

## **Ustwo Studios Limited**

Annual Report and Financial Statements

Year ended

31 December 2019

Company Number 11099911



# Ustwo Studios Limited

## Company Information

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<b>Directors</b>	J Sinclair C Wierwille A Bigelow
<b>Registered number</b>	11099911
<b>Registered office</b>	G.01 Tea Building 56 Shoreditch High Street London United Kingdom E1 6JJ
<b>Independent auditors</b>	BDO LLP 55 Baker Street London W1U 7EU

# Ustwo Studios Limited

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# **Ustwo Studios Limited**

## **Directors' report For the year ended 31 December 2019**

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The directors present their report and the financial statements for the year ended 31 December 2019.

### **Principal activity**

The company is a wholly-owned subsidiary of Ustwo Company Limited, a company incorporated in the United Kingdom. The company has been set up as a holding company.

### **Results and dividends**

The profit for the year, after taxation, amounted to £Nil (2018 - loss of £336,000).

The directors do not recommend the payment of a dividend.

### **Directors**

The directors who served during the year were:

J Sinclair

C Wierwille (appointed 19 June 2019)

S Latache (appointed 19 June 2019, resigned 3 October 2019)

A Bigelow (appointed 19 June 2019)

# **Ustwo Studios Limited**

## **Directors' report (continued) For the year ended 31 December 2019**

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### **Going concern**

As the company is the immediate parent company of the Ustwo Studios entities, going concern has been considered in the context of the Ustwo Studios group as a whole.

While the global pandemic has had a widespread macro-economic impact, the Ustwo Studios group have not been significantly adversely affected. We were able to transition to remote working seamlessly and have been able to continue to communicate effectively with our clients; most of whom are also working remotely. While the volume of inbound and outbound opportunities initially seems to be lower than pre-COVID levels, we have not lost any existing clients due to the pandemic. In fact, we believe that the opportunities for digital transformation services will increase as a result of the current situation as companies within our target customer segments look to enhance their digital offering. We are currently reviewing our strategy for returning to the physical studio environment in the countries in which we operate but do not believe that this is a prerequisite for business continuity or future growth.

In light of the unprecedented macro-economic upheaval caused by the pandemic, the Directors have sought additional reassurance which has included, among other things:

- Revised P&L forecasting of the Ustwo Studios group based on a more pessimistic revenue projection model.
- Cash flow forecast of the Ustwo Studios group from the revised P&L including the identification of major cash risks within the business so as to provide a worst case cash projection.
- Sensitivity analysis on both the P&L and cash forecasts.

The Directors are comfortable that these projections indicate that the Company will be able to meet its commitments through to at least 31 December 2021, under various stress testing conditions. Further to this, the Directors have instituted a number of cash conservation policies across the Ustwo Studios group and have identified additional actions which can be taken, should the outlook deteriorate.

The Ustwo Studios group do not have any loan obligations outside of the group and this, together with the strong cash balance, is seen as a key strength which will enable the Ustwo Studios group to withstand significant stress beyond the current reasonable worst case scenario.

On the basis of this assessment, the Directors consider that the company has adequate resources to operate for the foreseeable future, and as such, have adopted the going concern basis in preparing these company Financial Statements.

# Ustwo Studios Limited

## Directors' report (continued) For the year ended 31 December 2019

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### Directors' responsibilities statement

The directors are responsible for preparing 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). 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; 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 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.

### Disclosure of information to auditors

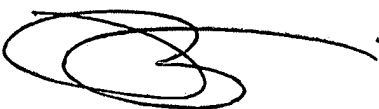
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are 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 auditors are aware of that information.

### Auditors

The auditors, BDO LLP, 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.



**J Sinclair**  
Director

Date: 25/09/2020

# **Ustwo Studios Limited**

## **Independent auditors' report to the members of Ustwo Studios Limited**

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### **Opinion**

We have audited the financial statements of Ustwo Studios Limited ("the company") for the year ended 31 December 2019 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and notes to the financial statements, 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 2019 and of the company's results for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

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

We have nothing to report in respect of the following matters in relation to which the 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.

# **Ustwo Studios Limited**

## **Independent auditors' report to the members of Ustwo Studios Limited (continued)**

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### **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.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 director's 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



# Ustwo Studios Limited

## Independent auditors' report to the members of Ustwo Studios Limited (continued)

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### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

### Use of our report

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

BDO LLP

**Andrew Viner** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London  
United Kingdom

Date: 25/09/2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Ustwo Studios Limited

## Statement of comprehensive income For the year ended 31 December 2019

		Year ended 31 December 2019 £000	Period ended 31 December 2018 £000
	Note		
Administrative expenses		-	(336)
<b>Operating loss</b>	4	-	(336)
Taxation	7	-	-
<b>Loss for the financial year/period</b>		-	(336)

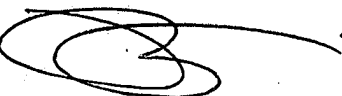
All amounts relates to continuing operations.

The notes on pages 9 to 14 form part of these financial statements.

## Statement of financial position As at 31 December 2019

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Investments	8	1,605	1,605
<b>Net assets</b>		1,605	1,605
<b>Capital and reserves</b>			
Share capital	9	-	-
Share premium	10	1,941	1,941
Profit and loss account	10	(336)	(336)
		1,605	1,605

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



**J Sinclair**  
Director

Date: 25/09/2020

The notes on pages 9 to 14 form part of these financial statements.

# Ustwo Studios Limited

## Statement of changes in equity For the year ended 31 December 2019

	Share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
At 1 January 2019	-	1,941	(336)	1,605
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	-	-
<b>At 31 December 2019</b>	<b>-</b>	<b>1,941</b>	<b>(336)</b>	<b>1,605</b>

## Statement of changes in equity For the period ended 31 December 2018

	Share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
<b>Comprehensive income for the period</b>				
Loss for the period	-	-	(336)	(336)
Shares issued during the period	-	1,941	-	1,941
<b>At 31 December 2018</b>	<b>-</b>	<b>1,941</b>	<b>(336)</b>	<b>1,605</b>

The notes on pages 9 to 14 form part of these financial statements.

# Ustwo Studios Limited

## Notes to the financial statements For the year ended 31 December 2019

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### 1. General information

Ustwo Studios Limited is a private company incorporated in England and Wales. The registered address is G.01 Tea Building, 56 Shoreditch High Street, London, E1 6JJ, United Kingdom. The nature of the company's operations and principal activity are set out in the directors' report.

### 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 company itself is a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The following principal accounting policies have been applied:

#### 2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv)
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Ustwo Fampany Limited as at 31 December 2019 and these financial statements may be obtained from from G.01 Tea Building, 56 Shoreditch High Street, London, E1 6JJ.

# Ustwo Studios Limited

## Notes to the financial statements For the year ended 31 December 2019

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### 2. Accounting policies (continued)

#### 2.3 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of the asset's, or cash generating unit's, fair value less costs to sell and to value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement.

#### 2.4 Going concern

While the global pandemic has had a widespread macro-economic impact, our business has not been significantly adversely affected. Due to the nature of our business, we were able to transition to remote working seamlessly and have been able to continue to communicate effectively with our clients; most of whom are also working remotely. While the volume of inbound and outbound opportunities initially seems to be lower than pre-COVID levels, we have not lost any existing clients due to the pandemic. In fact, we believe that the opportunities for digital transformation services will increase as a result of the current situation as companies within our target customer segments look to enhance their digital offering. We are currently reviewing our strategy for returning to the physical studio environment in the countries in which we operate but do not believe that this is a prerequisite for business continuity or future growth.

In light of the unprecedented macro-economic upheaval caused by the pandemic, the Directors have sought additional reassurance which has included, among other things:

- Revised P&L forecasting based on a more pessimistic revenue projection model.
- Cash flow forecast from the revised P&L including the identification of major cash risks within the business so as to provide a worst case cash projection.
- Sensitivity analysis on both the P&L and cash forecasts.

The Directors are comfortable that these projections indicate that the Company will be able to meet its commitments through to at least 31 December 2021, under various stress testing conditions. Further to this, the Directors have instituted a number of cash conservation policies and have identified additional actions which can be taken, should the outlook deteriorate.

The company does not have any loan obligations outside of the group and this, together with the strong cash balance, is seen as a key strength which will enable the company to withstand significant stress beyond the current reasonable worst case scenario.

On the basis of this assessment, the Directors consider that the company has adequate resources to operate for the foreseeable future, and as such, have adopted the going concern basis in preparing these company Financial Statements.

# Ustwo Studios Limited

## Notes to the financial statements For the year ended 31 December 2019

### 2. Accounting policies (continued)

#### 2.5 Taxation

The tax expense for the year comprises current and deferred tax. Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. 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 the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

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

Other key sources of estimation uncertainty

- Investments (see note 8)

Judgements are required in assessing the recoverable value of the company's investments. Where indications of impairment exist the company reviews the carrying value of its investments for impairment based on their recoverable value, being the higher of the investments value in use and fair value less costs to sell.

### 4. Operating loss

The operating loss is stated after charging:

	Year ended 31 December 2019 £000	Period ended 31 December 2018 £000
Impairment of investments	-	336

### 5. Auditors' remuneration

	Year ended 31 December 2019 £000	Period ended 31 December 2018 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	8	7

Audit fees are borne by other group companies.

The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent company.

# Ustwo Studios Limited

## Notes to the financial statements For the year ended 31 December 2019

### 6. Employees

The directors are considered to be the key management personnel. No directors' remuneration is paid by the company. Directors' remuneration is borne by other group undertakings.

### 7. Taxation

#### Factors affecting tax charge for the year/period

The tax assessed for the year/period is the same as (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	Year ended 31 December 2019 £000	Period ended 31 December 2018 £000
Profit/(loss) on ordinary activities before tax	-	(336)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	-	(64)
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	64
<b>Total tax charge for the year/period</b>	-	-

#### Factors that may affect future tax charges

The Finance (No.2) Act 2015 included a reduction in the UK corporation tax rate from 20% to 19% from April 2017 and to 18% from April 2020. A further reduction to 17% (effective from April 2020, to replace the previous 18%) has also been substantively enacted at the balance sheet date.

# Ustwo Studios Limited

## Notes to the financial statements For the year ended 31 December 2019

### 8. Fixed asset investments

	Investments in subsidiaries £000
<b>Cost</b>	
At 1 January 2019	1,605
Additions	-
At 31 December 2019	<u>1,605</u>

### Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding
Ustwo London Ltd	England & Wales	Ordinary	100%
Ustwo Studio Inc.	United States	Ordinary	100%
Ustwo Pty Ltd	Australia	Ordinary	100%
Ustwo Studio AB	Malmö	Ordinary	100%

The registered office of Ustwo London Ltd is the same as the company.

The registered office of Ustwo Studio Inc. is 26 Broadway, 16th Floor, New York, NY 10004, USA.

The registered office of Ustwo Studio AB is Kärleksgatan 2A, 211 45 Malmö, Sweden.

The registered office of Ustwo Studio Pty Ltd is Kellaway Cridland Pty Ltd, Level 18, 9-13 Hunter Street, Sydney NSW 2000, Australia.

### 9. Share capital

	2019 £000	2018 £000
<b>Allotted, called up and fully paid</b>		
5 Ordinary shares of £0.01 each	-	-



# **Ustwo Studios Limited**

## **Notes to the financial statements For the year ended 31 December 2019**

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### **10. Reserves**

#### **Share premium**

The share premium account includes the premium on issue of equity shares, net of any issue costs.

#### **Profit and loss**

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

### **11. Related party transactions**

The company has taken advantage of the exemption under FRS 102 to disclose transactions with members wholly owned within the group.

### **12. Controlling party**

The immediate and ultimate parent company is Ustwo Company Limited, which is the largest group undertaking to consolidate these financial statements at 31 December 2019. The consolidated financial statements are available to the public and can be obtained from G.01 Tea Building, 56 Shoreditch High Street, London, E16JJ, United Kingdom.