

Registered number: 09669260

**PIRATE STUDIOS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**



THURSDAY



\*ACWF82FT\*

A2 08/02/2024 #100  
COMPANIES HOUSE

**PIRATE STUDIOS LIMITED****COMPANY INFORMATION**

---

<b>DIRECTORS</b>	S Andrews (appointed 19 October 2023) D Borrie S Kwan (appointed 19 October 2023) R Kyle (appointed 19 October 2023) E Solberg (appointed 19 October 2023) H Teck M De Jesus (resigned 19 October 2023) M Hammerton (resigned 19 October 2023) M Maar (resigned 19 October 2023)
<b>REGISTERED NUMBER</b>	09669260
<b>REGISTERED OFFICE</b>	13 Rothbury Road London E9 5HA
<b>INDEPENDENT AUDITORS</b>	Bishop Fleming LLP Chartered Accountants & Statutory Auditors 10 Temple Back Bristol BS1 6FL

**PIRATE STUDIOS LIMITED****CONTENTS**

---

	<b>Page</b>
<b>Group strategic report</b>	1 - 6
<b>Directors' report</b>	7 - 8
<b>Directors' responsibilities statement</b>	9
<b>Independent auditors' report</b>	10 - 13
<b>Consolidated statement of comprehensive income</b>	14
<b>Consolidated statement of financial position</b>	15
<b>Company statement of financial position</b>	16
<b>Consolidated statement of changes in equity</b>	17
<b>Company statement of changes in equity</b>	18
<b>Consolidated statement of cash flows</b>	19 - 20
<b>Notes to the financial statements</b>	21 - 47

**PIRATE STUDIOS LIMITED****GROUP STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**INTRODUCTION**

The directors present their strategic report and financial statements for the year ended 31 December 2022.

**PRINCIPAL ACTIVITY**

The principal activity of Pirate Studios Limited (the "company") and its subsidiaries (together "the group") was that of provision of music studios and facilities. The company is a trading company and acts as a holding company for the group's trading subsidiaries, Pirate Studio LLC and Pirate Studio GmbH, incorporated in USA and Germany respectively. The company's results also include the results of its foreign branch registered in Ireland.

**BUSINESS REVIEW**

The company is the world's first and only global self-service studio provider, established in July 2015 with 36 locations worldwide (2021 - 36 locations worldwide). The company has developed a powerful and highly disruptive customer proposition that is differentiated from traditional studios and appeals to a broad range of consumers. Our aim is to empower artists by providing state-of-the-art creative studios to rent hourly, at an affordable price.

The key elements of our proposition include:

- An innovative studio design allowing for cost-effective and efficient assembly, reducing time to market.
- Non-prime location rents and reduced staffing which are passed to customers in the form of low prices.
- Unique self-service operating model, facilitating unmanned buildings which are open 24/7 compared to competitors who are open 12 hours a day.
- Proprietary technology allowing artists to capture and share their performances direct from the studio.

The company's strategy is to continue to roll out new studios with high returns on capital whilst continuing to develop its product offering.

**PIRATE STUDIOS LIMITED****GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022****SECTION 172 STATEMENT**

This section describes how we have considered and had regard to the interests of our key stakeholders when exercising our duty to promote the success of the company under section 172(1) of the Companies Act 2006. The principles set out within this section are not just something considered at board level but are in fact embedded throughout the company.

Our key stakeholder groups are set out below. All of these groups are key to the continued success of our business and their views and needs, as well as any long term consequences of our actions, are taken into account when making any decision at any level throughout the business. Sometimes decisions must be made based on competing priorities.

Investors - we rely on investors and providers of debt funding as essential sources of capital for our global expansion plan and digital product development. They rely on us to manage cash prudently and generate a return on their investment by striking a balance between ambitious growth and sustainability.

Suppliers - we rely on our suppliers to provide the real estate through which we operate, supply the materials and labour required to build new studios and provide essential services we need to operate our business. Our suppliers rely on us to generate revenue and employment for them.

Customers - our customers are the reason we exist and we are passionate about not just providing safe, accessible and comfortable spaces for them to create but also the tools and opportunities for them to realise their true potential. Connecting customers with each other as well as their audience and the wider market remains a key part of our mission. In doing so, we build our brand value and loyalty.

Our workforce - our ambitious plans would not be possible without the hard work and dedication of our employees. Our employees rely on us to provide a safe and respectful working environment, stable employment and the training and opportunities to further develop their skillsets.

Communities and the environment - we engage with local communities, local government and the police to ensure that we act both as a responsible company and a responsible neighbour. Our business and the customers that use our studios have the potential to enrich local communities but it has to be done in a way that is acceptable to those existing communities the safety of our customers as well as the surrounding community is our highest priority. At a wider level we are always looking at new ways we can reduce any adverse impact of our business on the environment.

**FINANCIAL AND OPERATIONAL HIGHLIGHTS**

Revenue increased from £7,230,712 in 2021 to £10,292,517 in 2022 representing an increase of 42%, this is due to the easing of COVID-19 restrictions as well as the underlying growth in demand. An analysis of revenue is set out in Note 4.

## PIRATE STUDIOS LIMITED

GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022

## FREE BOOKINGS AND CREDIT BOOKINGS

Free credit is given for the first month after a go live of a new location. This marketing exercise is a very effective way of generate hype and acquiring new customers. Credit is also offered through other marketing promotions such as our "refer a friend" scheme. The directors monitor credit and the analysis below shows the year on year growth in credit revenue, driving total bookings and therefore total revenue as new studios launched during 2020 continue to grow. The use of credit bookings as an effective way to generate revenue can be seen by the growth in revenue year on year, and reduction in the credit bookings as a proportion of total sales.

	<b>2022</b>	<b>2021</b>	<b>Change</b>
	<b>£</b>	<b>£</b>	<b>%</b>
Credit bookings	1,598,054	854,573	87%
Revenue	<u>10,292,517</u>	<u>7,230,712</u>	<u>42%</u>
<b>Total sales including credit</b>	<b>11,890,571</b>	<b>8,085,285</b>	<b>47%</b>
Credit bookings as a proportion of total sales	13%	11%	
	<b>2022</b>	<b>2021</b>	
Number of sites	36	36	
Number of studios	736	736	
Number of bookings	427,171	321,087	

Given the backdrop of the global pandemic, and the cost of living crisis that followed, the directors were satisfied with the performance of the business against these KPIs and consider the business to be

well on track to becoming a self-sustaining business.

**PIRATE STUDIOS LIMITED****GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022****PRINCIPAL RISKS AND UNCERTAINTIES***Attracting and retaining customers*

As the majority of our revenue is derived from our studios operations, our success is dependent on attracting and retaining customers within our studios. Consequently, we must continually engage existing customers and attract new customers in order to maintain or increase our studio occupancy levels. If we are unable to attract and retain customers, it could have a material adverse effect on our rate of growth, business and prospects.

The factors that may influence this include:

- Competition from other studio operators
- Changes in customer preference away from our self-service value offering
- A decline in general interest to our product offering
- Changes in customer spending habits due to adverse economic conditions
- Changes in the level of positive referrals from current and former customers
- Enforced closures as a result of pandemics

*New site availability*

A key part of our expansion strategy is the opening of new studios. Currently all of our sites are leaseholds and we are dependent upon finding and securing new leasehold sites where we can open new studios. Our site selection strategy includes a variety of criteria to determine the optimal locations of new sites such as demographics, population density, accessibility, competition and other music-led demand indicators. Our ability to identify and negotiate acceptable lease terms for new sites may be adversely affected by the availability of sites that meet our selection criteria or fluctuations in the property market. As a result, we may be unable to identify suitable sites and secure them acceptable terms or in a timely manner. This could have a material adverse effect on our rate of growth, business and prospects. Moving to a business model that is able to also fund freehold opportunities reduces this risk as it widens the pool of locations available as well as enabling the company to share the economic benefits of property ownership and this is something the company is currently looking at.

*Supply chain management*

We rely on third-party contractors and suppliers for various services and products, such as site fit out, equipment, maintenance and cleaning. Whilst there are a number of providers for each of these services and we closely monitor their performance, there are risks that are beyond our control. If we encounter delays or difficulties in securing the products or services provided by our third-party contractors and suppliers or there is a deficiency, lack of or poor quality of such products or services provided, it may impact our service offering and have a material adverse effect on our rate of growth, business and prospects.

*Systems*

We are a technology enabled company and any disruptions or failures that affect our website, studio access, marketing, finance and other administrative functions could have an adverse effect on our operations. While we have a full business continuity plan in place, conduct regular data back-ups and have processes in place to protect customer data, disruptions, failures or cyber attacks involving our information technology systems could have a material adverse effect on our rate of growth, business and prospects.

*New business lines*

Our strategy is to develop a number of digital products and services which are complementary to our studios. This requires additional capital investment as well as management time and other resources. It is possible any such products or services may not perform in line with expectations, which could have a material adverse effect on our rate of growth, business and prospects.

*Access to capital*

During the ramp-up phase, our business will be capital intensive, and we require significant capital to finance

**PIRATE STUDIOS LIMITED****GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

---

such activities, as well as to fund ongoing investments in our business and to meet our debt obligations. Any inability or delay in raising additional capital if and when required may affect our ability to execute our growth strategy or cause us to lose future opportunities. This could have a material adverse effect on our rate of growth, business and prospects.

**Brexit**

The direct impact of Brexit on the company is considered to be negligible. Our business model doesn't rely on importing or exporting goods or providing services across borders so any supply chain issues that Brexit may have caused or increased duty costs or VAT considerations do not pose a threat. Whenever we are building new studios in the EU, our local subsidiary will work with local contractors also based within the EU and the project is paid for in EUR. Once operational both the revenue and costs generated by that location are also in Euros so the foreign exchange risk is negligible. We're also still able to attract a diverse workforce.

**Cost of living and inflation**

As is the case with most other UK businesses we have experienced higher costs since Brexit, the pandemic and the war in Ukraine. This was particularly pronounced throughout 2022 driven by unusually high inflation and increased fuel costs in the UK. We have had to mitigate this risk by increasing our prices at the end of 2021 and the end of 2022. It is likely this will now become an annual pricing review.

**PIRATE STUDIOS LIMITED****GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022****GOING CONCERN**

The Group and Company recovered quickly from the COVID-19 pandemic and whilst there are still some knock on effects of the pandemic and other factors like the war in Ukraine resulting in a cost of living crisis we have seen the underlying business continue to improve from both a revenue and profitability point of view throughout 2022 and 2023.

Management has run various forecast scenarios for a period of at least 24 months from the date of signing of these financial statements to determine the impact on profitability and cashflow in the event of depressed revenue. In each scenario, the group's current portfolio and cost base, including the servicing of operating lease commitments that are held off balance sheet (note 27 to the financial statements), produces a sustainable, cash-generative business and, as a result, the financial statements are prepared on a going concern basis. The Directors recognise the importance of the leased property portfolio to the functioning of the business model, therefore regularly review the performance of each location which helps to inform future decisions related to the properties they operate in.

The minimum cash requirement for the next 24 months is \$4m. However, under the worst case scenarios \$6m of capital would be required in 2024 and a further \$2m would then be needed in 2025 which would mean having to draw down the full \$15m of the initial investment being sought as part of the current fundraising round detailed below, alongside a further \$1m of the second tranche. This is the worst case scenario considered by management from a cash burn point of view but it does include some growth and revenue driving initiatives. As it only requires \$1m of the second tranche of \$15m, management also consider this to be ample headroom on cash.

The directors have a successful history of raising financing from similar transactions, having raised additional equity and debt from both existing and new investors in each of the previous years. Notably, since the end of 2021, the group has raised over £12m in additional capital as well as negotiating the framework of a debt restructure agreement as part of it's current funding round.

The current fundraising round is for an initial investment of \$15m (of which \$8m has been received to date in the form of promissory notes) followed by another \$15m expected within the next 12-24 months to fund growth. The lead investor also has the option to invest a further \$25m. This initial funding is now expected to close by the end of Q1 2024 after some unexpected delays to the process.

While the Company has received \$8m of this funding already, in the form of promissory notes, the fundraising round has not completed, and the remaining capital has not yet been received and so a material uncertainty exists which may cast significant doubt about the group and the company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. In the event that the current fundraising round does not complete, this may crystallise the payment of redemption premiums related to convertible loan instruments issued by the group and company (see note 25 for more details). However, the directors believe that, taken as a whole, the factors described above enable the group and the company to continue as a going concern for the foreseeable future. The financial statements do not include the adjustments that would be required if the group and company were unable to continue as a going concern.

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

**D Borrie**  
Director

Date: 8 February 2024

**PIRATE STUDIOS LIMITED****DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

---

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

**RESULTS AND DIVIDENDS**

The loss for the year, after taxation, amounted to £12,242,687 (2021: loss £17,216,587).

**DIRECTORS**

The directors who served during the year were:

D Borrie  
H Teck  
M De Jesus (resigned 19 October 2023)  
M Hammerton (resigned 19 October 2023)  
M Maar (resigned 19 October 2023)

**MATTERS COVERED IN THE STRATEGIC REPORT**

The company has included mandatory directors' report disclosures within the strategic report as they are considered by the directors to be of strategic importance; as permitted by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

**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 and the Group'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 and the Group's auditors are aware of that information.

**POST BALANCE SHEET EVENTS**

Since the end of 2022, the group has raised \$8m in additional capital as well as negotiating rolling extensions to all non-convertible debt currently held until the current fundraising round is complete.

It is a key term of the current fundraising round that all debt and convertible debt holders agree to convert their debt to equity before the new capital is committed and the Company has agreement from the

required majority of debt holders for this.

The current fundraising round is for an initial investment of \$15m (of which \$8m has been received to date in the form of promissory notes) followed by another \$15m expected within the next 12-24 months. The lead investor also has the option to invest a further \$25m. This funding is expected to close by the end of Q1 2024.

**AUDITORS**

The auditors, Bishop Fleming LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

**PIRATE STUDIOS LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

---

**D Borrie**  
Director

Date: 8 February 2024

13 Rothbury Road  
London  
E9 5HA

**PIRATE STUDIOS LIMITED****DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

---

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**PIRATE STUDIOS LIMITED****INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PIRATE STUDIOS LIMITED**

---

**OPINION**

We have audited the financial statements of Pirate Studios Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022, which comprise the Consolidated statement of comprehensive income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity 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 Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group 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.

**MATERIAL UNCERTAINTY RELATED TO GOING CONCERN**

We draw attention to note 2.3 in the financial statements, which indicates that the Group and Parent Company are currently seeking additional funding to allow the Group and Parent company to trade for the foreseeable future, which is yet to be secured. As stated in note 2.3, these events or conditions, along with the other matters as set forth in note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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

**PIRATE STUDIOS LIMITED****INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PIRATE STUDIOS LIMITED (CONTINUED)**

---

**OTHER INFORMATION**

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

We have nothing to report in this regard.

**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 Group 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 Group 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 Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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 set out on page 9, 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

## PIRATE STUDIOS LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PIRATE STUDIOS LIMITED (CONTINUED)

## 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 Group 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:

**Identifying and assessing potential risks related to irregularities**

- We have considered the nature of the industry and sector, control environment and business performance including the design of the Company's bonuses.
- We have considered the results of our enquiries of management including the CEO and CFO about their own identification and assessment of the risk of irregularities.
- For any matters identified we have obtained and reviewed the Company's documentation of their policies and procedures relating to:
  - Identifying, evaluating, and complying with laws and regulations whether they are aware of any instances of non-compliance;
  - Detecting and responding to the risk of fraud and whether they have knowledge of actual, suspected, or alleged fraud; and
  - The internal controls established to mitigate the risks of fraud or non-compliance with laws and regulations.
- We have considered the matters discussed among the audit engagement team including internal tax specialists regarding how and where fraud might occur in the financial statements and potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified recognition of revenue, particularly regarding year end cut off, as the greatest potential for fraud.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements, but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included employment legislation and sales tax compliance.

**Audit response to risks identified**

We identified the recognition of revenue around year end cut off as key audit matter related to the potential risk of fraud. Our procedures to respond to risks identified included the following:

- Undertaking various substantive tests of detail related to the recognition of revenue.
- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements.
- Enquiring of management concerning actual and potential litigation claims.

**PIRATE STUDIOS LIMITED****INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PIRATE STUDIOS LIMITED (CONTINUED)**

---

- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement or fraud.
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws or regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from an error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' 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 Auditors' 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.

Gary Woodhall ACA (Senior statutory auditor)  
for and on behalf of  
**Bishop Fleming LLP**  
Chartered Accountants  
Statutory Auditors  
10 Temple Back  
Bristol  
BS1 6FL

8 February 2024

## PIRATE STUDIOS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	As restated 2021 £
Turnover	4	10,292,517	7,230,712
Cost of sales		(6,926,780)	(6,324,033)
<b>Gross profit</b>		<b>3,365,737</b>	<b>906,679</b>
Administrative expenses		(12,131,026)	(16,008,360)
Other operating income	5	-	687,020
<b>Operating loss</b>	6	<b>(8,765,289)</b>	<b>(14,414,661)</b>
Interest payable and similar expenses	10	(3,511,408)	(2,857,920)
<b>Loss before taxation</b>		<b>(12,276,697)</b>	<b>(17,272,581)</b>
Tax on loss	11	34,010	55,994
<b>Loss for the financial year</b>		<b>(12,242,687)</b>	<b>(17,216,587)</b>
Currency translation differences		(1,044,632)	286,543
<b>Other comprehensive income for the year</b>		<b>(1,044,632)</b>	<b>286,543</b>
<b>Total comprehensive income for the year</b>		<b>(13,287,319)</b>	<b>(16,930,044)</b>

The notes on pages 21 to 47 form part of these financial statements.

PIRATE STUDIOS LIMITED  
REGISTERED NUMBER:09669260

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2022

	Note	2022 £	As restated 2021 £
<b>Fixed assets</b>			
Intangible assets	12	1,542,445	993,496
Tangible assets	13	18,390,585	20,819,264
		<u>19,933,030</u>	<u>21,812,760</u>
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	15	1,228,828	1,146,288
Debtors: amounts falling due within one year	16	627,653	310,466
Cash at bank and in hand	16	458,649	345,544
		<u>2,315,130</u>	<u>1,802,298</u>
Creditors: amounts falling due within one year	17	(7,825,308)	(6,583,537)
<b>Net current liabilities</b>		<u>(5,510,178)</u>	<u>(4,781,239)</u>
<b>Total assets less current liabilities</b>		<u>14,422,852</u>	<u>17,031,521</u>
Creditors: amounts falling due after more than one year	18	(49,810,992)	(39,244,171)
<b>Provisions for liabilities</b>			
Other provisions	20	(717,970)	(608,560)
<b>Net liabilities</b>		<u>(36,106,110)</u>	<u>(22,821,210)</u>
<b>Capital and reserves</b>			
Called up share capital	21	938	922
Share premium account	22	30,074,446	30,074,446
Capital redemption reserve	22	512	512
Foreign exchange reserve	22	(1,056,641)	(14,412)
Profit and loss account	22	(65,125,365)	(52,882,678)
		<u>(36,106,110)</u>	<u>(22,821,210)</u>

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

**D Borrie**  
Director

Date: 8 February 2024

The notes on pages 21 to 47 form part of these financial statements.

**PIRATE STUDIOS LIMITED**  
**REGISTERED NUMBER:09669260**

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022**

	Note	2022 £	As restated 2021 £
<b>Fixed assets</b>			
Intangible assets	12	1,542,445	993,496
Tangible assets	13	9,863,279	11,664,688
Investments	14	22,168	22,168
		<u>11,427,892</u>	<u>12,680,352</u>
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	15	653,838	624,307
Debtors: amounts falling due within one year	15	19,294,065	17,811,471
Cash at bank and in hand	16	332,959	242,974
		<u>20,280,862</u>	<u>18,678,752</u>
Creditors: amounts falling due within one year	17	(5,931,728)	(4,927,018)
<b>Net current assets</b>		<u>14,349,134</u>	<u>13,751,734</u>
<b>Total assets less current liabilities</b>		<u>25,777,026</u>	<u>26,432,086</u>
Creditors: amounts falling due after more than one year	18	(48,890,354)	(38,484,615)
<b>Provisions for liabilities</b>			
Other provisions	20	(557,386)	(554,799)
<b>Net liabilities</b>		<u>(23,670,714)</u>	<u>(12,607,328)</u>
<b>Capital and reserves</b>			
Called up share capital	21	938	922
Share premium account	22	30,074,446	30,074,446
Capital redemption reserve	22	512	512
Foreign exchange reserve	22	1,468	1,577
Profit and loss account	22	(53,748,078)	(42,684,785)
		<u>(23,670,714)</u>	<u>(12,607,328)</u>

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

**D Borrie**  
 Director

Date: 8 February 2024

The notes on pages 21 to 47 form part of these financial statements.

## PIRATE STUDIOS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Share premium account	Capital redemption reserve	Foreign exchange reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£	£
<b>At 1 January 2021 (as previously stated)</b>	<b>919</b>	<b>30,074,446</b>	<b>512</b>	<b>(300,955)</b>	<b>4,322,318</b>	<b>(35,517,591)</b>	<b>(1,420,351)</b>
Prior year adjustment - correction of error	-	-	-	-	(4,322,318)	(148,500)	(4,470,818)
<b>At 1 January 2021 (as restated)</b>	<b>919</b>	<b>30,074,446</b>	<b>512</b>	<b>(300,955)</b>	<b>-</b>	<b>(35,666,091)</b>	<b>(5,891,169)</b>
Loss for the year (as restated)	-	-	-	-	-	(17,216,587)	(17,216,587)
Currency translation differences	-	-	-	286,543	-	-	286,543
Shares issued during the year	3	-	-	-	-	-	3
<b>At 1 January 2022 (as previously stated)</b>	<b>922</b>	<b>30,074,446</b>	<b>512</b>	<b>(14,412)</b>	<b>5,262,704</b>	<b>(52,407,086)</b>	<b>(17,082,914)</b>
Prior year adjustment - correction of error	-	-	-	-	(5,262,704)	(475,592)	(5,738,296)
<b>At 1 January 2022 (as restated)</b>	<b>922</b>	<b>30,074,446</b>	<b>512</b>	<b>(14,412)</b>	<b>-</b>	<b>(52,882,678)</b>	<b>(22,821,210)</b>
Loss for the year	-	-	-	-	-	(12,242,687)	(12,242,687)
Currency translation differences	-	-	-	(1,042,229)	-	-	(1,042,229)
Shares issued during the year	16	-	-	-	-	-	16
<b>At 31 December 2022</b>	<b>938</b>	<b>30,074,446</b>	<b>512</b>	<b>(1,056,641)</b>	<b>-</b>	<b>(65,125,365)</b>	<b>(36,106,110)</b>

The notes on pages 21 to 47 form part of these financial statements.

## PIRATE STUDIOS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Share premium account	Capital redemption reserve	Foreign exchange reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£	£
At 1 January 2021 (as previously stated)	919	30,074,446	512	(8,531)	4,322,318	(29,722,525)	4,667,139
Prior year adjustment - correction of error	-	-	-	-	(4,322,318)	(148,500)	(4,470,818)
At 1 January 2021 (as restated)	919	30,074,446	512	(8,531)	-	(29,871,025)	196,321
Loss for the year (as restated)	-	-	-	-	-	(12,813,760)	(12,813,760)
Currency translation differences	-	-	-	10,108	-	-	10,108
Shares issued during the year	3	-	-	-	-	-	3
At 1 January 2022 (as previously stated)	922	30,074,446	512	1,577	5,262,704	(42,209,193)	(6,869,032)
Prior year adjustment - correction of error	-	-	-	-	(5,262,704)	(475,592)	(5,738,296)
At 1 January 2022 (as restated)	922	30,074,446	512	1,577	-	(42,684,785)	(12,607,328)
Loss for the year	-	-	-	-	-	(11,063,293)	(11,063,293)
Currency translation differences	-	-	-	(109)	-	-	(109)
Shares issued during the year	16	-	-	-	-	-	16
At 31 December 2022	938	30,074,446	512	1,468	-	(53,748,078)	(23,670,714)

The notes on pages 21 to 47 form part of these financial statements.

## PIRATE STUDIOS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	As restated 2021 £
<b>Cash flows from operating activities</b>		
Loss for the financial year	(12,242,687)	(17,216,587)
<b>Adjustments for:</b>		
Amortisation of intangible assets	342,586	155,174
Depreciation of tangible assets	4,508,765	3,839,120
Loss on disposal of tangible assets	257,110	234,819
Interest paid	3,511,408	2,857,920
Taxation charge	(34,010)	(55,994)
(Increase)/decrease in debtors	(399,727)	628,959
Increase in creditors	1,151,753	2,130,866
Increase in provisions	109,410	357,855
Corporation tax received	34,010	55,994
<b>Net cash generated from operating activities</b>	<b>(2,761,380)</b>	<b>(7,011,874)</b>
<b>Cash flows from Investing activities</b>		
Purchase of intangible fixed assets	(891,537)	(441,376)
Purchase of tangible fixed assets	(2,257,050)	(3,041,704)
Disposal of tangible fixed assets	(80,146)	686,570
HP interest paid	-	(1,204)
<b>Net cash from investing activities</b>	<b>(3,228,733)</b>	<b>(2,797,714)</b>

## PIRATE STUDIOS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	16	3
New loans	991,313	1,178,000
Repayment of loans	-	(1,000,000)
Repayment of finance leases	(5,908)	(5,897)
Interest paid	(119,974)	(404,878)
New convertible loans	6,280,000	4,917,677
Foreign exchange on consolidation	(1,042,229)	286,543
<b>Net cash used in financing activities</b>	<b>6,103,218</b>	<b>4,971,448</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>113,105</b>	<b>(4,838,140)</b>
Cash and cash equivalents at beginning of year	345,544	5,183,684
<b>Cash and cash equivalents at the end of year</b>	<b>458,649</b>	<b>345,544</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	458,649	345,544
	<b>458,649</b>	<b>345,544</b>

The notes on pages 21 to 47 form part of these financial statements.

**PIRATE STUDIOS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**1. GENERAL INFORMATION**

Pirate Studios Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the strategic report. The company has determined that GBP is its functional currency.

**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 Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

The following principal accounting policies have been applied:

**2.2 BASIS OF CONSOLIDATION**

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

**PIRATE STUDIOS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****2. ACCOUNTING POLICIES (continued)****2.3 GOING CONCERN**

The Group and Company recovered quickly from the COVID-19 pandemic and whilst there are still some knock on effects of the pandemic and other factors like the war in Ukraine resulting in a cost of living crisis we have seen the underlying business continue to improve from both a revenue and profitability point of view throughout 2022 and 2023.

Management has run various forecast scenarios for a period of at least 24 months from the date of signing of these financial statements to determine the impact on profitability and cashflow in the event of depressed revenue. In each scenario, the group's current portfolio and cost base, including the servicing of operating lease commitments that are held off balance sheet (note 27 to the financial statements), produces a sustainable, cash-generative business and, as a result, the financial statements are prepared on a going concern basis. The Directors recognise the importance of the leased property portfolio to the functioning of the business model, therefore regularly review the performance of each location which helps to inform future decisions related to the properties they operate in.

The minimum cash requirement for the next 24 months is \$4m. However, under the worst case scenarios \$6m of capital would be required in 2024 and a further \$2m would then be needed in 2025 which would mean having to draw down the full \$15m of the initial investment being sought as part of the current fundraising round detailed below, alongside a further \$1m of the second tranche. This is the worst case scenario considered by management from a cash burn point of view but it does include some growth and revenue driving initiatives. As it only requires \$1m of the second tranche of \$15m, management also consider this to be ample headroom on cash.

The directors have a successful history of raising financing from similar transactions, having raised additional equity and debt from both existing and new investors in each of the previous years. Notably, since the end of 2021, the group has raised over £12m in additional capital as well as negotiating the framework of a debt restructure agreement as part of its current funding round.

The current fundraising round is for an initial investment of \$15m (of which \$8m has been received to date in the form of promissory notes) followed by another \$15m expected within the next 12-24 months to fund growth. The lead investor also has the option to invest a further \$25m. This initial funding is now expected to close by the end of Q1 2024 after some unexpected delays to the process.

While the Company has received \$8m of this funding already, in the form of promissory notes, the fundraising round has not completed, and the remaining capital has not yet been received and so a material uncertainty exists which may cast significant doubt about the group and the company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. In the event that the current fundraising round does not complete, this may crystallise the payment of redemption premiums related to convertible loan instruments issued by the group and company (see note 25 for more details). However, the directors believe that, taken as a whole, the factors described above enable the group and the company to continue as a going concern for the foreseeable future. The financial statements do not include the adjustments that would be required if the group and company were unable to continue as a going concern.

**PIRATE STUDIOS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****2. ACCOUNTING POLICIES (continued)****2.4 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.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

**2.5 REVENUE**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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. Revenue in respect of studio and other revenue is recognised as the services are delivered to the customer. Any consideration received upfront is recognised as deferred revenue.

**2.6 OPERATING LEASES: THE GROUP AS LESSEE**

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**2.7 RESEARCH AND DEVELOPMENT**

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

**PIRATE STUDIOS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****2. ACCOUNTING POLICIES (continued)****2.8 GOVERNMENT GRANTS**

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income. Grants of a revenue nature are recognised in the Consolidated statement of comprehensive income in the same period as the related expenditure.

**2.9 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.

**2.10 BORROWING COSTS**

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

**2.11 PENSIONS****DEFINED CONTRIBUTION PENSION PLAN**

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group 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 Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

**2.12 SHARE-BASED PAYMENTS**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

**PIRATE STUDIOS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****2. ACCOUNTING POLICIES (continued)****2.13 TAXATION**

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 reporting date in the countries where the Company and the Group operate and generate income.

**2.14 INTANGIBLE ASSETS**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

**2.15 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 improvements	- Between 2 and 15 years
Studio equipment and machinery	- 3 years
Motor vehicles	- 5 Years
Fixtures and fittings	- 5 years
Computer 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.

**2.16 VALUATION OF INVESTMENTS**

Investments in subsidiaries are measured at cost less accumulated impairment.

**2.17 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.

**PIRATE STUDIOS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****2. ACCOUNTING POLICIES (continued)****2.18 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 Consolidated 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 Group's cash management.

**2.19 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.

**2.20 PROVISIONS FOR LIABILITIES**

Provisions are recognised when an event has taken place that gives rise to a legal or constructive obligation, a transfer of economic benefits is probable and a reliable estimate can be made. Provisions are measured as the best estimate of the amount required to settle the obligation, taking into account the related risks and uncertainties.

Increases in provisions are generally charged as an expense to profit or loss.

**2.21 FINANCIAL INSTRUMENTS**

The Group has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Group's Statement of financial position when the Group becomes party to the contractual provisions of the instrument.

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

**Basic financial assets**

Basic financial assets, which include trade and other receivables, cash and bank balances, are initially measured at their transaction price including transaction costs and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables due with the operating cycle fall into this category of financial instruments.

**Other financial assets**

Other financial assets, which includes investments in equity instruments which are not classified as subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the recognised transaction price. Such assets are subsequently measured at fair value with the changes in fair value being recognised in the profit or loss. Where other financial assets are not publicly traded, hence their fair value cannot be measured reliably, they are measured at cost less

**PIRATE STUDIOS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****2. ACCOUNTING POLICIES (continued)****2.21 FINANCIAL INSTRUMENTS (CONTINUED)**

impairment.

**Financial liabilities**

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

Basic financial liabilities, which include trade and other payables, bank loans, other loans and loans due to fellow group companies are initially measured at their transaction price after transaction costs. When this constitutes a financing transaction, whereby the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Discounting is omitted where the effect of discounting is immaterial.

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

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if the payment is due within one year. If not, they represent non-current liabilities. Trade payables are initially recognised at their transaction price and subsequently are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

**Derecognition of financial assets**

Financial assets are derecognised when their contractual right to future cash flow expire, or are settled, or when the Group transfers the asset and substantially all the risks and rewards of ownership to another party. If significant risks and rewards of ownership are retained after the transfer to another party, then the Group will continue to recognise the value of the portion of the risks and rewards retained.

**Derecognition of financial liabilities**

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

**2.22 CONVERTIBLE DEBT**

The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components and presented separately in the Statement of financial position.

The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert.

The difference between the net proceeds of the convertible debt and the amount allocated to the debt component is credited direct to equity and is not subsequently remeasured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate.

Transaction costs that relate to the issue of the instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

## PIRATE STUDIOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

3.

**JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those 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.

The critical judgments made by management that have a significant effect on the amounts recognised in the financial statements are described below.

**Critical judgments****Impairment of the group's tangible and intangible assets**

Factors taken into consideration in reaching such a decision include the economic viability, capitalisation of software development and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

**Capitalisation of software development costs**

There is judgement involved with regards to development costs being capitalised and whether they satisfy the criteria per FRS 102 to be capitalised. Capitalisation of a particular activity commences after proof of concept, requirements and function concept stages are complete, and once the directors are satisfied that future economic benefit will be delivered by the assets developed.

**Capitalisation of payroll costs**

There is judgement involved with regards to payroll costs being capitalised and whether they satisfy the criteria per FRS 102 to be capitalised. Software developer and project manager costs relating to the creation of digital assets that satisfy this criteria are tracked by time spent on a project basis and are classified as intangible assets and amortised on a straight line basis over 5 years in line with the intangible asset amortisation policy. Payroll costs incurred by our rollout and construction team are entirely associated with both current and future studio builds that satisfy the criteria to be capitalised and are classified as leasehold improvements and depreciated on a straight line basis over 5 years as their time is not allocated by project and 5 years is the shortest lease length within our portfolio.

**Classification of preference shares**

There is judgement involved in determining whether preference shares are classified as debt, equity or compound financial instruments. Key factors that impact decision making are: whether there exists a mandatory obligation for the company to redeem the shares in cash and whether the conversion feature, if exercised, results in a fixed number of preference shares being converted into a fixed number of ordinary shares.

**Recognition of convertible loan note redemption premium (see note 25)**

There is judgement involved in determining whether the redemption premium associated with debt instruments should be accrued in the financial statements. The directors have considered the possibility of the events that trigger redemption occurring and have concluded it is not probable that a redemption event will occur. Key factors that impact the judgement include the directors' track record of successfully converting similar instruments into equity, and the status of the current fundraising round.

**Key sources of estimation uncertainty****Cash flow forecasts - going concern**

Cash flow forecasts from the year ended 2022 have been prepared in support of the going concern assessment. Estimates have been explored in more detail within the going concern section of the accounting policy note 2.3, which relates to the future estimated revenue, costs and cash position expected until at least March 2026. Multiple scenarios have been assessed based on revenue

## PIRATE STUDIOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

transactions. The sensitivity of this has been modelled by a reasonable worst-case scenario. The Group considers this worst-case scenario to be highly unlikely. Under both the expected and reasonable worst-case models there is sufficient headroom of effective cash available. These forecasts are all based on just receiving the initial \$15m investment from the current fundraising round (out of a total of \$30m available over two tranches).

**Tangible fixed assets (see note 13)**

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

**Dilapidations provisions (see note 20)**

Dilapidations provisions are recognised where there are "make good" clauses in the group's operating lease agreements. The directors build up their dilapidations provisions over the term of the lease such that they represent the directors' best estimate of the amount required to remove leasehold improvements and put the property back into the condition at the inception of the lease.

## 4. TURNOVER

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

Analysis of turnover by country of destination

	2022 £	2021 £
United Kingdom	6,984,108	5,439,413
Rest of Europe	869,522	521,967
Rest of the world	2,438,887	1,269,332
	<u>10,292,517</u>	<u>7,230,712</u>

## 5. OTHER OPERATING INCOME

	2022 £	2021 £
Government grants receivable	-	687,020
	<u>-</u>	<u>687,020</u>

The Group took advantage of the various government initiatives to support businesses during the Covid-19 pandemic and utilised the UK Coronavirus Job Retention Scheme.

## PIRATE STUDIOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 6. OPERATING LOSS

The operating loss is stated after charging:

	2022 £	2021 £
Loss on disposal of fixed assets	257,110	234,819
Exchange differences	(1,793,362)	865,726
Depreciation of tangible fixed assets	4,256,120	4,379,222
Amortisation of intangible fixed assets	342,588	151,312
Operating lease rentals - Cost of sales	3,816,108	3,828,010
Operating lease rentals - Administration expenses	<u>226,589</u>	<u>540,133</u>

## 7. AUDITORS' REMUNERATION

During the year, the Group obtained the following services from the Company's auditors:

	2022 £	2021 £
Fee's payable to the Group's auditor in respect of the audit of the financial statements	49,600	47,500
Fees payable to the Company's auditors in respect of:		
Additional fees related to the audit of the prior year financial statements	-	70,466
All other non audit services	<u>13,093</u>	<u>27,391</u>

**PIRATE STUDIOS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022****8. EMPLOYEES**

Staff costs, including directors' remuneration, were as follows:

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Wages and salaries	3,259,824	3,657,243	3,065,623	3,205,760
Social security costs	470,898	403,116	455,792	344,415
Cost of defined contribution scheme	104,076	81,028	104,076	81,028
	<u>3,834,798</u>	<u>4,141,387</u>	<u>3,625,491</u>	<u>3,631,203</u>

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

	2022 No.	2021 No.
Management	5	5
Administration	111	85
	<u>116</u>	<u>90</u>

**9. DIRECTORS' REMUNERATION**

	2022 £	2021 £
Directors' emoluments	236,834	242,306
Group contributions to defined contribution pension schemes	17,400	16,519
	<u>254,234</u>	<u>258,825</u>

During the year retirement benefits were accruing to 22 directors (2021: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £150,000 (2021: £146,696).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £12,000 (2021: £10,026).

## PIRATE STUDIOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022 £	As restated 2021 £
Interest charged on convertible loan notes	3,040,575	2,192,528
Interest charged on deep discount bonds	222,446	203,963
Other loan interest payable	248,387	461,429
	<u>3,511,408</u>	<u>2,857,920</u>

## 11. TAXATION

	2022 £	2021 £
<b>CORPORATION TAX</b>		
Current tax on profits for the year	(34,010)	(55,994)
<b>TOTAL CURRENT TAX</b>	<u>(34,010)</u>	<u>(55,994)</u>
<b>TOTAL TAX (CREDIT)/CHARGE FOR THE YEAR</b>	<u>(34,010)</u>	<u>(55,994)</u>

## FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £	As restated 2021 £
Loss on ordinary activities before tax	<u>(12,276,697)</u>	<u>(17,272,581)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	(2,332,572)	(3,281,790)
<b>EFFECTS OF:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	245,480
Capital allowances for year in excess of depreciation	-	421,035
Remeasurement of deferred tax for changes in tax rates	-	(2,051,541)
Deferred tax not recognised	2,332,572	4,708,217
Other differences leading to an increase (decrease) in the tax charge	(34,010)	(97,395)
<b>TOTAL TAX (CREDIT)/CHARGE FOR THE YEAR</b>	<u>(34,010)</u>	<u>(55,994)</u>

## PIRATE STUDIOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 11. TAXATION (CONTINUED)

## FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

No deferred tax asset has been recognised in respect of trading losses available to carry forward and offset against future profits.  
As enacted by the Government on 24 May 2021, the main rate of corporation tax will increase from 19% to 25% with effect from 1 April 2023.

## 12. INTANGIBLE ASSETS

## Group and Company

	Development expenditure £
<b>COST</b>	
At 1 January 2022	1,301,120
Additions	891,537
At 31 December 2022	<u>2,192,657</u>
<b>AMORTISATION</b>	
At 1 January 2022	307,624
Charge for the year on owned assets	342,588
At 31 December 2022	<u>650,212</u>
<b>NET BOOK VALUE</b>	
At 31 December 2022	<u>1,542,445</u>
At 31 December 2021	<u>993,496</u>

Capitalised software development relates to the group's booking platform, which is critical to the delivery of the group's services.

## PIRATE STUDIOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 13. TANGIBLE FIXED ASSETS

## Group

	Leasehold improvements	Studio equipment and machinery	Motor vehicles	Fixtures and fittings	Office equipment	Total
	£	£	£	£	£	£
<b>COST</b>						
At 1 January 2022	27,326,663	3,311,356	30,270	308,022	233,025	31,209,336
Additions	1,849,457	366,152	-	13,309	28,132	2,257,050
Disposals	(176,301)	(710)	-	-	-	(177,011)
At 31 December 2022	<u>28,999,819</u>	<u>3,676,798</u>	<u>30,270</u>	<u>321,331</u>	<u>261,157</u>	<u>33,289,375</u>
<b>DEPRECIATION</b>						
At 1 January 2022	8,280,558	1,749,870	24,216	154,789	180,639	10,390,072
Charge for the year	3,766,562	654,441	6,054	44,688	37,020	4,508,765
Disposals	-	(47)	-	-	-	(47)
At 31 December 2022	<u>12,047,120</u>	<u>2,404,264</u>	<u>30,270</u>	<u>199,477</u>	<u>217,659</u>	<u>14,898,790</u>
<b>NET BOOK VALUE</b>						
At 31 December 2022	<u>16,952,699</u>	<u>1,272,534</u>	<u>-</u>	<u>121,854</u>	<u>43,498</u>	<u>18,390,585</u>
At 31 December 2021	<u>19,046,105</u>	<u>1,561,486</u>	<u>6,054</u>	<u>153,233</u>	<u>52,386</u>	<u>20,819,264</u>

## PIRATE STUDIOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 13. TANGIBLE FIXED ASSETS (CONTINUED)

Company	Leasehold improvements	Studio equipment and machinery	Motor vehicles	Fixtures and fittings	Office equipment	Total
	£	£	£	£	£	£
<b>COST</b>						
At 1 January 2022	16,983,489	2,493,396	30,270	233,754	210,223	19,951,132
Additions	742,006	157,829	-	2,658	16,411	918,904
At 31 December 2022	<u>17,725,495</u>	<u>2,651,225</u>	<u>30,270</u>	<u>236,412</u>	<u>226,634</u>	<u>20,870,036</u>
<b>DEPRECIATION</b>						
At 1 January 2022	6,502,481	1,481,660	24,216	112,377	165,710	8,286,444
Charge for the year	2,223,116	436,911	6,054	25,420	28,812	2,720,313
At 31 December 2022	<u>8,725,597</u>	<u>1,918,571</u>	<u>30,270</u>	<u>137,797</u>	<u>194,522</u>	<u>11,006,757</u>
<b>NET BOOK VALUE</b>						
At 31 December 2022	<u>8,999,898</u>	<u>732,654</u>	<u>-</u>	<u>98,615</u>	<u>32,112</u>	<u>9,863,279</u>
At 31 December 2021	<u>10,481,008</u>	<u>1,011,736</u>	<u>6,054</u>	<u>121,377</u>	<u>44,513</u>	<u>11,664,688</u>

**PIRATE STUDIOS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**14. FIXED ASSET INVESTMENTS**

**Company**

**Investments in  
subsidiary companies**  
£

**COST OR VALUATION**

At 1 January 2022

22,168

At 31 December 2022

22,168

**SUBSIDIARY UNDERTAKINGS**

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Pirate Studios LLC	USA	Ordinary	100%
Pirate Studios GmbH	Germany	Ordinary	100%

The registered office of Pirate Studios LLC is 1013 Centre Road, Suite 403-B, Wilmington, Delaware, 19805, USA.  
The registered office of Pirate Studios GmbH is Unit 5, Bergholzstrabe 4, Berlin, 12099, Germany.

## PIRATE STUDIOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 15. DEBTORS

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
<b>DUE AFTER MORE THAN ONE YEAR</b>				
Other debtors	1,228,828	1,146,288	653,838	624,307
	<u>1,228,828</u>	<u>1,146,288</u>	<u>653,838</u>	<u>624,307</u>

Other debtors due in more than one year are deposits paid to landlords at the commencement of leases. Each lease deposit is recoverable at the end of the relevant lease term.

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
<b>DUE WITHIN ONE YEAR</b>				
Trade debtors	261,840	14,761	261,343	12,306
Amounts owed by group undertakings	-	-	18,677,850	17,616,196
Other debtors	29,029	61,236	24,829	56,130
Prepayments and accrued income	336,784	234,469	330,043	126,839
	<u>627,653</u>	<u>310,466</u>	<u>19,294,065</u>	<u>17,811,471</u>

Amounts owed by group undertakings are unsecured and repayable on demand.

## 16. CASH AND CASH EQUIVALENTS

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Cash at bank and in hand	458,649	345,544	332,959	242,974
	<u>458,649</u>	<u>345,544</u>	<u>332,959</u>	<u>242,974</u>

## PIRATE STUDIOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Trade creditors	2,031,067	1,084,206	1,848,133	905,130
Amounts owed to group undertakings	-	-	2,148	-
Other taxation and social security	959,562	564,701	931,826	541,438
Obligations under finance lease and hire purchase contracts	1,371	7,279	1,371	7,279
Other creditors	2,467,581	2,347,439	1,054,909	1,117,826
Accruals and deferred income	2,181,560	2,405,065	2,000,630	2,263,598
Lease incentives	184,167	174,847	92,711	91,747
	<u>7,825,308</u>	<u>6,583,537</u>	<u>5,931,728</u>	<u>4,927,018</u>

## PIRATE STUDIOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group	Group	Company	Company
	2022	As restated	2022	As restated
	£	2021	£	2021
		£		£
Deep discount bonds	3,203,590	2,804,954	3,007,059	2,784,613
Loans and promissory notes	3,121,536	2,178,000	3,121,536	2,178,000
Convertible loans	41,793,647	32,473,072	41,793,647	32,473,072
Lease incentives	1,692,219	1,788,145	968,112	1,048,930
	<u>49,810,992</u>	<u>39,244,171</u>	<u>48,890,354</u>	<u>38,484,615</u>

*Convertible loans*

There are 4 facilities included within the convertible loans balance:

**Facility 1:** £20,000,000 facility originally dated 15 May 2019, and restated on 14 July 2020 to become a £7,900,000 facility, of which £7,893,000 has been drawn down.

**Facility 2:** £7,100,000 facility dated 14 July 2020, which has been fully drawn down.

**Facility 3:** £10,000,000 facility, half funded by existing investors, and half funded by the British Business Bank, which has been fully drawn down.

**Facility 4:** £4,000,000 facility, of which £3,967,187 has been drawn down.

**Facility 5:** £3,500,000 facility, of which £1,880,000 has been drawn down.

**Facility 6:** £5,000,000 facility, which has been fully drawn down.

The balances included on the balance sheet are the principal and accrued interest amounts.

No equity component has been recognised in respect of the above convertible loan notes due to the conversion being into a variable number of shares.

The redemption premium payable on the redemption of the loans has not been recognised in the financial statements (see note 25 for more details in relation to this).

*Deep discount bonds*

Deep discount bonds originally redeemable on 21 June 2020 were extended until 21 June 2022. Since the year end it was agreed that these bonds would be extended on a rolling basis until the current fundraising process is complete. The increase in balance of deep discounted bonds is entirely due to the accrued effective interest during the year. No new bonds were issued.

*Loans and promissory notes*

Loans consist of two long term loans with annual interest rates of 10.95%, one totalling £1,055,962 (2021: £1,000,000), and another totalling £1,243,923 (2021: £1,178,000). During 2021 a previous loan of £1,000,000 was repaid, and the loan for £1,178,000 was drawn down. Both loans have been extended on a rolling basis until the current fundraising process is complete.

Promissory notes consists of 2 notes of \$500,000 each. Interest accrues at 20% per annum with a 5% cash coupon paid quarterly in arrears and the balance of 15% of unpaid interest added to the principal of the note. The note is callable on the occurrence of certain future events, in which case additional interest would be payable. Management have assessed the likelihood of those future events occurring and consider them unlikely to occur. Management have calculated the additional interest that would be accrued to the balance sheet date under those conditions and have concluded it to be immaterial.

**PIRATE STUDIOS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**19. LOANS**

Analysis of the maturity of loans is given below:

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2022</b>	<b>As restated</b>	<b>2022</b>	<b>As restated</b>
	<b>£</b>	<b>2021</b>	<b>£</b>	<b>2021</b>
		<b>£</b>		<b>£</b>
<b>AMOUNTS FALLING DUE 1-2 YEARS</b>				
Loans and promissory notes	3,121,536	2,178,000	3,121,536	2,178,000
Deep discount bonds	3,203,590	2,804,954	3,007,059	2,784,613
	<u>6,325,126</u>	<u>4,982,954</u>	<u>6,128,595</u>	<u>4,962,613</u>
<b>AMOUNTS FALLING DUE 2-5 YEARS</b>				
Convertible loans	41,793,647	32,473,072	41,793,647	32,473,072
	<u>41,793,647</u>	<u>32,473,072</u>	<u>41,793,647</u>	<u>32,473,072</u>
	<u><b>48,118,773</b></u>	<u><b>37,456,026</b></u>	<u><b>47,922,242</b></u>	<u><b>37,435,685</b></u>

**PIRATE STUDIOS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**20. PROVISIONS**

**Group**

	<b>Dilapidation provision £</b>
At 1 January 2022	608,560
Charged to profit or loss	109,410
<b>AT 31 DECEMBER 2022</b>	<b><u>717,970</u></b>

The dilapidations are expected to be used in 1 to 16 years.

**Company**

	<b>Dilapidation provision £</b>	<b>Total £</b>
At 1 January 2022	554,799	554,799
Charged to profit or loss	2,587	2,587
<b>AT 31 DECEMBER 2022</b>	<b><u>557,386</u></b>	<b><u>557,386</u></b>

The dilapidations are expected to be used in 1 to 16 years.

**21. SHARE CAPITAL**

	<b>2022 £</b>	<b>2021 £</b>
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		

31,838 (2021: 31,838) Ordinary shares of £0.01 each	318	318
20,321 (2021: 20,321) Preference A shares of £0.01 each	203	203
21,409 (2021: 21,409) Preference B shares of £0.01 each	215	215
3,399 (2021: 3,399) Preference B1 shares of £0.01 each	34	34
12,885 (2021: 12,885) Preference B2 shares of £0.01 each	129	129
1,841 (2021: 1,841) Deferred shares of £0.01 each	18	18
2,090 (2021: 483) C Ordinary shares of £0.01 each	21	5
	<hr/>	<hr/>
	<b>938</b>	<b>922</b>
	<hr/>	<hr/>

## PIRATE STUDIOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**21. SHARE CAPITAL (CONTINUED)***Share class summary rights*

- Preference B2 Ordinary shares accrue a fixed cumulative annual dividend of 10% and are redeemable preference shares with full voting rights.
- Preference B1 Ordinary, Preference A Ordinary and Preference B Ordinary are preference shares with full voting rights but do not confer any rights of redemption.
- Deferred Shares do not confer any voting rights, nor do they confer rights of redemption or to dividends.

*Liquidation preference*

- The preference B1 and Preference B2 Ordinary Shares rank first on a liquidation, followed by the Preference B and Preference A Ordinary shares.

*Summary of activity in the year*

- 1,607 C Ordinary shares were subscribed for.

**22. RESERVES****Share premium account**

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

**Capital redemption reserve**

Capital redemption reserve represents the amount of capital replenished following the cancellation of shares.

**Foreign exchange reserve**

This is the gain or loss arising on retranslating the net assets/liabilities of overseas operations into Pounds Sterling.

**Profit and loss account**

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

## PIRATE STUDIOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 23. ANALYSIS OF NET DEBT

	As restated At 1 January 2022 £	Cash flows £	Other non-cash changes £	At 31 December 2022 £
Cash at bank and in hand	345,544	113,105	-	458,649
Debt due after 1 year	(37,456,026)	(7,271,313)	(3,391,434)	(48,118,773)
Finance leases	(7,279)	5,908	-	(1,371)
	<u>(37,117,761)</u>	<u>(7,152,300)</u>	<u>(3,391,434)</u>	<u>(47,661,495)</u>

Other non-cash changes includes interest accrued on loans, which is held within the loans balance.

## PIRATE STUDIOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 24. PRIOR YEAR ADJUSTMENT

A prior year adjustment has been recognised in respect of accounting for convertible loan notes issued in previous periods. Due to the conversion terms stating that the share price is set, and therefore the conversion being for a variable number of shares, no equity component should be accounted for on the issue of the instruments. As a result, the debt component of the instrument was under-valued, and therefore the residual value recognised in other components of equity being over-valued. This has also had an effect on the interest charge recognised in the profit and loss account.

The effect of the prior year adjustment on previously reported results and balances is as follows:

**Consolidated statement of comprehensive income**  
*for the year ended 31 December 2021*

	As previously stated £	Restatement £	As restated £
Interest payable and similar expenses	(2,530,828)	(327,092)	(2,857,920)
<b>Loss before taxation</b>	<b>(16,945,489)</b>	<b>(327,092)</b>	<b>(17,272,581)</b>
Tax on loss	55,994	-	55,994
<b>Loss for the financial year</b>	<b>(16,889,495)</b>	<b>(327,092)</b>	<b>(17,216,587)</b>

**Consolidated statement of financial position**  
*as at 31 December 2021*

	As previously stated £	Restatement £	As restated £
Creditors: amounts falling due within one year	(7,778,928)	1,195,391	(6,583,537)
<b>Net current liabilities</b>	<b>(5,976,630)</b>	<b>1,195,391</b>	<b>(4,781,239)</b>
<b>Total assets less current liabilities</b>	<b>15,836,130</b>	<b>1,195,391</b>	<b>17,031,521</b>
Creditors: amounts falling due after more than one year	(32,310,484)	(6,933,687)	(39,244,171)
<b>Net liabilities</b>	<b>(17,082,914)</b>	<b>(5,738,296)</b>	<b>(22,821,210)</b>
Other reserves	5,262,704	(5,262,704)	-
Profit and loss account	(52,407,086)	(475,592)	(52,882,678)
<b>Equity attributable to owners of the parent company</b>	<b>(17,082,914)</b>	<b>(5,738,296)</b>	<b>(22,821,210)</b>

## PIRATE STUDIOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 24. PRIOR YEAR ADJUSTMENT (CONTINUED)

**Company statement of financial position**  
*as at 31 December 2021*

	As previously stated £	Restatement £	As restated £
Creditors: amounts falling due within one year	(5,383,194)	456,176	(4,927,018)
<b>Net current assets</b>	<b>13,295,558</b>	<b>456,176</b>	<b>13,751,734</b>
<b>Total assets less current liabilities</b>	<b>25,975,910</b>	<b>456,176</b>	<b>26,432,086</b>
Creditors: amounts falling due after more than one year	(32,290,143)	(6,194,472)	(38,484,615)
<b>Net liabilities</b>	<b>(6,869,032)</b>	<b>(5,738,296)</b>	<b>(12,607,328)</b>
Other reserves	5,262,704	(5,262,704)	-
Profit and loss account	(42,209,193)	(475,592)	(42,684,785)
<b>Total capital and reserves</b>	<b>(6,869,032)</b>	<b>(5,738,296)</b>	<b>(12,607,328)</b>

**Consolidated statement of cash flows**  
*for the year ended 31 December 2021*

	As previously stated £	Restatement £	As restated £
<b>Net cash generated from operating activities</b>	<b>(7,011,874)</b>	-	<b>(7,011,874)</b>
<b>Net cash from investing activities</b>	<b>(2,797,714)</b>	-	<b>(2,797,714)</b>
<b>Net cash from financing activities</b>	<b>4,971,448</b>	-	<b>4,971,448</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(4,838,140)</b>	-	<b>(4,838,140)</b>