Company registration number 04453713 (England and Wales)

JELLYFISH PICTURES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

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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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The directors present the strategic report for the year ended 31 March 2023.

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, 320 in 2021 and 365 in 2023 (including subcontractors). The growth has been considered and carefully managed. Investments made between 2018 and 2022 have allowed the company to scale. Whilst the company incurred losses during FY2023, it is realising the benefit of those investments in 2023 with a significant increase in its revenue base. With secured revenues through 2024, forecasts for FY2024 and beyond are looking very strong on the back of continued worldwide demand for content creation and the company's strong market position in both VFX and Animation. The decision made in 2015 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. The company continues to invest heavily in leading edge core technology to help grow capacity to a position where it is now capable of delivering high-end animation projects at scale. The company has completed and secured several high-end feature animations for DreamWorks Animation & Netflix with a healthy pipeline of future work in both VFX and animation.

On the back of the pandemic and investment into the group from Key Capital Partners LLP (Key), the Company experienced considerable growth in FY23. As we maintain our strong market position as a tier one provider of feature quality animation and building on our reputable VFX business in what remains a growing sector, the company expects to see significant growth in FY24 and FY25. With the full support of Key we have continued to invest heavily during FY23 to further enhance the infrastructure, creative talent and leadership capacity needed to serve the explosion in demand/opportunity over the next 5 years.

We continue to invest in technology that 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 India and Europe in FY24 and beyond. Planned investment in operational efficiencies and related software tools for Production and Finance will benefit the company across the board and will prepare Jellyfish for a significant increase in capacity and turnover.

Principal risks and uncertainties

Technology Risk

Operating within a technology driven industry, the company has invested significantly in keeping abreast of, and on the cutting edge of, technological advances. This continues to be a key strategy in the long-term success of the company.

Talent risk

With the growth in the demand for content, this has led to a global shortage of talent in some disciplines. The Company continues to mitigate this risk, recruiting on a global scale owing to our ability to truly work as a global, virtual business. Planned offices in India, Europe and Northern America in FY24/25 will also help to take advantage of talent pools globally.

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 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.

Tax Legislation Risk

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.

Price Risk

As a highly competitive industry, there is a continued need to remain competitive whilst maintaining the highest quality of output. Planned non-UK offices in FY24/25 will help to counter increases in labour rates in the UK.

Interest Risk

Exposure to increased interest rates on our current loans is managed by carefully planning interest received on current cash deposits

Foreign Currency Risk

As the company continues to expand globally, exposure to forex increases as we operate outside of the UK. Where possible, contracts are negotiated in sterling and any conversions are done so at a planned and fixed rate to minimize impact of rate fluctuations.

On behalf of the board

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P Dobree
Director

Date: 30 October 2023

JELLYFISH PICTURES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their annual report and financial statements for the year ended 31 March 2023.

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

No ordinary dividends were paid. 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

Auditor
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: 30 October 2023

JELLYFISH PICTURES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

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.

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 2023 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 2023 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.

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.

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

Date: 01 November 2023

Chartered Accountants
Statutory Auditor

21 Lombard Street
London
EC3V 9AH

JELLYFISH PICTURES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
Turnover	3	19,049,006	8,191,478
Cost of sales		(16,801,909)	(7,935,492)
Gross profit		2,247,097	255,986
Administrative expenses		(4,743,299)	(4,197,250)
Other operating income		359	257,062
Operating loss	4	(2,495,843)	(3,684,202)
Presented as:			
Earnings before interest, tax, depreciation and amortisation, before exceptional items (Adjusted EBITDA)		(227,146)	(776,956)
Exceptional items		-	(965,253)
Depreciation		(1,982,486)	(1,933,660)
Amortisation		(286,211)	(8,333)
Operating loss		(2,495,843)	(3,684,202)
Interest receivable and similar income	8	10,905	-
Interest payable and similar expenses	9	(209,888)	(228,097)
Loss before taxation		(2,694,826)	(3,912,299)
Tax on loss	10	-	(27,964)
Loss for the financial year		(2,694,826)	(3,940,263)

JELLYFISH PICTURES LIMITED

BALANCE SHEET

AS AT 31 MARCH 2023

	Notes	2023 £	2023 £	2022 £	2022 £
Fixed assets					
Intangible assets	**12**		1,113,668		850,300
Tangible assets	**13**		2,743,079		2,877,401
			3,856,747		3,727,701
Current assets					
Debtors	**15**	3,424,004		1,411,945	
Cash at bank and in hand	**14**	5,553,641		5,037,356	
		8,977,645		6,449,301	
Creditors: amounts falling due within one year	**16**	(15,273,429)		(9,960,519)	
Net current liabilities			(6,295,784)		(3,511,218)
Total assets less current liabilities			(2,439,037)		216,483
Creditors: amounts falling due after more than one year	**17**		2,223,261		2,183,955
Provisions for liabilities					
Deferred tax liability	**20**	24,500		24,500	
			24,500		24,500
			2,247,761		2,208,455
Capital and reserves					
Called up share capital	**22**		2		2
Profit and loss reserves			(4,686,800)		(1,991,974)
			(4,686,798)		(1,991,972)
Total equity and non-current liabilities			(2,439,037)		216,483

The financial statements were approved by the board of directors and authorised for issue on 30 October 2023 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 2023

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 April 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	**11**	-	(31,350)	(31,350)
Balance at 31 March 2022		2	(1,991,974)	(1,991,972)
Year ended 31 March 2023:				
Loss and total comprehensive income for the year		-	(2,694,826)	(2,694,826)
Balance at 31 March 2023		2	(4,686,800)	(4,686,798)

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, depreciation, amortisation and exceptional costs. Jellyfish Pictures Limited believe that adjusted EBITDA is a useful measure for investors because it is a measure closely tracked by management to evaluate the company'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 companys 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.

1 Accounting policies **(Continued)**

1.2 Going concern

Following the COVID-19 pandemic, 2023 saw a strong pipeline of projects both within VFX and Animation. This continues into FY24 where a significant amount of forecasted revenue is already contracted. The Directors are confident that strong growth in revenue is set to continue into FY25 as we capitalise on the growth of the industry.

The Company's revenue base has been expanded by the securing of contracted work, therefore it is reasonably expected that net cash inflows from future operating activities is sufficient to cover the company's working capital requirements.

The Directors are of the view 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 according to stage of completion for its projects. The proportion of costs to date are compared to total budgeted costs determines the amount of total project revenue to be recognised. Where losses on projects are expected, these are recognised immediately.

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.

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 Accounting policies **(Continued)**

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.

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.

1 Accounting policies **(Continued)**

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.

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.

1 Accounting policies **(Continued)**

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.

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 Accounting policies (Continued)

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 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 are compared to total budgeted costs to determine the stage of completion. The corresponding proportion of total contracted revenue for that project is then recognised. Where losses on projects are expected, these are recognised immediately.

3 Turnover and other revenue

	2023	2022
	£	£
Turnover analysed by class of business		
Animation and visual effects services	19,049,006	8,191,478

	2023	2022
	£	£
Other revenue		
Interest income	10,905	-
Royalty income	359	-
Grants received	-	257,062

During the prior year, the company received government grant income of £257,062 under the Coronavirus Job Retention Scheme (CJRS). This amount was recognised under other operating income. The scheme has since been terminated and therefore no income was received in the current year.

4 Operating loss

	2023	2022
Operating loss for the year is stated after charging/(crediting):	£	£
Exchange losses/(gains)	41,715	(10,835)
Government grants	-	(257,062)
Depreciation of owned tangible fixed assets	345,593	742,924
Depreciation of tangible fixed assets held under finance leases	1,636,893	1,190,736
Profit on disposal of tangible fixed assets	-	(305,334)
Amortisation of intangible assets	286,211	8,333
Operating lease charges	493,600	294,417

5 Auditor's remuneration

	2023	2022
Fees payable to the company's auditor and associates:	£	£
Audit of the financial statements of the company	19,500	13,500
All other non-audit services	3,000	2,300
	22,500	15,800

6 Employees

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

	2023 Number	2022 Number
Technical Management	27	21
Senior Management	10	9
Overheads	22	12
Artists	120	56
Total	179	98

Their aggregate remuneration comprised:

	2023 £	2022 £
Wages and salaries	8,697,172	4,264,595
Social security costs	1,146,762	453,655
Pension costs	136,679	69,400
	9,980,613	4,787,650

7 Directors' remuneration

	2023 £	2022 £
Remuneration for qualifying services	317,708	368,580
Company pension contributions to defined contribution schemes	2,642	2,640
	320,350	371,220

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

	2023 £	2022 £
Remuneration for qualifying services	120,000	198,150

8 Interest receivable and similar income

	2023 £	2022 £
Interest income		
Interest on bank deposits	10,905	-

9 Interest payable and similar expenses

	2023	2022
	£	£
Interest on bank overdrafts and loans	75,483	52,057
Interest on finance leases and hire purchase contracts	134,405	176,040
	209,888	228,097

10 Taxation

	2023	2022
	£	£
Current tax		
UK corporation tax on profits for the current period	-	27,964

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

	2023	2022
	£	£
Loss before taxation	(2,694,826)	(3,912,299)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	(512,017)	(743,337)
Tax effect of expenses that are not deductible in determining taxable profit	2,179	126,309
Adjustments in respect of prior years	-	(27,854)
Other non-reversing timing differences	474,299	756,088
Other permanent differences	-	(8,041)
Fixed asset differences	35,539	(75,201)
Taxation charge for the year	-	27,964

11 Dividends

	2023	2022	2023	2022
	Per share	Per share	Total	Total
	£	£	£	£
Ordinary shares				
Interim paid	-	15,675.00	-	31,350

12 Intangible fixed assets

	Goodwill	Asset Management System	Other Development costs	Total
	£	£	£	£
Cost				
At 1 April 2022	95,000	833,633	25,000	953,633
Additions	-	549,579	-	549,579
At 31 March 2023	95,000	1,383,212	25,000	1,503,212
Amortisation and impairment				
At 1 April 2022	95,000	-	8,333	103,333
Amortisation charged for the year	-	277,878	8,333	286,211
At 31 March 2023	95,000	277,878	16,666	389,544
Carrying amount				
At 31 March 2023	-	1,105,334	8,334	1,113,668
At 31 March 2022	-	833,633	16,667	850,300

13 Tangible fixed assets

	Leasehold land and buildings	Plant and equipment	Fixtures and fittings	Computers	Total
	£	£	£	£	£
Cost					
At 1 April 2022	1,369,614	45,356	202,236	6,627,638	8,244,844
Additions	-	-	411	1,847,753	1,848,164
At 31 March 2023	1,369,614	45,356	202,647	8,475,391	10,093,008
Depreciation and impairment					
At 1 April 2022	896,136	44,118	162,890	4,264,299	5,367,443
Depreciation charged in the year	182,897	1,061	33,615	1,764,913	1,982,486
At 31 March 2023	1,079,033	45,179	196,505	6,029,212	7,349,929
Carrying amount					
At 31 March 2023	290,581	177	6,142	2,446,179	2,743,079
At 31 March 2022	473,478	1,238	39,346	2,363,339	2,877,401

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

	2023	2022
	£	£
Computers	2,344,859	2,159,142

14 Cash at bank

As part of the companys financing arrangement, £1,003,965 of cash is held in escrow by the lender and its use is therefore restricted.

15 Debtors

	2023	2022
Amounts falling due within one year:	**£**	**£**
Trade debtors	983,133	53,627
Amounts owed by group undertakings	130,149	-
Other debtors	1,226,081	267,479
Prepayments and accrued income	1,084,641	1,090,839
	3,424,004	1,411,945

16 Creditors: amounts falling due within one year

	Notes	2023 £	2022 £
Bank loans	18	502,667	1,108,000
Obligations under finance leases	19	1,474,159	1,043,575
Trade creditors		377,700	813,113
Amounts owed to group undertakings		4,425,639	4,425,639
Corporation tax		46,845	18,830
Other taxation and social security		1,492,354	886,939
Other creditors		38,667	43,519
Accruals and deferred income		6,915,398	1,620,904
		15,273,429	9,960,519

17 Creditors: amounts falling due after more than one year

	Notes	2023 £	2022 £
Bank loans and overdrafts	18	952,667	800,000
Obligations under finance leases	19	1,270,594	1,383,955
		2,223,261	2,183,955

18 Loans and overdrafts

	2023 £	2022 £
Bank loans	1,455,334	1,908,000
Payable within one year	502,667	1,108,000
Payable after one year	952,667	800,000

18 Loans and overdrafts (Continued)

The company's bank loans are secured by floating charges covering all the property and undertakings of the company including a £1,003,965 cash deposit held in escrow. Access to these funds is therefore restricted.

19 Finance lease obligations

Future minimum lease payments due under finance leases:	2023 £	2022 £
Within one year	1,474,159	1,043,575
In two to five years	1,270,594	1,383,955
	2,744,753	2,427,530

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.

20 Deferred taxation

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

Balances:	Liabilities 2023 £	Liabilities 2022 £
Accelerated capital allowances	24,500	24,500

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. A deferred tax asset has not been recognised in respect of losses on the basis that there is lack of certainty over future trading profits to use these against.

21 Retirement benefit schemes

Defined contribution schemes	2023 £	2022 £
Charge to profit or loss in respect of defined contribution schemes	136,679	69,400

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.

22 Share capital

	2023	2022	2023	2022
Ordinary share capital	**Number**	**Number**	**£**	**£**
Issued and fully paid				
Ordinary shares of 2p each	100	100	2	2

23 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:

	2023 £	2022 £
Within one year	558,740	558,740
Between two and five years	1,840,793	1,950,793
In over five years	4,038,660	4,487,400
	6,438,193	6,996,933

The above commitments relate primarily to the leases in place for the companys office space.

24 Events after the reporting date

After the reporting period the Board approved the proposal to proceed with the acquisition of Minimo, a VFX company based in Spain. As at the date of the approval of these financial statements, the contract has been approved but not yet signed. Initial consideration of €425,000 will be paid on acquisition, with additional contingent consideration payable of €635,000 based certain conditions being met in regard to KPI's of the company as well as KPI's of the broader Jellyfish Group.

25 Related party transactions

During the year there were payments to a related party, UK Screen Association Limited, a company in which one of the Jellyfish Pictures Ltd director's is a director, which amounted to £3,000 (2022: £2,000).

During the year, the company recharged expenses of £130,149 (2022: £899,028) to Jellyfish Originals Limited, a fellow group company. At the year end this amount remained due (2022: nil).

26 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.