

**Parent company of**  
**El Bebe Productions Limited**  
**(company number 08531073)**  
Statement in accordance with section 479A  
Companies Act 2006 may be found on page 47

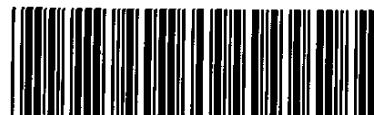
## **Moonbug Entertainment Limited**

### **Annual report and financial statements**

*For the year ended 31 December 2022*

Registered number: 11197631

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## **Company Information**

**Directors** R E Rechtman  
J Robson  
R S Miller (appointed 25 January 2022)  
Y Shmulewitz (appointed 21 November 2023)

**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

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## **Group strategic report**

For the year ended 31 December 2022

### **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 2022.

### **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 revenue for the year of £191,262,000 (2021 - £110,205,000) and gross profit of £128,726,000 (2021, as restated - £81,777,000). The Group's adjusted operating profit for the year was £62,268,000 (2021, as restated - £27,945,000). Adjusted operating profit is used as a measure of performance excluding exceptional items arising in the year as disclosed in note 12 of the financial statements. The Group's total operating profit for the year was £56,697,000 (2021, as restated - loss of £67,664,000). The items in note 12 bridge the two metrics.

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 content licensing increased by over 140%. Year on year growth is also attributable to having revenue from the Oddbods brand which was acquired during the year and the Little Angel brand which was acquired by a related party within the Candle Media LLC group. £7,491,000 of revenue can be attributed to the music publishing revenue stream which is new in the current period.

Current assets have increased to £125,029,000 (2021 - £74,506,000) as a result of the growth of the business. Net assets have increased to £209,151,000 (2021, as restated - decreased to £147,946,000) and the largest driver of this movement is a reduction in amounts owed to the parent company. The movement in amounts owed to the parent company can largely be attributed to the disposals described in note 26 which resulted in a reduction in this balance of £108,476,000.

On 30 March 2022 the company sold Treasure Studios Inc. and Moonbug Entertainment USA Inc. to Lunar Bidco Limited, a company within the Candle Media group as part of their international restructuring. Further details of the disposal are provided in note 26 of the financial statements including contribution to the Group's profit up to the date of disposal.

Exceptional expenses in the year were £5,571,000 (2021: £95,609,000). The large decrease compared to the prior period reflects the fact that these primarily relate to the acquisition of the Group by Candle Media which occurred in 2021.

### **Future developments**

It is expected that the group will continue to look for new intellectual property to acquire as well as further developing the properties within its portfolio. The Group is also endeavoring to diversify its revenue streams in order to fully exploit its intellectual property.

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

For the year ended 31 December 2022

### **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.

#### *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.

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

For the year ended 31 December 2022

### **Financial key performance indicators**

| £'000                         | 2022    | 2021 (restated) |
|-------------------------------|---------|-----------------|
| Revenue                       | 191,262 | 110,205         |
| Adjusted operating profit     | 62,268  | 27,945          |
| Total operating profit/(loss) | 56,697  | (67,664)        |

The main key performance indicators used by the Directors to monitor the success of the business is revenue and adjusted operating profit.

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

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

### **Other key performance indicators**

|                         | 2022 | 2021 (restated) |
|-------------------------|------|-----------------|
| Brands                  | 28   | 23              |
| Average headcount (FTE) | 350  | 315             |

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 brands and headcount.

The business's growth is driven in part by the acquisition and creation of new brands so the number of brands under the company's control is a demonstration of the Directors' strategy in action. In the period one new subsidiary was acquired (One Animation) and an additional brand (Little Angel) was acquired by a related party and is operated by the company. We also launched a new brand called Blippi Wonders in the year.

The Group's headcount (full time equivalent) is a key metric to how the Directors view the development of the business. There was significant growth in headcount among the wider Moonbug group which reflects the increased volume of trade and additional staff required to meet the needs of the business. Over 300 people were recruited in the period, however, the group restructuring meant that over 120 employees no longer fell under the Group's headcount but the acquisition of One Animation added 32 to the annual average. 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 2022.

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

For the year ended 31 December 2022

The most significant strategic decisions made by the Directors relate to whether to acquire new intellectual property. During 2022 the decision was made to acquire the share capital of One Animation Pte. Limited and with it the intellectual property known as OddBods. The Directors expect this IP to grow and complement the company's other content. The acquisition of IPs and growth of acquired IPs is intended to increase revenue and ultimately create value for the shareholders.

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.

### *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 2022, we continued to rapidly scale up and recruited over 300 people to the business. We have now embedded our formal performance review process to ensure performance is met and feedback becomes part of our culture. We have invested in (minimum 1 day) off site intensive training for all line managers to equip them with skills, toolkit and language to manage performance. We also invest in a number of other development initiatives such as data & analytics workshops, Excel & Powerpoint training for all levels, presentations skills and understanding neurodiversity in the workplace.

Periodic "town halls" are held which provide updates to the employees on the performance of and future plans for the business. These also provide opportunities for feedback to management and the directors from the employees.

### *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.

**Group strategic report (continued)**

For the year ended 31 December 2022

*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 34 to the financial statements.

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



.....  
**R S Miller**  
Director

Date: 24/11/2023



## **Directors' report**

For the year ended 31 December 2022

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 2022.

### **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 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 Company 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Results and dividends**

The profit for the year, after taxation and minority interests, amounted to £61,849,000 (2021, as restated - loss of £77,576,000).

The Directors did not recommend or pay dividends during the year (2021 - £Nil).

### **Directors**

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

R E Rechtman

J Robson

R S Miller (appointed 25 January 2022)

S Prasad (appointed 2 November 2022 and resigned 25 May 2023)

Y Shmulewitz (appointed 21 November 2023)

## **Directors' report (continued)**

For the year ended 31 December 2022

### **Streamlined Energy and Carbon Reporting**

The company's greenhouse gas emissions and energy consumption for the year ended 31 December 2022 are as follows:

|   | Annual Energy Consumption<br>kWh |                | Annual Greenhouse Gas Emissions<br>Tonnes CO2e |             |
|---|----------------------------------|----------------|--|-------------|
|   | 2022                             | 2021           | 2022   | 2021        |
| Scope 1: Emissions from combustion of gas     | -                                | -              | -  | -           |
| Scope 2: Emissions from purchased electricity | 119,340                          | 252,782        | 23.1   | 54.7        |
| Fuel for the purpose of transport             | -                                | -              | -  | -           |
| Annual Energy consumption                     | <u>119,340</u>                   | <u>252,782</u> | <u>23.1</u>                                    | <u>54.7</u> |

#### *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: 0.1 (2021: 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. Consideration of applicants for roles at the company is not impacted by any disability however the company will work with any successful applicants to provide any reasonable adjustments necessary. Disability or other protected characteristic should not change the promotion or career development of any employees and it is the policy of the company to investigate and resolve any suspected breach of this principle.

### **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 confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**Directors' report (continued)**

For the year ended 31 December 2022

**Going concern**

The Directors have considered the performance of the business and its financial position along with the impact of external macroeconomic factors. The business continues to show strong operating results and has generated a profit before tax of £72,981,000 in the year.

As at 31 December 2022 the Group is in a positive net current asset position as well as a positive overall net asset position. The business is primarily funded by operating cash flows and management's forecasts indicate positive cash flows for a period of at least 12 months 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' 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 of 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 financial risk management objectives and policies, future developments, and engagement with employees, suppliers, customers and others.

**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 34 to the financial statements.

**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 and signed on its behalf.



.....  
**R S Miller**  
Director

Date: 24/11/2023

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

For the year ended 31 December 2022

## **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 2022 and of the group's profit 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 financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 35.

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.

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

For the year ended 31 December 2022

### **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](http://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 and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

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

For the year ended 31 December 2022

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<sup>1</sup>. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These include regulations relating to government contracting rules, GDPR legislation, intellectual property and competition laws, data protection regimes, anti-bribery and corruption and health & safety 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 SVOD and Originals revenue near the period end due to the complexity and judgement involved at the end of the reporting period. Our specific procedures performed to address it included:

- Assessing the design and implementation of key internal controls around revenue recognition as part of our evaluation of the key processes and controls within the entity
- Performing tests of detail that included testing a sample of SVOD and Originals contracts with revenue recognised in the identified high-risk periods, pre- and post-year end, obtaining and reviewing the contract and proof of delivery. We recalculated the amount of revenue to be recognised in 2022 for each selected contract, and recalculated any amounts accrued or deferred based on the payments received.

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 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.

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<sup>1</sup> Our responsibility is to obtain sufficient appropriate audit evidence regarding compliance with the provisions of these laws and regulations.

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

For the year ended 31 December 2022

## **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

Date: 24 November 2023

## Consolidated profit and loss account

For the year ended 31 December 2022

|  |      | 2022<br>£000   | As restated<br>2021<br>£000 |
|--|------|----------------|-----------------------------|
|  | Note |                |                             |
| Revenue  | 4    | 191,262        | 110,205                     |
| Cost of sales                                      |      | (62,536)       | (28,428)                    |
| <b>Gross profit</b>                                |      | <b>128,726</b> | <b>81,777</b>               |
| Administrative expenses                            |      | (66,458)       | (53,832)                    |
| <b>Adjusted operating profit</b>                   | 5    | <b>62,268</b>  | <b>27,945</b>               |
| Exceptional expenses                               | 12   | (5,571)        | (95,609)                    |
| <b>Total operating profit/(loss)</b>               |      | <b>56,697</b>  | <b>(67,664)</b>             |
| Gain on disposal of subsidiary                     | 26   | 19,011         | -                           |
| Interest payable and similar expenses              | 10   | (2,727)        | (4,640)                     |
| <b>Profit/(loss) before tax</b>                    |      | <b>72,981</b>  | <b>(72,304)</b>             |
| Tax on profit/(loss)                               | 11   | (10,506)       | (4,996)                     |
| <b>Profit/(loss) for the financial year</b>        |      | <b>62,475</b>  | <b>(77,300)</b>             |
| <b>Profit/(loss) for the year attributable to:</b> |      |                |                             |
| Non-controlling interests                          |      | 626            | 276                         |
| Owners of the parent                               |      | 61,849         | (77,576)                    |
|  |      | <b>62,475</b>  | <b>(77,300)</b>             |

The notes on pages 24 to 59 form part of these financial statements.



## Consolidated statement of comprehensive income

For the year ended 31 December 2022

|  | 2022<br>£000 | As restated<br>2021<br>£000 |
|--|--------------|-----------------------------|
| Profit/(loss) for the financial year                         | 62,475       | (77,300)                    |
| <b>Other comprehensive income/(expense)</b>                  |              |                             |
| Exchange difference on retranslation of assets               | 6,997        | (6,705)                     |
| <b>Other comprehensive income/(expense) for the year</b>     | 6,997        | (6,705)                     |
| <b>Total comprehensive income/(expense) for the year</b>     | 69,472       | (84,005)                    |
| <b>Total comprehensive income/(expense) attributable to:</b> |              |                             |
| Non-controlling interest                                     | 626          | 276                         |
| Owners of the parent company                                 | 68,846       | (84,281)                    |
|  | 69,472       | (84,005)                    |

The notes on pages 24 to 59 form part of these financial statements.

## Consolidated statement of financial position

As at 31 December 2022

|  | Note | 2022<br>£000   | As restated<br>2021<br>£000 |
|--|------|----------------|-----------------------------|
| <b>Fixed assets</b>  |      |                |                             |
| Intangible assets  | 13   | 203,516        | 246,022                     |
| Tangible assets  | 14   | 1,594          | 1,132                       |
|  |      | <u>205,110</u> | <u>247,154</u>              |
| <b>Current assets</b>                                      |      |                |                             |
| Contract work in progress                                  | 16   | 20,685         | 10,476                      |
| Debtors  | 17   | 74,109         | 48,000                      |
| Cash at bank and in hand                                   | 18   | 30,235         | 16,030                      |
|  |      | <u>125,029</u> | <u>74,506</u>               |
| Creditors: amounts falling due within one year             | 19   | (118,414)      | (65,628)                    |
| <b>Net current assets</b>                                  |      | <u>6,615</u>   | <u>8,878</u>                |
| <b>Total assets less current liabilities</b>               |      | <u>211,725</u> | <u>256,032</u>              |
| Creditors: amounts falling due after more than one year    | 20   | -              | (90,824)                    |
| <b>Provisions for liabilities</b>                          |      |                |                             |
| Deferred taxation  | 21   | (2,555)        | (17,157)                    |
| Provisions   | 23   | (19)           | (105)                       |
|  |      | <u>(2,574)</u> | <u>(17,262)</u>             |
| <b>Net assets</b>  |      | <u>209,151</u> | <u>147,946</u>              |
| <b>Capital and reserves</b>                                |      |                |                             |
| Called up share capital                                    | 22   | 218,431        | 218,431                     |
| Foreign exchange reserve                                   | 24   | (1,501)        | (6,615)                     |
| Capital contributions                                      | 24   | 21,021         | 22,950                      |
| Profit and loss account                                    | 24   | (28,800)       | (87,929)                    |
| <b>Equity attributable to owners of the parent company</b> |      | <u>209,151</u> | <u>146,837</u>              |
| Non-controlling interests                                  |      | -              | 1,109                       |
|  |      | <u>209,151</u> | <u>147,946</u>              |

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

As at 31 December 2022

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

  
.....

**R S Miller**  
Director

Date: 24/11/2023

The notes on pages 24 to 59 form part of these financial statements.

**Company statement of financial position**

As at 31 December 2022

|   | Note | 2022<br>£000    | 2021<br>£000    |
|---|------|-----------------|-----------------|
| <b>Fixed assets</b>                                     |      |                 |                 |
| Intangible assets                                       | 13   | 124,072         | 93,793          |
| Tangible assets   | 14   | 1,264           | 580             |
| Investments   | 15   | 117,423         | 174,596         |
|   |      | <u>242,759</u>  | <u>268,969</u>  |
| <b>Current assets</b>                                   |      |                 |                 |
| Contract work in progress                               | 16   | 20,196          | 11,896          |
| Debtors   | 17   | 88,561          | 53,141          |
| Cash at bank and in hand                                | 18   | 26,947          | 9,246           |
|   |      | <u>135,704</u>  | <u>74,283</u>   |
| Creditors: amounts falling due within one year          | 19   | (163,542)       | (97,066)        |
| <b>Net current liabilities</b>                          |      | <u>(27,838)</u> | <u>(22,783)</u> |
| <b>Total assets less current liabilities</b>            |      | <u>214,921</u>  | <u>246,186</u>  |
| Creditors: amounts falling due after more than one year | 20   | -               | (90,778)        |
| <b>Provisions for liabilities</b>                       |      |                 |                 |
| Deferred taxation                                       | 21   | (47)            | (202)           |
| Provisions  | 23   | -               | (105)           |
|   |      | <u>(47)</u>     | <u>(307)</u>    |
| <b>Net assets</b>                                       |      | <u>214,874</u>  | <u>155,101</u>  |
| <b>Capital and reserves</b>                             |      |                 |                 |
| Called up share capital                                 | 22   | 218,431         | 218,431         |
| Capital contributions                                   | 24   | 20,925          | 20,925          |
| Profit and loss account brought forward                 |      | (84,255)        | (13,227)        |
| Profit/(loss) for the year                              |      | 59,773          | (71,028)        |
| Profit and loss account carried forward                 |      | (24,482)        | (84,255)        |
| <b>Total equity</b>                                     |      | <u>214,874</u>  | <u>155,101</u>  |

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

As at 31 December 2022

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24/11/2023



.....  
**R S Miller**  
Director

The notes on pages 24 to 59 form part of these financial statements.

**Consolidated statement of changes in equity**

For the year ended 31 December 2022

|   | Called up<br>share capital<br>£000 | Foreign<br>exchange<br>reserve<br>£000 | Other<br>reserves<br>£000 | Profit and loss<br>account<br>£000 | Equity<br>attributable<br>to owners of<br>parent<br>company<br>£000 | Non-<br>controlling<br>interests<br>£000 | Total equity<br>£000 |
|---|------------------------------------|--|---------------------------|------------------------------------|---|--|----------------------|
| At 1 January 2022 (as previously stated)                  | 218,431                            | 22                                     | 22,950                    | (88,907)                           | 152,496   | 1,109                                    | 153,605              |
| Prior year adjustment - correction of error (see note 32) | -                                  | (6,637)                                | -                         | 978                                | (5,659)   | -  | (5,659)              |
| At 1 January 2022 (as restated)                           | 218,431                            | (6,615)                                | 22,950                    | (87,929)                           | 146,837   | 1,109                                    | 147,946              |
| Profit for the year                                       | -                                  | -                                      | -                         | 62,475                             | 62,475  | -  | 62,475               |
| Contributions attributable to non-controlling interests   | -                                  | -                                      | -                         | (626)                              | (626)   | 626                                      | -                    |
| Exchange differences on retranslation of assets           | -                                  | 6,997                                  | -                         | -                                  | 6,997   | -  | 6,997                |
| <b>Total comprehensive income/(loss)</b>                  | -                                  | 6,997                                  | -                         | 61,849                             | 68,846  | 626                                      | 69,472               |
| <b>Contributions by and distributions to owners</b>       |                                    |  |                           |                                    |   |  |                      |
| Acquisition of minority interests                         | -                                  | -                                      | -                         | (6,532)                            | (6,532)   | (1,735)                                  | (8,267)              |
| Disposal of subsidiaries                                  | -                                  | (1,883)                                | (1,929)                   | 3,812                              | -   | -  | -                    |
| <b>Total transactions with owners</b>                     | -                                  | (1,883)                                | (1,929)                   | (2,720)                            | (6,532)   | (1,735)                                  | (8,267)              |
| <b>At 31 December 2022</b>                                | 218,431                            | (1,501)                                | 21,021                    | (28,800)                           | 209,151   | -  | 209,151              |

The notes on pages 24 to 59 form part of these financial statements.

**Consolidated statement of changes in equity**

For the year ended 31 December 2022

|   | Called up<br>share capital<br>£000 | Foreign<br>exchange<br>reserve<br>£000 | Capital<br>contributions<br>£000 | Profit and loss<br>account<br>£000 | Equity<br>attributable<br>to owners of<br>parent<br>company<br>£000 | Non-<br>controlling<br>interests<br>£000 | Total equity<br>£000 |
|---|------------------------------------|--|----------------------------------|------------------------------------|---|--|----------------------|
| At 1 January 2021 (as previously stated)                  | 218,431                            | 90                                     | -                                | (10,559)                           | 207,962   | 833                                      | 208,795              |
| Prior year adjustment - correction of error (see note 32) | -                                  | -                                      | -                                | 206                                | 206   | -  | 206                  |
| At 1 January 2021 (as restated)                           | 218,431                            | 90                                     | -                                | (10,353)                           | 208,168   | 833                                      | 209,001              |
| <b>Comprehensive income for the year</b>                  |                                    |  |                                  |                                    |   |  |                      |
| Loss for the year (as restated)                           | -                                  | -                                      | -                                | (77,300)                           | (77,300)  | -  | (77,300)             |
| Contributions attributable to non-controlling interests   | -                                  | -                                      | -                                | (276)                              | (276)   | 276                                      | -                    |
| Exchange difference on retranslation of assets            | -                                  | (6,705)                                | -                                | -                                  | (6,705)   | -  | (6,705)              |
| <b>Total comprehensive income/(loss)</b>                  | -                                  | (6,705)                                | -                                | (77,576)                           | (84,281)  | 276                                      | (84,005)             |
| <b>Contributions by and distributions to owners</b>       |                                    |  |                                  |                                    |   |  |                      |
| Capital contributions                                     | -                                  | -                                      | 22,950                           | -                                  | 22,950  | -  | 22,950               |
| <b>Total transactions with owners</b>                     | -                                  | -                                      | 22,950                           | -                                  | 22,950  | -  | 22,950               |
| <b>At 31 December 2021</b>                                | 218,431                            | (6,615)                                | 22,950                           | (87,929)                           | 146,837   | 1,109                                    | 147,946              |

The notes on pages 24 to 59 form part of these financial statements.

**Company statement of changes in equity**

For the year ended 31 December 2022

|   | Called up<br>share capital<br>£000 | Capital<br>contributions<br>£000 | Profit and loss<br>account<br>£000 | Total equity<br>£000 |
|---|------------------------------------|----------------------------------|------------------------------------|----------------------|
| <b>At 1 January 2021</b>                            | 218,431                            | -                                | (13,227)                           | 205,204              |
| Loss for the year                                   | -                                  | -                                | (71,028)                           | (71,028)             |
| <b>Contributions by and distributions to owners</b> |                                    |                                  |                                    |                      |
| Capital contributions                               | -                                  | 20,925                           | -                                  | 20,925               |
| <b>At 1 January 2022</b>                            | 218,431                            | 20,925                           | (84,255)                           | 155,101              |
| <b>Comprehensive income for the year</b>            |                                    |                                  |                                    |                      |
| Profit for the year                                 | -                                  | -                                | 59,773                             | 59,773               |
| <b>At 31 December 2022</b>                          | 218,431                            | 20,925                           | (24,482)                           | 214,874              |

The notes on pages 24 to 59 form part of these financial statements.



## Moonbug Entertainment Limited

### Consolidated statement of cash flows

For the year ended 31 December 2022

|  |      | 2022            | As restated<br>2021 |
|--|------|-----------------|---------------------|
|  | Note | £000            | £000                |
| <b>Cash flows from operating activities</b>                  |      |                 |                     |
| Profit/(Loss) before tax:                                    |      | <b>72,981</b>   | (72,304)            |
| <b>Adjustments for:</b>                                      |      |                 |                     |
| Amortisation of intangible assets                            |      | <b>20,783</b>   | 31,366              |
| Depreciation of tangible assets                              |      | <b>520</b>      | 331                 |
| (Gain)/loss on disposal                                      |      | <b>(22,889)</b> | 194                 |
| Loss on impairment   |      | -               | 2,520               |
| Compensation paid in shares of parent company                |      | <b>1,252</b>    | 22,950              |
| Non-cash interest expense                                    |      | <b>2,718</b>    | 4,414               |
| Gain/(loss) on remeasurement                                 |      | <b>15,795</b>   | (1,504)             |
| (Increase)/decrease in WIP                                   |      | <b>(10,172)</b> | (9,931)             |
| (Increase)/decrease in debtors                               |      | <b>(20,631)</b> | (31,819)            |
| Increase/(decrease) in creditors                             |      | <b>16,381</b>   | 35,637              |
| Increase/(decrease) in provisions                            |      | <b>(87)</b>     | (1,845)             |
| <b>Net cash generated from operating activities</b>          |      | <b>76,651</b>   | (19,991)            |
|  |      |                 |                     |
| Non-operational exceptional cash flows                       | 12   | <b>1,636</b>    | 74,116              |
| <b>Adjusted net cash generated from operating activities</b> |      | <b>78,287</b>   | 54,125              |
|  |      |                 |                     |
| Tax paid   |      | <b>(9,762)</b>  | (8,412)             |
| <b>Net cash from operating activities</b>                    |      | <b>66,889</b>   | (28,403)            |
| <b>Cashflows from investing activities</b>                   |      |                 |                     |
| Acquisition of subsidiaries, net of cash acquired            |      | <b>(27,039)</b> | (4,930)             |
| Purchase of intangible assets                                |      | <b>(33,334)</b> | (19,205)            |
| Purchase of tangible assets                                  |      | <b>(1,335)</b>  | (1,033)             |
| Acquisition of non-controlling interests                     |      | <b>(8,267)</b>  | -                   |
| <b>Net cash from investing activities</b>                    |      | <b>(69,975)</b> | (25,168)            |

## Moonbug Entertainment Limited

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### Consolidated statement of cash flows (continued)

For the year ended 31 December 2022

|   |               | As restated   |
|---|---------------|---------------|
|   | 2022          | 2021          |
| Note  | £000          | £000          |
| <b>Cashflows from financing activities</b>                  |               |               |
| Proceeds from borrowings                                    | 56,714        | 90,969        |
| Repayment of borrowings                                     | (12,374)      | -             |
| Completion payments   | (27,049)      | (34,896)      |
| <b>Net cash from financing activities</b>                   | <b>17,291</b> | <b>56,073</b> |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>14,205</b> | <b>2,502</b>  |
| Cash and cash equivalents at beginning of year              | 16,030        | 13,528        |
| <b>Cash and cash equivalents at the end of year</b>         | <b>30,235</b> | <b>16,030</b> |

## **Notes to the financial statements**

For the year ended 31 December 2022

### **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 4.

### **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 accounts of the subsidiary undertakings are prepared as of 31 December each year.

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 profit and loss account and consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

## **Notes to the financial statements**

For the year ended 31 December 2022

### **2. Accounting policies (continued)**

#### **2.3 Going concern**

The Directors have considered the performance of the business and its financial position along with the impact of external macroeconomic factors. The business continues to show strong operating results and has generated a profit before tax of £72,981,000 in the year.

As at 31 December 2022 the Group is in a positive net current asset position as well as a positive overall net asset position. The business is primarily funded by operating cash flows and management's forecasts indicate positive cash flows for a period of at least 12 months 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.

#### **2.4 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.

## **Notes to the financial statements**

For the year ended 31 December 2022

### **2. Accounting policies (continued)**

#### **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 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 "Prepayments and 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 and acceptance by the customer.

##### *Third Party Production Services*

Revenue relating to the production of content not owned and operated by the company 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.

##### *Licensing & Merchandise Sales*

Revenue from licensing 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.

##### *Music Publishing*

The Company acts as a copyright owner of musical compositions and generates revenues related to the exploitation of musical compositions and sound recordings. Music publishing revenues primarily consist of performance and mechanical royalties.

## Notes to the financial statements

For the year ended 31 December 2022

### 2. Accounting policies (continued)

#### 2.5 Revenue (continued)

Performance revenues are earned when the musical composition is performed publicly through broadcast of music on media platforms, in retail locations, live performance at a concert or other venue and performance of musical compositions in staged theatrical productions.

Mechanical revenues are generated with respect to the musical compositions embodied in recordings sold in any physical format or configuration.

The most common form of consideration for these arrangements is sales and usage-based royalties. The collecting societies submit usage reports, typically with payment for royalties due, often on a quarterly or biannual reporting period, in arrears. Royalties are recognized as the sale or usage occurs based upon usage reports and, when these reports are not available, royalties are estimated based on historical data, such as recent royalties reported, company-specific information with respect to changes in repertoire, industry information and other relevant trends.

#### 2.6 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.

#### 2.7 Interest expense

Interest expense is 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.

#### 2.8 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 2022

### **2. Accounting policies (continued)**

#### **2.9 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.

#### **2.10 Share based compensation**

Share based compensation is awarded to employees of the Group through a scheme managed by the ultimate parent undertaking. Expenses in relation to this scheme are charged to profit and loss in a straight line over the period between the compensation being granted and vesting.

The amount recognised in each period is based on the expected fair value of the shares when the options vest. The options vest over five years and upon achieving performance hurdles and cannot be exercised before a change in control event. Note 9 provides further detail on how the expected value has been calculated and other relevant details for the scheme in place during the period.

The liability recognised in relation to the scheme represents the cumulative expense recognised as of the reporting date less any forfeitures.

#### **2.11 Exceptional items**

Exceptional items are transactions that do not fall within the ordinary course of business and so are presented separately (see note 12).

## Notes to the financial statements

For the year ended 31 December 2022

### 2. Accounting policies (continued)

#### 2.12 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            | - | 6 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.

##### *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 which are included in Contract work in progress) 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. This period is estimated to be six years.



## Notes to the financial statements

For the year ended 31 December 2022

### 2. Accounting policies (continued)

#### 2.12 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.

#### 2.13 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.

#### 2.14 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

#### 2.15 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.

Investments are derecognised upon sale of shares in the subsidiary or dissolution of the subsidiary.

## Notes to the financial statements

For the year ended 31 December 2022

### 2. Accounting policies (continued)

#### 2.16 Contract work in progress

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

#### 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 Debtors

Debtors are initially recognised at their nominal value. Amounts held in foreign currencies are valued to the rate arising at reporting date. Carrying value is reducible by any impairment or provision for doubtful debts. Amounts owed by group undertakings follow the same accounting policy.

Debtors are derecognised when the contractual rights to the cash flows from the asset expire or are settled or substantially all the risks and rewards of the ownership of the asset are transferred to another party.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

#### 2.19 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.

#### 2.20 Creditors

Creditors are initially recognised at their nominal value. Amounts held in foreign currencies are revalued using rate arising at reporting date. Any interest charged on amounts owed is treated as per the Interest expense accounting policy. Amounts owed to group undertakings follow the same accounting policy.

Completion payments in relation to the acquisition of subsidiaries are measured at fair value and are measured subsequently at amortised cost using the effective interest method. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

#### 2.21 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.

## Notes to the financial statements

For the year ended 31 December 2022

### 2. Accounting policies (continued)

#### 2.21 Provisions for liabilities (continued)

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.

### 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group and company's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

*The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.*

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

#### Music publishing royalties

Royalties are recognized as the sale or usage occurs based upon usage reports and, when these reports are not available, royalties are estimated based on historical data, such as recent royalties reported, company-specific information with respect to changes in repertoire, industry information and other relevant trends. Of the most recent royalty reports available, there is one platform which makes up a significant proportion of the royalties collected. This has been used as one of the key benchmarks to estimate royalties earned but not yet collected from other platforms. A 5% change in the royalties from this platform would result in the revenue accrual changing by £260,000.

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.

#### Content licensing modifications

Modifications to content license agreements to add additional license periods are deemed to be separate contracts rather than extensions to the initial agreements.

## Notes to the financial statements

For the year ended 31 December 2022

### 4. Revenue

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

|  | 2022           | As restated<br>2021 |
|--|----------------|---------------------|
|  | £000           | £000                |
| Distribution & Self Serve Platform revenue | 95,120         | 61,253              |
| Originals Productions revenue              | 15,662         | 6,459               |
| Third Party Production Services revenue    | 5,264          | 4,676               |
| Content Licensing revenue                  | 22,509         | 9,273               |
| Licensing & Merchandising revenue          | 44,924         | 28,471              |
| Music Publishing revenue                   | 7,491          | -                   |
| Other revenue                              | 292            | 73                  |
|  | <b>191,262</b> | <b>110,205</b>      |

### 5. Operating profit/(loss)

Operating profit/(loss) is stated after charging:

|   | 2022   | As restated<br>2021 |
|---|--------|---------------------|
|   | £000   | £000                |
| Depreciation of tangible fixed assets         | 520    | 331                 |
| Amortisation of intangible fixed assets       | 20,783 | 31,366              |
| Exchange differences                          | (259)  | (634)               |
| Other operating lease rentals                 | 3,200  | 2,577               |
| Defined contribution pension costs            | 213    | 231                 |
| Loss on impairment of intangible fixed assets | -      | 2,520               |

## Notes to the financial statements

For the year ended 31 December 2022

### 6. Auditor's remuneration

During the year, the Group obtained the following services from the company's auditor and its associates:

|   | 2022<br>£000 | 2021<br>£000 |
|---|--------------|--------------|
| Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements | 459          | 152          |
| <b>Fees payable to the Group's auditor and its associates in respect of:</b>                                    |              |              |
| Taxation compliance services  | 137          | 288          |
|   | 137          | 288          |

### 7. Staff costs and average number of employees

Staff costs, including Directors' remuneration, were as follows:

|                                     | Group<br>2022<br>£000 | Group<br>2021<br>£000 | Company<br>2022<br>£000 | Company<br>2021<br>£000 |
|-------------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| Wages and salaries                  | 32,701                | 24,685                | 25,389                  | 16,413                  |
| Social security costs               | 3,324                 | 2,445                 | 3,013                   | 2,495                   |
| Cost of defined contribution scheme | 325                   | 231                   | 230                     | 132                     |
| Exceptional staff costs             | 3,834                 | 86,081                | 3,829                   | 79,651                  |
|                                     | 40,184                | 113,442               | 32,461                  | 98,691                  |

Exceptional staff costs have been included within total exceptional expenses in note 12 to these financial statements.

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

|                                      | Group<br>2022<br>No. | Group<br>2021<br>No. | Company<br>2022<br>No. | Company<br>2021<br>No. |
|--------------------------------------|----------------------|----------------------|------------------------|------------------------|
| Production                           | 126                  | 112                  | 84                     | 42                     |
| Selling & Distribution               | 142                  | 122                  | 120                    | 100                    |
| Administration and central functions | 82                   | 81                   | 73                     | 64                     |
|                                      | 350                  | 315                  | 277                    | 206                    |

These averages include the effect of the group restructure in March 2022.

## Notes to the financial statements

For the year ended 31 December 2022

### 8. Directors' remuneration

|   | 2022<br>£000 | 2021<br>£000  |
|---|--------------|---------------|
| Directors' emoluments                                       | 3,304        | 1,115         |
| Exceptional Directors' remuneration                         | 384          | 25,806        |
| Group contributions to defined contribution pension schemes | 5            | 3             |
|   | <b>3,693</b> | <b>26,924</b> |

The highest paid Director received remuneration of £1,145,000 (2021 - £558,000) before exceptional remuneration and Group contributions to defined contribution pensions schemes of £1,000 (2021 - £1,000). The Directors received exceptional remuneration in the year of £384,000 (2021 - £25,806,000) relating to the purchase of the company by Candle Media.

### 9. Share Based Compensation

In 2022, the Company granted profits interests in Aventine Management II, LLC (an investing entity in Candle Media LLC, the ultimate parent of the Group) to key employees of the business ("MIPs"). Pursuant to each profits interest agreement with employees, the MIPs entitle the holders to distributions in excess of a threshold amount. One third of the MIPs vest in 20% increments on each anniversary of the vesting commencement date, and will automatically vest if there is a change in control event ("Time-Vesting MIPs"). Two thirds of the MIPs vest based on the Company achieving an IRR return with respect to the Series A Preferred Interests ("Performance-Vesting MIPs"). The IRR return is measured upon a variety of liquidity events of the Company. The maximum term is 5 years from the vesting commencement date.

MIPs granted to employees located in the UK were given in the form of Class A Units in Management Blocker Incentive, Inc (an investing entity in Candle Media LLC, the ultimate parent of the Group) these UK employees were required to pay taxes in order to receive the MIPs, so the Company granted UK employees promissory notes for \$0.35 per MIP to cover the tax payments. The promissory notes mature in 10 years and are subject to interest based on HM Revenue & Customs published rates. The promissory note makes the MIPs granted to UK employees effectively stock options.

The estimated fair value of the Time-Vesting MIPs and Performance-Vesting MIPs was determined using a Monte Carlo Simulation. This was chosen to reflect the uncertainty resulting from the "Performance-Vesting MIPs". The weighted-average grant date fair value of Time-Vesting MIPs and Performance-Vesting MIPs for the year ended December 31, 2022, was £1.70 and £1.13, respectively, which was estimated using the following weighted-average grant date assumptions:

|                          | <b>Year Ended December 31, 2022</b> |
|--------------------------|-------------------------------------|
| Expected volatility      | 50%                                 |
| Expected term (in years) | 2.58 years                          |
| Risk-free interest rate  | 4.09%                               |
| Expected dividend yield  | 0%                                  |

## Notes to the financial statements

For the year ended 31 December 2022

### 9. Share Based Compensation (continued)

The volatility assumption is based on the volatilities of similar peer companies over a period equal to the expected term of the unit options. The expected term of the MIPs represents the weighted-average period over which the MIPs are expected to remain outstanding. The expected term assumption is estimated based primarily on the MIPs' vesting terms and remaining contractual life and employees expected post-vesting employment termination behavior. The risk-free interest rate assumption is based upon observed interest rates at the grant date for the expected term. The dividend yield assumption is based on the expectation of no future dividend payouts by the Company.

A summary of the Company's MIPs activity for the year ended December 31, 2022, is as follows:

|                                  | Number of<br>Time-Vesting<br>MIPs | Number of<br>Performance-<br>Vesting MIPs | Weighted-<br>Average<br>Grant Date<br>Fair Value |
|----------------------------------|-----------------------------------|---|--|
| Outstanding at January 1, 2022   | -                                 | -   | -  |
| Granted                          | 4,284,333                         | 8,568,667                                 | £1.13  |
| Vested                           | (856,866)                         | -   | £1.70  |
| Exercised                        | -                                 | -   | -  |
| Forfeited                        | -                                 | -   | -  |
| Outstanding at December 31, 2022 | 3,427,467                         | 8,568,667                                 | £1.13  |

The Company accounts for forfeitures as they occur, and compensation expense previously recognized for an award that is forfeited because of a failure to satisfy a service condition is reversed in the period of the forfeiture. Compensation expense related to the MIPs was £1.3 million for the year ended December 31, 2022. At December 31, 2022 total unrecognized compensation expense related to unvested MIPs was £15.5 million, which is expected to be recognized over a weighted-average period of 3.2 years. The settlement of vested options is expected to be in cash.

During the year an expense of £1,252,000 (2021: nil) was recognised in relation to share based payments. As at 31 December 2022 a liability of £1,252,000 (2021: nil) was held on the balance sheet.

### 10. Interest payable and similar expenses

|   | 2022<br>£000 | 2021<br>£000 |
|---|--------------|--------------|
| Bank and other interest payable                 | -            | 308          |
| Unwinding of discount on deferred consideration | 945          | 4,332        |
| Interest on intercompany loan payable           | 1,782        | -            |
|   | <u>2,727</u> | <u>4,640</u> |

## Notes to the financial statements

For the year ended 31 December 2022

### 11. Taxation

|  | 2022<br>£000   | As restated<br>2021<br>£000 |
|--|----------------|-----------------------------|
| <b>Corporation tax</b>                         |                |                             |
| Current tax on loss for the year               | 12,728         | 7,752                       |
| Adjustments in respect of previous periods     | (106)          | 100                         |
|  | <u>12,622</u>  | <u>7,852</u>                |
| <b>Total current tax</b>                       | <u>12,622</u>  | <u>7,852</u>                |
| <b>Deferred tax</b>                            |                |                             |
| Deferred tax current year movement             | (1,944)        | (2,964)                     |
| Deferred tax prior year movement               | (172)          | 108                         |
| <b>Total deferred tax</b>                      | <u>(2,116)</u> | <u>(2,856)</u>              |
| <b>Taxation on loss on ordinary activities</b> | <u>10,506</u>  | <u>4,996</u>                |



## Notes to the financial statements

For the year ended 31 December 2022

### 11. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

|   | 2022<br>£000  | As restated<br>2021<br>£000 |
|---|---------------|-----------------------------|
| Profit/(loss) on ordinary activities before tax   | 72,981        | (73,235)                    |
| Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%) | 13,866        | (13,915)                    |
| <b>Effects of:</b>  |               |                             |
| Expenses not deductible for tax purposes  | (1,203)       | 1,217                       |
| Non tax deductible exceptional costs  | (279)         | 16,450                      |
| Effect of higher overseas rates   | 2,425         | 1,022                       |
| Adjustments to current tax in respect of prior periods  | (106)         | 100                         |
| Adjustments to deferred tax in respect of prior periods   | (172)         | 108                         |
| Rate differences on deferred tax  | 62            | 20                          |
| Group loss relief not paid for  | (4,086)       | (6)                         |
| Other movements   | (1)           | -                           |
| <b>Total tax charge for the year</b>  | <b>10,506</b> | <b>4,996</b>                |

#### 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 crystallise.

## Notes to the financial statements

For the year ended 31 December 2022

### 12. Exceptional items

|                           | 2022<br>£000 | 2021<br>£000  |
|---------------------------|--------------|---------------|
| Legal dispute             | 1,627        | 725           |
| Raising of external debt  | 39           | 1,676         |
| Transaction related costs | 3,905        | 93,208        |
|                           | <u>5,571</u> | <u>95,609</u> |

#### *Legal dispute*

During the year, costs totalling £1,627,000 (2021 - £725,000) were incurred by the Group with respect to two legal disputes.

#### *Raising of external debt*

There were costs of £39,000 (2021 - £1,676,000) relating to the raising of external debt.

#### *Transaction related costs*

The purchase of the company by Candle Media in 2021 resulted in one-off exceptional costs of £3,905,000 (2021 - £93,208,000) which include staff costs of £3,834,000 (2021 - £86,081,000).

## Notes to the financial statements

For the year ended 31 December 2022

### 13. Intangible assets

#### Group

|   | Intellectual<br>property<br>£000 | Content<br>production<br>£000 | Trademarks<br>£000 | Software<br>development<br>£000 | Goodwill<br>£000 | Other<br>£000 | Total<br>£000 |
|---|----------------------------------|-------------------------------|--------------------|---------------------------------|------------------|---------------|---------------|
| <b>Cost</b>                                 |                                  |                               |                    |                                 |                  |               |               |
| At 1 January 2022 (as<br>previously stated) | 202,650                          | 44,306                        | 1,687              | 858                             | 57,759           | 4,605         | 311,865       |
| Prior Year Adjustment                       | (4,636)                          | (431)                         | -                  | -                               | (2,911)          | -             | (7,978)       |
| At 1 January 2022 (as<br>restated)          | 198,014                          | 43,875                        | 1,687              | 858                             | 54,848           | 4,605         | 303,887       |
| Additions                                   | -                                | 33,711                        | 1,008              | 534                             | 11               | 206           | 35,470        |
| Disposals                                   | (65,609)                         | (6,097)                       | (283)              | -                               | (41,156)         | (43)          | (113,188)     |
| Transfers                                   | -                                | -                             | -                  | 292                             | -                | (292)         | -             |
| Business combinations<br>(see note 25)      | 23,435                           | 3,725                         | -                  | -                               | 6,950            | -             | 34,110        |
| Foreign exchange<br>movement                | 2,802                            | 374                           | 29                 | (1)                             | 1,435            | -             | 4,639         |
| At 31 December 2022                         | 158,642                          | 75,588                        | 2,441              | 1,683                           | 22,088           | 4,476         | 264,918       |
| <b>Amortisation</b>                         |                                  |                               |                    |                                 |                  |               |               |
| At 1 January 2022 (as<br>previously stated) | 29,027                           | 17,038                        | 177                | 462                             | 8,415            | 3,831         | 58,950        |
| Prior Year Adjustment                       | (451)                            | (210)                         | -                  | -                               | (424)            | -             | (1,085)       |
| At 1 January 2022 (as<br>restated)          | 28,576                           | 16,828                        | 177                | 462                             | 7,991            | 3,831         | 57,865        |
| Charge for the year on<br>owned assets      | 11,067                           | 5,691                         | 203                | 409                             | 3,034            | 379           | 20,783        |
| Disposals                                   | (7,464)                          | (3,218)                       | (39)               | -                               | (7,031)          | (1)           | (17,753)      |
| Foreign exchange<br>movement                | 196                              | 204                           | 3                  | 3                               | 53               | 48            | 507           |
| At 31 December 2022                         | 32,375                           | 19,505                        | 344                | 874                             | 4,047            | 4,257         | 61,402        |

## Notes to the financial statements

For the year ended 31 December 2022

### 13. Intangible assets (continued)

#### Net book value

|                                      |                |               |              |            |               |            |                |
|--------------------------------------|----------------|---------------|--------------|------------|---------------|------------|----------------|
| At 31 December 2022                  | <b>126,267</b> | <b>56,083</b> | <b>2,097</b> | <b>809</b> | <b>18,041</b> | <b>219</b> | <b>203,516</b> |
| At 31 December 2021<br>(as restated) | 169,438        | 27,047        | 1,510        | 396        | 46,858        | 774        | 246,022        |

The prior period restatement is detailed in note 32.

## Notes to the financial statements

For the year ended 31 December 2022

### 13. Intangible assets (continued)

#### Group

|  | Intellectual<br>property<br>£000 | Content<br>production<br>£000 | Trademarks<br>£000 | Software<br>development<br>£000 | Goodwill<br>£000 | Other<br>£000 | Total<br>£000 |
|--|----------------------------------|-------------------------------|--------------------|---------------------------------|------------------|---------------|---------------|
| <b>Cost</b>                              |                                  |                               |                    |                                 |                  |               |               |
| At 1 January 2021 (as previously stated) | 201,503                          | 23,533                        | 847                | 645                             | 56,400           | 4,042         | 286,970       |
| Prior Year Adjustment                    | (5,409)                          | (503)                         | -                  | -                               | (3,397)          | -             | (9,309)       |
| At 1 January 2021 (as restated)          | 196,094                          | 23,030                        | 847                | 645                             | 53,003           | 4,042         | 277,661       |
| Additions                                | -                                | 21,031                        | 840                | 223                             | -                | 563           | 22,657        |
| Business combinations (see note 25)      | 4,377                            | -                             | -                  | -                               | 1,359            | -             | 5,736         |
| Write offs                               | (3,231)                          | (257)                         | -                  | (10)                            | -                | -             | (3,498)       |
| Foreign exchange movement                | 774                              | 71                            | -                  | -                               | 486              | -             | 1,331         |
| At 31 December 2021                      | 198,014                          | 43,875                        | 1,687              | 858                             | 54,848           | 4,605         | 303,887       |
| <b>Amortisation</b>                      |                                  |                               |                    |                                 |                  |               |               |
| At 1 January 2021 (as previously stated) | 16,203                           | 7,285                         | 47                 | 230                             | 2,753            | 919           | 27,437        |
| Prior Year Adjustment                    | (165)                            | (77)                          | -                  | -                               | (156)            | -             | (398)         |
| At 1 January 2021 (as restated)          | 16,038                           | 7,208                         | 47                 | 230                             | 2,597            | 919           | 27,039        |
| Charge for the year on owned assets      | 13,412                           | 9,949                         | 130                | 232                             | 5,663            | 2,912         | 32,298        |
| Amortisation written off                 | (588)                            | (196)                         | -                  | -                               | -                | -             | (784)         |
| Foreign exchange movement                | (287)                            | (132)                         | -                  | -                               | (269)            | -             | (688)         |
| At 31 December 2021                      | 28,575                           | 16,829                        | 177                | 462                             | 7,991            | 3,831         | 57,865        |

## Notes to the financial statements

For the year ended 31 December 2022

### 13. Intangible assets (continued)

#### Net book value

|                     |                |               |              |            |               |              |                |
|---------------------|----------------|---------------|--------------|------------|---------------|--------------|----------------|
| At 31 December 2021 | <u>169,439</u> | <u>27,046</u> | <u>1,510</u> | <u>396</u> | <u>46,857</u> | <u>774</u>   | <u>246,022</u> |
| At 31 December 2020 |                |               |              |            |               |              |                |
| (as restated)       | <u>180,439</u> | <u>15,822</u> | <u>800</u>   | <u>415</u> | <u>50,406</u> | <u>3,123</u> | <u>250,622</u> |

The prior period restatement is detailed in note 32.

## Notes to the financial statements

For the year ended 31 December 2022

### 13. Intangible assets (continued)

#### Company

|                       | Intellectual<br>property<br>£000 | Content<br>production<br>£000 | Trademarks<br>£000 | Software<br>development<br>£000 | Goodwill<br>£000 | Other<br>£000 | Total<br>£000 |
|-----------------------|----------------------------------|-------------------------------|--------------------|---------------------------------|------------------|---------------|---------------|
| <b>Cost</b>           |                                  |                               |                    |                                 |                  |               |               |
| At 1 January 2022     | 59,476                           | 36,391                        | 1,430              | 855                             | 13,479           | 4,509         | 116,140       |
| Additions             | -                                | 42,334                        | 1,008              | 701                             | -                | 183           | 44,226        |
| Transfers             | -                                | -                             | -                  | -                               | -                | (292)         | (292)         |
| At 31 December 2022   | 59,476                           | 78,725                        | 2,438              | 1,556                           | 13,479           | 4,400         | 160,074       |
| <b>Amortisation</b>   |                                  |                               |                    |                                 |                  |               |               |
| At 1 January 2022     | 6,505                            | 9,322                         | 147                | 458                             | 2,134            | 3,781         | 22,347        |
| Charge for the year   | 4,114                            | 7,198                         | 196                | 398                             | 1,348            | 356           | 13,610        |
| Transfers             | -                                | -                             | -                  | -                               | -                | 45            | 45            |
| At 31 December 2022   | 10,619                           | 16,520                        | 343                | 856                             | 3,482            | 4,182         | 36,002        |
| <b>Net book value</b> |                                  |                               |                    |                                 |                  |               |               |
| At 31 December 2022   | 48,857                           | 62,205                        | 2,095              | 700                             | 9,997            | 218           | 124,072       |
| At 31 December 2021   | 52,971                           | 27,069                        | 1,283              | 397                             | 11,345           | 728           | 93,793        |

## Notes to the financial statements

For the year ended 31 December 2022

### 14. Tangible fixed assets

#### Group

|                                     | Leasehold<br>improvements<br>£000 | Office<br>equipment<br>£000 | Computer<br>equipment<br>£000 | Total<br>£000 |
|-------------------------------------|-----------------------------------|-----------------------------|-------------------------------|---------------|
| <b>Cost or valuation</b>            |                                   |                             |                               |               |
| At 1 January 2022                   | 116                               | 391                         | 1,243                         | 1,750         |
| Additions                           | 13                                | 321                         | 1,001                         | 1,335         |
| Disposals                           | (81)                              | (332)                       | (448)                         | (861)         |
| Business combinations               | 397                               | 31                          | 338                           | 766           |
| Exchange adjustments                | 2                                 | (82)                        | (3)                           | (83)          |
| At 31 December 2022                 | 447                               | 329                         | 2,131                         | 2,907         |
| <b>Depreciation</b>                 |                                   |                             |                               |               |
| At 1 January 2022                   | 40                                | 106                         | 472                           | 618           |
| Charge for the year on owned assets | 11                                | 65                          | 444                           | 520           |
| Disposals                           | (40)                              | (54)                        | (159)                         | (253)         |
| Business combinations               | 185                               | 22                          | 229                           | 436           |
| Exchange adjustments                | 1                                 | (1)                         | (8)                           | (8)           |
| At 31 December 2022                 | 197                               | 138                         | 978                           | 1,313         |
| <b>Net book value</b>               |                                   |                             |                               |               |
| At 31 December 2022                 | 250                               | 191                         | 1,153                         | 1,594         |
| At 31 December 2021                 | 76                                | 285                         | 771                           | 1,132         |



## Notes to the financial statements

For the year ended 31 December 2022

### 14. Tangible fixed assets (continued)

#### Company

|                                     | Leasehold<br>improvements<br>£000 | Office<br>equipment<br>£000 | Computer<br>equipment<br>£000 | Total<br>£000 |
|-------------------------------------|-----------------------------------|-----------------------------|-------------------------------|---------------|
| <b>Cost or valuation</b>            |                                   |                             |                               |               |
| At 1 January 2022                   | 38                                | 86                          | 866                           | 990           |
| Additions                           | 12                                | 206                         | 881                           | 1,099         |
| At 31 December 2022                 | 50                                | 292                         | 1,747                         | 2,089         |
| <b>Depreciation</b>                 |                                   |                             |                               |               |
| At 1 January 2022                   | 4                                 | 69                          | 337                           | 410           |
| Charge for the year on owned assets | 8                                 | 41                          | 366                           | 415           |
| At 31 December 2022                 | 12                                | 110                         | 703                           | 825           |
| <b>Net book value</b>               |                                   |                             |                               |               |
| At 31 December 2022                 | 38                                | 182                         | 1,044                         | 1,264         |
| At 31 December 2021                 | 34                                | 17                          | 529                           | 580           |

## **Notes to the financial statements**

For the year ended 31 December 2022

### **15. Fixed asset investments**

#### **Company**

|                          | <b>Investments<br/>in subsidiary<br/>companies<br/>£000</b> |
|--------------------------|---|
| <b>Cost or valuation</b> |   |
| At 1 January 2022        | <b>174,596</b>  |
| Additions                | <b>41,431</b>   |
| Disposals                | <b>(98,604)</b>   |
| At 31 December 2022      | <b>117,423</b>  |

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 28th January 2022, the company entered into an agreement to purchase the remaining shares in Moonbug Newco Limited.

On 24 May 2022, the company acquired 100% of the share capital of One Animation Pty Limited.

On 29th September 2022, the company entered into an agreement to purchase the remaining shares in Morphle B.V.

On 9th December 2022, the company entered into an agreement to purchase the remaining shares in Fun Learning Studios Limited.

The value of the above investments were measured at cost. Details of the acquisition accounting are included in note 25.

On 30 March 2022, the company sold 100% of the share capital of Moonbug Entertainment USA Inc. and Treasure Studios Inc. Details of this are included in note 26.

## Notes to the financial statements

For the year ended 31 December 2022

### 15. 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 (6) | Producing animated content. | Ordinary        | 100%    |
| Fun Learning Studios Limited                     | United Kingdom (1)  | Producing animated content  | Ordinary        | 100%    |
| Moonbug Newco Limited                            | United Kingdom (1)  | Producing animated content  | Ordinary        | 100%    |
| Moonbug Entertainment South Africa (pty) Limited | South Africa (2)    | 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 (3)       | Dormant                     | Ordinary        | 100%    |
| Blippi Entertainment Limited                     | United Kingdom (1)  | Dormant                     | Ordinary        | 100%    |
| Moonbug Entertainment Pte. Ltd.                  | Singapore (5)       | Service company             | Ordinary        | 100%    |
| Fly Point Music Limited                          | United Kingdom (1)  | Music publishing            | Ordinary        | 100%    |
| One Animation Pte. Limited                       | Singapore (7)       | 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 (4)      | Producing animated content | Ordinary        | 100%    |
| Little Explorers Nursery Rhymes UK Limited | United Kingdom (1) | Dormant                    | 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) 3rd Floor Fairweather House, 176 Sir Lowry Road, Woodstock, Western Cape, 7925
- (3) LOT 1 PIER 8/9' LEVEL 2, 23 Hickson Road, Millers Point, 2000, NSW, Australia
- (4) 20/F, Wellable Comercial Building, 513 Hennessy Road, Causeway Bay, Hong Kong
- (5) 7 Straits View, #12-00, Marina One East Tower, Singapore, 018936
- (6) Kraijenhoffstraat 137a, 1018RG, Amsterdam, The Netherlands
- (7) 305 Alexandra Road, Vantage Automotive Centre, #05-05, Singapore, 159942

## Notes to the financial statements

For the year ended 31 December 2022

### 16. Contract work in progress

|                               | Group<br>2022<br>£000 | Group<br>2021<br>£000 | Company<br>2022<br>£000 | Company<br>2021<br>£000 |
|-------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| Raw materials and consumables | 62                    | 93                    | 62                      | 93                      |
| Work in progress              | 20,623                | 10,383                | 20,134                  | 11,803                  |
|                               | <b>20,685</b>         | <b>10,476</b>         | <b>20,196</b>           | <b>11,896</b>           |

Work in progress represents internally produced content not yet released or delivered to customer. During the year work in progress with a cost of £13,411,000 (2021: £6,170,000) was released to cost of sale in relation to Originals Productions revenue and Third Party Production Services revenues.

### 17. Debtors

|                                    | Group<br>2022<br>£000 | Group<br>2021<br>£000 | Company<br>2022<br>£000 | Company<br>2021<br>£000 |
|------------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| Trade debtors                      | 12,089                | 13,202                | 11,872                  | 13,123                  |
| Amounts owed by Group undertakings | 99                    | -                     | 5,403                   | 6,521                   |
| Amounts owed by parent undertaking | 11,432                | 602                   | 11,432                  | 602                     |
| Other debtors                      | 188                   | 998                   | 89                      | 444                     |
| Prepayments                        | 5,785                 | 1,698                 | 5,564                   | 1,228                   |
| Accrued income                     | 41,755                | 30,764                | 52,768                  | 30,770                  |
| Tax recoverable                    | 871                   | 736                   | 1,433                   | 453                     |
| Deferred taxation                  | 1,890                 | -                     | -                       | -                       |
|                                    | <b>74,109</b>         | <b>48,000</b>         | <b>88,561</b>           | <b>53,141</b>           |

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

### 18. Cash and cash equivalents

|                          | Group<br>2022<br>£000 | Group<br>2021<br>£000 | Company<br>2022<br>£000 | Company<br>2021<br>£000 |
|--------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| Cash at bank and in hand | 30,235                | 16,030                | 26,947                  | 9,246                   |
|                          | <b>30,235</b>         | <b>16,030</b>         | <b>26,947</b>           | <b>9,246</b>            |

## Notes to the financial statements

For the year ended 31 December 2022

### 19. Creditors: amounts falling due within one year

|                                    | Group<br>2022<br>£000 | Group<br>2021<br>£000 | Company<br>2022<br>£000 | Company<br>2021<br>£000 |
|------------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| Trade creditors                    | 1,941                 | 5,389                 | 1,820                   | 4,487                   |
| Amounts owed to Group undertakings | 23,843                | -                     | 57,201                  | 33,823                  |
| Amounts owed to parent undertaking | 39,739                | -                     | 39,739                  | -                       |
| Corporation tax                    | 293                   | 915                   | 1,401                   | 1,250                   |
| Other taxation and social security | 728                   | 507                   | 717                     | 506                     |
| Completion payments                | 4,079                 | 22,823                | 4,092                   | 22,823                  |
| Accruals                           | 26,699                | 16,342                | 37,661                  | 14,525                  |
| Deferred income                    | 21,092                | 19,652                | 20,911                  | 19,652                  |
|                                    | <b>118,414</b>        | <b>65,628</b>         | <b>163,542</b>          | <b>97,066</b>           |

Amounts owed to group and parent are unsecured, do not bear interest and are repayable on demand.

### 20. Creditors: amounts falling due after more than one year

|                                | Group<br>2022<br>£000 | Group<br>2021<br>£000 | Company<br>2022<br>£000 | Company<br>2021<br>£000 |
|--------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| Amounts owed to parent company | -                     | 90,778                | -                       | 90,778                  |
| Other creditors                | -                     | 46                    | -                       | -                       |
|                                | <b>-</b>              | <b>90,824</b>         | <b>-</b>                | <b>90,778</b>           |

The amounts owed to the parent company were repaid as part of a wider group restructuring and the sale of the entities described in Note 26.

## Notes to the financial statements

For the year ended 31 December 2022

### 21. Deferred taxation

#### Group

|                              | 2022<br>£000 | As restated<br>2021<br>£000 |
|------------------------------|--------------|-----------------------------|
| At beginning of year         | (17,157)     | (20,187)                    |
| Charged to profit or loss    | 2,115        | 2,855                       |
| Charged to goodwill/acquired | 14,377       | 175                         |
| <b>At end of year</b>        | <b>(665)</b> | <b>(17,157)</b>             |

#### Company

|                           | 2022<br>£000 | 2021<br>£000 |
|---------------------------|--------------|--------------|
| At beginning of year      | (202)        | (57)         |
| Charged to profit or loss | 155          | (145)        |
| <b>At end of year</b>     | <b>(47)</b>  | <b>(202)</b> |

The deferred tax balance is made up as follows:

|                                     | Group<br>2022<br>£000 | Group<br>As restated<br>2021<br>£000 | Company<br>2022<br>£000 | Company<br>As restated<br>2021<br>£000 |
|-------------------------------------|-----------------------|--------------------------------------|-------------------------|--|
| Fixed asset timing differences      | 1,605                 | (204)                                | (282)                   | (202)                                  |
| Intangible asset timing differences | (2,270)               | (17,033)                             | 235                     | -                                      |
| Tax losses carried forward          | -                     | 77                                   | -                       | -                                      |
| Other                               | -                     | 3                                    | -                       | -                                      |
|                                     | <b>(665)</b>          | <b>(17,157)</b>                      | <b>(47)</b>             | <b>(202)</b>                           |
| <b>Comprising:</b>                  |                       |                                      |                         |  |
| Asset - due within one year         | 1,890                 | -                                    | -                       | -                                      |
| Liability                           | (2,555)               | (17,157)                             | (47)                    | (202)                                  |
|                                     | <b>(665)</b>          | <b>(17,157)</b>                      | <b>(47)</b>             | <b>(202)</b>                           |

## Notes to the financial statements

For the year ended 31 December 2022

### 21. Deferred taxation (continued)

The deferred tax liability as at 31 December 2022 is anticipated to reverse by approximately £350,000 over the subsequent 12 months in line with amortisation charged in relation to consolidated intangible fixed assets on which the liability arises.

### 22. Share capital

|  | 2022<br>£000   | 2021<br>£000   |
|--|----------------|----------------|
| <b>Allotted, called up and fully paid</b>                      |                |                |
| 218,431,316 (2021 - 218,431,316) Ordinary shares of £1.00 each | <b>218,431</b> | <b>218,431</b> |

### 23. Provisions

|   | Group<br>2022<br>£000 | Group<br>2021<br>£000 | Company<br>2022<br>£000 | Company<br>2021<br>£000 |
|---|-----------------------|-----------------------|-------------------------|-------------------------|
| At 1 January                                      | 105                   | 1,950                 | 105                     | 1,950                   |
| Provided for in the year                          | -                     | 551                   | -                       | 551                     |
| Utilised in the year                              | (52)                  | (2,396)               | (52)                    | (2,396)                 |
| Released in the year                              | (53)                  | -                     | (53)                    | -                       |
| Provision on balance sheet of acquired subsidiary | 19                    | -                     | -                       | -                       |
| <b>At 31 December</b>                             | <b>19</b>             | <b>105</b>            | <b>-</b>                | <b>105</b>              |

Provisions in both the current and prior period are for legal costs in relation to the litigation detailed in Note 34.

## Notes to the financial statements

For the year ended 31 December 2022

### 24. 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 prior year as a result of the transaction with Candle Media LLC.

The capital contributions brought forward in Moonbug Entertainment USA Inc. were transferred to the profit and loss account upon sale of that entity.



## Notes to the financial statements

For the year ended 31 December 2022

### 25. Business combinations

On 24th May 2022 the company entered into an agreement to purchase 100% of the share capital (6,983,568 ordinary shares) of One Animation Pty Limited., an animation company incorporated in Singapore. No other consideration or share premium was acquired.

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<br>£000 | Fair value<br>adjustments<br>£000 | Fair value<br>£000 |
|--------------------------------------|--------------------|-----------------------------------|--------------------|
| <b>Fixed Assets</b>                  |                    |                                   |                    |
| Tangible                             | 316                | -                                 | 316                |
| Intangible                           | 2,550              | 24,610                            | 27,160             |
|                                      | <u>2,866</u>       | <u>24,610</u>                     | <u>27,476</u>      |
| <b>Current Assets</b>                |                    |                                   |                    |
| Debtors                              | 378                | -                                 | 378                |
| Cash at bank and in hand             | 2,021              | -                                 | 2,021              |
|                                      | <u>5,265</u>       | <u>24,610</u>                     | <u>29,875</u>      |
| <b>Total Assets</b>                  |                    |                                   |                    |
| <b>Creditors</b>                     |                    |                                   |                    |
| Payables                             | (1,683)            | -                                 | (1,683)            |
| Deferred taxation                    | -                  | (1,990)                           | (1,990)            |
|                                      | <u>3,582</u>       | <u>22,620</u>                     | <u>26,202</u>      |
| <b>Total identifiable net assets</b> |                    |                                   |                    |
|                                      |                    |                                   | <u>6,950</u>       |
| <b>Total purchase consideration</b>  |                    |                                   | <u>33,152</u>      |
| <b>Consideration</b>                 |                    |                                   |                    |
|                                      |                    |                                   | £000               |
| Cash                                 |                    |                                   | 29,060             |
| Contingent consideration             |                    |                                   | 4,092              |
| <b>Total purchase consideration</b>  |                    |                                   | <u>33,152</u>      |

## Notes to the financial statements

For the year ended 31 December 2022

### 25. Business combinations (continued)

#### Cash outflow on acquisition

|  | £000          |
|--|---------------|
| Cash consideration                       | 29,060        |
|  | <u>29,060</u> |
| Less: Cash and cash equivalents acquired | (2,021)       |
|  | <u>27,039</u> |
| <b>Net cash outflow on acquisition</b>   | <b>27,039</b> |

Upon consolidation intangible assets with cost of £24,610,000 are recognised in relation to the internally generated IP and content known collectively as OddBods. These are included in the Intellectual Property category and the Content Costs category of intangible assets and are being amortised on a straight line basis over a period of 15 years and 6 years respectively.

Goodwill of £6,950,000 has been recognised in relation to this acquisition.

In the period the Group recognised revenue of £3,209,000 and profit after tax of £1,855,000 in relation to the acquired entity.

### 26. Disposal of subsidiaries

#### Treasure Studios Inc.

On 30 March 2022 the company sold 100% of its shares in Treasure Studios Inc. to Lunar Bidco Limited, a company registered in Jersey. Lunar Bidco is a related party by virtue of being an indirect parent undertaking.

|   | 2022<br>£000    |
|---|-----------------|
| Net assets at date of disposal              | 10,371          |
| Assets arising on consolidation             | 95,149          |
|   | <u>(17,085)</u> |
| Deferred tax liability                      |                 |
| Net book value of subsidiary                | 88,435          |
| Cash consideration                          | -               |
|   | <u>98,595</u>   |
| Reduction in amounts owed to parent company |                 |
|   | <u>98,595</u>   |
| Total consideration                         |                 |
|   | <u>10,160</u>   |
| Gain/(loss) on disposal                     |                 |

## Notes to the financial statements

For the year ended 31 December 2022

### 26. Disposal of subsidiaries (continued)

Treasure Studios Inc. had a profit for the year up to date of disposal of £2,757,000 (2021: £6,589,000).

Moonbug Entertainment USA Inc.

On 30 March 2022 the company sold 100% of its shares in Moonbug Entertainment USA Inc. to Lunar Bidco Limited, a company registered in Jersey. Lunar Bidco is a related party by virtue of being an indirect parent undertaking.

|   | 2022<br>£000 |
|---|--------------|
| Net assets at date of disposal              | 1,030        |
| Cash consideration                          | -            |
| Reduction in amounts owed to parent company | 9,881        |
| Total consideration                         | 9,881        |
| Gain/(loss) on disposal                     | 8,851        |

Moonbug Entertainment USA Inc. had a loss for the year up to date of disposal of £1,257,000 (2021: loss of £989,000).

### 27. Analysis of net debt

|                     | At 1 January<br>2022<br>£000 | Cash flows<br>£000 | Other non-<br>cash changes<br>£000 | At 31<br>December<br>2022<br>£000 |
|---------------------|------------------------------|--------------------|------------------------------------|-----------------------------------|
| Cash                | 16,030                       | 14,205             | -                                  | 30,235                            |
| Completion payments | (22,823)                     | 27,049             | (8,305)                            | (4,079)                           |
| Intercompany debt   | (90,778)                     | (44,339)           | 95,378                             | (39,739)                          |
|                     | (97,571)                     | (3,085)            | 87,073                             | (13,583)                          |

The non-cash changes related primarily to the settlement of amounts owed to the parent company through group restructuring as described in note 26.

### 28. Contingent liabilities

There were no contingent liabilities as at 31 December 2022 or 31 December 2021.

## Notes to the financial statements

For the year ended 31 December 2022

### 29. Capital commitments

There were no capital commitments as at 31 December 2022 or 31 December 2021.

### 30. Pension commitments

The Group operates a defined contribution 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 £325,000 (2021 - £200,000). At 31 December 2022, £61,000 payable to the fund in relation to unpaid pension contributions (2021 - £32,000).

### 31. Commitments under operating leases

At 31 December 2022 the Group and the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

|  | Group<br>2022<br>£000 | Group<br>2021<br>£000 | Company<br>2022<br>£000 | Company<br>2021<br>£000 |
|--|-----------------------|-----------------------|-------------------------|-------------------------|
| Not later than 1 year                        | 3,230                 | 2,988                 | 3,127                   | 2,059                   |
| Later than 1 year and not later than 5 years | 430                   | 2,783                 | 386                     | 1,287                   |
|  | <b>3,660</b>          | <b>5,771</b>          | <b>3,513</b>            | <b>3,346</b>            |

### 32. Prior year restatement

Retranslation of assets

During the year it was identified that assets arising on consolidation in relation to the acquisition of Treasure Studios were being recognised at the exchange rate in effect on the date of acquisition. The appropriate policy is to recognise the assets in their local currency and translate at the effective rates for the reporting period. This has resulted in the below changes:

|                                       | 2021<br>As previously<br>stated<br>£000 | Retranslation<br>of<br>investments<br>£000 | 2021<br>As restated<br>£000 |
|---------------------------------------|---|--|-----------------------------|
| <b>Profit and loss</b>                |   |  |                             |
| Revenue                               | 110,205                                 | -  | 110,205                     |
| Cost of sales                         | (28,792)                                | 364  | (28,428)                    |
| Administrative expenses               | (54,399)                                | 567  | (53,832)                    |
| Exceptional expenses                  | (95,609)                                | -  | (95,609)                    |
| Interest payable and similar expenses | (4,640)                                 | -  | (4,640)                     |
| Tax                                   | (4,837)                                 | (159)                                      | (4,996)                     |
| <b>Loss for the financial year</b>    | <b>(78,072)</b>                         | <b>772</b>                                 | <b>(77,300)</b>             |

## Notes to the financial statements

For the year ended 31 December 2022

### 32. Prior year restatement (continued)

#### Balance sheet

|   |                |                |                |
|---|----------------|----------------|----------------|
| Intangible assets                                       | 252,914        | (6,892)        | 246,022        |
| Tangible assets   | 1,132          | -              | 1,132          |
| Debtors   | 48,000         | -              | 48,000         |
| Contract work in progress                               | 10,476         | -              | 10,476         |
| Cash at bank and in hand                                | 16,030         | -              | 16,030         |
| Creditors: amounts falling due within one year          | (65,628)       | -              | (65,628)       |
| Creditors: amounts falling due after more than one year | (90,824)       | -              | (90,824)       |
| Deferred taxation                                       | (18,390)       | 1,233          | (17,157)       |
| Provisions  | (105)          | -              | (105)          |
|   | <b>153,605</b> | <b>(5,659)</b> | <b>147,946</b> |

#### Statement of changes in equity

|                           |                |                |                |
|---------------------------|----------------|----------------|----------------|
| Called up share capital   | 218,431        | -              | 218,431        |
| Foreign exchange reserve  | 22             | (6,637)        | (6,615)        |
| Capital contributions     | 22,950         | -              | 22,950         |
| Profit and loss account   | (88,907)       | 978            | (87,929)       |
| Non-controlling interests | 1,109          | -              | 1,109          |
|                           | <b>153,605</b> | <b>(5,659)</b> | <b>147,946</b> |

#### Cash flow

|   |                 |          |                 |
|---|-----------------|----------|-----------------|
| Profit/(loss) before tax                            | (73,234)        | 930      | (72,304)        |
| Amortisation of intangible assets                   | 32,296          | (930)    | 31,366          |
| Depreciation of tangible assets                     | 331             | -        | 331             |
| Loss on disposal                                    | 194             | -        | 194             |
| Loss on impairment                                  | 2,520           | -        | 2,520           |
| Compensation paid in shares of parent company       | 22,950          | -        | 22,950          |
| Non-cash interest expense                           | 4,414           | -        | 4,414           |
| Loss on remeasurement                               | (1,504)         | -        | (1,504)         |
| (Increase)/decrease in WIP                          | (9,931)         | -        | (9,931)         |
| (Increase)/decrease in debtors                      | (31,819)        | -        | (31,819)        |
| Increase/(decrease) in creditors                    | 35,637          | -        | 35,637          |
| Increase/(decrease) in provisions                   | (1,845)         | -        | (1,845)         |
| Tax paid  | (8,412)         | -        | (8,412)         |
| <b>Net cash generated from operating activities</b> | <b>(28,403)</b> | <b>-</b> | <b>(28,403)</b> |

## Notes to the financial statements

For the year ended 31 December 2022

### 32. Prior year restatement (continued)

|   |                 |          |                 |
|---|-----------------|----------|-----------------|
| Acquisition of subsidiaries, net of cash acquired | (4,930)         | -        | (4,930)         |
| Purchase of intangible assets                     | (19,205)        | -        | (19,205)        |
| Purchase of tangible assets                       | (1,033)         | -        | (1,033)         |
| <b>Net cash from investing activities</b>         | <b>(25,168)</b> | <b>-</b> | <b>(25,168)</b> |
| Proceeds from borrowings                          | 90,969          | -        | 90,969          |
| Completion payments                               | (34,896)        | -        | (34,896)        |
|   | <b>56,073</b>   | <b>-</b> | <b>56,073</b>   |
| Net increase in cash and cash equivalents         | <b>2,501</b>    | <b>-</b> | <b>2,501</b>    |

### 33. Related party transactions

Key management personnel compensation:

For the year ended 31 December 2022, key management personnel compensation totaled £3,693,000 (2021 - £26,924,000).

### 34. Post balance sheet events

Effective 1 January 2023 the company's functional currency was converted from GBP to USD and as a result future financial statements will be presented in USD. This change was made to reflect the growth in transactions denominated in USD and transactions with businesses based in the US.

Effective 1 January 2023 a new transfer pricing policy was adopted across the Group to align with the new group structure under Candle Media LLC.

On 27 July 2023 a jury ruled in favour of the company in a copyright infringement lawsuit against BabyBus Co., Ltd with awarded damages of \$23,400,000.

### 35. 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.