Parent company of

El Bebe Productions Limited

(company number 08531073)

Statement in accordance with section 479A Companies Act 2006 may be found on page 44

Moonbug Entertainment Limited

Annual report and financial statements

For the year ended 31 December 2021

Registered number: 11197631

Company Information

Directors	R E Rechtman J Robson R S Miller (appointed 25 January 2022) S Prasad (appointed 2 November 2022)
Registered number	11197631
Registered office	3-6, 3rd Floor Labs Upper Lock Water Lane London UK NW1 8JZ
Independent auditor	Deloitte LLP Statutory Auditor 2 New Street Square London UK EC4A 3BZ

Contents

Group strategic report

For the year ended 31 December 2021

Introduction

The Directors present their strategic report of Moonbug Entertainment Limited ('the company') and its subsidiaries (together 'the Group') for the year ended 31 December 2021.

During the year, the ultimate controlling party changed from Raine Holdings LLC to Candle Media LLC.

Principal activities and business review

The activities of the Group include the production, acquisition, licensing, merchandising, publication, sale, and distribution of audio and video content for kids entertainment. These activities are expected to continue for the foreseeable future.

The mission of the Group is to create shows and franchises that kids and parents love. Creating and distributing inspiring and engaging stories to expand kids' worlds and minds, the Group produces thousands of minutes of video and audio content every month with the goal of teaching compassion, empathy and resilience to kids around the world.

The Group generated turnover for the year of £110,205,000 (2020, as restated - £44,457,000) and gross profit of £81,413,000 (2020, as restated - £31,393,000). The Group's adjusted operating profit for the year was £27,014,000 (2020, as restated - £7,106,000). Adjusted operating profit is used as a measure of performance excluding exceptional items arising in the year as disclosed in note 11 of the financial statements.

The Directors are pleased with the underlying operating results for the year driven by the successful exploitation of the Group's intellectual property and the ongoing popularity of our key brands including Cocomelon, Blippi and Little Baby Bum. Growth in operating profit was primarily driven by increased revenue across multiple streams, for example the revenue from licensing and merchandising increased by over 300%. Year on year growth is also attributable to having a full period of revenue from Treasure Studios and Blippi, which were acquired in 2020.

Current assets have increased to £74,506,000 (2020, as restated - £35,139,000) as a result of the growth of the business. Net assets have decreased to £153,605,000 (2020, as restated - £208,795,000) as a result of amounts owed to the parent company arising in relation to the acquisition of the company described below.

On 22 December 2021, the Group was acquired by Candle Media LLC. This resulted in transaction related costs of £93,208,000 (see note 11) meaning that, despite the strong adjusted operating profits, the Group has made a loss before tax of £73,235,000 in 2021 (2020 as restated - £2,805,000)

Principal risks, uncertainties, financial management policies and objectives

The Directors believe that the following items constitute the principal risks faced by the company:

Market risk

The children's entertainment market is heavily dependent on the macroeconomic environment, as advertising and consumer spend correlates to confidence in the economy and the market is highly competitive. The Group addresses its risk through continuing to invest in its intellectual property which differentiates its content offering from competitors, through investing in new and existing brands' content production, and through hiring of key talent who have an in-depth understanding of their industry and local markets.

Group strategic report (continued)

For the year ended 31 December 2021

Principal risks, uncertainties, financial management policies and objectives (continued)

Competition risk

The kids media entertainment industry is continually evolving, as are consumer tastes and the way content is consumed. The Group also depends on revenues from key customers and platforms, and faces competition from alternative providers. The success of the Group relies on its ability to continue developing global brands and intellectual property, and to distribute this in a way that meets the changing preferences of our consumers. The Group addresses its risk through strategic partnerships with other distribution channels and licensing agents, investing in intellectual property to differentiate content offering from competitors, and through the hiring of key talent.

Acquisition risk

Since inception the Group has grown inorganically via the acquisition of several brands. The success of the Group depends on its ability to smoothly integrate these acquired assets into the wider Group. The Group addresses its risk through hiring of key talent who have an in-depth understanding of their industry and areas of expertise.

Currency risk

The Group is exposed to translation and transaction foreign exchange risk. The Group has a number of natural economic hedges in place through the payment of costs and receipt of revenue in foreign currencies, and will consider the appropriateness of this policy should the Company's operations change in size or nature. The Group does not use derivative financial instruments to manage the risk of fluctuating exchange rates, so no hedge accounting is applied.

Credit risk

The Group's credit risk is primarily attributable to trade debtors. Credit risk is managed by monitoring payments against *contractual arrangements and in certain circumstances asking customers for prepayments.*

Cashflow risk

The Group monitors cash flow as part of its day to day control procedures and ensures that funds are available to meet short term and medium term financial commitments. The majority of the Group's key customers are large global brands, which tend to work to average payment terms of 60 days. The Group sees maintaining good supplier relationships as key to its continued success and the average payment terms are 30 days. If required in order to finance this working capital difference the Group can seek assistance from its ultimate parent company, Candle Media LLC.

Financial key performance indicators

£'000	**2021**	2020 (restated)
Turnover	**110,205**	44,457
Adjusted operating profit	**27,014**	7,106

The main key performance indicators used by the Directors to monitor the success of the business is turnover and operating profit before exceptional items.

The high gross margin across most revenue streams means that turnover is the key driver of the company's financial performance. The year on year movement in turnover is outlined above.

Adjusted operating profit is used by management as an indicator of the normalised financial performance of the business as it excludes one off costs. The growth in operating profit year on year is primarily due to the large increase in turnover.

Group strategic report (continued)

For the year ended 31 December 2021

Other key performance indicators

	2021	2020
IPs (Brands)	**24**	23
Average headcount (FTE)	**315**	138

A variety of non-financial measures are considered by the Directors however the two primary indicators of the growth of the business are the number of IPs and headcount.

The business's growth is driven in part by the acquisition of new IPs so the number of IPs under the company's control is a demonstration of the Directors' strategy in action. In the period one new IP was acquired with two further acquisitions being made following the period end.

The Group's headcount (full time equivalent) is a key metric to how the Directors view the development of the business. The significant growth in headcount over the period reflects the increased volume of trade and additional staff required to meet the needs of the business. Headcount growth is expected to continue in the next financial period.

Directors' statement of compliance with duty to promote the success of the Group in accordance with s172(1) Companies Act 2006

Under section 172(1) of the Companies Act 2006 ("Section 172"), the Directors must act in a way that they consider, in good faith would most likely promote the success of the Company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:

- The likely consequences of any decision in the long term
- The interests of the company's employees
- The need to foster the company's business relationships with suppliers, customers and others
- The impact of the company's operations on the community and the environment
- The desirability of the company maintaining a reputation for high standards of business conduct
- The need to act fairly between members of the company

The Directors of the company, both individually and collectively, consider that they have discharged their duties under Section 172 whilst considering the factors listed above in the decisions made during the year ended 31 December 2021.

The most significant strategic decisions made by the Directors relate to whether to acquire new intellectual property. During 2021 the decision was made to acquire the share capital of Fly Point Music Limited and with it the intellectual property known as Nursery Rhymes 123. The Directors expect this IP to grow and complement the company's other audio content. The acquisition of IPs and growth of acquired IPs is intended to increase turnover and ultimately create value for the shareholders. The acquisition of the Group by Candle Media LLC in the year provides additional support and resources to seek out future acquisitions.

The Directors consider the following Groups are the Group's key stakeholders. The board seeks to understand the respective interests of such stakeholder Groups so that these may be properly considered in the board's decisions. We do this through various methods, including direct engagement by board members; receiving reports and updates from members of management who engage with such Groups; and coverage in our board papers of relevant stakeholder interests with regard to proposed courses of action. The board works closely with the wider management team who have diverse experience within related industries.

Group strategic report (continued)

For the year ended 31 December 2021

Directors' statement of compliance with duty to promote the success of the Group in accordance with s172(1) Companies Act 2006 (continued)

Our employees

Moonbug's growth and success is built upon the passion and determination of our employees. As a rapidly growing company, our focus is recruiting, onboarding and developing a large number of new starters in our two main locations – London and Los Angeles. During 2021, we have increased average headcount by 177 employees.

In 2021, we have implemented formal year end reviews and feedback processes to ensure performance is met and feedback becomes part of our DNA. Since returning full time to the office, we have invested in face to face training events for all our line managers and have rolled out a suite of functional skills for the development of all staff.

Our shareholders

The long term growth of our business depends on the ongoing support of our shareholders. We rely on them as a source of capital which allows us to pursue our strategy of growth through acquisition. They in turn rely on us to manage and protect their investments in a responsible way that generates value and return on their investments.

Quarterly board meetings are held by the parent company at which the shareholders are provided with strategic and operational information by the Directors of the company. This is also where they are consulted on major decisions and the direction of the company.

Our suppliers

We rely on our suppliers as a means to create high quality content and grow the business. We endeavour to engage with them with integrity and to encourage positive business relationships including the application of regular payment terms to ensure prompt payment. The Directors consider it important for the company to maintain a reputation for high standards of business conduct and interactions with our suppliers are a key element of this.

Our viewers

The success of the business is ultimately driven by those who enjoy the content we create. We endeavour to put out quality audio and video content that children can enjoy and learn from. Our creative teams ensure that feedback received is incorporated into our content. We use data from our internally developed platform and external research to ensure that we are producing content that engages our audiences. Further to this our creative teams are constantly reviewing our output to ensure they are promoting our goal of teaching children compassion, empathy and resilience.

Our community and the environment

We are committed to playing a positive role in the communities we operate in. The head office is in Camden, North London and employees are involved in a variety of charitable schemes aimed at providing opportunities and support for young people in the local area. The company does not have a significant carbon footprint but appropriate actions are taken when relevant to minimise our environmental impact, for example avoiding unnecessary business travel.

Post balance sheet events

The Directors do not consider any post balance sheet events to have a material impact on the future of the company other than those disclosed in note 32 to the financial statements.

Group strategic report (continued)

For the year ended 31 December 2021

This report was approved by the board and signed on its behalf

S Prasad
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S Prasad
Director

Date: 14/12/2022

Directors' report

For the year ended 31 December 2021

The Directors present their annual report and the financial statements of Moonbug Entertainment Limited ('the company') and its subsidiaries, (together 'the Group') for the year ended 31 December 2021.

Results and dividends

The loss for the year, after taxation and minority interests, amounted to £78,072,000 (2020 - £4,387,000).

The Directors did not recommend or pay dividends during the year (2020 - £Nil).

Directors

The Directors who served during the year and to the date of signing were:

R E Rechtman
J Robson
J P Schretter (resigned 22 December 2021)
R S Miller (appointed 25 January 2022)
S Prasad (appointed 2 November 2022)

Going concern

The Directors have considered the performance of the business and its financial position along with the impact of the COVID-19 pandemic and other external factors. The business continues to show strong operating results when exceptional items are excluded. The overall loss for the year is the result of the exceptional items described in Note 11 which are one off costs and therefore are not considered to be and indication of the ability of the business to continue to operate as a going concern.

As at 31 December 2021 the Group is in a positive net current asset position as well as a positive overall net asset position. Management's forecasts indicate positive cash flows for over two years from date of signing and support from the parent has been provided when large cash outflows are required, for example upon acquisition of new intellectual property.

Based on the above factors the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Directors' report (continued)

For the year ended 31 December 2021

Streamlined Energy and Carbon Reporting

The company's greenhouse gas emissions and energy consumption for the year ended 31 December 2021 are as follows:

	Annual Energy Consumption 2021 kWh	Annual Greenhouse Gas Emissions 2021 Tonnes CO2e
Scope 1: Emissions from combustion of gas	-	-
Scope 2: Emissions from purchased electricity	252,782	54.7
Annual Energy consumption	252,782	54.7

Methodology

Scope 1 is zero because there was no combustion of gas or consumption of fuel for business purposes by the company in the year.

For the purposes of calculating scope 2 emissions we have followed the UK Government Environmental Reporting Guidelines using the methodology from the GHG Reporting Protocol - Corporate Standard.

Emissions resulting from the purchase of electricity and gas were calculated by acquiring the annual usage report from our landlord. These were then converted using UK Government conversion factors as provided by the Department for Business, Energy and Industrial Strategy.

Intensity measurement

The primary source of emissions from the company is the electricity required to support the day to day activities of the employees. Therefore an appropriate measure of intensity is tonnes of CO2 equivalent per employee (on a full time equivalent basis).

Tonnes of CO2 equivalent per employee - 0.3.

Disabled employees policy

The company is committed to providing equal opportunities and making any reasonable adjustments for disabled employees. The staff handbook and other internal documents set out the company's policies in this area and appropriate measures are taken to ensure the company's compliance with the Equality Act 2010.

Directors' report (continued)

For the year ended 31 December 2021

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 Group will continue in business.

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

Directors' insurance and indemnities

The Directors have the benefit of the indemnity provisions contained in the Company's Articles of Association ('Articles'), and the Company has maintained throughout the year Directors' and officers' liability insurance for the benefit of the Company, the Directors and its officers. The Company has entered into qualifying third party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

Matters covered in the Group strategic report

The company has chosen, in accordance with s.414C(11) of the Companies Act 2006, to set out in the company's Strategic report information required by Schedule 7 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, and Part 2 of The Companies (Miscellaneous Reporting) Regulations 2018 to be contained in the Directors' report. It has done so in respect of risk exposure, future developments, and engagement with employees, suppliers, customers and others.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the company and the Group's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the company and the Group's auditor is aware of that information.

Directors' report (continued)

For the year ended 31 December 2021

Auditor

Deloitte LLP were appointed as auditor of the Group and company for the year. They are deemed to be reappointed in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 14 December 2022 and signed on its behalf.

S Prasad

S Prasad
Director 14/12/2022

Independent auditor's report to the members of Moonbug Entertainment Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Moonbug Entertainment Limited (the 'parent company') and its subsidiaries (the 'Group'):

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows; and
- the related notes 1 to 33.

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).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. 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.

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 course of 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are 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 Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent 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 Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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.

We considered the nature of the Group's industry and its control environment, and reviewed the Group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Group operates in, and identified the key laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, pensions legislation and tax legislation.

We discussed among the audit engagement team including relevant internal specialists such as tax and valuations regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the recognition of revenue at the year end (i.e. cutoff) due to the possibility for individual contracts with customers to be material and recognised upon delivery, and our specific procedures performed to address it included:

- Obtaining an understanding of management's process and evaluated the design and implementation of relevant controls over recognition of turnover for the Originals Productions and the Content Licensing revenue streams.
- Testing a sample of revenue entries recognised before and after year end to determine whether revenue was recognised in the correct period based on when the content was delivered to the customer.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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

Jon Young FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
14 December 2022

Consolidated profit and loss account
For the year ended 31 December 2021

	Note	2021 £000	As restated 2020 £000
Turnover	4	**110,205**	44,457
Cost of sales		**(28,792)**	(13,064)
Gross profit		**81,413**	31,393
Administrative expenses		**(54,399)**	(24,287)
Adjusted operating profit	5	**27,014**	7,106
Exceptional expenses	11	**(95,609)**	(6,798)
Total operating (loss)/profit		**(68,595)**	308
Interest payable and similar expenses	9	**(4,640)**	(3,113)
Loss before tax		**(73,235)**	(2,805)
Tax on loss	10	**(4,837)**	(1,582)
Loss for the financial year		**(78,072)**	(4,387)
Loss for the year attributable to:			
Non-controlling interests		**276**	183
Owners of the parent		**(78,348)**	(4,570)
		(78,072)	(4,387)

All amounts relate to continuing operations.

The notes on pages 25 to 64 form part of these financial statements.

The prior period restatement has been detailed in note 31

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	2021 £000	As restated 2020 £000
Loss for the financial year	**(78,072)**	(4,387)
Other comprehensive income		
Exchange difference on retranslation of assets	**(68)**	161
Other comprehensive income for the year	**(68)**	161
Total comprehensive loss for the year	**(78,140)**	(4,226)
Total comprehensive loss attributable to:		
Non-controlling interest	**276**	183
Owners of the parent company	**(78,416)**	(4,409)
	(78,140)	(4,226)

The notes on pages 25 to 64 form part of these financial statements.

Consolidated statement of financial position

As at 31 December 2021

	Note		2021 £000		As restated 2020 £000
Fixed assets					
Intangible assets	12		**252,914**		259,532
Tangible assets	13		**1,132**		430
			254,046		259,962
Current assets					
Contract work in progress	15	**10,476**		544	
Debtors	16	**48,000**		21,067	
Cash at bank and in hand	17	**16,030**		13,528	
		74,506		35,139	
Creditors: amounts falling due within one year	18	**(65,629)**		(43,531)	
Net current assets/(liabilities)			**8,877**		(8,392)
Total assets less current liabilities			**262,923**		251,570
Creditors: amounts falling due after more than one year	19		**(90,824)**		(20,638)
Provisions for liabilities					
Deferred taxation	20	**(18,389)**		(20,187)	
Provisions	22	**(105)**		(1,950)	
			(18,494)		(22,137)
Net assets			**153,605**		208,795
Capital and reserves					
Called up share capital	21		**218,431**		218,431
Foreign exchange reserve	23		**22**		90
Capital contributions	23		**22,950**		-
Profit and loss account	23		**(88,907)**		(10,559)
Equity attributable to owners of the parent company			**152,496**		207,962
Non-controlling interests			**1,109**		833
Total Equity			**153,605**		208,795

Consolidated statement of financial position (continued)
As at 31 December 2021

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 December 2022

S Prasad
Director

The notes on pages 25 to 64 form part of these financial statements.

Company statement of financial position

As at 31 December 2021

	Note		2021 £000		As restated 2020 £000
Fixed assets					
Intangible assets	12		**93,793**		86,059
Tangible assets	13		**580**		276
Investments	14		**174,596**		168,431
			268,969		254,766
Current assets					
Contract work in progress	15	**11,896**		309	
Debtors	16	**53,141**		28,962	
Cash at bank and in hand	17	**9,246**		1,553	
		74,283		30,824	
Creditors: amounts falling due within one year	18	**(97,066)**		(57,741)	
Net current liabilities			**(22,783)**		(26,917)
Total assets less current liabilities			**246,186**		227,849
Creditors: amounts falling due after more than one year	19		**(90,778)**		(20,638)
Provisions for liabilities					
Deferred taxation	20	**(202)**		(57)	
Provisions	22	**(105)**		(1,950)	
			(307)		(2,007)
Net assets			**155,101**		205,204
Capital and reserves					
Called up share capital	21		**218,431**		218,431
Capital contributions	23		**20,925**		-
Profit and loss account brought forward		**(13,227)**		(11,735)	
Loss for the year		**(71,028)**		(1,492)	
Profit and loss account carried forward			**(84,255)**		(13,227)
Total equity			**155,101**		205,204

Company statement of financial position (continued)

As at 31 December 2021

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 December 2022

S Prasad

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S Prasad
Director

The notes on pages 25 to 64 form part of these financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2021

	Called up share capital	Foreign exchange reserve	Other reserves	Profit and loss account	Equity attributable to owners of parent company	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 January 2021 (as previously stated)	218,431	90	-	(13,209)	205,312	833	206,145
Prior year adjustment	-	-	-	2,650	2,650	-	2,650
At 1 January 2021 (as restated)	218,431	90	-	(10,559)	207,962	833	208,795
Loss for the year and total comprehensive loss	-	-	-	(78,348)	(78,348)	-	(78,348)
Contributions attributable to non-controlling interests	-	-	-	-	-	276	276
Exchange difference on retranslation of assets	-	(68)	-	-	(68)	-	(68)
Total comprehensive income/(loss)	-	(68)	-	(78,348)	(78,416)	276	(78,140)
Capital contributions	-	-	22,950	-	22,950	-	22,950
At 31 December 2021	218,431	22	22,950	(88,907)	152,496	1,109	153,605

The notes on pages 25 to 64 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2020

	Called up share capital	Foreign exchange reserve	Profit and loss account	Equity attributable to owners of parent company	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2020 (as previously stated)	64,846	(71)	(7,028)	57,747	650	58,397
Prior year adjustment	-	-	1,039	1,039	-	1,039
At 1 January 2020 (as restated)	64,846	(71)	(5,989)	58,786	650	59,436
Comprehensive income for the year						
Loss for the year and total comprehensive loss (as restated)	-	-	(4,570)	(4,570)	-	(4,570)
Contributions attributable to non-controlling interests	-	-	-	-	183	183
Exchange difference on retranslation of assets	-	161	-	161	-	161
Total comprehensive income/(loss)	-	161	(4,570)	(4,409)	183	(4,226)
Shares issued during the year	153,585	-	-	153,585	-	153,585
At 31 December 2020	218,431	90	(10,559)	207,962	833	208,795

The notes on pages 25 to 64 form part of these financial statements.

Company statement of changes in equity
For the year ended 31 December 2021

	Called up share capital	Capital contributions	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2020 (as previously stated)	64,846	-	(12,047)	52,799
Prior year adjustment	-	-	312	312
At 1 January 2020 (as restated)	64,846	-	(11,735)	53,111
Loss for the year (as restated)	-	-	(1,492)	(1,492)
Shares issued during the year	153,585	-	-	153,585
At 1 January 2021 (as restated)	218,431	-	(13,227)	205,204
Loss for the year	-	-	(71,028)	(71,028)
Other movement type 2	-	20,925	-	20,925
At 31 December 2021	218,431	20,925	(84,255)	155,101

The notes on pages 25 to 64 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2021

	Note	2021 £000	As restated 2020 £000
Cash flows from operating activities			
Loss before tax		**(73,235)**	(2,805)
Adjustments for:			
Amortisation of intangible assets		**32,296**	18,137
Depreciation of tangible assets		**331**	231
Loss on disposal		**194**	202
Loss on impairment		**2,520**	-
Compensation paid in shares of parent company		**22,950**	-
Non-cash interest expense		**4,414**	2,792
Loss on remeasurement		**(1,504)**	(519)
(Increase)/decrease in WIP		**(9,931)**	191
Increase in debtors		**(31,819)**	(12,652)
Increase in creditors		**35,637**	1,280
Increase/(decrease) in provisions		**(1,845)**	1,200
Net cash generated from operating activites		**(19,992)**	8,058
Non-operational exceptional cash flows	11	**74,116**	-
Adjusted net cash generated from operating activities		**54,124**	8,058
Tax paid		**(8,412)**	-
Net cash from operating activities		**(28,404)**	8,058
Cashflows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**(4,930)**	(116,668)
Purchase of intangible assets		**(19,205)**	(7,706)
Purchase of tangible assets		**(1,033)**	(372)
Net cash from investing activities		**(25,168)**	(124,746)

Consolidated statement of cash flows (continued)

For the year ended 31 December 2021

	Note	2021 £000	As restated 2020 £000
Cashflows from financing activities			
Issue of ordinary shares		-	125,699
Interest paid		-	-
Proceeds from borrowings		**90,969**	-
Repayment of loans		-	-
Completion payments		**(34,896)**	(5,315)
Dividends paid to NCI		-	-
Net cash from financing activities		**56,073**	120,383
Net increase in cash and cash equivalents		**2,501**	3,695
Cash and cash equivalents at beginning of year		**13,528**	9,834
Cash and cash equivalents at the end of year		**16,030**	13,528

Notes to the financial statements

For the year ended 31 December 2021

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 3-6, 3rd Floor, Labs Upper Lock, Water Lane, London, NW1 8JZ. The company registration number is 11197631.

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the Strategic Report on pages 1 to 5.

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 (see note 3).

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 comprehensive income 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.

2.3 Going concern

The Directors have considered the performance of the business and its financial position along with the impact of the COVID-19 pandemic and other external factors. The business continues to show strong operating results when exceptional items are excluded. The overall loss for the year is the result of the exceptional items described in Note 11 which are one off costs and therefore are not considered to be and indication of the ability of the business to continue to operate as a going concern.

As at 31 December 2021 the Group is in a positive net current asset position as well as a positive overall net asset position. Management's forecasts indicate positive cash flows for over two years from date of signing and support from the parent has been provided when large cash outflows are required, for example upon acquisition of new intellectual property.

Based on the above factors the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Notes to the financial statements
For the year ended 31 December 2021

2. **Accounting policies (continued)**

2.4 Interest income

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

2.5 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'.

Notes to the financial statements
For the year ended 31 December 2021

2. Accounting policies (continued)

2.6 Revenue

Distribution & Self Serve Platforms

Revenue generated from Advertising Sales and Subscriptions on Self-Serve Platforms are recognised on an accrual basis in line with the underlying agreement.

When actuals are not available the Company uses estimates, which in some cases are provided by third parties, otherwise can be calculated based on key metrics, such as number of views and royalty rates.

All estimated revenue is held in Accrued Income until actuals are known. Once actuals are known, any variance is adjusted.

Originals Productions

Revenue relating to Originals Productions is recognised to the Profit and Loss account upon delivery of the content to the customer.

Brand Productions

Revenue relating to Brand Productions is recognised to the Profit and Loss account based on percentage completion of each production milestone, where each milestone is weighted to reflect estimated share of the overall production budget. Until then, any sales invoices raised are booked to deferred revenue.

Content Licensing

Revenue generated from Content Licensing on platforms managed by the customer is recognised at the point the content becomes available for the customer to exploit. Where content is delivered at different points in time the revenue is apportioned based on the volume of content provided unless the apportionment is stated in the contract.

Revenue generated from Content Licensing on platforms managed by the company is recognised equally over the duration of the licensing period.

Merchandise Sales

Revenue from sales of brand merchandise is accrued based on an estimate of expected royalties for each quarter using, where possible, Licensee forecasts and based on delivery of the goods to the customer. When the royalty statement for the previous period is posted, the accrual is reversed and adjusted.

Where a minimum guarantee shortfall exists, that is if the value of the minimum guarantees for a given period exceed the actual royalties reported, a guarantee shortfall is posted to revenue.

Notes to the financial statements
For the year ended 31 December 2021

2. Accounting policies (continued)

2.7 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.

2.8 Changes in accounting policy

The accounting policy for content licensing has changed in the current period. Note 31 outlines the impact of this change.

2.9 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.

2.10 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.

2.11 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.

Notes to the financial statements
For the year ended 31 December 2021

2. Accounting policies (continued)

2.12 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 reporting 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.

2.13 Exceptional items

Exceptional items are transactions that do not fall within the ordinary course of business and so are presented separately.

Notes to the financial statements
For the year ended 31 December 2021

2. Accounting policies (continued)

2.14 Intangible assets

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

The estimated useful lives range as follows:

Intellectual property	-	15 years
Content production	-	3 years
Trademarks	-	10 years
Software development	-	3 years
Goodwill	-	10 years
Other intangible fixed assets	-	2-3 years

Intellectual Property - Asset valuations and amortisation

Purchased IP is treated as an Intangible Asset. The IP is initially recognised by the amount of the consideration paid, which is subsequently reduced by accumulated amortisation and any potential accumulated impairment losses.

If the purchase of an IP involves deferred payment(s) then the deferral of payment(s) is to be treated as a financing transaction, which will result in the IP being initially booked at a discounted present value at the date of purchase (reflecting the time value of money).

The discounted present value is calculated using compounding interest at an annual rate which reflects the fair market rate for a similar debt instrument.

The deferred payment and the discounted amount (interest payable) will sit on the balance sheet as a liability (completion payments payable). The discounted amount is to be unwound over time, as an interest charge to the Profit and Loss account, until the deferred payment(s) are made.

The liability, if not in local currency, would be re-translated to local currency at the reporting date. Any foreign currency differences are to be posted to the Profit and Loss account.

Software development

Software development relates to costs incurred in the creation of an asset. These have been capitalised in accordance with FRS 102 Section 18 Intangible Assets other than Goodwill and are therefore not treated, for dividend purposes, as a realised loss.

Goodwill

Goodwill is recognised upon business combinations and is the amount of consideration paid less net assets acquired. This is subsequently reduced by accumulated amortisation and any potential accumulated impairment losses.

Content Production, Production Costs Capitalised and amortisation

All Production costs, such as animation, audio, localisation, and production staff costs (except those relating to Original Commissions and 3rd Party Brand Productions) are capitalised at the point in time that the costs are incurred (on an end of month total basis) and then amortised over the period of time in which the content is expected to generate revenue. In line with industry standards this is three years.

Notes to the financial statements

For the year ended 31 December 2021

2. Accounting policies (continued)

2.14 Intangible assets (continued)

The corresponding amortisation, calculated using the straight-line method, is a direct cost for the Company and is therefore classified as a cost of sale.

2.15 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:

Leasehold improvements	- 5 years
Office equipment	- 3 years
Computer equipment	- 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.

2.16 *Impairment*

Intangible assets, goodwill and tangible fixed assets are reviewed annually for indication of impairment. If such indicators are identified the asset will be impaired to the higher of fair value less cost to sell or value in use unless the carrying value is already lower than this.

2.17 Valuation of investments

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

Investments are reviewed at each financial year end for any indication of impairment. If such indication exists, that is, the recoverable amount is lower than the carrying amount, then the carrying amount is reduced to the recoverable amount. Any impairment loss will be charged to the Profit and Loss account.

2.18 Contract work in progress

Contract work in progress represents costs incurred in producing content under contracts for customers. These costs are released upon completion of production and where relevant, delivery to customer.

2.19 Debtors

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

Notes to the financial statements

For the year ended 31 December 2021

2. Accounting policies (continued)

2.20 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.21 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.

2.22 Provisions for liabilities

Provisions are recognised when the company 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 the Profit and Loss account in the year that the company becomes aware of the obligation, and are measured at the best estimate at the reporting date, taking into account relevant risks and uncertainties.

When payments are made to settle such provisions, they are charged to the provision carried in the Balance Sheet. If the company deems that there is no longer a need to carry such provision, the carrying amount is reversed to the Profit and Loss account.

Notes to the financial statements

For the year ended 31 December 2021

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for turnover and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The Directors considered areas involving estimation uncertainty to be in relation to:

Intellectual property and amortisation

The Group establishes a reliable estimate of the useful life of intellectual property and other intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business IP, the expected useful life of the cash generating units to which the IP is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses. The useful life is estimated to be 15 years for intellectual property. A reduction in useful life of one year would result in additional amortisation of £956,000 in the period. The estimation uncertainty in relation to this is partially offset by the impairment reviews described below.

The Directors considered areas involving significant judgement to be in relation to:

Asset impairment

Determining whether there are indicators of impairment of the Group's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset. Goodwill and IP is assessed for impairment by reviewing forecasted cash flows for the brands that make up these assets. Using the available information management make a judgement on whether an impairment is required. During the period an impairment was made and this has been detailed in note 12.

Notes to the financial statements

For the year ended 31 December 2021

4. Turnover

An analysis of turnover by class of business is as follows:

	2021	As restated 2020
	£000	£000
Distribution & Self Serve Platform revenue	**70,526**	32,883
Originals & Brand Productions revenue	**11,136**	5,485
Licensing & Merchandising revenue	**28,471**	6,089
Other revenue	**72**	-
	110,205	44,457

5. Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2021	2020
	£000	£000
Depreciation of tangible fixed assets	**331**	231
Amortisation of intangible fixed assets	**32,296**	18,137
Exchange differences	**(634)**	(4,021)
Other operating lease rentals	**2,577**	1,322
Defined contribution pension cost	**231**	167
Loss on impairment of intangible fixed assets	**2,520**	-

Notes to the financial statements

For the year ended 31 December 2021

6. Auditor's remuneration

	2021 £000	2020 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	**152**	55

Fees payable to the Group's auditor and its associates in respect of:

	2021 £000	2020 £000
Accounts preparation services	-	11
Tax compliance services	**288**	-
Services relating to corporate finance transactions	**50**	43
All other services	-	58
	338	112

Auditor's remuneration for the year ended 31 December 2020 relates to remuneration paid to the previous auditor of the Group. Deloitte LLP were appointed as auditor for the year ended 31 December 2021.

Notes to the financial statements
For the year ended 31 December 2021

7. Staff costs and average number of employees

Staff costs during the year, including Directors' remuneration, were as follows:

	2021 £000	2020 £000
Wages and salaries	**24,685**	10,732
Social security costs	**2,445**	1,033
Defined contribution pension cost	**231**	167
Exceptional staff costs	**86,081**	-
	113,442	11,932

Exceptional staff costs have been included within total exceptional expenses in note 11 to these financial statements.

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

	2021 Number	2020 Number
Production	**112**	58
Selling & Distribution	**122**	49
Administration and central functions	**81**	31
	315	138

8. Directors' remuneration

	2021 £000	2020 £000
Directors' emoluments	**1,115**	1,001
Exceptional Directors' remuneration	**25,806**	-
Group contributions to defined contribution pension schemes	**3**	3
	26,924	1,004

The highest paid Director received remuneration of £558,000 (2020 - £501,000) before exceptional costs and Group contributions to defined contribution pensions schemes of £1,000. The Directors received exceptional remuneration in the year of £25,806,000 (2020 - £nil) relating to the purchase of the company by Candle Media as detailed further in note 11.

Notes to the financial statements
For the year ended 31 December 2021

9. Interest payable and similar expenses

	2021 £000	2020 £000
Bank and other interest payable	**308**	278
Unwinding of discount on deferred consideration	**4,332**	2,835
	4,640	3,113

10. Taxation

	2021 £000	As restated 2020 £000
Corporation tax		
Current tax on loss for the year	**7,593**	1,782
Adjustments in respect of previous periods	**100**	-
	7,693	1,782
Total current tax	**7,693**	1,782
Deferred tax		
Deferred tax current year movement	**(2,964)**	(200)
Deferred tax prior year movement	**108**	-
Total deferred tax	**(2,856)**	(200)
Taxation on loss on ordinary activities	**4,837**	1,582

Notes to the financial statements
For the year ended 31 December 2021

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 -higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	As restated 2020 £000
Loss on ordinary activities before tax	**(73,235)**	(2,805)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 -19%)	**(13,915)**	(533)
Effects of:		
Expenses not deductible for tax purposes	**1,217**	1,197
Non tax deductible exceptional costs	**16,291**	-
Effect of higher overseas rates	**1,022**	594
Adjustments to tax charge in respect of prior periods	**100**	137
Adjustments to deferred tax of prior periods	**108**	175
Rate differences on deferred tax	**20**	14
Group loss relief not paid for	**(6)**	(4)
Other movements	**-**	2
Total tax charge for the year	**4,837**	1,582

Factors that may affect future tax charges

On 10 June 2021, the Finance Bill 2021 received Royal Assent. The Bill confirms an increase in the corporation tax rate from 1 April 2023. From this date, the rate will taper from 19% for businesses with profits of less than £50,000 to 25% for businesses with profits over £250,000.

The deferred taxes at the reporting date reflected in these financial statements have been measured at the UK or overseas rates likely to be applied when the deferred taxes crystalise.

Notes to the financial statements
For the year ended 31 December 2021

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 -higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	As restated 2020 £000
Loss on ordinary activities before tax	**(73,235)**	(2,805)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 -19%)	**(13,915)**	(533)
Effects of:		
Expenses not deductible for tax purposes	**1,217**	1,197
Non tax deductible exceptional costs	**16,291**	-
Effect of higher overseas rates	**1,022**	594
Adjustments to tax charge in respect of prior periods	**100**	137
Adjustments to deferred tax of prior periods	**108**	175
Rate differences on deferred tax	**20**	14
Group loss relief not paid for	**(6)**	(4)
Other movements	**-**	2
Total tax charge for the year	**4,837**	1,582

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The deferred taxes at the reporting date reflected in these financial statements have been measured at the UK or overseas rates likely to be applied when the deferred taxes crystalise.

Notes to the financial statements

For the year ended 31 December 2021

11. Exceptional items

	2021 £000	2020 £000
Legal dispute	725	6,798
Raising of external debt	1,676	-
Transaction related costs	93,208	-
	95,609	6,798

Legal dispute

During the year, costs totaling £724,970 (2020 - £6,798,000) were incurred by the Group with respect to a legal dispute.

Raising of external debt

There were costs of £1,676,000 (2020 - £nil) relating to the raising of external debt.

Transaction related costs

The purchase of the company by Candle Media during the period resulted in one-off exceptional costs of £93,208,000 (2020 - £nil) which include staff costs of £86,081,000 (including Directors' remuneration of £25,806,000) and professional fees of £7,127,000.

Adjusted net cash from operating expenses is presented in the statement of cash flows. This shows operating cash flows less the impact of the items described above.

Notes to the financial statements

For the year ended 31 December 2021

12. Intangible assets

Group

	Intellectual property £000	Content production £000	Trademarks £000	Software development £000	Goodwill £000	Other £000	Total £000
Cost							
At 1 January 2021 (as previously stated)	246,530	13,995	847	645	-	4,042	266,059
Prior year adjustment	(45,026)	9,537	-	-	56,400	-	20,911
At 1 January 2021 (as restated)	201,504	23,532	847	645	56,400	4,042	286,970
Additions	-	21,031	840	223	-	563	22,657
Write offs	(3,231)	(257)	-	(10)	-	-	(3,498)
Business combinations (see note 24)	4,377	-	-	-	1,359	-	5,736
At 31 December 2021	202,650	44,306	1,687	858	57,759	4,605	311,865
Amortisation							
At 1 January 2021 (as previously stated)	17,718	5,696	47	230	-	919	24,610
Prior year adjustment	(1,515)	1,590	-	-	2,753	-	2,828
At 1 January 2021 (as restated)	16,203	7,286	47	230	2,753	919	27,438
Charge for the year	13,412	9,948	130	232	5,662	2,912	32,296
Write offs	(588)	(196)	-	-	-	-	(784)
At 31 December 2021	29,027	17,038	177	462	8,415	3,831	58,950
Net book value							
At 31 December 2021	173,623	27,268	1,510	396	49,344	774	252,914
At 31 December 2020 (as restated)	185,300	16,246	801	415	53,647	3,123	259,532

Other intangible assets include a non-compete clause in relation to acquired intellectual property which has a cost of £3,940,000, carrying value of £231,000 and a remaining useful life of less than one year.

During the year, intellectual property known as "Sandaroo" was fully written off in line with the impairment policy described in note 1.

Notes to the financial statements
For the year ended 31 December 2021

12. Intangible assets (continued)

Company

	Intellectual property £000	*Content* production £000	Trademarks £000	*Software* development £000	Goodwill £000	Other £000	Total £000
Cost							
At 1 January 2021 (as previously stated)	79,365	8,873	593	632	-	4,020	93,483
Prior year adjustment	(16,658)	3,179	-	-	13,479	-	-
At 1 January 2021 (as restated)	62,707	12,052	593	632	13,479	4,020	93,483
Additions	-	24,596	837	223	-	489	26,145
Write offs	(3,231)	(257)	-	-	-	-	(3,488)
At 31 December 2021	59,476	36,391	1,430	855	13,479	4,509	116,140
Amortisation							
At 1 January 2021 (as previously stated)	3,705	1,782	43	219	-	919	6,668
Prior year adjustment	(648)	618	-	-	786	-	756
At 1 January 2021 (as restated)	3,057	2,400	43	219	786	919	7,424
Charge for the year	4,036	7,118	104	239	1,348	2,862	15,707
Write offs	(588)	(196)	-	-	-	-	(784)
At 31 December 2021	6,505	9,322	147	458	2,134	3,781	22,347
Net book value							
At 31 December 2021	52,971	27,069	1,283	397	11,345	728	93,793
At 31 December 2020 (as restated)	59,651	9,652	550	413	12,692	3,101	86,059

Notes to the financial statements
For the year ended 31 December 2021

12. Intangible assets (continued)

Other intangible assets include a non-compete clause in relation to acquired intellectual property which has a cost of £3,940,000, carrying value of £231,000 and a remaining useful life of less than one year.

During the year, intellectual property known as "Sandaroo" was fully written off in line with the impairment policy described in note 1.

13. Tangible fixed assets

Group

	Leasehold improvements £000	Office equipment £000	Computer equipment £000	Total £000
Cost or valuation				
At 1 January 2021	72	188	457	717
Additions	44	203	786	1,033
At 31 December 2021	116	391	1,243	1,750
Depreciation				
At 1 January 2021	19	104	164	287
Charge for the year	21	2	308	331
At 31 December 2021	40	106	472	618
Net book value				
At 31 December 2021	76	285	771	1,132
At 31 December 2020	53	84	293	430

Notes to the financial statements
For the year ended 31 December 2021

13. Tangible fixed assets (continued)

Company

	Leasehold improvements £000	Office equipment £000	Computer equipment £000	Total £000
Cost or valuation				
At 1 January 2021	**2**	**80**	**380**	**462**
Additions	**36**	**6**	**486**	**528**
At 31 December 2021	**38**	**86**	**866**	**990**
Depreciation				
At 1 January 2021	**-**	**43**	**142**	**185**
Charge for the year	**4**	**26**	**195**	**225**
At 31 December 2021	**4**	**69**	**337**	**410**
Net book value				
At 31 December 2021	**34**	**17**	**529**	**580**
At 31 December 2020	2	36	238	276

Notes to the financial statements

For the year ended 31 December 2021

14. Fixed asset investments

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2021	168,431
Additions	6,165
At 31 December 2021	174,596

El Bebe Productions Limited, Fun Learning Studios Limited, Moonbug Newco Limited, Moonbug Music Limited, Moonbug International Limited, Moonbug Music Publishing Limited, Blippi Entertainment Limited and Fly Point Music 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.

On 1 November 2021, the company acquired 100% of the share capital of Fly Point Music Limited. The value of the investment was measured at cost.

Details of the acquisition accounting are included in note 24.

Notes to the financial statements

For the year ended 31 December 2021

14. Fixed asset investments (continued)

Direct subsidiary undertakings

The following were direct subsidiary undertakings of the company:

Name	Registered office	Principal activity	Class of shares	Holding
El Bebe Productions Limited	United Kingdom (1)	Producing animated content	Ordinary	100%
Morphle B.V.	The Netherlands (7)	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 (2)	Producing animated content	Ordinary	100%
Fun Learning Studios Limited	United Kingdom (1)	Producing animated content	Ordinary	51%
Moonbug Newco Limited	United Kingdom (1)	Producing animated content	Ordinary	80%
Moonbug Entertainment South Africa (pty) Limited	South Africa (3)	Producing animated content	Ordinary	100%
Moonbug International Limited	United Kingdom (1)	Service company	Ordinary	100%
Moonbug Music Limited	United Kingdom (1)	Producing Music content	Ordinary	100%
Moonbug Music Publishing Limited	United Kingdom (1)	Dormant	Ordinary	100%
Moonbug Productions Australia Limited	Australia (4)	Dormant	Ordinary	100%
Blippi Entertainment Limited	United Kingdom (1)	Dormant	Ordinary	100%
Treasure Studio Inc.	United States of America (2)	Producing animated content	Ordinary	100%
Moonbug Entertainment Pte. Ltd.	Singapore (6)	Service company	Ordinary	100%
Fly Point Music Limited	United Kingdom (1)	Music publishing	Ordinary	100%

Notes to the financial statements

For the year ended 31 December 2021

14. Fixed asset investments (continued)

Indirect subsidiary undertakings

The following were indirect subsidiary undertakings of the company:

Name	Registered office	Principal activity	Class of shares	Holding
El Bebe Productions (AsiaPac) Limited	Hong Kong (5)	Producing animated content	Ordinary	100%
Moonbug Production USA Inc.	United States of America (2)	Producing animated content	Ordinary	100%
Moonbug Stories Inc.	United States of America (2)	Producing animated content	Ordinary	100%
Little Explorers Nursery Rhymes UK Limited	United Kingdom (1)	Dormant	Ordinary	100%
Moonbug Lane Inc.	United states of America (2)	Producing animated content	Ordinary	100%

The registered office addresses of the direct and indirect subsidiaries are defined as:

(1) 3-6, 3rd Floor, Labs Upper Lock, Water Lane, London, United Kingdom, NW1 8JZ
(2) 742 North Cahunega Boulevard, Los Angeles, CA 90038
(3) 3rd Floor Fairweather House, 176 Sir Lowry Road, Woodstock, Western Cape, 7925
(4) LOT 1 PIER 8/9' LEVEL 2, 23 Hickson Road, Millers Point, 2000, NSW, Australia
(5) 20/F, Wellable Comercial Building, 513 Hennessy Road, Causeway Bay, Hong Kong
(6) 7 Straits View, #12-00, Marina One East Tower, Singapore, 018936
(7) Warmoesstraat 155, 1012JC, Amsterdam, The Netherlands

15. Contract work in progress

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Raw materials and consumables	**93**	281	**93**	46
Work in progress	**10,383**	263	**11,803**	263
	10,476	544	**11,896**	309

Notes to the financial statements
For the year ended 31 December 2021

16. Debtors

	Group 2021 £000	Group As restated 2020 £000	Company 2021 £000	Company As restated 2020 £000
Due within one year				
Trade debtors	**13,202**	6,013	**13,123**	5,844
Amounts owed by Group undertakings	**-**	-	**6,521**	8,357
Amounts owed by parent undertaking	**602**	41	**602**	41
Other debtors	**998**	1,622	**444**	1,411
Prepayments and accrued income	**32,462**	13,391	**31,998**	12,921
Tax recoverable	**736**	-	**453**	388
	48,000	21,067	**53,141**	28,962

Amounts owed by parent undertaking are unsecured, do not bear interest and are repayable on demand.

17. Cash and cash equivalents

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Cash at bank and in hand	**16,030**	13,528	**9,246**	1,553
	16,030	13,528	**9,246**	1,553

18. Creditors: amounts falling due within one year

	Group 2021 £000	Group As restated 2020 £000	Company 2021 £000	Company As restated 2020 £000
Trade creditors	**5,389**	1,001	**4,487**	698
Amounts owed to subsidiary undertakings	**-**	284	**33,823**	17,211
Amounts owed to other participating interests	**-**	8	**-**	-
Corporation tax	**915**	1,639	**1,250**	-
Other taxation and social security	**507**	229	**506**	226
Completion payments	**22,823**	33,649	**22,823**	33,390
Accruals and deferred income	**35,995**	6,721	**34,177**	6,216
	65,629	43,531	**97,066**	57,741

Amounts owed to subsidiary undertakings are unsecured, do not bear interest and are repayable on demand.

Notes to the financial statements

For the year ended 31 December 2021

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

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Amounts owed to parent company	**90,778**	-	**90,778**	-
Other creditors	**46**	-	-	-
Completion payments	-	20,638	-	20,638
	90,824	20,638	**90,778**	20,638

Amounts owed to parent company are interest bearing and repayable on 18 June 2027.

Notes to the financial statements
For the year ended 31 December 2021

20. Deferred taxation

Group

	2021 £000	As restated 2020 £000
At beginning of year	**(20,187)**	522
Charged to profit or loss	**2,855**	203
Charged to goodwill/acquired	**(1,057)**	(20,912)
At end of year	**(18,389)**	(20,187)

Company

	2021 £000	As restated 2020 £000
At beginning of year	**(57)**	270
Charged to profit or loss	**(145)**	(327)
At end of year	**(202)**	(57)

The provision for deferred taxation is made up as follows:

	Group 2021 £000	Group As restated 2020 £000	Company 2021 £000	Company As restated 2020 £000
Fixed asset timing differences	**(204)**	390	**(202)**	216
Intangible asset timing differences	**(18,265)**	(20,055)	**-**	-
Tax losses carried forward	**77**	366	**-**	347
Other	**3**	(888)	**-**	(620)
	(18,389)	(20,187)	**(202)**	(57)

Notes to the financial statements
For the year ended 31 December 2021

21. Share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
218,431,316 (2020 -218,431,316) Ordinary shares of £1.00 each	**218,431**	218,431

22. Provisions

	Group and company 2021 £000	Group and company 2020 £000
At 1 January 2021	1,950	750
Provided for in the year	551	1,950
Utilised in the year	(2,396)	(750)
At 31 December 2021	105	1,950

Provisions in the current and prior year relate to a legal case that was settled in 2021. Costs of £105,000 in relation to this remain provided for as at 31 December 2021.

23. Reserves

Foreign exchange reserve

The Group accounts include the results of the company's overseas subsidiaries. The presentational and functional currency of the foreign subsidiaries are not GBP.

The foreign exchange reserve includes all translation differences that have occurred on consolidation for the current period and prior periods.

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

Capital contributions

Capital contribution occurred in the year as a result of the transaction with Candle Media LLC as described in the strategic report.

Notes to the financial statements
For the year ended 31 December 2021

24. Business combinations

On 31 October 2021 the company entered into an agreement to purchase 100% of the share capital of Fly Point Music Limited, a recording and publishing company incorporated in the United Kingdom.

The acquisition has been accounted for under the acquisition method. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:

Acquisition of Fly Point Music Limited

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £000	Fair value adjustments £000	Fair value £000
Fixed Assets			
Intangible	-	4,377	4,377
	-	4,377	4,377
Current Assets			
Debtors	404	-	404
Cash at bank and in hand	1,235	-	1,235
Total Assets	1,639	4,377	6,016
Creditors			
Payables	(154)	-	(154)
Deferred taxation	-	(1,056)	(1,056)
Total identifiable net assets	1,485	3,321	4,806
Goodwill			1,359
Total purchase consideration			6,165

Consideration

	£000
Cash	6,165

Notes to the financial statements

For the year ended 31 December 2021

24. Business combinations (continued)

Cash outflow on acquisition

	£000
Cash consideration	6,165
	6,165
Less: Cash and cash equivalents acquired	(1,235)
Net cash outflow on acquisition	**4,930**

The contingent consideration arrangement is based on the future performance of the business. The potential undiscounted amount of all future payments that the Group could be required to make under the contingent consideration arrangement is between £nil and £600,000. The fair value of the contingent consideration arrangement of £nil was estimated based on the forecast performance of the business.

Upon consolidation an intangible asset with cost of £4,377,000 is recognised in relation to the internally generated IP known as Nursery Rhymes 123. This is included in the Intellectual Property category of intangible assets and is being amortised on a straight line basis over a period of 15 years.

Goodwill of £1,359,000 has been recognised in relation to this acquisition.

Notes to the financial statements

For the year ended 31 December 2021

24. Business combinations (continued)

Acquisition of Treasure Studios Inc.

On 16 July 2020, the company entered into an agreement to purchase 100% of the share capital of Treasure Studios Inc., an animation company incorporated in the United States of America.

The acquisition has been accounted for under the acquisition method. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £000	Fair value adjustments £000	Fair value £000
Fixed Assets			
Tangible	14	-	14
Intangible	-	78,685	78,685
	14	78,685	78,699
Current Assets			
Debtors	983	-	983
Cash at bank and in hand	825	-	825
Total Assets	1,822	78,685	80,507
Creditors			
Payables	(17)	-	(17)
Deferred taxation	-	(20,912)	(20,912)
Total identifiable net assets	1,805	57,773	59,578
Goodwill			42,922
Total purchase consideration			102,500

Consideration

	£000
Cash	91,783
Contingent consideration	10,717
Total purchase consideration	102,500

Notes to the financial statements
For the year ended 31 December 2021

24. Business combinations (continued)

Cash outflow on acquisition

	£000
Cash consideration	**91,783**
	91,783
Less: Cash and cash equivalents acquired	**(825)**
Net cash outflow on acquisition	**90,958**

The contingent consideration arrangement is based on the future performance of the business. The potential undiscounted amount of all future payments that the Group could be required to make under the contingent consideration arrangement is between £nil and £11,922,000. The fair value of the contingent consideration arrangement of £10,717,000 was estimated based on the forecast performance of the business.

Upon consolidation an intangible asset with cost of £68,352,000 is recognised in relation to internally generated IP. This is included in the Intellectual Property category of intangible assets and is being amortised on a straight line basis over a period if 15 years.

Goodwill of £42,922,000 has been recognised in relation to this acquisition.

Notes to the financial statements

For the year ended 31 December 2021

24. Business combinations (continued)

Acquisition of the character of Blippi and associated assets

On 4 June 2020 the company entered into an agreement to purchase all rights titles and interest in the Blippi brand along with associated intellectual property, content and assumed liabilities.

The acquisition has been accounted for under the acquisition method. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £000	Fair value adjustments £000	Fair value £000
Fixed Assets			
Intangible	-	56,430	56,430
	-	56,430	56,430
Current Assets			
Raw materials and consumables	273	-	273
Total Assets	273	56,430	56,703
Total identifiable net assets	273	56,430	56,703
Goodwill			13,479
Total purchase consideration			70,182

Consideration

	£000
Cash	25,513
Contingent consideration	44,669
Total purchase consideration	70,182

Cash outflow on acquisition

	£000
Cash consideration	25,513

Notes to the financial statements

For the year ended 31 December 2021

24. **Business combinations (continued)**

The contingent consideration arrangement is based on the future performance of the business. The potential undiscounted amount of all future payments that the Group could be required to make under the contingent consideration arrangement is between £nil and £50,993,000. The fair value of the contingent consideration arrangement of £44,619,000 was estimated based on the forecast performance of the business.

Upon consolidation an intangible asset with cost of £53,251,000 is recognised in relation to internally generated IP. This is included in the Intellectual Property category of intangible assets and is being amortised on a straight line basis over a period of 15 years.

Goodwill of £13,479,000 has been recognised in relation to this acquisition.

Notes to the financial statements

For the year ended 31 December 2021

25. Analysis of net debt

	At 1 January 2021 £000	Cash flows £000	Other non-cash changes £000	At 31 December 2021 £000
Cash	**13,528**	**2,502**	**-**	**16,030**
Completion payments	**(54,287)**	**34,896**	**(3,432)**	**(22,823)**
Intercompany debt	**(293)**	**(90,961)**	**476**	**(90,778)**
	(41,052)	**(53,563)**	**(2,956)**	**(97,571)**

The non-cash changes related primarily to remeasurement gains and losses and notional interest expense.

26. Contingent liabilities

There were no contingent liabilities as at 31 December 2021 or 31 December 2020.

27. Capital commitments

There were no capital commitments as at 31 December 2021 or 31 December 2020.

28. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £200,000 (2020 - £75,000). At 31 December 2021, £32,000 was payable to the fund in relation to unpaid pension contributions (2020: £nil).

29. Commitments under operating leases

At 31 December 2021 the Group and the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £000	Group 2020 £000	**Company 2021 £000**	Company 2020 £000
Not later than 1 year	**2,988**	2,018	**2,059**	1,887
Later than 1 year and not later than 5 years	**2,783**	3,316	**1,287**	3,169
	5,771	5,334	**3,346**	5,056

Notes to the financial statements
For the year ended 31 December 2021

30. Related party transactions

Key management personnel compensation:

For the year ended 31 December 2021, key management personnel compensation totaled £26,924,000 (2020 - £1,376,000).

During the year, Raine Holdings LLC charged the company consultancy fees totalling £6,027,000 (2020: £65,000). At 31 December 2021, £nil (2020: £nil) was due to Raine Holdings LLC. Raine Holdings LLC was the ultimate controlling party of the company until 22 December 2021.

During the year, the company charged fees for production related services to Moonbug Newco Limited, a subsidiary of the company, totalling £239,000 (2020: £nil). In addition to this, the company paid royalties totalling £624,000 (2020: £511,000) and paid fees for production related services totalling £261,000 (2020: £nil) to Moonbug Newco Limited. At 31 December 2021, £1,861,000 (2020: £2,567,000) was due from Moonbug Newco Limited.

During the year, the company charged fees for production and related services to Fun Learning Studios Limited, a subsidiary of the company, totalling £50,000 (2020: £nil). In addition to this, the company paid royalties totalling £437,000 (2020: £194,000) and paid fees for production and related services totalling £192,000 (2020: £nil) to Fun Learning Studios Limited. At 31 December 2021, £31,000 was due from Fun Learning Studios Limited (2020: £121,000 due to).

During the year, the company charged fees for production related services to Morphle B.V., a subsidiary of the company, totalling £453,000 (2020: £nil). In addition to this, the company paid royalties totalling £1,012,000 (2020: £850,000) and paid fees for production and related services totalling £544,000 (2020: £nil) to Morphle B.V. At 31 December 2021, £1,121,000 (2020: £765,000) was due to Morphle B.V.

31. Prior year restatement

Content licensing
During the year, management evaluated the way in which revenue from content licensing is recognised under FRS102. This has changed the way in which satisfaction of the Company's obligations is measured. These changes have therefore been applied retrospectively, resulting in the prior year results being restated.

Merchandise sales
At the prior period end the Group valued accrued revenue for licensing and merchandising royalties based on estimated sales. During the year, and prior to approval of the previous year's financial statements, external reports were received confirming that estimated merchandising royalty accruals were understated.

Business combinations
In the prior year certain separately identifiable intangible assets and goodwill were incorrectly disclosed as intellectual property intangible assets. In the current year the Group engaged with a third party valuation specialist to value the separately identifiable intangible assets as described in note 24. A prior period adjustment has been made with respect to these items.

Cash flow
In the prior year certain items were incorrectly classified between operating, investing and financing cashflows. In addition some non-cash flow items were incorrectly disclosed as cash flows. These errors have been corrected retrospectively in the cash flow statement.

The impact of the prior period adjustments including the resulting tax impact are summarised below:

Notes to the financial statements

For the year ended 31 December 2021

Group

	2020 As previously stated £000	Content licensing £000	Merchandise sales £000	Business combinations £000	Cash flow reclassifications £000	2020 As restated £000
Profit and loss						
Turnover	39,552	3,570	1,334	-	-	44,457
Cost of sales	(11,086)	-	(338)	(1,590)	-	(13,064)
Administrative expenditure	(23,048)	-	-	(1,239)	-	(24,287)
Exceptional expenses	(6,798)	-	-	-	-	(6,798)
Interest payable and similar expenses	(3,113)	-	-	-	-	(3,113)
Tax	(1,505)	(678)	(180)	782	-	(1,582)
Loss for the financial year	(5,998)	2,892	816	(2,047)	-	(4,387)

	2020 As previously stated £000	Content licensing £000	Merchandise sales £000	Business combinations £000	Cash flow reclassifications £000	2020 As restated £000
Balance sheet						
Intangible assets	241,450	-	-	18,083	-	259,532
Tangible assets	430	-	-	-	-	430
Debtors	15,257	4,476	1,334	-	-	21,067
Contract work in progress	545	-	-	-	-	544
Cash at bank and in hand	13,528	-	-	-	-	13,528
Creditors: amounts falling due within one year	(43,268)	(546)	(568)	851	-	(43,531)
Creditors: amounts falling due after more than one year	(20,638)	-	-	-	-	(20,638)
Deferred taxation	791	-	-	(20,981)	-	(20,187)
Provisions	(1,950)	-	-	-	-	(1,950)
Net assets	206,145	3,930	766	(2,047)	-	208,795

Notes to the financial statements

For the year ended 31 December 2021

	2020 As prevously stated £000	Content licensing £000	Merchandise sales £000	Business combinations £000	Cash flow reclassifications £000	2020 As restated £000
Statement of changes in equity						
Called up share capital	**218,431**	-	-	-	-	**218,431**
Foreign exchange reserve	**90**	-	-	-	-	**90**
Profit and loss account	**(13,209)**	**3,931**	**767**	**(2,047)**	-	**(10,559)**
Non-controlling interests	**833**	-	-	-	-	**833**
Total equity	**206,145**	**3,931**	**767**	**(2,047)**	-	**208,795**

Notes to the financial statements

For the year ended 31 December 2021

	2020 As previously stated £000	Content licensing £000	Merchandise sales £000	Business combinations £000	Cash flow reclassifications £000	2020 As restated £000
Cash flow						
Loss before tax	(5,998)	2,892	767	(2,047)	1,582	(2,805)
Amortisation of intangible assets	15,309	-	-	2,828	-	18,137
Depreciation of tangible assets	231	-	-	-	-	231
Loss on disposal	203	-	-	-	(1)	202
Non-cash interest expense	3,113	-	-	-	(320)	2,792
Deferred taxes	1,505	-	-	-	(1,505)	-
Gain/(loss) on remeasurement	161	-	-	-	(680)	(519)
Decrease in WIP	191	-	-	-	-	191
Increase in debtors	(9,406)	(3,437)	(1,335)	-	1,526	(12,652)
Increase in creditors	1,389	545	568	-	(1,223)	1,280
Increase in provisions	1,200	-	-	-	-	1,200
Acquisition of subsidiary net assets excluding cash (included in net cash from investing activities)	976	-	-	-	(976)	-
Tax paid	-	-	-	-	-	-
Net cash generated from operating activities	8,874	-	-	781	(1,597)	8,058

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For the year ended 31 December 2021

	2020 As previously stated £000	Content licensing £000	Merchandise sales £000	Business combinations £000	Cash flow reclassifications £000	2020 As restated £000
Acquisition of subsidiaries, net of cash acquired	(87,842)	-	-	20,130	(48,956)	(116,668)
Purchase of intangible assets	(39,281)	-	-	(20,912)	52,487	(7,706)
Purchase of tangible assets	(386)	-	-	-	14	(372)
Net cash from investing activities	(127,509)	-	-	(782)	3,545	(124,746)

	2020 As previously stated £000	Content licensing £000	Merchandise sales £000	Business combinations £000	Cash flow reclassifications £000	2020 As restated £000
Issue of ordinary shares	125,699	-	-	-	-	125,699
Interest paid	(3,113)	-	-	-	3,113	-
Completion payments	-	-	-	-	(5,315)	(5,315)
Tax paid (included in net cash generated from operating activities	(256)	-	-	-	256	-
Net cash used in financing activities	122,330	-	-	-	(1,946)	120,384

	2020 As previously stated £000	Content licensing £000	Merchandise sales £000	Business combinations £000	Cash flow reclassifications £000	2020 As restated £000
Net increase in cash and cash equivalents	3,695	-	-	-	-	3,695

Notes to the financial statements
For the year ended 31 December 2021

Company

	2020 As previously stated £000	Content licensing £000	Merchandise sales £000	Business combinations £000	2020 As restated £000
Profit and loss					
Loss for the year	3,976	(2,390)	(767)	672	1,492

	2020 As previously stated £000	Content licensing £000	Merchandise sales £000	Business combinations £000	2020 As restated £000
Balance sheet					
Intangible assets	86,816	-	-	(757)	86,059
Tangible assets	276	-	-	-	276
Investments	168,431	-	-	-	168,431
Contract work in progress	309	-	-	-	309
Debtors	24,499	3,129	1,334	-	28,962
Cash at bank and in hand	1,553	-	-	-	1,553
Creditors: amounts falling due within one year	(57,486)	(428)	(568)	740	(57,741)
Creditors: amounts falling due after more than one year	(20,638)	-	-	-	(20,638)
Deferred taxation	599	-	-	(656)	(57)
Provisions	(1,950)	-	-	-	(1,950)
Net assets	202,409	2,701	766	(673)	205,204

	2020 As previously stated £000	Content licensing £000	Merchandise sales £000	Business combinations £000	2020 As restated £000
Statement of changes in equity					
Called up share capital	218,431	-	-	-	218,431
Profit and loss account	(16,023)	2,701	767	(672)	(13,227)
	202,408	2,701	767	(672)	205,204

Notes to the financial statements

For the year ended 31 December 2021

32. Post balance sheet events

On 28 January 2022, the company entered into an agreement to purchase the remaining shares in Moonbug Newco Limited, a subsidiary registered in the United Kingdom.

On 24 May 2022, the company entered into an agreement to purchase the shares and assets of One Animation Pte. Ltd, a company registered in Singapore.

On 29 September 2022, the company entered into an agreement to purchase the remaining shares in Morphle B.V., a subsidiary registered in The Netherlands.

On 9 December 2022, the company entered into an agreement to purchase the remaining shares in Fun Learning Studios Limited, a subsidiary registered in the United Kingdom.

The Directors do not consider there to be any other events which have a material impact on the company requiring disclosure.

The war in Ukraine is not expected to have a material impact on the operations of the company.

33. Controlling party

The ultimate parent undertaking of the company is Candle Media LLC by virtue of their majority ownership of the issued share capital of Project ABC Holdco (Jersey) Limited which owns 100% of the company's share capital.

Candle Media LLC is the largest and smallest Group the company is consolidated into and their financial statements are not publicly available.