

Registered number: 05653082

MGA ENTERTAINMENT (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020



MGA ENTERTAINMENT (UK) LIMITED

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MGA ENTERTAINMENT (UK) LIMITED

COMPANY INFORMATION

Directors	I Larian I P Smith (appointed 1 February 2021) E K Risha (appointed 1 February 2021)
Registered number	05653082
Registered office	Regent Business Park 50 Presley Way Crownhill Milton Keynes Buckinghamshire MK8 0ES
Independent auditor	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors Peterbridge House The Lakes Northampton NN4 7HB
Bankers	National Westminster Bank Plc 16 High Street Kettering NN16 8SZ

MGA ENTERTAINMENT (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

The directors present their report and the financial statements for the year ended 31 December 2020.

Principal activity

The principal activity of the Company during the year was the trading of toys.

Business review

The UK toy market reported a increase of 5.1% according to relevant retail figures from NPD. The main sector in which the Company operates is in the Toy Dolls Category, this category was down 0.8% and the Outdoor and Sports Category was up 15%. Overall the Company saw an decrease in turnover of 32%, this was a reflection of the UK toy market as noted above. With the decrease in turnover, operating profits before tax decreased from £4,308,453 to £3,281,428.

The results for the current year have improved the Company's financial position from net liabilities of £1,387,256 to net assets of £1,267,877.

Looking forward to 2021 we are looking to consolidate across our core brands as well as planning the release of some new brands.

Principal risks and uncertainties

The principal financial risks faced by the Company, and the Company's policies in relation to those risks are as follows:

Foreign currency risks

In order to minimise foreign currency risks the Company invoices and purchases all stock in Sterling.

Credit risks

In order to minimise the risk of third parties default the Company obtains detailed financial information and credit rating from a reputable agency in order to set a maximum credit limit. This information is continually reviewed.

General business opportunities and risks

The economic development in the UK is dependent upon the further development of the Corona pandemic in 2021. New mutations of the virus make the forecast of the further course of the crisis difficult. Additionally, there are significant risks with respect to the effects of the Corona pandemic on the world economy and the resulting economic consequences. The real economy is under strong pressure, with increasingly noticeable effects on prosperity and jobs. The crisis relates to all areas, especially also commercial and industrial operations. Factory closings, difficulties and cost increases for transport and the maintenance of supply chains are examples. The psychological factor is coming more and more into focus; statements regarding the future consumer sentiment of end users currently continue to be subject to great uncertainty. For the Company, the economic consequences of the Corona crisis could have effects on the net assets and results of operations. Negative effects on the generated sales have direct consequences for the results achieved by the Company for the period. A conclusive quantification of the risks resulting from the worldwide Corona crisis is not possible at this time, since this crisis is an unknown event in this form and manifestation, and comparisons are not possible.

MGA ENTERTAINMENT (UK) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

There continue to be risks for the UK sales market from Brexit. These risks pertain primarily to the economic development in the United Kingdom, here also to the purchasing power of the end users, as well as the exchange rate development of the British pound to the USD and to the euro. Negative economic consequences from Brexit would affect the result and the liquidity of MGA Entertainment (U.K.) Ltd. A quantification of the risks is not possible at the current time, since the exit of Great Britain from the European Union is a singular event, and no comparison can be made. The long-term effects of this event will be revealed in the next years. For the year 2021, a significant recovery is expected for the British economy. The current conditions, however, suggest that the British economy will noticeably cool down in the following years, especially as a result of Brexit. Business conditions for the year ahead are currently very difficult to predict given the huge uncertainty generated by the pandemic and Brexit. However, the Company remains optimistic about the medium to longer term prospects..

Other key risks faced by the Company relate to maintaining market share and managing supply timelines to customer demands.

Financial key performance indicators

The Company monitors the following KPI's:

	2020	2019
Gross margin	39%	32%
EBIT	£3.27m	£4.31m
Debtor days	166	115

The majority of material purchases are sourced from the Far East in US Dollar. The volatility of US Dollar versus British Pound has resulted in an increase in the gross margin.

EBIT has decreased due to a fall in demand.

Other key performance indicators

The Company monitors the following KPI:

Employee numbers 2020 - 53 (2019 - 49)

MGA ENTERTAINMENT (UK) LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Directors' statement of compliance with duty to promote the success of the Group

The likely consequences of any decision in the long term

The Director understands the toy business and also the evolving market in which it operates. MGA Entertainment (UK) Limited is totally focussed on meeting the needs of the UK Market. To this end, MGA Entertainment (UK) Limited continually invests in development to identify future bestselling toys.

The impact of the Company's operations on the community and the environment

MGA Entertainment (UK) Limited considers carefully the impact of the Company's operations on the community and the environment. We work closely with our customers and supply chain to enable us to use the most environmentally friendly products. We have also entered into a partnership with Terracycle that allows the end user to recycle any product waste.

The desirability of the Company maintaining a reputation for high standards of business conduct

MGA Entertainment (UK) Limited aims to meet the highest standards for its reputation and business conduct. Within the market we work, our reputation is key and all standards have to be maintained throughout the business to achieve this.

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



I P Smith
Director

Date: 20 September 2021

MGA ENTERTAINMENT (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and the financial statements for the year ended 31 December 2020.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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 for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £2,655,133 (2019 - £3,620,055).

The Directors have not recommended a dividend (2019 - £nil).

Director

The Director who served during the year was:

I Larian

Future developments

The Directors are confident of the continued improvement in the Company's position due to strong projected growth in turnover.

MGA ENTERTAINMENT (UK) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Engagement with employees

The Directors recognise that MGA Entertainment (UK) Limited employees are fundamental and core to the business and the delivery of the Company's goals and ambitions. The success of the business depends upon our ability to attract, retain and motivate employees. We need to ensure that we remain a responsible employer, from employee remuneration pay as well as benefits to the employees health, safety and workplace environment.

Engagement with suppliers, customers and others

Delivering our strategy requires strong mutually beneficial relationships with our customers and suppliers. These relationships have built up over many years through close collaboration designed to engage with these stakeholders.

Greenhouse gas emissions, energy consumption and energy efficiency action

The Company has not disclosed information in respect of greenhouse gas emissions, energy consumption and energy efficiency action as its energy consumption in the United Kingdom for the year is 40,000kWh or lower.

Disclosure of information to auditor

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

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

Post balance sheet events

Other than the ongoing effect of the COVID-19 pandemic which has been addressed in accounting policy 2.2, there have been no significant events affecting the Company since the year end.

Auditor

The auditor, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



I P Smith
Director

Date: 20 September 2021

MGA ENTERTAINMENT (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MGA ENTERTAINMENT (UK) LIMITED

Opinion

We have audited the financial statements of MGA Entertainment (UK) Limited (the 'Company') for the year ended 31 December 2020, which comprise the Statement of Income and Retained Earnings, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit 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 United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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.

MGA ENTERTAINMENT (UK) LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MGA ENTERTAINMENT (UK) LIMITED
(CONTINUED)**

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

MGA ENTERTAINMENT (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MGA ENTERTAINMENT (UK) LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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.

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

- enquiry of management around actual and potential litigation and claims
- performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and review of accounting estimates for bias
- reviewing financial statement disclosures and testing supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. The risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

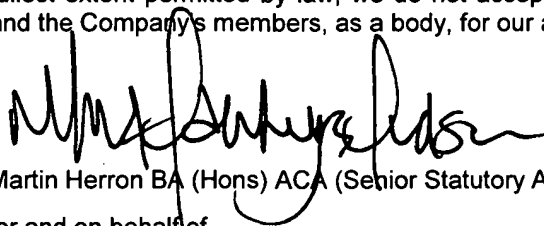
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

MGA ENTERTAINMENT (UK) LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MGA ENTERTAINMENT (UK) LIMITED
(CONTINUED)**

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.



Martin Herron BA (Hons) ACA (Senior Statutory Auditor)

for and on behalf of
MHA MacIntyre Hudson

Chartered Accountants
Statutory Auditors

Northampton

Date: 28 September 2021

MGA ENTERTAINMENT (UK) LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Turnover	4	85,163,321	125,222,145
Cost of sales		(52,279,044)	(84,635,859)
Gross profit		32,884,277	40,586,286
Distribution costs		(6,669,018)	(8,063,822)
Administrative expenses		(22,947,019)	(28,214,011)
Operating profit	5	3,268,240	4,308,453
Interest receivable and similar income	8	13,481	31,443
Interest payable and expenses	9	(293)	(2,058)
Profit before tax		3,281,428	4,337,838
Tax on profit	10	(626,295)	(717,783)
Profit after tax		2,655,133	3,620,055
Retained earnings at the beginning of the year		(1,397,256)	(5,017,311)
Profit for the year		2,655,133	3,620,055
Retained earnings at the end of the year		1,257,877	(1,397,256)

The notes on pages 15 to 26 form part of these financial statements.

MGA ENTERTAINMENT (UK) LIMITED
REGISTERED NUMBER: 05653082

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	11	47,891	38,070
		<u>47,891</u>	<u>38,070</u>
Current assets			
Debtors: amounts falling due within one year	12	39,366,219	40,219,548
Cash at bank and in hand	13	16,238,334	9,589,516
		<u>55,604,553</u>	<u>49,809,064</u>
Creditors: amounts falling due within one year	14	(54,384,567)	(51,234,390)
Net current assets/(liabilities)		<u>1,219,986</u>	<u>(1,425,326)</u>
Net assets/(liabilities)		<u><u>1,267,877</u></u>	<u><u>(1,387,256)</u></u>
Capital and reserves			
Called up share capital	16	10,000	10,000
Profit and loss account	17	1,257,877	(1,397,256)
		<u>1,267,877</u>	<u>(1,387,256)</u>

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



I P Smith
Director

Date: 20 September 2021

The notes on pages 15 to 26 form part of these financial statements.

MGA ENTERTAINMENT (UK) LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	2,655,133	3,620,055
Adjustments for:		
Depreciation of tangible assets	177,214	131,878
Interest paid	293	2,058
Interest received	(13,481)	(31,443)
Taxation charge	626,295	717,783
Decrease in debtors	1,067,502	4,428,386
(Decrease) in creditors	(211,238)	(4,826,637)
Increase/(decrease) in amounts owed to groups	2,526,921	(14,355,975)
Corporation tax (paid)	(5,974)	(2,704)
Net cash generated from operating activities	6,822,665	(10,316,599)
Cash flows from investing activities		
Purchase of tangible fixed assets	(187,035)	(50,360)
Interest received	13,481	31,443
Net cash from investing activities	(173,554)	(18,917)
Cash flows from financing activities		
Interest paid	(293)	(2,058)
Net cash used in financing activities	(293)	(2,058)
Net increase/(decrease) in cash and cash equivalents	6,648,818	(10,337,574)
Cash and cash equivalents at beginning of year	9,589,516	19,927,090
Cash and cash equivalents at the end of year	16,238,334	9,589,516
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	16,238,334	9,589,516
	16,238,334	9,589,516

MGA ENTERTAINMENT (UK) LIMITED

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	At 1 January 2020 £	Cash flows £	At 31 December 2020 £
Cash at bank and in hand	9,589,516	6,648,818	16,238,334

MGA ENTERTAINMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

MGA Entertainment (UK) Limited is a private Company limited by shares, incorporated in England and Wales, registered number 05653082. The registered office and principal place of business is at Regent Business Park, 50 Presley Way, Crownhill, Milton Keynes, Buckinghamshire, MK8 0ES.

The principal activity of the Company during the year was the trading of toys.

The presentational currency of these financial statements is Pound Sterling. All amounts in the financial statements have been rounded to the nearest whole number.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on a going concern basis. The Director has considered relevant information, including the annual budget, forecast future cash flows and the impact of subsequent events in making their assessment. The COVID-19 pandemic and the ensuing economic shutdown has had a significant impact on the Company's operations. In response to the COVID-19 pandemic, the Directors have performed a robust analysis of forecast future cash flows taking into account the potential impact on the business of possible future scenarios arising from the impact of COVID-19. This analysis also considers the effectiveness of available measures to assist in mitigating the impact.

Based on these assessments and having regard to the resources available to the entity, the Directors have concluded that there is no material uncertainty and that they can continue to adopt the going concern basis in preparing the annual report and accounts.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

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

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Operating leases: the Company as lessee

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.6 Interest income

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

2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold property	- Over the life of the lease
Fixtures and fittings	- 5 years
Equipment	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Cash and cash equivalents

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

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.14 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.15 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Income and Retained Earnings.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an 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.

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

In the application of the Company's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty that have a significant effect on the amount recognised in the financial statements are the bad debt provision and deferred tax.

The bad debt provision is based on historical trading and expected realisation of debts. The value of the bad debt provision at year end is £36,427 (2019 - £87,239).

MGA ENTERTAINMENT (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

4. Turnover

The whole of the turnover is attributable to the principal business activity.

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	55,182,763	82,540,284
Rest of Europe	29,977,332	42,674,840
Rest of the world	3,226	7,021
	<u>85,163,321</u>	<u>125,222,145</u>

5. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Depreciation	177,214	131,878
Foreign currency exchange differences	(240,827)	318,311
Other operating lease rentals	138,199	150,740
	<u>174,586</u>	<u>600,929</u>

6. Auditor's remuneration

	2020 £	2019 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>21,500</u>	<u>20,600</u>

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

Taxation compliance services	2,700	2,575
Other services relating to taxation	1,015	2,225
All other services	1,990	4,525
	<u>5,705</u>	<u>9,325</u>

MGA ENTERTAINMENT (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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7. Employees

Staff costs were as follows:

	2020 £	2019 £
Wages and salaries	2,432,009	1,919,867
Social security costs	289,524	222,062
Cost of defined contribution pension scheme	195,864	193,725
	<u>2,917,397</u>	<u>2,335,654</u>

The Director received no remuneration and there are no Key Management Personnel other than the director.

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

	2020 No.	2019 No.
Sales staff	21	20
Administrative staff	31	28
Management staff	1	1
	<u>53</u>	<u>49</u>

8. Interest receivable

	2020 £	2019 £
Bank interest receivable	<u>13,481</u>	<u>31,443</u>

9. Interest payable and similar expenses

	2020 £	2019 £
Interest payable to parent company	<u>293</u>	<u>2,058</u>

MGA ENTERTAINMENT (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

10. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	417,209	5,974
Adjustments in respect of previous periods	-	5
Total current tax	<u>417,209</u>	<u>5,979</u>
Deferred tax		
Origination and reversal of timing differences	<u>209,086</u>	<u>711,804</u>
Taxation on profit on ordinary activities	<u>626,295</u>	<u>717,783</u>

Factors affecting tax charge for the year

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

	2020 £	2019 £
Profit on ordinary activities before tax	<u>3,281,428</u>	<u>4,337,838</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	623,471	824,189
Effects of:		
Expenses not deductible for tax purposes	2,333	4,692
Short term timing difference leading to an increase / (decrease) in taxation	491	(111,098)
Total tax charge for the year	<u>626,295</u>	<u>717,783</u>

MGA ENTERTAINMENT (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

10. Taxation (continued)**Factors that may affect future tax charges**

On 1 April 2023 the main rate of taxation will increase to 25%.

11. Tangible fixed assets

	Leasehold property £	Fixtures and fittings £	Equipment £	Total £
Cost				
At 1 January 2020	603,533	10,862	191,223	805,618
Additions	149,321	-	37,714	187,035
At 31 December 2020	<u>752,854</u>	<u>10,862</u>	<u>228,937</u>	<u>992,653</u>
Depreciation				
At 1 January 2020	601,095	10,862	155,591	767,548
Charge for the year on owned assets	151,759	-	25,455	177,214
At 31 December 2020	<u>752,854</u>	<u>10,862</u>	<u>181,046</u>	<u>944,762</u>
Net book value				
At 31 December 2020	<u>-</u>	<u>-</u>	<u>47,891</u>	<u>47,891</u>
At 31 December 2019	<u>2,438</u>	<u>-</u>	<u>35,632</u>	<u>38,070</u>

MGA ENTERTAINMENT (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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12. Debtors

	2020 £	2019 £
Trade debtors	38,664,446	39,557,271
Amounts owed by group undertakings	445,415	22,156
Other debtors	62,520	60,495
Prepayments and accrued income	164,622	341,324
Deferred taxation (note 15)	29,216	238,302
	<u>39,366,219</u>	<u>40,219,548</u>

13. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	<u>16,238,334</u>	<u>9,589,516</u>

14. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	2,761,353	1,678,220
Amounts owed to group undertakings	41,213,663	38,263,483
Corporation tax	417,209	5,974
Other taxation and social security	1,900,546	2,724,507
Accruals and deferred income	8,091,796	8,562,206
	<u>54,384,567</u>	<u>51,234,390</u>

MGA ENTERTAINMENT (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

15. Deferred taxation

	2020 £	2019 £
At beginning of year	238,302	950,106
Charged to profit or loss	(209,086)	(711,804)
At end of year	29,216	238,302

The deferred tax asset is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	29,216	39,053
Tax losses carried forward	-	199,249
	29,216	238,302

Deferred tax has been calculated at the applicable tax rate of 19% (2019 - 17%). On 1 April 2023 the main rate of taxation will increase to 25%.

16. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
10,000 (2019 - 10,000) Ordinary shares of £1.00 each	10,000	10,000

17. Reserves**Profit and loss account**

Includes all current and prior period retained profits and losses, less any dividends paid.

18. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £195,864 (2019 - £193,725). There were no contributions (2019 - £Nil) payable to the fund at the balance sheet date.

MGA ENTERTAINMENT (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

19. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	100,000	100,000
Later than 1 year and not later than 5 years	200,000	300,000
	<u>300,000</u>	<u>400,000</u>
	2020 £	2019 £
Not later than 1 year	10,900	10,900
Later than 1 year and not later than 5 years	2,725	13,625
	<u>13,625</u>	<u>24,525</u>

20. Related party transactions

During the year the Company made sales and recharges of £688,220 (2019 - £394,023) to companies under common control.

During the year the Company incurred recharged costs of £358,797 (2019 - £299,368) from companies under common control.

At the year end date, £244,218 (2019 - £28,773) was outstanding from companies under common control.

21. Controlling party

The Company's ultimate parent Company is MGA Entertainment Inc., a Company incorporated in the United States of America.

The parent undertaking of both the smallest and largest group which prepares consolidated accounts which include the results of the Company is MGA Entertainment Inc., registered office address 16380 Roscoe Blvd, Suite 110, Van Nuys, California 91406, USA.

MGA Entertainment Inc. is controlled by I Larian, director and majority shareholder.