

**Strategic Report, Report of the Director and
Financial Statements for the Year Ended 31 December 2022
for
MUBI UK LIMITED**

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for the year ended 31 December 2022**

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MUBI UK LIMITED

**Company Information
for the year ended 31 December 2022**

DIRECTOR: E Cakarel

REGISTERED OFFICE: 5 New Street Square
London
EC4A 3TW

REGISTERED NUMBER: 07385593 (England and Wales)

AUDITORS: Feist Hedgethorne Limited
Statutory Auditors
Chartered Accountants
Preston Park House
South Road
Brighton
East Sussex
BN1 6SB

**Strategic Report
for the year ended 31 December 2022**

The director presents his strategic report for the year ended 31 December 2022.

PRINCIPAL ACTIVITY

The principal activity of the company is the provision of an online film platform service and theatrical showings.

OUR PURPOSE

Our purpose is to meet the needs of our customers, delivering the experience and services that matter to them.

Our success as a business depends on delivering value to all our customers and stakeholders. We plan and anticipate what they want and develop products, services and an overall experience that meet their needs.

REVIEW OF BUSINESS

The Company generated income of £14,678k (2021:£9,576k) and made an operating loss of £3,081k (2021: £859k).

The key financial highlights are as follows:

Turnover: £14,678k (2021: £9,576k);
Gross profit of £8,836k (2021: £6,326k);
Operating loss of £3,081k (2021: £859k); and
Net liabilities of £11,046k (2021: £8,694k).

The Company is part of a connected group of companies headed by Mubi Inc, a company incorporated in the United States of America which provides production and platform services internationally. The company is controlled by Efe Cakarel.

**Strategic Report
for the year ended 31 December 2022**

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of risks and uncertainties that can impact the performance of the company, some of which are beyond the control of the company and its Board.

The principal risks and uncertainties facing the company are outlined below:

Competitive pressures

The company continually faces competition in each of the sector's in which it has a presence. The competitive environment in any one sector is a function of several factors including the number of competitors, pricing, the economic/demand characteristics of that sector, and the availability of substitute products. While such competitive forces can impact profitability in the short-term the company looks to offset such adverse effects by:

- (i) a program of continuous process improvement;
- (ii) a permanent emphasis on product enhancement which allows the company's businesses to be a leading-edge provider of innovative telecommunication systems and software and, therefore, helps to differentiate itself from competitors, and
- (iii) providing a best in class service to customers by offering expert technical support, short delivery times and products that come with a guaranteed performance.

Customer credit risk

As part of the overall service package the company provides credit to customers and as a result there is an associated risk that the customer may not be able to pay outstanding balances. The company has established procedures and credit control policies around managing its Trade debtors and acts where necessary. Trade debtors are primarily managed by a sanction process backed up by the Board. All major outstanding and overdue balances, together with significant potential exposures, are regularly reviewed and concerns are discussed at monthly meetings at which the Board are present. Control systems are in place to ensure that authorisation requests are supported with appropriate and sufficient documentation and are approved at appropriate levels in the organisation.

At the year end, the company was carrying a trade debtors balance of £551,476 (2021: £499,600) expressed net of provisions for default in payment.

Information technology and business continuity

The company uses a range of information technology and decision support systems across its business for efficient processing of orders, control procedures and financial management. These systems are constantly reviewed and updated to meet the needs of the company. Business continuity and disaster recovery planning is regularly assessed and tested to ensure the company is adequately resourced and maintains an appropriately robust environment including preventative processes on cybercrime. This is further mitigated through consequential loss insurance and business continuity plans which are updated regularly.

Data protection and back-up

Failure to comply with data privacy regulations and standards (GDPR) or weakness in internet security may result in a major data privacy breach causing reputational damage to the company's brands and financial loss.

Breach of IT security may cause data to be lost, corrupted or accessed by unauthorised users, impacting the company's reputation. This could give rise to legal or regulatory penalties as well as commercial costs. The company has processes and procedures in place to monitor effectiveness of customer back-up and is continually upgrading security equipment and software and making improvements to physical security processes.

Market conditions

The principal risk affecting the company is the sales performance and the retention of market share to enable the company to continue to generate and grow revenue in future years. The market for entertainment video is intensely competitive and subject to rapid change. Through new and existing distribution channels including subscriptions, transactional and ad-supported models, the company has the potential to capture meaningful segments of the entertainment video market.

As MUBI expands its operations internationally it is managing and adjusting its business to address varied content offerings, consumer customs and practices, in particular those dealing with e-commerce and internet video, as well as differing legal and regulatory environments.

**Strategic Report
for the year ended 31 December 2022**

Financial risk

The director has reviewed the financial risk management objectives and policies of the company. The directors do not believe there to be significant risks in this area. The company does not enter into any hedging instruments as there are not believed to be any material exposure. The company does not enter into any financial instruments for speculative purposes. Appropriate trade terms are negotiated with suppliers and customers, Management review these terms, the relationships with suppliers and customers and manages any exposure on normal trade terms.

Brexit

Management continues to closely monitor developments in relation to Brexit and the potential consequential political and economic uncertainties to mitigate risks to the business.

GOING CONCERN

The company has made a loss of £2,532,463 (2021: £474,912) in the current financial year and has a negative balance sheet position showing net liabilities of £11,226,759 (2021: £8,694,296). Of the liabilities owed by the company as at 31 December 2022, £11,994,869 (2021: £12,826,098) is owed to its parent company MUBI, Inc. The liability owed to MUBI, Inc. is included as a long term liability as there is a credit agreement in place that states the parent company is committed to lend the monies until 30 April 2028.

The company has received a letter of support from MUBI, Inc. and a commitment by MUBI, Inc. to lend \$20,000,000 to the company was agreed on 30 April 2018. Therefore the director believes that the company has adequate financial resources to continue in operational existence for the foreseeable future.

The director is confident that the company will obtain a stronger financial position in the future as the MUBI brand grows stronger and the number of subscribers in the UK increase. The director also believes that the company is well placed to successfully manage its business risk.

In light of the above, the director has continued to prepare the financial statements on the going concern basis.

FUTURE DEVELOPMENTS

The Director feels that the Company is well placed to continue its growth in subsequent years and continue to grow the number of UK subscribers into the future.

ON BEHALF OF THE BOARD:

E Cakarel - Director

26 September 2023

**Report of the Director
for the year ended 31 December 2022**

The director presents his report with the financial statements of the company for the year ended 31 December 2022.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2022.

RESEARCH AND DEVELOPMENT

The company continues to invest in the development of software, database systems and graphic designing in relation to the online film platform service market to ensure it is equipped to deal with continuing developments in this sector. This research and development will ensure that the company is able to evolve with the requirements of its customers.

DIRECTOR

E Cakarel held office during the whole of the period from 1 January 2022 to the date of this report.

POLITICAL DONATIONS AND EXPENDITURE

During the year the company made a charitable donation of £15,500 (2021: £nil).

DISCLOSURE IN THE STRATEGIC REPORT

Certain matters required by regulation to be dealt with in the annual report have been dealt with in the Strategic Report rather than the Director's Report. These include principle risks and uncertainties, going concern and future developments.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Strategic Report, the Report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

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

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Report of the Director
for the year ended 31 December 2022**

AUDITORS

The auditors, Feist Hedgethorne Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

E Cakarel - Director

26 September 2023

Report of the Independent Auditors to the Members of MUBI UK Limited

Opinion

We have audited the financial statements of MUBI UK Limited (the 'company') for the year ended 31 December 2022 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, 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 Financial Reporting Standard 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 2022 and of its loss 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.

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 Auditors' 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.

Material Uncertainty related to Going Concern

We draw attention to the going concern paragraph in the Report of the Director, which indicates that the company made a loss of £2,351,636 (2021: £474,912) during the year ended 31 December 2022 and, as at that date, the company's net liabilities exceeded its total assets by £11,045,932 (2021: £8,694,296).

As stated in the going concern paragraph in the Strategic Report, these events or conditions indicate that a material uncertainty exists which may cast doubt on the company's ability to continue as a going concern.

However, Mubi Inc has agreed to support the business for a period of 12 months from the date of signing these financial statements and the Director is satisfied it is in a position to meet this commitment if required.

Our opinion is not modified in respect of this matter.

Other information

The director is responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Director, but does not include the financial statements and our Report of the Auditors thereon.

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 this gives rise to a material misstatement in the financial statements themselves. 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 Strategic Report and the Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Director have been prepared in accordance with applicable legal requirements.

**Report of the Independent Auditors to the Members of
MUBI UK Limited**

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 Strategic Report or the Report of the Director.

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.

Responsibilities of director

As explained more fully in the Statement of Director's Responsibilities set out on page five, 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 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.

Report of the Independent Auditors to the Members of MUBI UK Limited

Auditors' 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 a Report of the Auditors 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The extent to which the audit was considered capable of detecting irregularities, including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the film industry;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation, data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

**Report of the Independent Auditors to the Members of
MUBI UK Limited**

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 a Report of the Auditors 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.

Christopher Morey (Senior Statutory Auditor)
for and on behalf of Feist Hedgethorpe Limited
Statutory Auditors
Chartered Accountants
Preston Park House
South Road
Brighton
East Sussex
BN1 6SB

26 September 2023

MUBI UK LIMITED (REGISTERED NUMBER: 07385593)

**Income Statement
for the year ended 31 December 2022**

	Notes	2022 £	2021 £
TURNOVER		14,677,777	9,576,434
Cost of sales		<u>(5,841,877)</u>	<u>(3,250,529)</u>
GROSS PROFIT		8,835,900	6,325,905
Administrative expenses		<u>(12,103,894)</u>	<u>(7,712,005)</u>
		(3,267,994)	(1,386,100)
Other operating income		<u>187,290</u>	527,509
OPERATING LOSS	4	(3,080,704)	(858,591)
Interest receivable and similar income		<u>-</u>	414
		(3,080,704)	(858,177)
Interest payable and similar expenses	5	<u>(240,074)</u>	<u>(161,891)</u>
LOSS BEFORE TAXATION		(3,320,778)	(1,020,068)
Tax on loss	6	<u>969,142</u>	545,156
LOSS FOR THE FINANCIAL YEAR		<u>(2,351,636)</u>	<u>(474,912)</u>

The notes form part of these financial statements

MUBI UK LIMITED (REGISTERED NUMBER: 07385593)

**Other Comprehensive Income
for the year ended 31 December 2022**

	Notes	2022 £	2021 £
LOSS FOR THE YEAR		(2,351,636)	(474,912)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(2,351,636)</u>	<u>(474,912)</u>

The notes form part of these financial statements

MUBI UK LIMITED (REGISTERED NUMBER: 07385593)

**Balance Sheet
31 December 2022**

	Notes	2022 £	2021 £
FIXED ASSETS			
Tangible assets	8	164,256	96,703
CURRENT ASSETS			
Debtors	9	2,500,563	2,052,618
Cash at bank		1,297,771	5,103,567
		3,798,334	7,156,185
CREDITORS			
Amounts falling due within one year	10	(3,013,653)	(3,121,086)
NET CURRENT ASSETS		784,681	4,035,099
TOTAL ASSETS LESS CURRENT LIABILITIES		948,937	4,131,802
CREDITORS			
Amounts falling due after more than one year	11	(11,994,869)	(12,826,098)
NET LIABILITIES		(11,045,932)	(8,694,296)
CAPITAL AND RESERVES			
Called up share capital	13	1,000	1,000
Retained earnings	14	(11,046,932)	(8,695,296)
SHAREHOLDERS' FUNDS		(11,045,932)	(8,694,296)

The financial statements were approved by the director and authorised for issue on 26 September 2023 and were signed by:

E Cakarel - Director

The notes form part of these financial statements

MUBI UK LIMITED (REGISTERED NUMBER: 07385593)

**Statement of Changes in Equity
for the year ended 31 December 2022**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2021	1,000	(8,220,384)	(8,219,384)
Changes in equity			
Total comprehensive income	-	(474,912)	(474,912)
Balance at 31 December 2021	<u>1,000</u>	<u>(8,695,296)</u>	<u>(8,694,296)</u>
Changes in equity			
Total comprehensive income	-	(2,351,636)	(2,351,636)
Balance at 31 December 2022	<u>1,000</u>	<u>(11,046,932)</u>	<u>(11,045,932)</u>

The notes form part of these financial statements

**Cash Flow Statement
for the year ended 31 December 2022**

	Notes	2022 £	2021 £
Cash flows from operating activities			
Cash generated from operations	1	(3,519,193)	(1,532,041)
Tax paid		<u>544,242</u>	<u>134,856</u>
Net cash from operating activities		<u>(2,974,951)</u>	<u>(1,397,185)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(149,679)	(67,949)
Sale of tangible fixed assets		1,332	-
Interest received		-	414
Net cash from investing activities		<u>(148,347)</u>	<u>(67,535)</u>
Cash flows from financing activities			
Loan repayments in year		-	(50,000)
Amount introduced by directors		-	624
Intercompany loan movements		<u>(682,498)</u>	<u>4,393,796</u>
Net cash from financing activities		<u>(682,498)</u>	<u>4,344,420</u>
(Decrease)/increase in cash and cash equivalents		<u>(3,805,796)</u>	<u>2,879,700</u>
Cash and cash equivalents at beginning of year	2	5,103,567	2,223,867
Cash and cash equivalents at end of year	2	<u>1,297,771</u>	<u>5,103,567</u>

The notes form part of these financial statements

Notes to the Cash Flow Statement
for the year ended 31 December 2022

1. RECONCILIATION OF OPERATING LOSS TO CASH GENERATED FROM OPERATIONS

	2022	2021
	£	£
Operating loss	(3,080,704)	(858,591)
Depreciation charges	80,544	44,207
Loss on disposal of fixed assets	250	-
Accrued finance costs	(240,074)	(161,891)
	(3,239,984)	(976,275)
Increase in trade and other debtors	(10,682)	(787,120)
(Decrease)/increase in trade and other creditors	(268,527)	231,354
Cash generated from operations	(3,519,193)	(1,532,041)

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2022

	31.12.22	1.1.22
	£	£
Cash and cash equivalents	<u>1,297,771</u>	<u>5,103,567</u>

Year ended 31 December 2021

	31.12.21	1.1.21
	£	£
Cash and cash equivalents	<u>5,103,567</u>	<u>2,223,867</u>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.22	Cash flow	At 31.12.22
	£	£	£
Net cash			
Cash at bank	<u>5,103,567</u>	<u>(3,805,796)</u>	<u>1,297,771</u>
	<u>5,103,567</u>	<u>(3,805,796)</u>	<u>1,297,771</u>
Total	<u>5,103,567</u>	<u>(3,805,796)</u>	<u>1,297,771</u>

**Notes to the Financial Statements
for the year ended 31 December 2022**

1. STATUTORY INFORMATION

MUBI UK Limited is a private company, limited by shares, registered in England and Wales. The company's registered number, registered office address and business address can be found on the Company Information page. The Company's registered address and business address is the same.

The presentation and the functional currency of the financial statements is the Pound Sterling (£). Monetary amounts in these financial statements are rounded to the nearest pound.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. In the prior year the disclosure requirements of section 1A of FRS 102 were applied as the company qualified as a small company.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates and these estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The items in the financial statements where these judgements and estimates have been made include, but are not limited to, the useful economic life of tangible fixed assets, the depreciation of these assets and the recoverability of debtors.

Revenue recognition

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, is shown net of VAT. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from subscriptions is immediately recognised and deferred in relation to the period of subscription. Management fee income is recognised at the end of the year in which the services have been provided. Theatrical release income and technology services revenue are recognised at the time the service has been provided. Ancillary revenue is recognised at the time the sales have been made.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended by management.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

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

Notes to the Financial Statements - continued
for the year ended 31 December 2022

2. ACCOUNTING POLICIES - continued

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

A research and development tax credit is recognised in debtors when it is probable that a tax credit in relation to research and development carried out will be received.

**Notes to the Financial Statements - continued
for the year ended 31 December 2022**

2. ACCOUNTING POLICIES - continued

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 transaction. Exchange differences are taken into account in arriving at the operating result.

Leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Impairment

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Notes to the Financial Statements - continued
for the year ended 31 December 2022

3. EMPLOYEES AND DIRECTORS

	2022	2021
	£	£
Wages and salaries	5,506,923	4,154,268
Social security costs	656,367	474,811
Other pension costs	99,937	73,170
	<u>6,263,227</u>	<u>4,702,249</u>

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

	2022	2021
Director	1	1
Staff	<u>109</u>	<u>82</u>
	<u>110</u>	<u>83</u>

	2022	2021
	£	£
Director's remuneration	250,800	246,030
Director's pension contributions to money purchase schemes	<u>1,321</u>	<u>-</u>

Information regarding the highest paid director is as follows:

	2022	2021
	£	£
Emoluments etc	250,800	246,030
Pension contributions to money purchase schemes	<u>1,321</u>	<u>-</u>

4. OPERATING LOSS

The operating loss is stated after charging:

	2022	2021
	£	£
Other operating leases	189,090	80,081
Depreciation - owned assets	80,543	44,207
Loss on disposal of fixed assets	250	-
Auditors' remuneration	8,170	7,750
Foreign exchange differences	1,577,544	233,010
Director's remuneration	<u>287,241</u>	<u>280,083</u>

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022	2021
	£	£
Other loan interest	<u>240,074</u>	<u>161,891</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2022

6. TAXATION

Analysis of the tax credit

The tax credit on the loss for the year was as follows:

	2022 £	2021 £
Current tax:		
R&D tax credit	(970,056)	(545,156)
R&D tax credit over-provision	<u>914</u>	<u>-</u>
Tax on loss	<u>(969,142)</u>	<u>(545,156)</u>

7. GOVERNMENT GRANTS

	2021 £	2020 £
Grant income recognised in the year	<u>520,072</u>	<u>752,723</u>

8. TANGIBLE FIXED ASSETS

	Short leasehold £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 January 2022	16,055	129,328	143,291	288,674
Additions	-	65,895	83,784	149,679
Disposals	-	-	(1,583)	(1,583)
At 31 December 2022	<u>16,055</u>	<u>195,223</u>	<u>225,492</u>	<u>436,770</u>
DEPRECIATION				
At 1 January 2022	13,369	85,519	93,083	191,971
Charge for year	<u>2,686</u>	<u>31,151</u>	<u>46,706</u>	<u>80,543</u>
At 31 December 2022	<u>16,055</u>	<u>116,670</u>	<u>139,789</u>	<u>272,514</u>
NET BOOK VALUE				
At 31 December 2022	<u>-</u>	<u>78,553</u>	<u>85,703</u>	<u>164,256</u>
At 31 December 2021	<u>2,686</u>	<u>43,809</u>	<u>50,208</u>	<u>96,703</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2022

9. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2022	2021
	£	£
Trade debtors	551,476	499,600
Amounts owed by group undertakings	373,243	360,880
Other debtors	97,670	77,750
Corporation tax repayable	970,129	545,229
VAT	86,029	116,924
Prepayments	422,016	452,235
	<u>2,500,563</u>	<u>2,052,618</u>

Included in other debtors is corporation tax recoverable in relation to the research and development claim totalling £970,056 (2021: £545,156).

10. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2022	2021
	£	£
Trade creditors	438,407	735,093
Amounts owed to group undertakings	1,968,881	1,807,787
PAYE/NIC	224,120	209,982
Director's loan account	624	624
Accrued expenses	23,136	26,711
Deferred income	358,485	340,889
	<u>3,013,653</u>	<u>3,121,086</u>

11. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2022	2021
	£	£
Amounts owed to group undertakings	<u>11,994,869</u>	<u>12,826,098</u>

12. **LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2022	2021
	£	£
Within one year	191,333	163,958
Between one and five years	128,167	319,500
	<u>319,500</u>	<u>483,458</u>

The total fixed lease payments recognised as an expense is £180,353 (2021: £75,317).

13. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2022	2021
			£	£
1,000	Ordinary	£1	<u>1,000</u>	<u>1,000</u>

**Notes to the Financial Statements - continued
for the year ended 31 December 2022**

14. RESERVES

	Retained earnings £
At 1 January 2022	(8,695,296)
Deficit for the year	<u>(2,351,636)</u>
At 31 December 2022	<u><u>(11,046,932)</u></u>

15. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the MUBI group.

16. ULTIMATE CONTROLLING PARTY

The company's ultimate parent undertaking is MUBI, Inc. (F/K/A BAZAAR, Inc.), a company incorporated in the United States of America. The company's ultimate controlling party is Efe Cakarel.

The largest and smallest group in which the results of the company are consolidated is that headed by MUBI, Inc. The consolidated financial statements of this group may be obtained from MUBI, Inc., 215 Park Avenue South FL12, Suite #12, New York, NY 10003.

17. EQUITY RESERVE

Share capital - This represents the nominal value of shares that have been issued.

Retained earnings - Includes all current and prior period retained profits and losses.

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