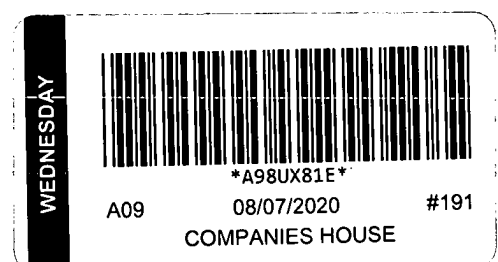


## **Blue Skye Entertainment Limited**

Directors' report and financial statements

For the year ended 31 August 2019

Registration number 09641652



## Contents

Company Information	2
Directors' report	3
Independent auditors' report	5
Statement of loss	8
Statement of comprehensive loss	9
Statement of financial position	10
Statement of cash flows	11
Statement of changes in equity	12
Notes to the financial statements	13

## **Company Information**

### **Directors**

C McKee

G Jeffrey (appointed 18 October 2019)

### **Independent auditors**

PricewaterhouseCoopers LLP

1 Kingsway, Cardiff

United Kingdom

CF10 3PW

### **Registered office**

McCarthy Tetrault

1 Angel Court, 18th Floor, London

England

EC2R 7HJ

### **Registration number**

09641652

## Directors' report

The directors present their report and audited financial statements of the Company for the year ended 31 August 2019.

### Principal activities and review of the business

The Company's principal activity is the distribution of natural history video content across a range of traditional and digital media platforms. The directors do not expect the nature of these activities to change significantly in the next year.

### Directors

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

C McKee (appointed 1 October 2018)  
G Jeffrey (appointed 18 October 2019)  
J Lee (resigned 18 October 2019)  
T Hayden (resigned 31 May 2020)

The Company maintains liability insurance for its directors and officers.

### Strategic report and future developments

The directors have taken advantage of the exemption provided by Section s414 (b) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 from preparing a Strategic Report. Similarly the directors have taken advantage of exemptions provided by the Companies Act 2006 with regard to the requirement to include commentary on future developments.

### COVID-19 Pandemic

In March 2020 the World Health Organization declared the outbreak of the COVID-19 coronavirus a global pandemic. As a result of this, and continued developments across the world, governments worldwide are taking extensive measures to curb the threat of the disease and minimise the economic impact to companies and the general population alike. Adverse economic conditions due to the COVID-19 outbreak, including business suspensions, enhanced social distancing rules, and mandatory reductions in non-essential travel, are having a negative impact on the media and entertainment industry, especially content development and production. Given that the Company's primary business is the distribution of content, management does not expect the pandemic to have a material impact on the business in the near term, as buyers continue to be eager to acquire content from distributors. In the longer term there is a risk that there will be a reduced availability of content to acquire for distribution, which may adversely affect the business.

To mitigate these risks, management has implemented expense management measures, including but not limited to the monitoring of spending on program additions and other discretionary items. In addition, management continues to keep apprised developments and will continuously evaluate the impact of the pandemic on its business, including the impact on the Company's key financial indicators, the valuation of its intangible assets, the exploitability of its existing and planned catalogue, as well as its eligibility to receive benefits made available through announced government relief programs.

Overall, based on the nature of the industry, results to date, and close monitoring of its internal and external environment, management believes that the pandemic will not compromise the Company's ability to operate as a going concern.

### Key financial and other performance indicators (KPIs)

The Company's key financial and non-financial performance indicators are assessed by management and the Board during the year-end at a consolidated level in the Parent Company statements. Disclosure of the KPIs at a subsidiary level is not considered necessary.

## Directors' report (continued)

### Research and development

In the current year, the Company did not invest in research and development activities.

### Statement of directors' responsibilities

The directors are responsible for preparing the Director's report and financial statements ("Annual Report") in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

The directors 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.

### Disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware. The directors have taken all steps that he/she ought to have taken as a director in order to make him or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

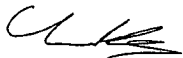
### Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the next annual general meeting.

### Small companies exemption

This report has been prepared in accordance with the special provisions relating to small companies with Part 15 of the Companies Act 2006.

### On behalf of the board



C McKee  
Director  
29 June 2020

# ***Independent auditors' report to the members of Blue Sky Entertainment Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Blue Sky Entertainment Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 August 2019; the Statement of loss, the Statement of comprehensive loss, the Statement of cash flows and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Directors' report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 August 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' report.

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### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

#### *Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:


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

We have no exceptions to report arising from this responsibility.

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### **Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Mark Ellis (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cardiff  
30 June 2020



# Blue Skye Entertainment Limited

## Statement of loss for the year ended 31 August 2019

	2019	2018
	US\$	US\$
<b>Revenue (Note 5)</b>	4,290,074	5,956,591
Cost of sales	(5,265,462)	(5,352,255)
<b>Gross profit/(loss)</b>	<b>(975,388)</b>	<b>604,336</b>
Administrative expenses	(1,605,438)	(2,632,451)
Other expenses	-	(71,265)
Impairment of content rights	(12,865,367)	-
<b>Operating loss (Note 6)</b>	<b>(15,446,193)</b>	<b>(2,099,380)</b>
Finance income (Note 7)	309	355
Finance costs (Note 7)	(603,958)	(549,185)
Finance costs - net	<b>(603,649)</b>	<b>(548,830)</b>
<b>Loss before income tax</b>	<b>(16,049,842)</b>	<b>(2,648,210)</b>
Income tax (Note 9)	(34,183)	(31,587)
<b>Loss for the financial year</b>	<b>(16,084,025)</b>	<b>(2,679,797)</b>

The above results are derived from continuing operations.

The notes on pages 13-25 are an integral part of these financial statements.

## Blue Skye Entertainment Limited

### Statement of comprehensive loss for the year ended 31 August 2019

	2019	2018
	US\$	US\$
Loss for the financial year	(16,084,025)	(2,679,797)
<b>Comprehensive loss for the financial year</b>	<b>(16,084,025)</b>	<b>(2,679,797)</b>

The notes on pages 13-25 are an integral part of these financial statements.

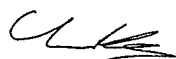
# Blue Skye Entertainment Limited

## Statement of financial position as at 31 August 2019

	2019	2018
	US\$	US\$
<b>Non-current assets</b>		
Intangible assets (Note 10)	4,761,705	18,664,767
Property and equipment (Note 11)	2,471	3,686
Other receivables (Note 12)	7,841,200	9,173,266
	<b>12,605,376</b>	<b>27,841,719</b>
<b>Current Assets</b>		
Trade and other receivables (Note 12)	3,615,988	2,576,286
Cash and cash equivalents	183,334	715,787
	<b>3,799,322</b>	<b>3,292,073</b>
<b>Total assets</b>	<b>16,404,698</b>	<b>31,133,792</b>
<b>Non-current liabilities</b>		
Borrowings (Note 14)	5,072,927	5,149,305
<b>Current liabilities</b>		
Creditors: amounts falling due within one year (Note 13)	4,727,730	3,861,379
Borrowings (Note 13)	4,749,635	4,184,677
<b>Total liabilities</b>	<b>14,550,292</b>	<b>13,195,361</b>
<b>Net assets</b>	<b>1,854,406</b>	<b>17,938,431</b>
<b>Shareholder's equity</b>		
Ordinary share capital (Note 16)	29,200,000	29,200,000
Retained loss	(27,345,594)	(11,261,569)
<b>Total shareholder's equity</b>	<b>1,854,406</b>	<b>17,938,431</b>

The notes on pages 13-25 are an integral part of these financial statements.

The financial statements of Blue Skye Entertainment Limited (registration number: 09641652) were approved by the board of directors and authorised for issue on 29 June 2020. They were signed on its behalf by:



Chiara McKee  
 Director

# Blue Skye Entertainment Limited

## Statement of cash flows for the year ended 31 August 2019

	2019	2018
	US\$	US\$
<b>OPERATING ACTIVITIES</b>		
Loss for the financial year	(16,084,025)	(2,679,797)
Income taxes	34,183	31,587
<b>Loss before income taxes</b>	<b>(16,049,842)</b>	<b>(2,648,210)</b>
Cash taxes paid	(34,183)	(31,587)
Additions to intangible assets	(1,601,505)	(6,230,229)
Items not affecting cash:		
Impairment of content rights	12,865,367	-
Amortisation of intangibles	2,639,200	4,659,369
Depreciation of property and equipment	1,215	1,214
Amortisation of deferred financing costs	39,172	35,491
Changes in non-cash working capital items:		
Other current assets	(3,548)	15,079
Distribution and advance due from a related party	295,912	1,227,990
Accounts payable and accrued liabilities	866,351	281,537
<b>Net cash outflow from operating activities</b>	<b>(981,861)</b>	<b>(2,689,346)</b>
<b>FINANCING ACTIVITIES</b>		
Issue of share capital for cash consideration	-	2,200,000
Net proceeds from borrowing	449,408	503,506
<b>Net cash inflow from financing activities</b>	<b>449,408</b>	<b>2,703,506</b>
<b>Increase/(decrease) in cash for the year</b>	<b>(532,453)</b>	<b>14,160</b>
Cash and cash equivalents at beginning of period	715,787	701,627
<b>Cash and cash equivalents at end of period</b>	<b>183,334</b>	<b>715,787</b>

The notes on pages 13-25 form an integral part of these financial statements.

## Blue Skye Entertainment Limited

### Statement of changes in equity for the year ended on 31 August 2019

	Share capital	Retained loss	Total shareholder's equity
	US\$	US\$	US\$
Opening	27,000,000	(8,581,772)	18,418,229
Issuance of ordinary shares (Note 16)	2,200,000	-	2,200,000
Net loss for the financial year	-	(2,679,797)	(2,679,797)
<b>Total as at 31 August 2018</b>	<b>29,200,000</b>	<b>(11,261,569)</b>	<b>17,938,431</b>
Net loss for the financial year	-	(16,084,025)	(16,084,025)
<b>Total as at 31 August 2019</b>	<b>29,200,000</b>	<b>(27,345,594)</b>	<b>1,854,406</b>

The notes on pages 13-25 form an integral part of these financial statements.

## 1. General information

Blue Skye Entertainment Limited ("the Company"), incorporated 16 June 2015, is domiciled in the UK and provides distribution of video content across a range of traditional and digital media platforms. The address of its registered office is 1 Angel Court, 18th Floor, London, England EC2R 7HJ.

The Company's ultimate and immediate parent company is Blue Ant Media Inc., a Canadian company. Blue Ant Media Inc. owns 80% of the ordinary shares. Blue Ant Media Inc. is located at 130 Merton Street, Toronto, Canada, M4S 1A4. SNI/SI Networks L.L.C. owns 20% of the ordinary shares. These financial statements represent the years ended 31 August 2019 and 31 August 2018.

The principal accounting policies applied in the preparation of these financial statements are set out in Note 2. The functional and presentation currency of the Company is the United States of America dollar (US\$).

## 2. Accounting policies

The principal accounting policies applied in the preparation of these separate financial statements have been applied consistently in both years presented and are set out below.

### Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee interpretations as adopted by the European Union, and the Companies Act 2006 applicable to entities reporting under IFRS. These financial statements were authorised for issuance by the Board of Directors of the Company on 29 June 2020.

### Basis of preparation

These financial statements have been prepared using the historical cost convention and have been prepared on a going concern basis. See below for additional disclosure with respect to the going concern assumption:

### Going concern

Management has evaluated the impact of the ongoing COVID-19 pandemic on its ability to operate on a going concern basis looking forward. In doing so, management has considered the nature of the Company's business, the present financial health of the company, and internally prepared projections. Being in the distribution business, and not in the business of creating content, the Company's exposure to the negative impacts of the pandemic on the media and entertainment industry are minimal.

Overall, based on the nature of the industry, results to date, and close monitoring of its internal and external environment, management believes that the pandemic will not compromise the Company's ability to operate as a going concern.

### Cash and cash equivalents

The Company's cash is invested with major financial institutions in business accounts that are available on demand by the Company for its programs.

### Property and equipment

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

## 2. Accounting policies (continued)

The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is recognised through administrative expenses under the statement of profit or loss based on the cost of an item of property and equipment, less its estimated residual value, over its estimated useful life at the following rates:

Computer hardware - 5 years straight line

An asset's residual value, useful life and amortisation method are reviewed, and adjusted if appropriate, on an annual basis.

### Acquired program rights – intangible assets

Acquired program rights represent licence rights acquired for a finite time period to make programs available on the Company's platforms.

The Company records an acquired program asset and a corresponding liability when the licence period has commenced and all of the following conditions have been met: (i) the cost of the program is known or reasonably determinable, (ii) the program material has been accepted by the Company in accordance with the licence agreement and (iii) the material is available to the Company for telecast or distribution. The acquired program right is measured initially at cost and any advance payments prior to the program being available and licensed to air are recorded as deposits within program rights.

Acquired program rights have a contractual licence period or finite life and accordingly the intangible asset must be amortised on a systematic basis over its useful life that shall not exceed the period of its contractual or legal right.

The rights are amortised using a declining balance method at rates ranging from 40-50% in the period of episodic delivery and at rates ranging from 10-25% annually thereafter. Amortization is included in administrative expenses within the statement of profit.

### Change in useful life and content abandonment

The content library is periodically reviewed and assessed by management to ensure each asset has a continuing value to the Company. Programs that are considered to be no longer suitable for distribution or broadcast are considered 'abandoned' with the related carrying value fully written off in the period.

### Impairment of tangible and intangible assets

At the end of each reporting period, 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. 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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.

## 2. Accounting policies (continued)

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised immediately through the profit or loss account, and presented separately on the statement of profit.

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 net amortised carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior periods. 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.

### Financial Instruments

The Company has applied IFRS 9, Financial Instruments during the year, under which financial instruments are measured and classified based on the business model in which they are held and the characteristics of the underlying cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at fair value through profit and loss ("FVPL"), amortised cost, and fair value through other comprehensive income ("FVOCI").

The classification of financial instruments held by the Company under IAS 39 and IFRS 9 is summarised below:

The Company has determined the following classification of its assets and liabilities at initial recognition:

<u>Asset/liability</u>	<u>Classification, IAS 39</u>	<u>Classification and Measurement, IFRS 9</u>
Cash and cash equivalents	FVPL	FVPL
Trade and other receivables	Loans and receivables	Amortised cost
Creditors: amounts falling due within one year	Other financial liabilities	Amortised cost
Borrowings	Other financial liabilities	Amortised cost

All financial assets are recognised and derecognised on trade date which is the date that the Company commits to purchase or sell the asset. The Company has not classified any financial instruments as FVOCI.

#### *Financial assets and liabilities at fair value through profit or loss ("FVPL")*

Financial assets at FVPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and would be offset against 'finance expenses' in the consolidated statement of operations and comprehensive loss.

Financial liabilities at FVPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'finance expenses' line item in the consolidated statement of operations and comprehensive loss.

#### *Financial assets and liabilities held at amortised cost*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are held at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.



## 2. Accounting policies (continued)

Other financial liabilities are recognised initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities are de-recognised when the obligations are discharged, cancelled or expired.

### Provisions

Provisions are recognised when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### Revenue

Under IRFS 15, revenue is recognised at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:

1. Identify the contract with the customer;
2. Identify the performance obligation in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognise revenue when (or as) the entity satisfies the performance obligation.

The Company applies the following specific revenue recognition policies:

*Subscriber revenue* is recognised monthly based on the distribution units, as delivery is complete and payments are contractually enforceable.

*Distribution revenue* represents income on licencing fees for the right to exhibit television programs in specified geographic markets and within specified time periods. Revenue recognition occurs on issuance of the licence, when the customer has access to and can benefit from the content, delivery has been met, and collection is reasonably assured.

*Advertising revenue*, net of agency commissions if applicable, is recognised upon fulfilment of contractual campaigns based on the number of advertising units utilised.

### Finance income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company, and the amount of income can be measured reliably. Interest income is accrued on a periodic basis, determined by the principal amount outstanding and the effective interest rate applicable, used to discount estimated future cash receipts, over the expected life of the financial asset, to that asset's net carrying amount on initial recognition.

### Foreign currencies

Transactions denominated in foreign currencies are translated using the rate of exchange in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into US\$ at the rates of exchange ruling at the statement of financial position date. Any exchange gains and losses arising are taken to the statement of comprehensive loss.

### 3. Accounting standards

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers became mandatorily effective on 1 January 2018. The Company has applied both for the first time in this accounting period which has resulted in changes to the accounting policies. The nature and effect of these changes are described below.

#### IFRS 9, Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets; and hedge accounting.

The Company has applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime loss allowance for all trade receivables, the impact of this is not material and no adjustments have been required.

#### IFRS 15, Revenue from Contracts with Customers

IFRS 15 Revenue from contracts with customers ("IFRS 15") is effective for annual periods beginning on or after January 1, 2018. IFRS 15 replaces IAS 18 Revenue and IAS 11, Construction Contracts, and some revenue related interpretations.

The Company adopted the standard using the modified retrospective method on the date of transition which was September 1, 2018. The Company also elected to apply the practical expedient which permits the Company to apply IFRS 15 retrospectively only to contracts that are not completed contracts at the date of the initial application.

The Company has identified all significant revenues, analysed the specific contract with customers underlying those revenues. There was no impact on the September 1, 2018 opening balance sheet as a result of the adoption of this standard.

#### Accounting standards issued but not yet effective

##### *IFRS 16, Leases*

In January 2016, the IASB issued IFRS 16 Leases ("IFRS 16") effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have also adopted IFRS 15. IFRS 16 provides a comprehensive model for the measurement, presentation and disclosure of leases and supersedes IAS 17 Leases. The adoption of IFRS 16 will result in substantially all lessee leases being recorded on the balance sheet as an asset with a corresponding liability with both current and long-term portions. The Company is currently reviewing the impact of IFRS 16 on its carve-out financial statements.

##### *IFRIC 23, Uncertainty over Income Tax Treatments*

The IASB issued IFRIC 23 Uncertainty Over Income Tax ("IFRIC 23") in June 2017 to clarify how the recognition and measurement requirements of IAS 12, Income Taxes should be applied where there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on or after 1 January 2019, with modified retrospective or retrospective application. The Company is currently evaluating the impact of IFRIC 23 on its financial statements.

#### 4. Critical accounting estimates and judgements

In the application of the Company's accounting policies, management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future estimates.

##### *Impairment of tangible and intangible assets*

Determining whether tangible and intangible assets are impaired requires an estimation of their fair value and their value in use. The value in use and fair value calculations require management to estimate the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate present value. See Note 10 for the carrying amounts of the acquired intangible assets.

#### 5. Revenue

Revenue comprises income generated from the following activities:

	Year ended 31 August 2019	Year ended 31 August 2018
	US\$	US\$
Distribution revenue	2,383,340	5,306,621
Subscriber revenue	1,879,313	649,970
Advertising revenue	27,421	-
<b>Revenue</b>	<b>4,290,074</b>	<b>5,956,591</b>

#### 6. Operating loss

Operating loss is stated after charging:

	Year ended 31 August 2019	Year ended 31 August 2018
	US\$	US\$
Staff costs	148,456	209,250
Audit fees payable to the Company's auditors	33,783	35,902
Fees payable to the Company's auditors for non-audit services	17,433	11,744
Depreciation of property and equipment	1,215	1,214
Amortisation of intangible assets	2,639,200	4,659,369
Impairment of content rights	12,865,367	-

## 7. Finance income and expense

	Year ended 31 August 2019	Year ended 31 August 2018
	US\$	US\$
Interest income on bank deposits	309	355
Interest on bank loan	(554,415)	(455,936)
Amortization of finance costs	(34,183)	(35,491)
Other	(15,360)	(57,758)
<b>Net finance cost</b>	<b>(603,649)</b>	<b>(548,830)</b>

Included in "Other" are miscellaneous bank and credit card charges, other financing costs, and foreign exchange gains/losses.

## 8. Employee and directors

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

	Year ended 31 August 2019 No.	Year ended 31 August 2018 No.
By activity		
Sales and distribution	1	1
<b>Total</b>	<b>1</b>	<b>1</b>

The aggregate staff costs (including directors) were as follows:

	Year ended 31 August 2019 US\$	Year ended 31 August 2018 US\$
Wages and salaries	132,587	170,204
Social security costs	13,129	36,806
Other pension costs	2,740	2,240
<b>Staff costs</b>	<b>148,456</b>	<b>209,250</b>

The total directors' remuneration paid by the Company during the year was \$148,456 (2018: \$209,250).

## 9. Tax on loss of ordinary shares

### Analysis of change for the year

A schedule of tax charges during the year was as follows:

	Year ended 31 August 2019	Year ended 31 August 2018
	US\$	US\$
Current tax:		
UK Corporation tax on profits for the year	-	-
Withholding tax	34,183	31,587
Adjustment in respect of prior periods	-	-
<b>Total current tax</b>	<b>34,183</b>	<b>31,587</b>

### Reconciliation of tax charge

	Year ended 31 August 2019	Year ended 31 August 2018
	US\$	US\$
Loss on ordinary activities before taxation	(16,049,842)	(2,648,210)
Tax on loss at standard UK tax rate: 19% (2018: 19%)	(3,049,470)	(503,160)
Effects of:		
- Deferred tax asset not recognised	2,728,473	503,160
- Change in tax rate on historical tax losses	320,997	-
- Withholding tax	34,183	31,587
<b>Tax charge for the year</b>	<b>34,183</b>	<b>31,587</b>

Deferred tax assets of \$4,925,521 (2018: \$2,197,048) have not been recognized on tax losses and unpaid interest due to uncertainty surrounding the ability to recover these assets in the foreseeable future. The unrecognized deferred tax asset is related to tax losses.

### Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2018 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. Subsequent to the balance sheet date, a further change was substantively enacted on 17 March 2020 to maintain the rate at 19%.

## 10. Intangible assets

	Year ended 31 August 2019 US\$	Year ended 31 August 2018 US\$
<b>Cost</b>		
Opening	42,347,729	36,117,500
Additions	1,601,505	6,230,229
Impairment	(36,161,694)	-
Disposals	(131,180)	-
<b>Closing balance</b>	<b>7,656,360</b>	<b>42,347,729</b>
<b>Accumulated amortisation</b>		
Opening	(23,682,962)	(19,023,593)
Amortisation	(2,639,200)	(4,659,369)
Impairment	23,296,326	-
Disposals	131,180	-
<b>Closing balance</b>	<b>(2,894,655)</b>	<b>(23,682,962)</b>
<b>Net book value</b>		
Opening	18,664,767	17,093,907
Movement during the year	(13,903,062)	1,570,860
<b>Closing balance</b>	<b>4,761,705</b>	<b>18,664,767</b>

In the current year, the Company recorded a \$12,865,367 (2018 - \$nil) write down of content rights. Due to weaker than expected revenue performance and management's outlook for certain titles, it was determined that the carrying amount exceeds the recoverable amount for certain titles and an impairment charge was required. For titles with an impairment indicator, the recoverable amount was determined to be nil, and the required impairment charge was calculated. The key assumption was the estimated future revenue opportunities arising from growth and monetization of the existing content.

## 11. Property and equipment

	Year ended 31 August 2019 US\$	Year ended 31 August 2018 US\$
<b>Cost</b>		
Opening	6,072	6,072
<b>Closing balance</b>	<b>6,072</b>	<b>6,072</b>
<b>Accumulated depreciation</b>		
Opening	(2,386)	(1,172)
Depreciation	(1,215)	(1,214)
<b>Closing balance</b>	<b>(3,601)</b>	<b>(2,386)</b>
<b>Net Book Value</b>		
Opening	3,686	4,900
Movement during the year	(1,215)	(1,214)
<b>Closing balance</b>	<b>2,471</b>	<b>3,686</b>

## 12. Debtors

### Current

	Year ended 31 August 2019 US\$	Year ended 31 August 2018 US\$
Trade receivables	30,413	56,425
Amounts owed by group undertakings	3,559,001	2,300,628
Accrued income	-	19
Accrued receivable from group undertakings	-	196,207
Prepayments	26,574	23,007
<b>Total</b>	<b>3,615,988</b>	<b>2,576,286</b>

Amounts owed by fellow subsidiary group undertakings are interest-free, unsecured and repayable on demand.

Accrued receivable from group undertakings relates to the current portion of long-term revenue contracts, whereby billing terms are not monthly. There are also non-current amounts due under these long-term contracts, as set out below.

### Non-Current

	Year ended 31 August 2019 US\$	Year ended 31 August 2018 US\$
Amounts receivable from group undertakings	7,841,200	9,173,266
<b>Total</b>	<b>7,841,200</b>	<b>9,173,266</b>

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

	Year ended 31 August 2019	Year ended 31 August 2018
	US\$	US\$
Trade creditors	67,615	101,774
Amounts owed to parent company	2,140,000	-
Amounts owed to group undertakings	2,141,400	3,498,148
Accruals	83,582	69,534
VAT	295,133	191,923
<b>Total</b>	<b>4,727,730</b>	<b>3,861,379</b>

Amounts owed to fellow group undertakings are interest free, unsecured and repayable on demand.

	Year ended 31 August 2019	Year ended 31 August 2018
	US\$	US\$
Bank loan	4,749,635	4,184,677
<b>Total</b>	<b>4,749,635</b>	<b>4,184,677</b>

The bank loan is a revolving facility that is the lesser of \$14,500,000 and a production output receivable in a related company. The facility bears interest at either the US base rate plus 1.25% or LIBOR plus 3.25% and is payable monthly in arrears. The facility is secured by the intangible assets under, and assignment and direction of, the production output agreement. On 15 June 2018, the agreement was amended to include the intangible assets in Blue Skye Entertainment Limited and Blue Skye Entertainment (US) Limited. The Parent Company and a subsidiary of the Parent Company have also provided a cash flow commitment guarantee. As at 31 August 2019, the current and long-term amounts payable were \$4,749,635 (2018: \$4,184,677) and \$5,072,927 (2018: \$5,149,305) respectively and were drawn at LIBOR plus 3.25%. The loan will mature in August 2023.

### 14. Borrowings

	Year ended 31 August 2019	Year ended 31 August 2018
	US\$	US\$
Bank loan	5,072,927	5,149,305
<b>Total</b>	<b>5,072,927</b>	<b>5,149,305</b>

### 15. Post-employment benefit

The Company provides a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount recognised as an expense for the defined contribution scheme in the year was \$2,740 (2018: \$2,240). No contributions were payable to the fund at the statement of financial position date.



## 16. Share capital

	Year ended 31 August 2019		Year ended 31 August 2018
	No.	US\$	US\$
Opening	29,200,000	29,200,000	27,000,000
Issued during the period	-	-	2,200,000
<b>Closing balance</b>	<b>29,200,000</b>	<b>29,200,000</b>	<b>29,200,000</b>

	Year ended 31 August 2019		Year ended 31 August 2018
	US\$		US\$
<b>Authorised</b>			
29,200,000 (2018: 29,200,000) - ordinary shares of \$1.00 each	29,200,000		29,200,000
<b>Allotted and fully paid up</b>			
29,200,000 (2018: 29,200,000) - ordinary shares of \$1.00 each	29,200,000		29,200,000

## 17. Contingent liabilities

The Company has no contingent liabilities (2018: \$nil).

## 18. Related party transactions

The Company's related parties are other companies in the Blue Ant Media Inc. group of companies, the principal subsidiaries of which are outlined below:

Name of entity	Registered Office
Blue Ant Media Inc.	130 Merton Street, Suite 200, Toronto, ON M4S 1A4, Canada
Blue Ant HDTV Productions Inc.	130 Merton Street, Suite 200, Toronto, ON M4S 1A4, Canada
Blue Ant Media Solutions Inc.	130 Merton Street, Suite 200, Toronto, ON M4S 1A4, Canada
Blue Ant Media Television General Partnership	130 Merton Street, Suite 200, Toronto, ON M4S 1A4, Canada
Omnia Media Inc.	130 Merton Street, Suite 200, Toronto, ON M4S 1A4, Canada
Smithsonian Channel General Partnership	130 Merton Street, Suite 200, Toronto, ON M4S 1A4, Canada
Blue Ant International Limited	26 <sup>th</sup> floor, 125 Old Broad Street, London, WC2N 6HR, England
Natural History New Zealand Limited	5 Melville Street, Dunedin 2019, New Zealand
Northern Pictures Pty Ltd	52-54 Turner Street, Redfern NSW 2016, Australia
Beach House Pictures Pte Ltd	189 New Bridge Road, #03-01/02, Singapore 059422
ZooMoo Networks Pte Ltd	189 New Bridge Road, #03-01/02, Singapore 059422
BAM Asia Entertainment Network LLP	21A South Bridge Road, Singapore 058661
Blue Skye Entertainment (US) Limited	251 Little Falls Drive, Wilmington, County of New Castle, Delaware, 19808
Saloon Media Inc.	130 Merton Street, Suite 200, Toronto, ON M4S 1A4, Canada

During the year ended 31 August 2019, the Company acquired content rights with a value of \$2,884,646 (2018: \$7,153,656) from a related party under the terms of a multi-year output agreement. The same related party provided services totalling \$734,104 (2018: \$891,510). The Company paid royalties related to content rights acquired of \$351,170 (2018: \$460,835) to the same related party.

#### 18. Related party transactions (continued)

The Company and Blue Skye Entertainment (US) Limited ("BSEL US") entered into an agreement whereby on 15 June 2018 the Company transferred to BSEL US all of the Company's assets and liabilities related to the United States territory including future program rights and debtor balances. In return, the Company received a note receivable for an equal and offsetting amount and BSEL US agreed to provide security against the Company's bank loan. No gain or loss was recorded on the transaction. The Company and BSEL US have the same immediate and ultimate parent undertaking.

The Company entered into a distribution contract with a related party under which the party distributes the Company's content on a worldwide basis excluding North America. During the year, net receipts of \$2,345,320 (2018: \$3,072,234) were remitted or owing to the Company for the year.

The Company entered into a channel operations contract, including master control functions, with a related party, totalling \$1,909,846 (2018: \$995,851).

Another related party provided sales and administrative services totalling \$nil (2018: \$199,294).

In addition, the Company licensed content to a shareholder in the normal course of business.

All related party transactions have been reported at their exchange amount, which is the amount of consideration established and agreed upon by the related parties.

#### 19. Controlling parties

The Company's immediate and ultimate parent undertaking is Blue Ant Media Inc., a Company incorporated in Canada. Blue Ant Media Inc. is the smallest and largest group to consolidate these financial statements as at 31 August 2019.

#### 20. Subsequent events

##### *COVID-19 Global Pandemic*

In March 2020 the World Health Organization declared the outbreak of the COVID-19 coronavirus a global pandemic. As a result of this, and continued developments across the world, governments worldwide are taking extensive measures to curb the threat of the disease and minimise the economic impact to companies and the general population alike. In the United Kingdom, these measures include a variety of economic stimulus and relief programs to help companies manage their working capital and liquidity. Management is keeping apprised of the latest developments and is currently in the process of evaluating the impact of the pandemic on its business, including, but not limited to, the impact on the Company's key revenue, cost, and operational drivers, the valuation of its intangible assets, as well as its eligibility to receive benefits made available through announced government relief programs. At this time, management is unable to quantify the potential financial impact associated with this event. Overall, management believes that the pandemic will not have a material impact for the Company to continue operating as a going concern.