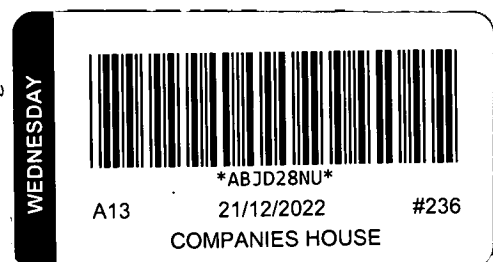


Company registration number 04453713 (England and Wales)

JELLYFISH PICTURES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022



JELLYFISH PICTURES LIMITED

COMPANY INFORMATION

Directors	L Dodd T Brass P Dobree
Company number	04453713
Registered office	86-88 Valentia Place London England SW9 8EP
Auditor	Mercer & Hole LLP 21 Lombard Street London EC3V 9AH

JELLYFISH PICTURES LIMITED

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JELLYFISH PICTURES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present the strategic report for the year ended 31 March 2022.

Fair review of the business

The company provides animation and visual effects (VFX) services and proprietary IP and content for the film, television, advertising, and business communities.

Jellyfish Pictures has won numerous industry awards for its work, a key non-financial indicator of performance. These have included BAFTAs, EMMYs, VES awards, RTS and recently an ANNIE (The Oscars of the animation industry). The company has grown from a studio with 3 staff in 2002, to 70 in 2011, 120 in 2014, 234 in 2020, peaking at 320 in 2021 and with plans to double this into 2023/24. The growth has been considered and carefully managed. Investments made between 2018 and 2022 have allowed the company to scale and the forecasts moving into 2023, 2024 and beyond are looking very strong on the back of continued worldwide demand for content and the company's strong market position in both VFX and Animation. The decision made in 2016 to provide animation services in addition to VFX was well timed, enabling the group to secure a foothold in this market at a time when UK animation tax credits and animation in general was picking up in the UK. Since 2018 the company has invested heavily in leading edge core technology in order to grow capacity to a position where it is now capable of delivering high end animation projects in volume. The company completed its first high end feature animation for DreamWorks Animation at the end of FY21 and currently has several high-end features in production with a healthy pipeline of future work in VFX and animation.

FY22 was a challenging year when the company was impacted by an industry wide "delayed pandemic effect." This was largely a result of a slower than anticipated progression to budget sign offs for some large animation projects. Many bids in play during the year were finally greenlit in Autumn 2021, with the ensuing planning taking a further year to ramp into full production. The company emerged from the year in a strong position owing to: the support and investment into the group in February 2022 from Key Capital Partners LLP (Key); the healthy year the company reported in FY21; and a very strong market position, in what remains a buoyant sector with high demand for content worldwide. With the company's standing as a tier one provider of feature quality animation, and building on its VFX tradition which continues to pick up post pandemic, the prospects for significant revenue growth extending to FY24 and FY25 are strong, with volumes of booked work being higher than ever. The company is experiencing considerable growth in FY23. With the full support of Key we have continued to invest heavily during FY22 and into FY23 to further enhance the infrastructure, creative talent and leadership capacity needed to serve the explosion in demand/opportunity over the next 5 years.

Our continued investment in technology enables us to truly embrace a global community of talent with the benefits of agile and cost effective scaling and expansion. Winning large pieces of work for the likes of Netflix, Amazon, Warner Brothers and Disney Plus means that engaging this talent unencumbered through using technology infrastructure is key to the continued success of the company. This is particularly important as the company plans to expand and grow in emerging talent bases with lower running costs in both Asia and Europe in FY23 and beyond.

The company has been able to retain and attract key staff owing to its strong independent culture and values. These values, combined with Jellyfish's strong reputation as a place to work and the quality of its output, have proved especially significant as we move out of the worst of the pandemic and into a period of increased competition for resources and scarcity of talent as demand for content grows. Further ongoing and planned investment in operational efficiencies and related software tools will benefit the company across the board – from HR, recruitment, through to production and finance. This is preparing Jellyfish for a significant increase in capacity and turnover into the future.

JELLYFISH PICTURES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

This all points to a very bright future considering the company delivered its best year against a backdrop of COVID and filming restrictions with its reputation for high end animation growing and VFX picking up significantly. The hiatus caused by COVID may hit FY22 but beyond is looking extremely healthy with revenue forecast to continue to rise significantly with confirmed work now getting close to £60-70 million for the next 3 years.

Principal risks and uncertainties

Operating within a technology driven industry, the company has invested significantly in keeping abreast of, and on the cutting edge of, technological advances (see above). This has meant that the largest risks facing our sector and indeed the global economy have been greatly mitigated by the company owing to its ability to enable staff to work efficiently and securely remotely with very little added expense or effort, paving the way for a "future way of working" for the industry and sector.

The company's staff are key to its future success - a huge amount of time and effort has been spent to spread and communicate the values of caring, confidence and certainty to its staff and clients. The support shown to the staff throughout the pandemic has paid dividends in loyalty and recruitment. The company supports the staff in training programmes, engaging with local schools (Speakers for Schools) and regular "show and tell" for staff and company presentations and screenings. Regular training in leadership and team building is provided throughout the year. Changes in tax legislation including relative global tax credits have always been a threat to the competitiveness of the sector and industry. The company has sought to mitigate this risk by using its technology and the ability to engage artists globally. Brexit presents a similar risk with a similar solution. New offices in Asia, the EU and North America are planned for FY23/FY24.

On behalf of the board



P. Dobree

Director

Date: 19.12.2022

JELLYFISH PICTURES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present their annual report and financial statements for the year ended 31 March 2022.

Results and dividends

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £31,350. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

L Dodd

T Brass

P Dobree

R Kendall

(Resigned 2 July 2021)


Auditor

The company's auditor, Mercer & Hole, incorporated on 1 October 2022 to become Mercer & Hole LLP. The directors have consented to treating the incorporation of Mercer & Hole LLP as a continuation of the existing audit arrangement and in accordance with the company's articles, a resolution proposing that Mercer & Hole LLP be reappointed as auditor of the company will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



P Dobree

Director

Date: 19.12.2022

JELLYFISH PICTURES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

The directors are responsible for preparing the annual report and the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 of the profit or loss of the company 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;
- 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's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

JELLYFISH PICTURES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF JELLYFISH PICTURES LIMITED

Opinion

We have audited the financial statements of Jellyfish Pictures Limited (the 'company') for the year ended 31 March 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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.

JELLYFISH PICTURES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF JELLYFISH PICTURES LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

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 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 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.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches in Health & Safety and General Data Protection Regulations, and we considered the extent to which non-compliance may have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements and the financial report (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate entries including journals to overstate revenue or understate expenditure, and management bias in accounting estimates.

Audit procedures performed by the engagement team included:

- discussions with management, including considerations of known or suspected instances of non-compliance with laws and regulations and fraud;
- evaluation of the operating effectiveness of management's controls designed to prevent and detect irregularities;
- identifying and testing journal entries.

JELLYFISH PICTURES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF JELLYFISH PICTURES LIMITED

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Mercer & Hole LLP

Andrew Turner (Senior Statutory Auditor)
For and on behalf of Mercer & Hole LLP

19 December 2022
Date:

Chartered Accountants
Statutory Auditor

21 Lombard Street
London
EC3V 9AH

JELLYFISH PICTURES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
Turnover	3	8,191,478	20,901,011
Cost of sales		(7,935,492)	(14,418,554)
Gross profit		255,986	6,482,457
Administrative expenses		(4,197,250)	(5,455,771)
Other operating income		257,062	567,886
Operating (loss)/profit	4	(3,684,202)	1,594,572
Presented as:			
Earnings before interest, tax, depreciation and amortisation (EBITDA), before exceptional items		(1,519,880)	3,251,847
Exceptional items		(965,253)	(469,783)
Depreciation		(1,190,736)	(1,187,492)
Amortisation		(8,333)	-
Operating (loss)/profit		(3,684,202)	1,594,572
Interest payable and similar expenses	8	(228,097)	(203,275)
(Loss)/profit before taxation		(3,912,299)	1,391,297
Tax on (loss)/profit	9	(27,964)	(27,854)
(Loss)/profit for the financial year		(3,940,263)	1,363,443

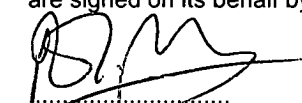
JELLYFISH PICTURES LIMITED

BALANCE SHEET

AS AT 31 MARCH 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Intangible assets	11	850,300		-	
Tangible assets	12	2,877,401		5,124,775	
		<u>3,727,701</u>		<u>5,124,775</u>	
Current assets					
Debtors	14	1,411,945		3,276,166	
Cash at bank and in hand		5,037,356		2,024,400	
		<u>6,449,301</u>		<u>5,300,566</u>	
Creditors: amounts falling due within one year	15	(9,960,519)		(4,919,336)	
Net current (liabilities)/assets			(3,511,218)		381,230
Total assets less current liabilities			<u>216,483</u>		<u>5,506,005</u>
Creditors: amounts falling due after more than one year	16		2,183,955		3,501,864
Provisions for liabilities					
Deferred tax liability	19	24,500		24,500	
		<u>24,500</u>		<u>24,500</u>	
			2,208,455		3,526,364
Capital and reserves					
Called up share capital	21		2		2
Profit and loss reserves			(1,991,974)		1,979,639
			<u>(1,991,972)</u>		<u>1,979,641</u>
Total equity and non-current liabilities			<u>216,483</u>		<u>5,506,005</u>

The financial statements were approved by the board of directors and authorised for issue on 19.12.2022 and are signed on its behalf by:


P. Dobree
Director

Company Registration No. 04453713

JELLYFISH PICTURES LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 April 2020		2	650,396	650,398
Year ended 31 March 2021:				
Profit and total comprehensive income for the year		-	1,363,443	1,363,443
Dividends	10	-	(34,200)	(34,200)
Balance at 31 March 2021		2	1,979,639	1,979,641
Year ended 31 March 2022:				
Loss and total comprehensive income for the year		-	(3,940,263)	(3,940,263)
Dividends	10	-	(31,350)	(31,350)
Balance at 31 March 2022		2	(1,991,974)	(1,991,972)

JELLYFISH PICTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

Company information

Jellyfish Pictures Limited is a private company limited by shares incorporated in England and Wales. The registered office is 86-88 Valentia Place, London, England, SW9 8EP.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

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

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: The disclosure requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b), and 12.29A;
- Section 26 'Share based Payment': Share based payment arrangements required under FRS 102 paragraphs 26.18(b); 26.19 to 26.21 and 26.23;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

Alternative Performance Measures - Adjusted EBITDA:

This is a Non-GAAP measure. Adjusted EBITDA is defined as profit before interest and tax, add back depreciation, amortisation and exceptional costs. Jellyfish Holdings & Investments Limited believe that adjusted EBITDA is a useful measure for investors because it is a measure closely tracked by management to evaluate the group's operating performance and to make financial, strategic and operating decisions. Additionally it may also help investors to understand and evaluate, in the same manner as management, the underlying trends in the groups operational performance on a comparable basis, period on period. The nearest equivalent measure on a UK GAAP basis is Operating profit.

The financial statements of the company are consolidated in the financial statements of Jellyfish Holdings & Investments Limited. These consolidated financial statements are available from its registered office, 86-88 Valentia Place, Brixton, London, England, SW9 7NP.

JELLYFISH PICTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

1.2 Going concern

During Autumn 2021 the VFX and Animation industry opened up following the Covid 19 pandemic and the projects that were delayed have now been greenlit. This has led to a strong pipeline of productions which will boost revenues in FY23 and onwards.

The company held two loans at the year end with their lenders, a £908,000 interest only loan due for repayment in February 2025, and a further £1,000,000 CBILS loan due for repayment in instalments to June 2027. The company breached one of its covenants on the interest only loan at 31 March 2022. No formal waiver was in place for this breach and therefore the loan has been disclosed in these financial statements as due within one year as technically the loan is repayable on demand. No action has been taken by the bank in respect of this breach who also hold £1,000,000 of company cash balances in escrow. This amount is in excess of the loan value and the directors are confident that should the lender choose to recall the loan that the company has sufficient cash reserves to repay the loan.

The directors have prepared forecasts for the business on a number of basis including reasonable downside scenarios. These forecasts demonstrate that the company can operate within its existing cash facilities therefore at the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Revenue is recognised at the fair value of the consideration received or receivable for sale of services in the ordinary nature of the business. Turnover is shown net of Value Added Tax for services provided to external customers.

Revenue is recognised on a contract by contract basis and reflected in the profit and loss account by recording turnover and related costs as contract activity progresses based upon pre-determined contracted milestones that reflect the appropriate level of completion of the contract. Credit is taken for profit earned to date where the outcome of the contract can be assessed with reasonable certainty.

All turnover originates from the UK and is derived from the principal activity.

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is ten years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

JELLYFISH PICTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Asset Management System	33% straight line
Other Development costs	33% straight line

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	33% straight line
Plant and equipment	25% straight line
Fixtures and fittings	33% straight line
Computers	20% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Impairment of fixed assets

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

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

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

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

1.8 Cash and cash equivalents

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

JELLYFISH PICTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

1.9 Financial instruments

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

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

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

Basic financial assets

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

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

JELLYFISH PICTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

Basic financial liabilities

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

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

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

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

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

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

JELLYFISH PICTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

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

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

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

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

During the year, the company received government income of £257,062 under the Coronavirus Job Retention Scheme (CJRS). This amount has been recognised in other operating income in accordance with the performance accounting policy of accounting for government grants.

JELLYFISH PICTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Revenue recognition

The company makes an estimate of the stage of completion for its projects to determine revenue recognition. The proportion of costs to date to total budgeted costs determines the amount of total project revenue to be recognised.

3 Turnover and other revenue

	2022 £	2021 £
Turnover analysed by class of business		
Animation and visual effects services	8,191,478	20,901,011
	<u> </u>	<u> </u>
	2022 £	2021 £
Other revenue		
Grants received	257,062	296,432
	<u> </u>	<u> </u>

4 Operating (loss)/profit

	2022 £	2021 £
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange gains	(10,835)	(34,515)
Government grants	(257,062)	(296,432)
Depreciation of owned tangible fixed assets	742,924	890,090
Depreciation of tangible fixed assets held under finance leases	1,190,736	1,187,492
Profit on disposal of tangible fixed assets	(305,334)	(1,746)
Amortisation of intangible assets	8,333	-
Operating lease charges	294,417	530,773
	<u> </u>	<u> </u>

JELLYFISH PICTURES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2022****4 Operating (loss)/profit (Continued)**

Exceptional one off transaction related costs of £965,283 were incurred in the current period (2021: due diligence costs of £469,783).

5 Auditor's remuneration

	2022	2021
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	13,500	10,900
Audit of the financial statements of the company's subsidiaries	2,300	2,050
	<u>15,800</u>	<u>12,950</u>

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022	2021
	Number	Number
Technical Management	21	14
Senior Management	9	8
Overheads	12	10
Artists	56	208
Total	<u>98</u>	<u>240</u>

Their aggregate remuneration comprised:

	2022	2021
	£	£
Wages and salaries	4,264,595	9,374,160
Social security costs	453,655	958,726
Pension costs	69,400	153,355
	<u>4,787,650</u>	<u>10,486,241</u>

7 Directors' remuneration

	2022	2021
	£	£
Remuneration for qualifying services	368,580	200,980
Company pension contributions to defined contribution schemes	2,640	-
	<u>371,220</u>	<u>200,980</u>

JELLYFISH PICTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

7 Directors' remuneration

(Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2022	2021
	£	£
Remuneration for qualifying services	198,150	105,000

8 Interest payable and similar expenses

	2022	2021
	£	£
Interest on bank overdrafts and loans	52,057	38,170
Interest on finance leases and hire purchase contracts	176,040	165,105
	<u>228,097</u>	<u>203,275</u>

9 Taxation

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	27,964	27,854

The actual charge for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022	2021
	£	£
(Loss)/profit before taxation	(3,912,299)	1,391,297
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(743,337)	264,346
Tax effect of expenses that are not deductible in determining taxable profit	126,309	90,422
Adjustments in respect of prior years	(27,854)	(18,636)
Group relief	-	(153,734)
Other non-reversing timing differences	756,088	-
Other permanent differences	(8,041)	-
Deferred tax adjustments in respect of prior years	-	(197,348)
Fixed asset differences	(75,201)	42,804
Taxation charge for the year	<u>27,964</u>	<u>27,854</u>

JELLYFISH PICTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

10 Dividends

	2022	2021	2022	2021
	Per share	Per share	Total	Total
	£	£	£	£
Ordinary shares				
Interim paid	15,675.00	17,100.00	31,350	34,200

11 Intangible fixed assets

	Goodwill	Asset Management System	Other Development costs	Total
	£	£	£	£
Cost				
At 1 April 2021	95,000	-	-	95,000
Additions	-	833,633	25,000	858,633
At 31 March 2022	95,000	833,633	25,000	953,633
Amortisation and impairment				
At 1 April 2021	95,000	-	-	95,000
Amortisation charged for the year	-	-	8,333	8,333
At 31 March 2022	95,000	-	8,333	103,333
Carrying amount				
At 31 March 2022	-	833,633	16,667	850,300
At 31 March 2021	-	-	-	-

During the year, the company developed an asset management system for use in the business. This was not in use at the year end and has therefore not been amortised.

JELLYFISH PICTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

12 Tangible fixed assets

	Leasehold land and buildings	Plant and equipment	Fixtures and fittings	Computers	Total
	£	£	£	£	£
Cost					
At 1 April 2021	1,993,596	45,356	205,022	6,621,016	8,864,990
Additions	51,866	-	-	6,622	58,488
Disposals	(675,848)	-	(2,786)	-	(678,634)
At 31 March 2022	1,369,614	45,356	202,236	6,627,638	8,244,844
Depreciation and impairment					
At 1 April 2021	756,269	41,829	96,860	2,845,257	3,740,215
Depreciation charged in the year	443,998	2,289	68,331	1,419,042	1,933,660
Eliminated in respect of disposals	(304,131)	-	(2,301)	-	(306,432)
At 31 March 2022	896,136	44,118	162,890	4,264,299	5,367,443
Carrying amount					
At 31 March 2022	473,478	1,238	39,346	2,363,339	2,877,401
At 31 March 2021	1,237,327	3,527	108,162	3,775,759	5,124,775

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2022 £	2021 £
Computers	2,159,142	3,408,686

13 Cash at bank

As part of the company's financing arrangement, £1,000,000 of cash is held in escrow by the lender and its use is therefore restricted.

14 Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Trade debtors	53,627	662,913
Corporation tax recoverable	-	138,459
Amounts owed by group undertakings	-	203,621
Other debtors	267,479	25,692
Prepayments and accrued income	1,090,839	2,245,481
	1,411,945	3,276,166

JELLYFISH PICTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

15 Creditors: amounts falling due within one year

	Notes	2022 £	2021 £
Bank loans	17	1,108,000	1,594,090
Obligations under finance leases	18	1,043,575	-
Trade creditors		813,113	586,873
Amounts owed to group undertakings		4,425,639	-
Corporation tax		18,830	27,854
Other taxation and social security		886,939	2,188,507
Other creditors		43,519	29,930
Accruals and deferred income		1,620,904	492,082
		<u>9,960,519</u>	<u>4,919,336</u>

16 Creditors: amounts falling due after more than one year

	Notes	2022 £	2021 £
Bank loans and overdrafts	17	800,000	-
Obligations under finance leases	18	1,383,955	3,501,864
		<u>2,183,955</u>	<u>3,501,864</u>

17 Loans and overdrafts

	2022 £	2021 £
Bank loans	<u>1,908,000</u>	<u>1,594,090</u>
Payable within one year	1,108,000	1,594,090
Payable after one year	<u>800,000</u>	<u>-</u>

The company's bank loans are secured by floating charges covering all the property and undertakings of the company including a £1,000,000 cash deposit held in escrow. Access to these funds is therefore restricted.

18 Finance lease obligations

	2022 £	2021 £
Future minimum lease payments due under finance leases:		
Within one year	1,043,575	1,051,278
In two to five years	1,383,955	2,450,586
	<u>2,427,530</u>	<u>3,501,864</u>

JELLYFISH PICTURES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2022****18 Finance lease obligations****(Continued)**

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 4.4 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2022 £	Liabilities 2021 £
Balances:		
Accelerated capital allowances	<u>24,500</u>	<u>24,500</u>

There were no deferred tax movements in the year.

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

20 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>69,400</u>	<u>153,355</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

21 Share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital Issued and fully paid				
Ordinary shares of 2p each	<u>100</u>	<u>100</u>	<u>2</u>	<u>2</u>

JELLYFISH PICTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

22 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022 £	2021 £
Within one year	558,740	453,302
Between two and five years	1,950,793	950,063
In over five years	4,487,400	-
	<u>6,996,933</u>	<u>1,403,365</u>

The above commitments relate primarily to the leases in place for the company's office space.

23 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Sales 2022 £	Sales 2021 £	Purchases 2022 £	Purchases 2021 £
Other related parties	<u>899,028</u>	<u>143,883</u>	<u>130,078</u>	<u>89,902</u>

The following amounts were outstanding at the reporting end date:

	2022 £	2021 £
Amounts due from related parties		
Other related parties	<u>-</u>	<u>203,621</u>

24 Directors' transactions

A director owed the company £9,705 at the balance sheet date. This amount is interest free and repayable on demand.

25 Ultimate controlling party

The company is a wholly owned subsidiary undertaking of Jellyfish Holdings & Investments Limited which is the ultimate parent company incorporated in England and Wales. The registered office of the ultimate parent company is 86-88 Valentia Place, Brixton, London, England, SW9 7NP.

The financial statements are consolidated in the financial statements of Jellyfish Holdings & Investments Limited and copies of the group financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.