

Parent company of  
**El Bebe Productions Limited**  
(company number 08531073)  
Statement in accordance with section 479A(2)(d)  
Companies Act 2006 may be found on page 34

**Moonbug Entertainment Limited**

**Annual report and financial statements**

For the year ended 31 December 2020

Registered number: 11197631

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Moonbug Entertainment Limited

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## Company Information

Directors	R E Rechtman J Robson J P Schretter
Registered number	11197631
Registered office	3-6, 2nd Floor Labs Upper Lock Water Ln London NW1 8JZ
Independent auditor	Buzzacott LLP Statutory Auditor 130 Wood Street London EC2V 6DL

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## Directors' report

For the year ended 31 December 2020

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 2020.

### Results and dividends

The loss for the year, after taxation and minority interests, amounted to £6,180,707 (2019 -loss £3,398,885).

The directors did not recommend or pay dividends during the year (2019 - ENil).

### Directors

The directors who served during the year were:

R E Rechtman  
J Robson  
J P Schretter

### Impact of COVID-19

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

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

### Matters covered in the 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 suppliers, customers and others.

## Directors' report (continued)

For the year ended 31 December 2020

### Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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.

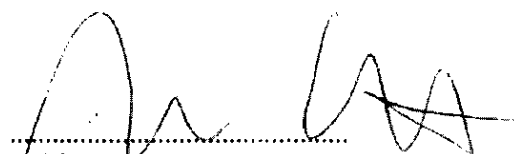
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and to enable them to ensure that the financial statements comply 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.

### 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.

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



J P Schretter  
Director

Date: 29/06/21

## Group strategic report

For the year ended 31 December 2020

### 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 2020.

### Principal activities and business review

The activities of the group include the production, acquisition, licencing, 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 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 £39,551,645 (2019 - £23,120,580). The group's adjusted operating profit for the year was £5,418,098 (2019 - loss £237,070).

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 acquisition of the Cocomelon and Blippi brands.

### Principal risks and uncertainties

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.

#### 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 licencing 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.

## **Group strategic report (continued)**

For the year ended 31 December 2020

### **Principal risks and uncertainties (continued)**

#### ***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.

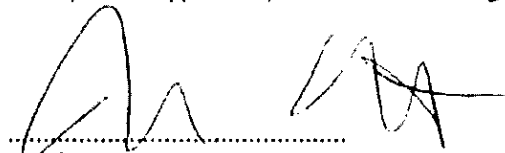
#### ***Cashflow risk***

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 draw down on an external credit facility that has since been signed following year end.

#### **Key performance indicators ("KPIs")**

The Directors do not believe there are any key performance indicators other than those already disclosed in the financial statements.

This report was approved by the board on 29/06/21 and signed on its behalf.



.....  
J P Schretter  
Director

# Buzzacott

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

For the year ended 31 December 2020

### **Opinion**

We have audited the financial statements of Moonbug Entertainment Limited (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2020, which comprise the Group Statement of comprehensive income, the Group and company Statements of financial position, the Group Statement of cash flows, the Group and company Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

*In our opinion the financial statements:*

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 or the 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.



## **Independent auditor's report to the members of Moonbug Entertainment Limited (continued)**

For the year ended 31 December 2020

### **Other information**

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

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

We have nothing to report in this regard.

### **Opinion 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 Group 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 Group strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

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

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

### **Responsibilities of directors**

As explained more fully in the Directors' responsibilities statement set out on page 2, 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.

## **Independent auditor's report to the members of Moonbug Entertainment Limited (continued)**

For the year ended 31 December 2020

### **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 Group financial statements.*

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

#### *How the audit was considered capable of detecting irregularities including fraud.*

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

- the Senior Statutory Auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations, including knowledge specific to auditing media investment, creation and distribution companies;
- we made enquiries of management as to where they considered there was susceptibility to fraud, and their knowledge of actual, suspected and alleged fraud;
- we identified the laws and regulations that could reasonably be expected to have a material effect on the financial statements of the company through discussions with directors and other management at the planning stage, and from our knowledge and experience of media investment, creation and distribution companies;
- the audit team held a discussion to identify any particular areas that were considered to be susceptible to misstatement, including with respect to fraud and non-compliance with laws and regulations; we considered the impact of COVID-19 on the company and its internal controls; and
- we focused our planned audit work on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company including the Companies Act 2006, copyright laws, advertising laws and taxation legislation;

*We assessed the extent of compliance with the laws and regulations identified above through:*

- making enquiries of management;
- inspecting legal correspondence throughout the year for any potential litigation or claims; and
- considering the internal controls in place that are designed to mitigate risks of fraud and non-compliance with laws and regulations.

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

- determined the susceptibility of the company to management override of controls by checking the implementation of controls and enquiring of individuals involved in the financial reporting process, taking into account the impact of COVID-19 on controls during the year;
- reviewed journal entries throughout the year to identify unusual transactions;
- performed analytical procedures to identify any large, unusual or unexpected transactions and investigated any large variances from the prior period; and
- reviewed accounting estimates and evaluated where judgements or decisions made by management indicated bias on the part of the company's management.

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## Independent auditor's report to the members of Moonbug Entertainment Limited (continued)

For the year ended 31 December 2020

In response to the risk of Irregularities and non-compliance with laws and regulations, we designed procedures which included:

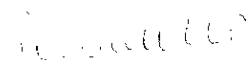
- agreeing financial statement disclosures to underlying supporting documentation;
- agreeing investments to supporting contracts and agreements, and reviewing investments for any indicators of impairment;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC and the company's legal advisors.

There are inherent limitations in our audit procedures described above. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error as they may involve deliberate concealment or collusion. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's report.

### 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.



Katherine White (Senior statutory auditor)  
for and on behalf of

**Buzzacott LLP**  
Statutory Auditor  
130 Wood Street

London

EC2V 6DL

Date: 30 June 2021

## Consolidated statement of comprehensive income

For the year ended 31 December 2020

	Note	2020 £	2019 As restated £
Turnover	4	39,551,645	23,120,580
Cost of sales		(11,085,848)	(7,697,988)
<b>Gross profit</b>		<b>28,465,797</b>	<b>15,422,592</b>
Administrative expenses		(23,047,699)	(15,659,662)
<b>Adjusted operating profit/(loss)</b>	5	<b>5,418,098</b>	<b>(237,070)</b>
Exceptional expenses	13	(6,797,868)	(1,595,729)
<b>Total operating loss</b>		<b>(1,379,770)</b>	<b>(1,832,799)</b>
Interest receivable and similar income	10	64	4,239
Interest payable and expenses	11	(3,112,753)	(187,203)
<b>Loss before taxation</b>		<b>(4,492,459)</b>	<b>(2,015,763)</b>
Tax on loss	12	(1,505,356)	(820,543)
<b>Loss for the financial year</b>		<b>(5,997,815)</b>	<b>(2,836,306)</b>
<b>Total comprehensive income for the year</b>		<b>(5,997,815)</b>	<b>(2,836,306)</b>
<b>Total comprehensive income for the year attributable to:</b>			
Non-controlling interests		182,892	562,579
Owners of the parent company		(6,180,707)	(3,398,885)
		<b>(5,997,815)</b>	<b>(2,836,306)</b>

The notes on pages 18 to 41 form part of these financial statements.

**Consolidated statement of financial position**

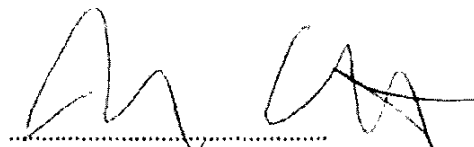
As at 31 December 2020

	Note	2020 £	As restated 2019 £
<b>Fixed assets</b>			
Intangible assets	14	241,449,979	78,268,437
Tangible assets	15	430,070	477,374
		<u>241,880,049</u>	<u>78,745,811</u>
<b>Current assets</b>			
Contract work in progress	17	544,726	735,865
Debtors	18	16,048,674	6,642,271
Cash at bank and in hand	19	13,528,241	9,833,546
		<u>30,121,641</u>	<u>17,211,682</u>
Creditors: amounts falling due within one year	20	<u>(43,267,559)</u>	<u>(35,862,427)</u>
<b>Net current liabilities</b>		<u>(13,145,918)</u>	<u>(18,650,745)</u>
<b>Total assets less current liabilities</b>		<u>228,734,131</u>	<u>60,095,066</u>
Creditors: amounts falling due after more than one year	21	(20,638,183)	(947,605)
<b>Provisions for liabilities</b>			
Other provisions	23	(1,950,000)	(750,000)
		<u>(1,950,000)</u>	<u>(750,000)</u>
<b>Net assets</b>		<u>206,145,948</u>	<u>58,397,461</u>
<b>Capital and reserves</b>			
Called up share capital		218,431,316	64,846,151
Foreign exchange reserve		90,252	(70,885)
Profit and loss account		(13,208,900)	(7,028,193)
<b>Equity attributable to owners of the parent company</b>		<u>205,312,668</u>	<u>57,747,073</u>
Non-controlling interests		833,280	650,388
		<u>206,145,948</u>	<u>58,397,461</u>

**Consolidated statement of financial position (continued)**

As at 31 December 2020

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 June 2021

A handwritten signature in black ink, consisting of a large 'A' followed by a series of loops and a long horizontal stroke.

**J P Schretter**  
Director

The notes on pages 18 to 41 form part of these financial statements.

**Company statement of financial position**

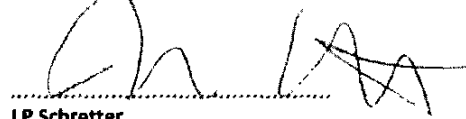
As at 31 December 2020

	Note	2020 £	As restated 2019 £
<b>Fixed assets</b>			
Intangible assets	14	86,815,932	10,597,456
Tangible assets	15	276,160	360,258
Investments	16	168,430,674	69,835,117
		<b>255,522,766</b>	<b>80,792,861</b>
<b>Current assets</b>			
Contract work in progress	17	308,568	731,793
Debtors	18	25,097,835	7,891,840
Cash at bank and in hand	19	1,553,161	5,874,280
		<b>26,959,564</b>	<b>14,497,913</b>
Creditors: amounts falling due within one year	20	(57,485,946)	(41,025,558)
<b>Net current liabilities</b>		<b>(30,526,382)</b>	<b>(26,527,645)</b>
<b>Total assets less current liabilities</b>		<b>224,996,384</b>	<b>54,265,216</b>
Creditors: amounts falling due after more than one year	21	(20,638,183)	(715,794)
<b>Provisions for liabilities</b>			
Other provisions	23	(1,950,000)	(750,000)
		<b>(1,950,000)</b>	<b>(750,000)</b>
<b>Net assets excluding pension asset</b>		<b>202,408,201</b>	<b>52,799,422</b>
<b>Net assets</b>		<b>202,408,201</b>	<b>52,799,422</b>
<b>Capital and reserves</b>			
Called up share capital		218,431,316	64,846,151
Profit and loss account brought forward	(12,046,729)	(3,577,624)	
Loss for the year	(3,976,386)	(8,469,105)	
Profit and loss account carried forward		(16,023,115)	(12,046,729)
		<b>202,408,201</b>	<b>52,799,422</b>

**Company statement of financial position (continued)**

As at 31 December 2020

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 June 2021

A handwritten signature in black ink, appearing to be 'J P Schretter', written over a horizontal dotted line.

**J P Schretter**  
Director

The notes on pages 18 to 41 form part of these financial statements.



Moonbug Entertainment Limited

**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
	£	£	£	£	£	£
<b>At 1 January 2019</b>	64,846,151	6,259	(3,629,308)	61,223,102	76,059	61,299,161
Loss for the year	-	-	(3,398,885)	(3,398,885)	562,579	(2,836,306)
Total other comprehensive income	-	(77,144)	-	(77,144)	11,750	(65,394)
<b>At 1 January 2020</b>	64,846,151	(70,885)	(7,028,193)	57,747,073	650,388	58,397,461
Loss for the year	-	-	(6,180,707)	(6,180,707)	-	(6,180,707)
Other movements	-	161,137	-	161,137	182,892	344,029
Shares issued during the year	153,585,165	-	-	153,585,165	-	153,585,165
<b>At 31 December 2020</b>	<b>218,431,316</b>	<b>90,252</b>	<b>(13,208,900)</b>	<b>205,312,668</b>	<b>833,180</b>	<b>206,145,948</b>

The notes on pages 18 to 41 form part of these financial statements

**Company statement of changes in equity**

For the year ended 31 December 2020

	Called up share capital	Profit and loss account	Total equity
	£	£	£
<b>At 1 January 2019</b>	64,846,151	(3,577,624)	61,268,527
Loss for the year	-	(8,469,105)	(8,469,105)
<b>At 1 January 2020</b>	64,846,151	(12,046,729)	52,799,422
Loss for the year	-	(3,976,386)	(3,976,386)
Shares issued during the year	153,585,165	-	153,585,165
<b>At 31 December 2020</b>	<b>218,431,316</b>	<b>(16,023,115)</b>	<b>202,408,201</b>

The notes on pages 18 to 41 form part of these financial statements.

**Consolidated statement of cash flows**

For the year ended 31 December 2020

	2020 £	2019 £
<b>Cash flows from operating activities</b>		
Loss for the financial year	(5,997,815)	(2,836,306)
<b>Adjustments for:</b>		
Amortisation of intangible assets	15,308,833	6,486,244
Depreciation of tangible assets	231,365	116,490
Loss on disposal of tangible assets	203,022	-
Interest paid	3,112,753	187,203
Interest received	(64)	(4,239)
Taxation charge	1,505,356	820,543
Decrease/(increase) in stocks	191,139	(728,596)
(Increase) in debtors	(9,406,403)	(4,818,415)
Increase in creditors	1,389,264	5,364,482
Increase in provisions	1,200,000	250,000
Difference on foreign exchange	161,137	(77,144)
Acquisition of subsidiary net assets excluding cash	975,803	(3,063)
<b>Net cash generated from operating activities</b>	<b>8,874,390</b>	<b>4,757,199</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(39,281,245)	(14,759,543)
Purchase of tangible fixed assets	(386,423)	(282,482)
Interest received	64	4,239
Acquisition of subsidiaries, net of cash acquired	(87,842,198)	(1,109,435)
<b>Net cash from investing activities</b>	<b>(127,509,802)</b>	<b>(16,147,221)</b>
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	153,585,165	-
Proceeds from borrowings	-	15,514,347
Repayment of borrowings	(27,886,525)	-
Interest paid	(3,112,753)	(187,203)
Dividends paid to non controlling interests	-	11,751
Corporation tax paid	(255,780)	(504,612)
<b>Net cash used in financing activities</b>	<b>122,330,107</b>	<b>14,834,283</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,694,695</b>	<b>3,444,261</b>
Cash and cash equivalents at beginning of year	9,833,546	6,389,285

## Consolidated statement of cash flows (continued)

For the year ended 31 December 2020

	2020 £	2019 £
<b>Cash and cash equivalents at the end of year</b>	<b>13,528,241</b>	<b>9,833,546</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	13,528,241	9,833,546
	<b>13,528,241</b>	<b>9,833,546</b>

The notes on pages 18 to 41 form part of these financial statements.

## Notes to the financial statements

For the year ended 31 December 2020

### 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, 2nd Floor, Labs Upper Lock, Water Ln, London, NW1 8JZ. The company registration number is 11197631.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

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

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

At the reporting date, the group and the company's current liabilities exceeded their current assets. On 7th June 2021 the group signed a \$50,000,000 revolving credit and delayed draw term loan agreement operating until 7th June 2025, securing cash flow and working capital requirements for the foreseeable future. The directors therefore consider that the company and group will be able to pay other debts as they fall due.

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

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

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

## Notes to the financial statements

For the year ended 31 December 2020

### 2. Accounting policies (continued)

#### 2.4 Interest income

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

#### 2.5 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 actual's 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 actual's are known. Once actual's are known, any variance is adjusted.

##### Originals & Brand Productions

Revenue relating to Originals or 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 is recognised equally over the duration of the licensing period. Revenue is held in Deferred Revenue until it is recognised to the Profit & Loss account.

Where a Launch Fee exists in the agreement, the value of the Launch Fee is recognised in the period that the content is made available for the broadcaster to use, and the remaining License Fee is recognised equally over the duration of the licensing period.

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.

##### 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.

#### 2.6 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

## Notes to the financial statements

For the year ended 31 December 2020

### 2. Accounting policies (continued)

#### 2.7 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.

Amortisation is calculated on a straight-line basis on the following basis:

Intellectual property	-	15 years
Content production	-	3 years or over the duration of the license period
Trademarks	-	10 years
Software development	-	3 years
Other intangible fixed assets	-	2 - 5 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.

##### *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 3 years.

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.

##### *Content Production, Distribution Costs Capitalised and amortisation*

Reformatting and delivery costs associated with Content Licensing agreements are capitalised and treated as intangible assets. These costs are amortised equally over the duration of the licensing period.

Where a Launch Fee exists in the agreement, the costs are recognised to the Profit and Loss account in the period that the content is made available for the Licensee to use.

## Notes to the financial statements

For the year ended 31 December 2020

### 2. Accounting policies (continued)

#### 2.8 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.

#### 2.9 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 & Loss account.

Investments in subsidiaries are measured at cost less accumulated impairment.

#### 2.10 Contract work in progress

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

#### 2.11 Debtors

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

#### 2.12 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.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.



## Notes to the financial statements

For the year ended 31 December 2020

### 2. Accounting policies (continued)

#### 2.13 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.

#### 2.14 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.

#### 2.15 Current and deferred taxation

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

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

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

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

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

#### 2.16 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.

## Notes to the financial statements

For the year ended 31 December 2020

### 2. Accounting policies (continued)

#### 2.17 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.

#### 2.18 Foreign currency translation

##### Functional and presentation currency

The company's functional and presentational currency is GBP.

##### Transactions and balances

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

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

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

#### 2.19 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 2020

### 2. Accounting policies (continued)

#### 2.20 Operating leases

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

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

### 3. 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 or significant judgement 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.

#### Amortisation, Depreciation and residual values

The directors have reviewed the asset lives and associated residual values of all fixed asset classes and have concluded that asset lives and residual values are appropriate.

The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as the duration of associated contracts and the expected period the assets are able to be monetised in the market are taken into account. Residual value assessments consider issues such as future market conditions and projected disposal values.

#### 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.

#### Legal provisions

Determining the estimated value of provisions required for ongoing legal issues. Third party legal advice is used to estimate the costs of present obligations as a result of past events that can be measured reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### Deferred tax

Recognition of a deferred tax asset (in respect of losses carried forward) is considered appropriate due to the expected future profit of the group.

## Notes to the financial statements

For the year ended 31 December 2020

### 4. Turnover

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

	2020 £	2019 £
Distribution & Self Serve Platform revenue	29,313,440	19,897,668
Originals & Brand Productions revenue	5,484,777	3,052,655
Licensing & Merchandising revenue	4,753,428	170,257
	<u>39,551,645</u>	<u>23,120,580</u>

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	2,200,444	1,259,060
United States	27,048,019	14,899,309
Rest of EMEA	4,742,587	3,152,285
Rest of world	5,543,938	3,809,925
	<u>39,534,988</u>	<u>23,120,579</u>

### 5. Operating loss

The operating loss is stated after charging/(crediting):

	2020 £	2019 £
Depreciation of tangible fixed assets	231,365	173,918
Amortisation of intangible fixed assets	15,308,833	6,428,816
Exchange differences	(4,137,316)	(148,213)
Other operating lease rentals	1,321,615	442,048
Defined contribution pension cost	166,593	43,424

## Notes to the financial statements

For the year ended 31 December 2020

### 6. Auditor's remuneration

	2020 £	2019 £
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	<b>55,000</b>	45,000
<b>Fees payable to the Group's auditor and its associates in respect of:</b>		
Accounts preparation services	<b>10,900</b>	7,800
Taxation compliance services	-	7,800
Services relating to corporate finance transactions	<b>42,500</b>	71,000
All other services	<b>58,315</b>	27,730
	<b>111,715</b>	114,330

### 7. Staff costs

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

	2020 £	2019 £
Wages and salaries	<b>10,732,420</b>	6,746,336
Social security costs	<b>1,032,515</b>	665,925
Defined contribution pension cost	<b>166,593</b>	43,424
	<b>11,931,528</b>	7,455,685

### 8. Employees

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

	Group 2020 No.	Group 2019 No.	Company 2020 No.	Company 2019 No.
Production	<b>58</b>	21	31	14
Selling & Distribution	<b>49</b>	31	43	28
Administration	<b>31</b>	28	28	17
	<b>138</b>	80	102	59

## Notes to the financial statements

For the year ended 31 December 2020

### 9. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	1,001,000	1,144,000
Company contributions to defined contribution pension schemes	2,628	2,359
	<u>1,003,628</u>	<u>1,146,359</u>

The highest paid director received remuneration of £500,500 (2019 -£572,000). Two directors received pension contributions (2019 - two).

### 10. Interest receivable

	2020 £	2019 £
Other interest receivable	64	4,239
	<u>64</u>	<u>4,239</u>

### 11. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	277,316	90,807
Unwinding of discount on deferred consideration	2,835,437	96,396
	<u>3,112,753</u>	<u>187,203</u>

**Notes to the financial statements**

For the year ended 31 December 2020

**12. Taxation**

	2020 £	2019 £
<b>Corporation tax</b>		
Current tax on profits for the year	1,775,250	936,997
	<u>1,775,250</u>	<u>936,997</u>
<b>Total current tax</b>	<u>1,775,250</u>	<u>936,997</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(269,894)	(116,454)
<b>Total deferred tax</b>	<u>(269,894)</u>	<u>(116,454)</u>
<b>Taxation on profit on ordinary activities</b>	<u>1,505,356</u>	<u>820,543</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2019 -higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Loss on ordinary activities before tax	(4,492,459)	(2,015,763)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 -19%)	(853,567)	(382,995)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	1,659,983	1,082,152
Effect of higher overseas rates	594,026	1,189
Adjustments to tax charge in respect of prior periods	137,063	28,072
Adjustments to deferred tax of prior periods	(22,785)	190,901
Adjustments to closing deferred tax to average rate	-	27,516
Adjustments to opening deferred tax to average rate	-	(25,285)
Other movements	(5,594)	(101,007)
Group relief	(3,770)	-
<b>Total tax charge for the year</b>	<u>1,505,356</u>	<u>820,543</u>

## Notes to the financial statements

For the year ended 31 December 2020

### 12. Taxation (continued)

#### Factors that may affect future tax charges

On 3 March 2021 the government announced its intention to increase the corporation tax rate from 1 April 2023. This rate will taper from 19% for businesses with profits of less than £50,000 to 25% for businesses with profits over £250,000. This is anticipated to be substantively enacted once the Finance Bill 2021 passes the House of Commons.

The deferred taxes at the reporting date reflected in these financial statements have been measured at 19% being the tax rate that was substantively enacted at 31 March 2021 that is expected to apply to the reversal of the timing difference.

### 13. Exceptional items

	2020 £	2019 As restated £
Legal dispute	6,797,868	1,595,729
	<u>6,797,868</u>	<u>1,595,729</u>

During the year, costs totaling £6,797,868 (2019 - £1,595,729) were incurred by the group with respect to a legal dispute.



## Notes to the financial statements

For the year ended 31 December 2020

### 14. Intangible assets

#### Group

	Intellectual property £	Content production £	Trademarks £	Software development £	Other £	Total £
<b>Cost</b>						
At 1 January 2020 (as restated)	79,744,927	7,307,444	173,970	318,681	23,574	87,568,596
Additions	166,784,400	6,687,929	673,496	326,123	4,018,427	178,490,375
At 31 December 2020	246,529,327	13,995,373	847,466	644,804	4,042,001	266,058,971
<b>Amortisation</b>						
At 1 January 2020 (as restated)	6,776,037	2,454,683	7,592	60,275	1,572	9,300,159
Charge for the year	10,942,028	3,240,656	39,327	169,358	917,464	15,308,833
At 31 December 2020	17,718,065	5,695,339	46,919	229,633	919,036	24,608,992
<b>Net book value</b>						
At 31 December 2020	228,811,262	8,300,034	800,547	415,171	3,122,965	241,449,979
At 31 December 2019 (as restated)	72,968,890	4,852,761	166,378	258,406	22,002	78,268,437

## Notes to the financial statements

For the year ended 31 December 2020

### 14. Intangible assets (continued)

#### Company

	Intellectual property £	Content production £	Trademarks £	Software development £	Other £	Total £
<b>Cost</b>						
At 1 January 2020 (as restated)	9,454,327	1,242,574	172,032	318,681	23,574	11,211,188
Additions	69,910,851	7,630,241	421,387	312,936	3,996,749	82,272,164
At 31 December 2020	79,365,178	8,872,815	593,419	631,617	4,020,323	93,483,352
<b>Amortisation</b>						
At 1 January 2020 (as restated)	398,505	145,830	7,550	60,275	1,572	613,732
Charge for the year	3,306,668	1,635,752	35,571	158,233	917,464	6,053,688
At 31 December 2020	3,705,173	1,781,582	43,121	218,508	919,036	6,667,420
<b>Net book value</b>						
At 31 December 2020	75,660,005	7,091,233	550,298	413,109	3,101,287	86,815,932
At 31 December 2019 (as restated)	9,055,822	1,096,744	164,482	258,406	22,002	10,597,456

**Notes to the financial statements**

For the year ended 31 December 2020

**15. Tangible fixed assets****Group**

	leasehold improvements £	Office equipment £	Computer equipment £	Total £
<b>Cost or valuation</b>				
At 1 January 2020 (as restated)	297,639	93,007	221,383	612,029
Additions	3,303	9,957	287,867	301,127
Acquisition of subsidiary	-	85,296	-	85,296
Disposals	(229,332)	-	(52,393)	(281,725)
At 31 December 2020	71,610	188,260	456,857	716,727
<b>Depreciation</b>				
At 1 January 2020 (As restated)	55,899	21,433	57,323	134,655
Charge for the year	40,397	82,682	108,286	231,365
Disposals	(77,702)	-	(1,661)	(79,363)
At 31 December 2020	18,594	104,115	163,948	286,657
<b>Net book value</b>				
At 31 December 2020	53,016	84,145	292,909	430,070
At 31 December 2019 (As restated)	241,740	71,574	164,060	477,374

**Notes to the financial statements**

For the year ended 31 December 2020

**15. Tangible fixed assets (continued)****Company**

	Long-term leasehold property improvements £	Fixtures and fittings £	Office equipment £	Total £
<b>Cost or valuation</b>				
At 1 January 2020 (as restated)	227,650	72,654	182,507	482,811
Additions	3,303	7,048	219,754	230,105
Disposals	(229,332)	-	(21,825)	(251,157)
At 31 December 2020	1,621	79,702	380,436	461,759
<b>Depreciation</b>				
At 1 January 2020 (as restated)	52,946	18,577	51,030	122,553
Charge for the year	24,864	24,719	91,965	141,548
Disposals	(77,702)	-	(800)	(78,502)
At 31 December 2020	108	43,296	142,195	185,599
<b>Net book value</b>				
At 31 December 2020	1,513	36,406	238,241	276,160
At 31 December 2019 (as restated)	174,704	54,077	131,477	360,258

## Notes to the financial statements

For the year ended 31 December 2020

### 16. Fixed asset investments

#### Company

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 January 2020	69,835,147
Additions	98,595,527
At 31 December 2020	<u>168,430,674</u>

El Bebe Productions Limited, Fun Learning Studios Limited, Moonbug Newco Limited and Moonbug 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 16th July 2020, the company acquired 100% of the share capital of Treasure Studios Inc. The value of the investment was measured at cost.

## Notes to the financial statements

For the year ended 31 December 2020

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

#### 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	Producing animated content	Ordinary	100%
Moonbug Production USA Inc.	United States of America	Dormant	Ordinary	100%
Moonbug Stories Inc.	United States of America	Dormant	Ordinary	100%
Little Explorers Nursery Rhymes UK Limited	United Kingdom	Dormant	Ordinary	100%

**Notes to the financial statements**

For the year ended 31 December 2020

**17. Contract work in progress**

	<b>Group 2020</b>	<b>Group 2019</b>	<b>Company 2020</b>	<b>Company 2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Raw materials and consumables	<b>281,327</b>	-	<b>45,169</b>	-
Contract work in progress	<b>263,399</b>	735,865	<b>263,399</b>	731,793
	<b>544,726</b>	735,865	<b>308,568</b>	731,793

**18. Debtors**

	<b>Group 2020</b>	<b>Group 2019</b>	<b>Company 2020</b>	<b>Company 2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	<b>6,012,972</b>	2,918,267	<b>5,844,259</b>	2,846,640
Amounts owed by group undertakings	<b>40,958</b>	-	<b>9,744,407</b>	3,660,144
Other debtors	<b>1,624,324</b>	437,728	<b>1,404,842</b>	374,203
Prepayments and accrued income	<b>7,578,939</b>	2,764,689	<b>7,109,988</b>	740,376
Tax recoverable	-	-	<b>395,381</b>	-
Deferred taxation	<b>791,481</b>	521,587	<b>598,958</b>	270,477
	<b>16,048,674</b>	6,642,271	<b>25,097,835</b>	7,891,840

**19. Cash and cash equivalents**

	<b>Group 2020</b>	<b>Group 2019</b>	<b>Company 2020</b>	<b>Company 2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	<b>13,528,241</b>	9,833,546	<b>1,553,161</b>	5,874,280
	<b>13,528,241</b>	9,833,546	<b>1,553,161</b>	5,874,280

**Notes to the financial statements**

For the year ended 31 December 2020

**20. Creditors: amounts falling due within one year**

	Group	Group	Company	Company
	2020	2019	2020	2019
	£	£	£	£
Trade creditors	1,000,136	1,809,479	697,549	1,548,150
Amounts owed to group undertakings	284,457	27,886,525	17,211,591	34,563,197
Amounts owed to other participating interests	8,457	26,962	-	-
Corporation tax	1,630,872	381,296	-	-
Other taxation and social security	229,338	236,282	226,435	169,619
Other creditors	33,648,725	1,144,714	33,389,784	883,583
Accruals and deferred income	6,465,574	4,377,169	5,960,587	3,861,009
	<b>43,267,559</b>	<b>35,862,427</b>	<b>57,485,946</b>	<b>41,025,558</b>

**21. Creditors: amounts falling due after more than one year**

	Group	Group	Company	Company
	2020	2019	2020	2019
	£	£	£	£
Other creditors	20,638,183	947,605	20,638,183	715,794
	<b>20,638,183</b>	<b>947,605</b>	<b>20,638,183</b>	<b>715,794</b>



## Notes to the financial statements

For the year ended 31 December 2020

### 22. Deferred taxation

#### Group

	2020 £	2019 £
At beginning of year	521,587	405,820
Charged to profit or loss	269,894	115,767
<b>At end of year</b>	<b>791,481</b>	<b>521,587</b>

#### Company

	2020 £	2019 £
At beginning of year	270,477	405,820
Charged to profit or loss	328,481	(135,343)
<b>At end of year</b>	<b>598,958</b>	<b>270,477</b>

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Fixed asset timing differences	389,910	282,657	215,857	(72,297)
Tax losses carried forward	401,571	238,930	383,101	342,774
	<b>791,481</b>	<b>521,587</b>	<b>598,958</b>	<b>270,477</b>

### 23. Provisions

	Group and company £
At 1 January 2020	750,000
Charged to profit or loss	1,950,000
Released in year	(750,000)
<b>At 31 December 2020</b>	<b>1,950,000</b>

## Notes to the financial statements

For the year ended 31 December 2020

### 24. Share capital

	2020 £	2019 £
<b>Allotted, called up and fully paid</b>		
218,431,316 (2019 -64,846,151) Ordinary shares of £1.00 each	<b>218,431,316</b>	64,846,151

During the year 153,585,165 Ordinary share of £1.00 were issued at par value.

### 25. 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.

### 26. Prior year adjustment

During the year, the company changed its accounting policy in relation to the capitalisation of software development costs, to be shown within intangible fixed assets, rather than tangible fixed assets in order to provide more relevant information. As a result, a prior year adjustment has been posted to retrospectively apply this change in accounting policy. The net effect of this adjustment was to increase intangible fixed assets by £258,406 and decrease tangible fixed assets by £258,406.

During the year, the company incurred legal charges totalling £6,797,868 which has been disclosed separately as an exceptional item on the face of the Consolidated statement of comprehensive income. A prior year adjustment has been posted to disclose separately the prior year comparative, totalling £1,595,729, on the face of the Consolidated statement of comprehensive income. This adjustment had no effect on the prior period loss.

### 27. Contingent liabilities

There were no contingent liabilities as at 31 December 2020 or 31 December 2019.

### 28. Capital commitments

There were no capital commitments as at 31 December 2020 or 31 December 2019.

## Notes to the financial statements

For the year ended 31 December 2020

### 29. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £75,107 (2019 - £35,176). At 31 December 2020, no amounts were payable to the fund in relation to unpaid pension contributions (2019: £nil).

### 30. Consolidated analysis of net debt

	At 1 January 2020 £	Arising from cashflows £	At 31 December 2020 £
Cash at bank and in hand	9,833,546	3,694,695	13,528,241
	<u>9,833,546</u>	<u>3,694,695</u>	<u>13,528,241</u>

### 31. Commitments under operating leases

At 31 December 2020 the Group and the company had future minimum lease payments due under non-cancelable operating leases for each of the following periods:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Not later than 1 year	2,018,425	422,932	1,886,968	290,798
Later than 1 year and not later than 5 years	3,315,952	433,567	3,169,071	145,399
	<u>5,334,377</u>	<u>856,499</u>	<u>5,056,039</u>	<u>436,197</u>

### 32. Related party transactions

Key management personnel compensation:

For the year ended 31 December 2020, key management personnel compensation totaled £1,376,375 (2019 - £1,573,000).

During the year, Raine Holdings LLC, the ultimate controlling parent undertaking of the company, charged the company service fees totalling £64,694 (2019: £nil). At 31 December 2020, £nil (2019: £nil) was due to Raine Holdings LLC.

### 33. Post balance sheet events

On 7th June 2021 the group signed a \$50,000,000 revolving credit and delayed draw term loan agreement operating until 7th June 2025, securing cash flow and working capital requirements for the foreseeable future.

## Notes to the financial statements

For the year ended 31 December 2020

### 34. *Controlling party*

The ultimate parent undertaking of the company is Raine Holdings 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.