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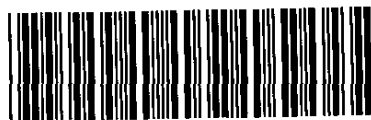
Moonbug Entertainment Limited

Financial statements

For the year ended 31 December 2019

Registered number: 11197631

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Moonbug Entertainment Limited - Registered number: 11197631

Consolidated statement of financial position

As at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	4	78,010,031	66,898,664
Tangible assets	5	735,780	373,764
		<u>78,745,811</u>	<u>67,272,428</u>
Current assets			
Contract work in progress	7	735,865	7,269
Debtors	8	6,642,271	1,823,856
Cash at bank and in hand		9,833,546	6,389,285
		<u>17,211,682</u>	<u>8,220,410</u>
Creditors: amounts falling due within one year	9	(35,862,427)	(13,693,678)
Net current liabilities		<u>(18,650,745)</u>	<u>(5,473,268)</u>
Total assets less current liabilities		<u>60,095,066</u>	<u>61,799,160</u>
Creditors: amounts falling due after more than one year	10	(947,605)	-
Provisions for liabilities			
Other provisions		(750,000)	(500,000)
		<u>(750,000)</u>	<u>(500,000)</u>
Net assets		<u>58,397,461</u>	<u>61,299,160</u>
Capital and reserves			
Called up share capital		64,846,151	64,846,151
Foreign exchange reserve		(70,885)	6,259
Profit and loss account		(7,028,193)	(3,629,308)
Equity attributable to owners of the parent company		<u>57,747,073</u>	<u>61,223,102</u>
Non-controlling interests		650,388	76,058
		<u>58,397,461</u>	<u>61,299,160</u>

Moonbug Entertainment Limited - Registered number: 11197631

Consolidated statement of financial position (continued)

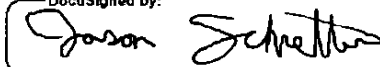
As at 31 December 2019

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The group profit and loss account and directors' report have not been delivered to the Registrar of Companies in accordance with the special provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 7 July 2020.

.....
DocuSigned by:

3C184DD223884B9...
J P Schretter
Director

The notes on pages 5 to 18 form part of these financial statements.

Moonbug Entertainment Limited - Registered number: 11197631**Company statement of financial position**

As at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	4	10,339,050	388,099
Tangible assets	5	618,664	373,764
Investments	6	69,835,147	68,710,419
		<u>80,792,861</u>	<u>69,472,282</u>
Current assets			
Contract work in progress	7	731,793	-
Debtors	8	7,891,840	1,840,671
Cash at bank and in hand		5,874,280	3,901,789
		<u>14,497,913</u>	<u>5,742,460</u>
Creditors: amounts falling due within one year	9	(41,025,558)	(13,446,215)
Net current liabilities		<u>(26,527,645)</u>	<u>(7,703,755)</u>
Total assets less current liabilities		<u>54,265,216</u>	<u>61,768,527</u>
Creditors: amounts falling due after more than one year	10	(715,794)	-
Provisions for liabilities			
Other provisions		(750,000)	(500,000)
		<u>(750,000)</u>	<u>(500,000)</u>
Net assets excluding pension asset		<u>52,799,422</u>	<u>61,268,527</u>
Net assets		<u>52,799,422</u>	<u>61,268,527</u>
Capital and reserves			
Called up share capital		64,846,151	64,846,151
Profit and loss account brought forward	(3,577,624)	-	-
Loss for the year	(8,469,105)	(3,577,624)	(3,577,624)
Profit and loss account carried forward		(12,046,729)	(3,577,624)
		<u>52,799,422</u>	<u>61,268,527</u>

Moonbug Entertainment Limited - Registered number: 11197631

Company statement of financial position (continued)


As at 31 December 2019

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

These financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The profit and loss account and directors' report have not been delivered to the Registrar of Companies in accordance with the special provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 7 July 2020.

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J P Schretter

Director

The notes on pages 5 to 18 form part of these financial statements.

Moonbug Entertainment Limited

Notes to the financial statements

For the year ended 31 December 2019

1. General information

Moonbug Entertainment Limited is a private company limited by shares, incorporated in England and Wales. The registered office of the company and its principal place of business is 1st Floor 10 Parkway, London, NW1 7AA. The company registration number is 11197631.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the group's accounting policies.

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of income and retained earnings in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of income and retained earnings from the date on which control is obtained. They are deconsolidated from the date control ceases.

Moonbug Entertainment Limited

Notes to the financial statements

For the year ended 31 December 2019

2. Accounting policies (continued)

2.3 Going concern

At the reporting date, the group and the company's current liabilities exceeded their current assets. This occurred due to amounts being paid to the company from its parent company, Project ABC Holdco (Jersey) Limited in anticipation of a share issue which is expected to occur shortly after the approval of these financial statements. At the reporting date, the company owed Project ABC Holdco (Jersey) Limited £27,602,068. This is included within current liabilities in the statement of financial position. Project ABC Holdco (Jersey) Limited has confirmed that it will not demand repayment of this loan for at least twelve months from the date of approval of these financial statements and therefore the directors consider that the company and group will be able to pay other debts as they fall due.

The directors have also considered the impact of the current COVID-19 pandemic on the group and company's operations, with a particular focus on its effect on the group and company's customers, suppliers and employees.

The directors do not consider this to be cause for material uncertainty in respect of the group and company's ability to continue as a going concern. The group and company have adapted well, successfully employing contingency plans, and the directors consider that the group and company has sufficient parental support to continue for the foreseeable future, despite the current crisis. Therefore the financial statements have been prepared on the going concern basis.

On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

2.4 Revenue

Revenue generated from content licensing is recognised equally over the duration of the licensing period. If a minimum guarantee receivable exists on the contract, then the minimum guarantee is recognised equally over the duration of the term, unless the royalties received exceed the minimum guarantee in which case the royalties received will be recognised as revenue.

Revenue generated from advertising sales and subscriptions on self-serve platforms is recognised on the accruals basis in line with the underlying agreement. When actuals are not available the company uses estimates. All estimated revenue is included in accrued income until actuals are known.

Revenue from originals or brand production is recognised at the point of delivery. If there is a partial delivery to a customer then a percentage of the revenue equal to the percentage of the partial delivery will be recognised as revenue.

Revenue from sales of brand merchandise is recognised on delivery of goods to the customer. If a minimum guarantee receivable exists in the contract, then the minimum guarantee is recognised over the duration of the term. If royalties received exceed the minimum guarantee, the royalties received will be recognised as revenue.

Other revenue is from management and content production services provided to related companies and is recognised on an accruals basis in line with the costs incurred.

2.5 Interest income

Interest income is recognised in profit or loss using the effective interest method.

Moonbug Entertainment Limited

Notes to the financial statements

For the year ended 31 December 2019

2. Accounting policies (continued)

2.6 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed 10 years.

Amortisation is provided on the following bases:

Intellectual property	-	15 years
Content production	-	3 years or over the duration of the license period
Trademarks	-	10 years
Goodwill	-	8 years
Other intangible fixed assets	-	5 years

2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Long-term leasehold property	- 5 years
Fixtures and fittings	- 3 years
Office equipment	- 3 years
Other fixed assets	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Contract work in progress

Contract work in progress represents costs incurred in producing content under contracts for customers.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment.

Moonbug Entertainment Limited

Notes to the financial statements

For the year ended 31 December 2019

2. Accounting policies (continued)

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Provision for liabilities

Provisions are recognised when the company or group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are charged as an expense to profit and loss in the year that the company or group becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are made to settle such provisions, they are charged to the provision carried in the Statement of financial position. If the company or group deems that there is no longer a need to carry such provision, the carrying amount is reversed to the profit or loss.

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Moonbug Entertainment Limited

Notes to the financial statements

For the year ended 31 December 2019

2. Accounting policies (continued)

2.14 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 Financial instruments

The group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans to and from related parties and investments in ordinary shares.

2.16 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of income and retained earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of income and retained earnings within 'other operating income'.

2.17 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

Moonbug Entertainment Limited

Notes to the financial statements

For the year ended 31 December 2019

2. Accounting policies (continued)

2.18 Operating leases

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

3. Employees

The average monthly number of employees, including directors, during the year was 80 (2018 - 19).

Moonbug Entertainment Limited

Notes to the financial statements

For the year ended 31 December 2019

4. Intangible assets

Group

	Intellectual property £	Content production £	Trademarks £	Goodwill £	Other £	Total £
Cost						
At 1 January 2019	66,927,175	2,782,557	-	81,000	-	69,790,732
Additions	12,817,752	4,524,887	173,970	-	23,574	17,540,183
At 31 December 2019	79,744,927	7,307,444	173,970	81,000	23,574	87,330,915
Amortisation						
At 1 January 2019	1,791,612	1,046,456	-	54,000	-	2,892,068
Charge for the year	4,984,425	1,408,227	7,592	27,000	1,572	6,428,816
At 31 December 2019	6,776,037	2,454,683	7,592	81,000	1,572	9,320,884
Net book value						
At 31 December 2019	72,968,890	4,852,761	166,378	-	22,002	78,010,031
At 31 December 2018	65,135,563	1,736,101	-	27,000	-	66,898,664

Moonbug Entertainment Limited**Notes to the financial statements**

For the year ended 31 December 2019

4. Intangible assets (continued)**Company**

	Intellectual property £	Content production £	Trademarks £	Other £	Total £
Cost					
At 1 January 2019	346,258	46,753	-	-	393,011
Additions	9,108,069	1,195,821	172,032	23,574	10,499,496
At 31 December 2019	9,454,327	1,242,574	172,032	23,574	10,892,507
Amortisation					
At 1 January 2019	2,950	1,962	-	-	4,912
Charge for the year	395,555	143,868	7,550	1,572	548,545
At 31 December 2019	398,505	145,830	7,550	1,572	553,457
Net book value					
At 31 December 2019	9,055,822	1,096,744	164,482	22,002	10,339,050
At 31 December 2018	343,308	44,791	-	-	388,099

Moonbug Entertainment Limited

Notes to the financial statements

For the year ended 31 December 2019

5. Tangible fixed assets

Group

	Long-term leasehold property improvements £	Fixtures and fittings £	Office equipment £	Other fixed assets £	Total £
Cost or valuation					
At 1 January 2019	219,400	33,260	76,887	65,229	394,776
Additions	78,239	59,534	141,095	253,452	532,320
Acquisition of subsidiary	-	213	3,401	-	3,614
At 31 December 2019	297,639	93,007	221,383	318,681	930,710
Depreciation					
At 1 January 2019	8,381	2,426	7,358	2,847	21,012
Charge for the year	47,518	19,007	49,965	57,428	173,918
At 31 December 2019	55,899	21,433	57,323	60,275	194,930
Net book value					
At 31 December 2019	241,740	71,574	164,060	258,406	735,780
At 31 December 2018	211,019	30,834	69,529	62,382	373,764

Moonbug Entertainment Limited

Notes to the financial statements

For the year ended 31 December 2019

5. Tangible fixed assets (continued)
Company

	Long-term leasehold property improvements £	Fixtures and fittings £	Office equipment £	Other fixed assets £	Total £
Cost or valuation					
At 1 January 2019	219,400	33,260	76,887	65,229	394,776
Additions	8,250	39,394	105,620	253,452	406,716
At 31 December 2019	<u>227,650</u>	<u>72,654</u>	<u>182,507</u>	<u>318,681</u>	<u>801,492</u>
Depreciation					
At 1 January 2019	8,381	2,426	7,358	2,847	21,012
Charge for the year	44,565	16,151	43,672	57,428	161,816
At 31 December 2019	<u>52,946</u>	<u>18,577</u>	<u>51,030</u>	<u>60,275</u>	<u>182,828</u>
Net book value					
At 31 December 2019	<u>174,704</u>	<u>54,077</u>	<u>131,477</u>	<u>258,406</u>	<u>618,664</u>
At 31 December 2018	<u>211,019</u>	<u>30,834</u>	<u>69,529</u>	<u>62,382</u>	<u>373,764</u>

Moonbug Entertainment Limited

Notes to the financial statements

For the year ended 31 December 2019

6. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2019	68,710,419
Additions	1,124,728
At 31 December 2019	<u>69,835,147</u>

El Bebe Productions Limited, Fun Learning Studios Limited and Moonbug Newco Limited have been included in the group's consolidated financial statements, and are individually exempt from audit by virtue of section 479A of the Companies Act 2006.

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Principal activity	Class of shares	Holding
El Bebe Productions Limited	United Kingdom	Producing animated content	Ordinary	100%
Morphle B.V.	The Netherlands	Writing of scripts and other creative art, facility activities for film production, production activities of YouTube animation films.	Ordinary	85%
Moonbug Entertainment USA Inc.	United States of America	Producing animated content	Ordinary	100%
Fun Learning Studios Limited	United Kingdom	Producing animated content	Ordinary	51%
Moonbug Newco Limited	United Kingdom	Producing animated content	Ordinary	80%
Moonbug Entertainment South Africa (pty) Limited	South Africa	Producing animated content	Ordinary	100%
Moonbug International Limited	United Kingdom	Dormant	Ordinary	100%
Moonbug Music Limited	United Kingdom	Dormant	Ordinary	100%
Moonbug Music Publishing Limited	United Kingdom	Dormant	Ordinary	100%
Moonbug Productions Australia Limited	Australia	Dormant	Ordinary	100%
Blippi Entertainment Limited	United Kingdom	Dormant	Ordinary	100%

Moonbug Entertainment Limited**Notes to the financial statements**

For the year ended 31 December 2019

7. Contract work in progress

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Contract work in progress	735,865	7,269	731,793	-
	735,865	7,269	731,793	-

8. Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade debtors	2,918,267	33,995	2,846,640	27,465
Amounts owed by group undertakings	-	-	3,660,144	922,997
Other debtors	437,728	419,274	374,203	321,960
Prepayments and accrued income	2,764,689	964,767	740,376	162,429
Deferred taxation	521,587	405,820	270,477	405,820
	6,642,271	1,823,856	7,891,840	1,840,671

9. Creditors: amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company As restated 2018 £
Trade creditors	1,809,479	402,013	1,548,150	316,858
Amounts owed to group undertakings	27,886,525	12,372,178	34,563,197	12,372,178
Amounts owed to other participating interests	26,962	8,441	-	-
Corporation tax	381,296	65,365	-	-
Other taxation and social security	236,282	96,403	169,619	78,709
Other creditors	1,144,714	25,133	883,583	25,133
Accruals and deferred income	4,377,169	724,145	3,861,009	653,337
	35,862,427	13,693,678	41,025,558	13,446,215

Moonbug Entertainment Limited**Notes to the financial statements**

For the year ended 31 December 2019

10. Creditors: amounts falling due after more than one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Other creditors	947,605	-	715,794	-
	947,605	-	715,794	-

11. Provisions

	Provision £
Group and company	
At 1 January 2019	500,000
Charged to profit or loss	250,000
At 31 December 2019	750,000

12. Prior year adjustment

In the financial statements for the period ended 31 December 2018, amounts totalling £285,457 were included within other creditors. This has now been included within amounts owed to group undertakings in the comparative figures in the financial statements for the year ended 31 December 2019. There is no impact on the profit or reserves of the company at 31 December 2018 as a result of this change. The directors do not consider this restatement to be material to the financial statements.

13. Contingent liabilities

There were no contingent liabilities as at 31 December 2019 or 31 December 2018.

14. Capital commitments

There were no capital commitments as at 31 December 2019 or 31 December 2018.

15. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £35,176 (2018 - £10,423). At 31 December 2019, no amounts were payable to the fund in relation to unpaid pension contributions (2018: £nil).

Notes to the financial statements

For the year ended 31 December 2019

16. Commitments under operating leases

At 31 December 2019 the group had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Group		
Not later than 1 year	422,932	218,098
Later than 1 year and not later than 5 years	433,567	436,196
	<u>856,499</u>	<u>654,294</u>
	2019 £	2018 £
Company		
Not later than 1 year	290,798	218,098
Later than 1 year and not later than 5 years	145,399	436,196
	<u>436,197</u>	<u>654,294</u>

17. Post balance sheet events

On 3 June 2020 the company entered into an agreement to purchase assets for a total consideration of £78,830,200.

18. Auditor's information

The auditor's report on the financial statements for the year ended 31 December 2019 was unqualified and there were no matters to which the auditor drew attention by way of emphasis.

The Auditor's report was signed on 14 July 2020 by Katherine White (Senior statutory auditor) on behalf of Buzzacott LLP (Statutory Auditor), 130 Wood Street, London, EC2V 6DL.