during the year was as follows:

	2015	2014
Administration	2	2
Website development	3	3
Advertising	3	1
Technical	<u>2</u>	<u>2</u>
	<u>10</u>	<u>8</u>

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

3. EMPLOYEES AND DIRECTORS - continued

The director of the company considers himself and 2 employees to be the key management.

	2015	2014
	£	£
Director's remuneration	-	-
Key management remuneration	<u>575,262</u>	<u>1,000,191</u>

4. OPERATING LOSS

The operating loss is stated after charging:

	2015	2014
	£	£
Depreciation - owned assets	258,024	187,901
Content licenses amortisation	136,234	81,013
Auditors' remuneration-audit services	27,020	10,000
Foreign exchange differences	46,497	116,715
Operating lease expense – computer equipment	<u>151,740</u>	<u>41,000</u>

5. FINANCE COSTS

	2014	2014
	£	£
Loan interest – other payables	<u>18,522</u>	<u>109,123</u>
	<u>18,522</u>	<u>109,123</u>

6. INCOME TAX**Analysis of tax expense**

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2015 nor for the year ended 31 December 2014.

Factors affecting the tax expense

The tax assessed for the year is different to the standard rate of corporation tax in the UK. The difference is explained below:

	2015	2014
	£	£
Loss on ordinary activities before income tax	<u>(2,049,669)</u>	<u>(187,882)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%)	(415,058)	(40,395)
Effects of:		
Net disallowable expenditure	1,910	1,360
Capital allowances in excess of depreciation	-	(41,208)
Depreciation in excess of capital allowances	20,756	-
Losses available to carry forward	386,543	71,314
Losses surrendered to fellow subsidiary	<u>5,849</u>	<u>8,929</u>
Tax expense	<u>-</u>	<u>-</u>

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

6. INCOME TAX - continued**Factors that may affect future tax charges**

The company has unused tax losses carried forward of £12,371,065 (2014: £10,462,212). The company has a potential deferred tax asset of £2,226,792 (2014: £2,093,547) in respect of these losses. This has not been recognised as there is uncertainty of the timing of future profits that will arise in future accounting periods of which these losses could be offset against.

The Finance Act 2015 which was substantively enacted on 26 October 2015 included legislation to reduce the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020.

The March 2016 Budget Statement announced a further change to the UK Corporation tax rate which will now reduce the main rate of corporation tax to 17% from 1 April 2020.

7. INTANGIBLE ASSETS

	Content licenses £
COST	
At 1 January 2015	538,621
Additions	<u>144,212</u>
At 31 December 2015	<u>682,833</u>
AMORTISATION	
At 1 January 2015	329,334
Amortisation for year	<u>136,234</u>
At 31 December 2015	<u>465,568</u>
NET BOOK VALUE	
At 31 December 2015	<u>217,265</u>
	Content licenses £
COST	
At 1 January 2014	418,988
Additions	<u>119,633</u>
At 31 December 2014	<u>538,621</u>
AMORTISATION	
At 1 January 2014	248,321
Amortisation for year	<u>81,013</u>
At 31 December 2014	<u>329,334</u>
NET BOOK VALUE	
At 31 December 2014	<u>209,287</u>

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

8. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 January 2015	77,652	885,933	963,585
Additions	<u>1,213</u>	<u>92,735</u>	<u>93,948</u>
At 31 December 2015	<u>78,865</u>	<u>978,668</u>	<u>1,057,533</u>
DEPRECIATION			
At 1 January 2015	75,718	493,999	569,717
Charge for year	<u>741</u>	<u>257,283</u>	<u>258,024</u>
At 31 December 2015	<u>76,459</u>	<u>751,282</u>	<u>827,741</u>
NET BOOK VALUE			
At 31 December 2015	<u>2,406</u>	<u>227,386</u>	<u>229,792</u>
	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 January 2014	76,695	582,417	659,112
Additions	<u>957</u>	<u>303,516</u>	<u>304,473</u>
At 31 December 2014	<u>77,652</u>	<u>885,933</u>	<u>963,585</u>
DEPRECIATION			
At 1 January 2014	75,465	306,351	381,816
Charge for year	<u>253</u>	<u>187,648</u>	<u>187,901</u>
At 31 December 2014	<u>75,718</u>	<u>493,999</u>	<u>569,717</u>
NET BOOK VALUE			
At 31 December 2014	<u>1,934</u>	<u>391,934</u>	<u>393,868</u>

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

9. TRADE AND OTHER RECEIVABLES

	2015 £	2014 £
Current:		
Trade receivables - net	1,075,663	2,908,862
Amounts due from group undertakings	3,724,923	-
Other receivables	28,543	468,411
Prepayments and accrued income	768,197	2,226,357
Director's current accounts	755,262	-
	<u>6,352,588</u>	<u>5,603,630</u>

10. CASH AND CASH EQUIVALENTS

The amounts disclosed on the statements of cash flow in respect of cash and cash equivalents are in respect of these statement of financial position amounts:

	2015 £	2014 £
Bank account	<u>131,844</u>	<u>148,403</u>

11. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2015 £	2014 £
2	Ordinary	£1	<u>2</u>	<u>2</u>

12. TRADE AND OTHER PAYABLES

	2015 £	2014 £
Current:		
Trade payables	283,011	459,506
Amounts owed to group undertakings	15,309,334	6,227,526
Social security and other taxes	291,400	81,301
Other payables	38,239	2,745,898
Accruals and deferred income	138,514	591,644
Director's current accounts	-	3,328,653
	<u>16,060,498</u>	<u>13,434,528</u>

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

13. FINANCIAL INSTRUMENTS

At 31 December 2015 the financial instruments of the company were:

	Loans & receivables	Other financial liabilities
	£	£
Financial Assets		
Trade receivables	1,075,663	-
Amounts due from group undertakings	3,724,923	-
Other receivables	28,543	-
Director's current account	755,262	-
Financial Liabilities		
Trade payables	-	(283,011)
Amounts owed to group undertakings	-	(15,309,334)
Other payables	-	(38,239)
	<u>5,584,391</u>	<u>(15,630,584)</u>

At 31 December 2014 the financial instruments of the company were:

	Loans & receivables	Other financial liabilities
	£	£
Financial Assets		
Trade receivables	2,908,862	-
Other receivables	468,411	-
Financial Liabilities		
Trade payables	-	(459,506)
Amounts owed to group undertakings	-	(6,227,526)
Other payables	-	(2,745,898)
Director's current accounts	-	(3,328,653)
	<u>3,377,273</u>	<u>(12,761,583)</u>

14. ULTIMATE PARENT COMPANY

The immediate parent company of which the company is a wholly owned subsidiary and into which the results of the company are consolidated is Filmon.TV UK Limited, a company incorporated in England and Wales.

The ultimate parent company is Anakando Limited, a company incorporated in St Vincent and the Grenadines.

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

15. CONTINGENT LIABILITIES

The results of complex legal proceedings are difficult to predict and the Company's view of these matters may change in the future as the litigation and events related thereto unfold. The Company expenses legal fees as incurred. The Company records a liability for contingent losses when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. An unfavourable outcome to any legal matter, if material, could have an adverse effect on the Company's operations or its financial position, liquidity or results of operations.

Certain television companies have alleged that the Filmon.com website infringes copyright pursuant to Section 20 of the Copyright Designs and Patents Act 1988 by communicating to the public broadcasts owned by the various broadcasters. No loss accrual has been recorded in respect of this lawsuit as the amount of the loss cannot be reasonably estimated.

16. RELATED PARTY DISCLOSURES

At the balance sheet date, as detailed in note 9 there were amounts due from A. A. David, the director. These amounts have no fixed date of repayment and are not accruing any interest. During the year the company continued to receive financial support from A. A. David to the extent of £3,230,097 comprising of cash and the assumption by him of payables due to Talos Holdings Limited and Utopia Business Company Limited which is discussed further below. An amount of £6,472,842 due to A. A. David was transferred by way of legal agreement to FilmOn.TV UK Limited, the parent company, in November 2015. A. A. David also made drawings from the company amounting to £841,170 resulting in a receivable of £755,262 (2014: £3,328,653 payable) at the balance sheet date.

At the balance sheet date, included within other payables is an amount of £Nil (2014: £335,834) due to Talos Holdings Limited (incorporated in Saint Vincent and Grenadines) a company in which A. A. David has an interest. The loan is unsecured, interest free and had no fixed terms of repayment. This loan was fully repaid in August 2015.

At the balance sheet date, included within other payables is an amount of £Nil (2014: £2,323,110) due to Utopia Business Company Limited (incorporated in the British Virgin Islands), a company in which A. A. David has an interest. Interest of £18,522 (2014: £109,123) was charged on the loan during the year. The loan is not secured and bears interest at 5% per annum. A translation gain of £1,508 (2014: loss of £24,295) was credited during the year prior to its repayment in August 2015.

At the balance sheet date, included within amounts due from group undertakings is an amount of £3,169,830 (2014: due to £1,207,249) due from FilmOn.TV Inc (incorporated in Delaware, USA). During the year the company received income of £1,085,083 (2014: 1,439,767) on behalf of FilmOn.TV Inc and settled expenses totalling £80,626 (2014: £211,216) on their behalf. Also in 2015 FilmOn.TV Inc received income totalling £284,253 (2014: £143,055) on behalf of the company. During the year, the company settled expenses totalling £1,581,426 (2014: £188,017) on behalf of and transferred funds totalling £3,677,109 (2014: £nil) to FilmOn.TV Inc.

At the balance sheet date included within the amounts due from group undertakings is an amount of £555,093 (2014: £nil) due from FOTV Media Networks Inc. (incorporated in Delaware, USA) a company in which A. A. David has an interest. The balance comprises of various costs that the company incurred during the year on behalf of FOTV Media Networks Inc, in relation to the IPO process.

At the balance sheet date, included within other payables is an amount of £36,585 (2014: £59,837) due to Full On Entertainment Limited (incorporated in England & Wales) a company in which A. A. David had an interest. This balance has arisen due to Full On Entertainment Limited settling expenses totalling £4,669 (2014: £7,209) on behalf of the company. During the year the company settled expenses totalling £16,921 (2014: £18,730) on behalf of Full On Entertainment Limited. During the year the company received funds totalling £nil (2014: £20,955) from Full On Entertainment Limited. Also, during the year the company transferred funds totalling £11,000 (2014: £49,386) to Full On Entertainment Limited.

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

16. RELATED PARTY DISCLOSURES – continued

At the balance sheet date, included within other receivables is an amount of £nil (2014: £227,306) due from Battlecam.com Inc (Incorporated in Delaware, USA), a company in which A. A. David has an interest. During the period a balance of £407,908 arising due to the company meeting various costs totalling £180,602 (2014: £148,228) on behalf of Battlecam.com Inc was transferred to the director by way of legal agreement.

At the balance sheet date, included within other receivables in an amount of £nil (2014: £130,301) due from My Combat Channel Inc (incorporated in Nevada, USA), a company in which A. A. David has an interest. This balance has arisen due to the company meeting various costs on behalf of My Combat Channel Inc. In September 2015, the balance was transferred to the director by way of legal agreement.

At the balance sheet date, included within amounts owed to group undertakings is an amount of £15,230,843 (2014: £4,956,753) due to Filmon.TV UK Limited. This balance has arisen due to the transfer by legal agreement of director and intercompany loans payable of £9,543,183 (2014: £nil) and the company paying fees of £977,340 (2014: £746,335) to Filmon.TV UK Limited. Also Filmon.TV UK Limited settled various costs totalling £267 (2014: £24,445) on behalf of the company. During the year, the company settled various costs totalling £1,056,931 (2014: £79,535) on behalf of FilmOn.TV UK Limited. During the year, FilmOn.TV UK Limited transferred funds totalling £838,303 (2014: £45,325) to the company. During the year, the company transferred funds totalling £28,071 (2014: £5,520) to FilmOn.TV UK Limited.

At the balance sheet date, included within other receivables in an amount of £nil (2014: £10,260) due from 9021go.com (incorporated in California, USA), a company in which A. A. David has an interest. In September 2015, the balance was transferred to the director by way of legal agreement.

At the balance sheet date, included within other payables is an amount of £1,654 (2014: £1,654) due to 111 Pictures Limited (incorporated in England & Wales), a company in which A. A. David has an interest. This balance has arisen due to the company undertaking various transactions on behalf of the company. During the year, 111 Pictures Limited received a refund of £nil (2014: £619) which relates to FilmOn TV Limited. During the year, an amount of £nil (2014: £43,639) was transferred to the company from FilmOn.TV UK Limited.

At the balance sheet date, included within amounts owed to group undertakings is an amount of £78,490 (2014: £63,524) due to FilmOn Line Marketing Limited. The payable balance has arisen due to sales invoices raised by the company on behalf to FilmOn Line Marketing Limited on behalf of the company totalling £125,330 (2014: £72,248) and various costs totalling £110,364 (2014: 24,333) that the company met on behalf of FilmOn Line Marketing Limited during the year.

17. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is the Director of the company.

18. RECONCILIATION OF LOSS AFTER INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2015	2014
	£	£
Loss after income tax	(2,049,669)	(187,882)
Depreciation charges	258,024	187,901
Amortisation	136,234	81,013
Finance costs	18,522	109,123
Finance income	-	(5)
	<u>(1,636,889)</u>	<u>190,150</u>
Increase in trade and other receivables	(542,165)	(3,632,559)
Increase in trade and other payables	<u>2,139,219</u>	<u>2,430,951</u>
Cash generated from operations	<u>(39,835)</u>	<u>(1,011,458)</u>

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

19. FINANCIAL RISK MANAGEMENT

The company's exposure to the variety of financial risks is as follows:

a) Market risk(i) Foreign exchange risk

The company undertakes certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the company's functional currency.

(ii) Fair value interest rate risk

The company does not have significant cash balances which expose it to movements in market interest rates. The company also has no liabilities which accrue interest at a variable rate and therefore the company has no exposure to interest rate risk on borrowings. The company has amounts due to and from related parties. The majority of these balances do not accrue interest at a variable rate.

b) Credit risk

The company manages credit risk of debtors through a credit control process. Credit limits are agreed and closely monitored. The company's normal terms of business are assessed on a customer by customer basis with payments due within 30-90 days.

The trade receivable due after the normal credit terms can be analysed by the following aged groupings:

	2015 £	2014 £
1-30 days	228,223	145,286
31-60 days	50,627	14,167
61-90 days	37,144	3,690
Over 90 days	<u>67,682</u>	<u>136,756</u>
	<u><u>383,676</u></u>	<u><u>299,899</u></u>

	2015 £	2014 £
<i>Bad debt provision:</i>		
Brought forward	34,466	24,772
Amounts provided during the year	<u>133,794</u>	<u>9,694</u>
	<u><u>168,260</u></u>	<u><u>34,466</u></u>

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Management monitors rolling forecasts of the company's liquidity reserve. The review consists of considering the liquidity of local markets, projecting cash flows and the level of liquid assets to meet these. The management raise additional capital financing when the review indicates this to be necessary

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

20. COMMITMENTS AND CONTINGENCIES

Operating leases - lessee

The company has entered into a number of agreements in relation to the running of its data centres. The contracts are typically for a duration of 12 to 36 months.

The total value of minimum lease payments is due as follows:

	2015 £	2014 £
Not later than one year	85,925	95,403
Greater than one year and less than 5 years	-	68,836
	<u>85,925</u>	<u>164,239</u>

21. SUBSEQUENT EVENTS

The Company's ultimate parent is pursuing an initial public offering in the US, the timing of which is uncertain and is subject to the resolution of ongoing regulatory enquiries.