

Disguise Technologies Limited

Annual Report and Financial Statements

Year Ended

31 December 2021

Company Number 07937973

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Disguise Technologies Limited

Company Information

Directors	F M Kufer R Sklar
Registered number	07937973
Registered office	Hermes House 88-89 Blackfriars Rd South Bank London United Kingdom SE1 8HA
Independent auditor	BDO LLP Central Square 29 Wellington Street Leeds LS1 4DL

Disguise Technologies Limited

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Disguise Technologies Limited

Strategic Report For the Year Ended 31 December 2021

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2021.

Principal activity

The Company is part of the Butterfly Topco Limited group of companies (Butterfly Group) whose principal activity is as a leading global provider of on premises or virtual event visualisation solutions, specialising in the provision of the software, hardware and support services that allow creative production teams to pre-visualise, simulate and deliver their 3D shows in real-time. The Company's immediate parent undertaking is New Leaf Bidco Limited.

The Company's principal activity is to support the wider group by performing research and development activities. Costs are recharged to other group companies for the provision of these services. The Company also performs the role of a holding company.

Business review

On 3 March 2021, Butterfly Topco Limited, a company backed by private equity investors, acquired New Leaf Topco Limited and its subsidiary undertakings including the Company. The Company delivered an improved turnover performance in 2021 as the industry moved into the early stages of recovery against a back-drop of challenges relating to the Covid-19 pandemic. The Company continues to own a 100% interest in Disguise Systems Limited whose principal activity is to provide live and virtual event visualisation solutions.

Key performance indicators

Butterfly Group manages its KPIs at a segment level and geographic level. The primary key performance indicators used by the Group to assess performance are turnover growth, EBITDA and adjusted EBITDA. Turnover growth is calculated as the percentage increase on turnover year-on-year. EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated as the operating profit of the Company with depreciation, amortisation, share-based payments, and exceptional items added back less amounts capitalised as development expenditure in the year.

Adjusted EBITDA, is calculated as EBITDA (as defined) with one off expenses, investor costs and capitalised expenditure added back.

Disguise Technologies Limited

Strategic Report (continued) For the Year Ended 31 December 2021

	2021 £	2020 £
Turnover	11,011,289	8,709,982
Turnover growth/(decrease) %	26%	9%
Operating (loss)/profit	(1,294,995)	1,133,763
Development costs	(1,778,610)	(1,378,353)
Depreciation and amortisation	1,018,338	626,741
Share based payment charge	839,926	350,057
Exceptional one off items	13,544	29,520
EBITDA	(1,201,797)	761,728
One-off Expenses	1,147	95,540
COVID-19 One-off Expense	-	46,714
NewCo (Investor Costs)	4,545	9,700
Development costs	1,778,610	1,378,353
Adjusted EBITDA	582,505	2,292,035

The Company spent £1,778,610 (2020: £1,378,353) on development expenditure which was capitalised. The development expenditure included a number of major release updates to its main software during the year. Turnover increased by 26% to £11.0 million (2020: £8.7 million) as activity levels increased. EBITDA decreased to £(1,201,797) (2020: £761,728) due to increased management fees from the Butterfly Topco acquisition and increased development costs. Exceptional items comprise Covid-19 costs, acquisition costs and one-off expenditure.

Disguise Technologies Limited

Strategic Report (continued) For the Year Ended 31 December 2021

Principal risks and uncertainties

The principal risks and uncertainties of the Company relate to the ongoing activities of the company in which it holds investment and its ability to bring to market innovative products. The Company's function as undertaking research and development activities for the Butterfly Group of companies means it is dependent for its revenues upon its own performance and the performance of its affiliates in the live and virtual events visualisation services industry. The risks that the Company are exposed to are managed at a group level and the nature of the risk and the risk management principles and strategies to mitigate these risks are disclosed in the consolidated financial statements of the Butterfly Topco Limited. These are summarised below together with the relevant mitigation:

Identified risk	Potential impact	Mitigation
A significant change in the global economy.	The Company & Group is unable to meet its strategic growth target, which may result in financial difficulties.	The business constantly monitors the external business environment using both financial and non-financial measures to enable it to react quickly to changes to the global environment.
Interruption to the supply of critical components.	Inability to meet customer demand , reducing revenues.	The product development and operations teams work closely with the Company & Group's suppliers to ensure contingency plans are in place to minimise business interruption and react quickly to route supply through different geographies within our network.
Management of the Company's investment in research & development.	The company makes significant investment in research and development to future proof its products and revenues. Failure to manage this investment may result in the failure to generate future revenues and increased costs charged through the income statement.	The business constantly reviews the costs invested in research & development, analysing the costs by project. Projects are reviewed both in terms of cost and commercial viability. Should a project be deemed unviable it is abandoned at the earliest opportunity.
There may be increasing demand to reduce the impact of electronic materials on the environment.	The cost of production may increase as the Group tries to meet the new stringent environmental laws by having to invest in R&D to identify alternative materials or incur additional costs in reducing the impact on the environment.	The Company & Group has registered with the WEEE directive to ensure products are disposed of in a suitable manner. The directors also recognise there is further improvements to be made and are looking at schemes to offset the business activities carbon footprint and have set a three year timeframe to embed this in our overall strategy.
COVID-19 Pandemic The Company & Group's businesses rely on economic activity across the globe. Governments in each country respond to the challenges faced by their countries unilaterally and decisions taken may directly influence the Group's markets.	The speed under which governments reduce the social distancing restrictions will impact the speed of growth of the country's economy and the global economy. This will impact the market's the Group operates in and potentially may delay the anticipated growth and performance of the Company & the Group.	The Company and Group continually monitors the impact of world and key country events. The Company & Group's quarterly forecast are updated to reflect these events e.g. the performance of the Asia Pacific region is forecast to be slower than other regions as key countries in the region continue to impose lockdowns and social distancing rules. The Company has implemented processes to ensure its employees can work remotely and has a hybrid work policy.

Disguise Technologies Limited

Strategic Report (continued) For the Year Ended 31 December 2021

Future developments

It is the intention of the directors that the above business of the Company will continue for the foreseeable future. The Group plans to expand into new geographical locations and the Company is to continue its investment in research and development of new products and technologies to enhance existing and enter new business verticals. The directors aim to maintain the management policies which have resulted in the Company's growth and foresee further development in the coming years.

Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks. These risks are managed at a group level and of the ultimate parent undertaking Butterfly Topco Limited. The principal financial risks are summarised below:

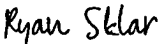
Credit Risk:

The Company's main financial assets are cash and deposits with banks and intercompany debtors. For banks and financial institutions, only independent rated parties with a strong credit rating are accepted. Intercompany debtors are regularly reviewed for recoverability and settled.

Liquidity Risk:

Liquidity risk arises from timing differences between cash inflows and outflows. At the balance sheet date, the Company had net cash balances but was in a net current liabilities position. The Company is reliant on the Group not calling in the intercompany debt but the ultimate parent company, Butterfly Topco Limited, has agreed to provide financial support.

This report was approved by the board on 13th September 2022 and signed on its behalf.

DocuSigned by:

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R Sklar
Director

Disguise Technologies Limited

Directors' Report For the Year Ended 31 December 2021

The directors present their report together with the audited financial statements for the year ended 31 December 2021.

Results and dividends

The loss for the year, after taxation, amounted to £672,294 (2020 - profit £877,726).

There were no dividends paid during the year (2020 - £Nil). The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year were:

F M Kufer
R Sklar
A Nehru (resigned 8 March 2021)

Going concern

As at 31 December 2021 the Company had net assets of £4.8million (2020: £4.4million) and net current assets of £1.2million (2020: £2.0million).

The Directors have received confirmation from the Group that it will provide ongoing financial support for a period of not less than 12 months in order for the Company to meet its liabilities as they fall due. As a result, the below disclosures which are in respect of the wider Butterfly Topco Limited group, are considered relevant to the Company.

On 27 February 2021, Butterfly Topco Limited alongside its subsidiary companies Butterfly Midco Limited and Butterfly Bidco Limited were incorporated to facilitate the acquisition of New Leaf Topco Limited and its subsidiaries (New Leaf Topco Group), which completed on 3 March 2021 Butterfly Topco Limited received £79.4m from a new equity partner and the funds were used to purchase the majority of shares of New Leaf Topco. The remaining shares were exchanged for shares and loan notes in Butterfly Topco Limited resulting in management and existing shareholders taking a minority interest in Butterfly Topco Limited and Group. The capital structure of Butterfly Topco Limited resulted in share capital of £0.7million and loan notes of £111.3million. The loan notes are repayable in 2031 and accrue interest at 10% p.a. As part of the acquisition Butterfly Topco Limited entered into an agreement with its bank to provide a £10million Revolving Credit Facility (RCF) to fund the Group's future growth and working capital requirements. At the balance sheet date the RCF remained undrawn. The interest rate on the shareholder loan notes have been agreed by the Directors to accrue and roll the interest until further notice.

The executive Directors of Butterfly Topco Limited and Group are also Directors of the subsidiary companies, this ensures a consistent approach to achieving the strategic goals of the Group as all subsidiaries within the Group are intrinsically linked in regard to principal activities, systems, processes and funding. As a result, the Directors consider the going concern status of the Company to be intrinsically linked to the going concern status of the new Butterfly Topco Group.

Following the year end the Group has drawn down £10m of the RCF to fund two acquisitions (as set out within post balance sheet events on page 35) and invest in stock to ensure the continuity of supply and maintaining projected revenue. The Directors have reassessed the going concern status of the business following the additional funding and potential impact of the geopolitical factors considered as set out below.

Following the swift and decisive action taken by the Directors to address the negative impact of COVID -19 on the Group through the suspension of live events, the business has gone from strength to strength in 2021.

Disguise Technologies Limited

Directors' Report (continued) For the Year Ended 31 December 2021

Going concern (concerned)

In particular, the Directors have considered the main markets served by the business linked to an economic downturn and or future lockdowns from COVID-19. Despite the live events market having been directly and severely affected by the pandemic from the early stages of the crisis, the Group serves other new industry verticals that have not been so hard hit by the crisis so far, including the highly diverse fixed installations markets (e.g. theme parks, houses of worship, theatres, cruise ships, casinos) and virtual production (e.g. TV & broadcast, universities), hence the customer base is relatively widely spread, and allied to this, the business is not overly dependent on any single client.

The business benefits from a robust supply chain with manufacturing spread across three main partners, supported by second source manufacturers identified for several of the key components used in the Group's hardware and a global logistics partner.

This benefit mitigates against the current worldwide shortage of key electronic components required by the business for its end products, this shortage is forecast to continue into 2023. The Directors are confident that the strategies put in place will ensure continuity of supply for The Group's customers.

A further challenge the Group faces is securing and retaining the right level of talent and expertise in the business and as a consequence the Group has also invested in its talent and people team to address the personnel issues.

Taking the above matters into account and the economic challenges currently faced including rising cost of inflation, the Directors have prepared financial projections for the period of twelve months from the date of issue of these financial statements. Overall the board are positive about the future EBITDA trajectory of the Group and continue to manage the cash position of the Group carefully. Cash headroom is considered adequate with re-forecasts and sensitivities undertaken to stress test assumptions. The uncertainty around a long and sustained global economic downturn is mitigated by the geographic and market diversification we have across the business with some markets less prone to be impacted i.e. our Live market with people still wanting to visit entertainment venues.

The Directors conclude that there are no material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. The Company has adequate financial resources available to ensure that the Company can meet its obligations as they fall due for the foreseeable future and have therefore adopted the going concern basis in preparing the financial statements.

Matters covered in the Strategic Report

Disclosures required under 416(4) of the Companies Act 2006 are commented upon in the Strategic Report as the directors consider them to be of strategic importance to the Company.

This covers a review of the business, future developments and indicator of exposure to financial risks.

Disclosure of information to auditor

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

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

Disguise Technologies Limited

Directors' Report (continued) For the Year Ended 31 December 2021

Post balance sheet events

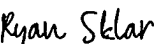
On 4 March 2022, the Company completed the acquisition of Polygon Labs LLC for maximum \$16million. This purchase was financed by cash, deferred consideration and debt through a drawdown of £4 million on the group's RCF facility.

Following the acquisition of Polygon, the Company, on 8 July 2022, completed the acquisition of Meptik LLC for maximum \$15million. The acquisition was financed by cash through a £4m drawdown of the group's RCF facility, loan notes, equity and deferred consideration.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 13th September 2022 and signed on its behalf.

DocuSigned by:

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R Sklar
Director

Disguise Technologies Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2021

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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.

Disguise Technologies Limited

Independent Auditor's Report to the Members of Disguise Technologies Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Disguise Technologies Limited ("the Company") for the year ended 31 December 2021 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a year of at least twelve months from when the financial statements are authorised for issue.

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

Disguise Technologies Limited

Independent Auditor's Report to the Members of Disguise Technologies Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements 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. 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.

Other Companies Act 2006 reporting

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

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

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

Disguise Technologies Limited

Independent Auditor's Report to the Members of Disguise Technologies Limited (continued)

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.

Extent to which the audit was capable of detecting irregularities, including fraud

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:

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud. We considered the Company's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, UK company law and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements.

Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary. We made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof.

We also addressed the risk of management override of internal controls, including testing journal entries processed during, and subsequent to, the period and evaluating whether there was evidence of bias by Directors that represented a risk of material misstatement due to fraud. We considered the risk of fraud in relation to revenue recognition through a detailed what could go wrong assessment and performed specific testing in relation to existence of revenue during the period and around the period end. We also considered the risk of fraud in the capitalisation of internally generated intangible assets and focussed our testing in this area.

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 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 are to become aware of it.

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

Disguise Technologies Limited

Independent Auditor's Report to the Members of Disguise Technologies Limited (continued)

Use of our report

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

DocuSigned by:

Neil Ebdon

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Neil Ebdon (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Leeds

United Kingdom

13 September 2022

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

Disguise Technologies Limited

Statement of Comprehensive Income For the Year Ended 31 December 2021

	Note	2021 £	2020 £
Turnover	4	11,011,289	8,709,982
Gross profit		11,011,289	8,709,982
Administrative expenses		(11,466,358)	(7,390,451)
Other operating income	5	-	164,289
Share-based payment charge	24	(839,926)	(350,057)
Operating (loss)/profit	6	(1,294,995)	1,133,763
Interest payable and similar charges		(11,241)	(15,530)
(Loss)/profit before taxation		(1,306,236)	1,118,233
Tax on (loss)/profit	9	633,942	(240,507)
(Loss)/profit for the financial year		(672,294)	877,726

There was no other comprehensive income for 2021 (2020 - £Nil).

The notes on pages 16 to 35 form part of these financial statements.

Disguise Technologies Limited

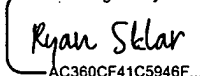
Registered number: 07937973

Statement of Financial Position As at 31 December 2021

	Note	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Intangible assets			3,259,074		2,295,858
Tangible assets			347,781		348,738
Investments	12		1,650		1,650
			<u>3,608,505</u>		<u>2,646,246</u>
Current assets					
Stocks	13	19,869		-	
Debtors: amounts falling due after more than one year	14	305,596		-	
Debtors: amounts falling due within one year	14	7,582,351		4,269,659	
Cash at bank and in hand	15	225,949		106,223	
		<u>8,133,765</u>		<u>4,375,882</u>	
Current liabilities					
Creditors: amounts falling due within one year	16	(6,941,834)		(2,370,083)	
Net current assets			<u>1,191,931</u>		<u>2,005,799</u>
Total assets less current liabilities			<u>4,800,436</u>		<u>4,652,045</u>
Creditors: amounts falling due after more than one year	17		-		(19,043)
Provisions for liabilities					
Deferred tax	19		-		(255,855)
Net assets			<u>4,800,436</u>		<u>4,377,147</u>
Capital and reserves					
Called up share capital	20		1,935		1,935
Capital contribution reserve	21		1,043,695		-
Profit and loss account	21		3,754,806		4,375,212
Total equity			<u>4,800,436</u>		<u>4,377,147</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 13th September 2022

DocuSigned by:


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R Sklar
Director

The notes on pages 16 to 35 form part of these financial statements.

Disguise Technologies Limited

Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital	Capital contribution reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2021	1,935	-	4,375,212	4,377,147
Comprehensive loss for the year				
Loss for the year	-	-	(672,294)	(672,294)
Total comprehensive loss for the year	-	-	(672,294)	(672,294)
Contributions by and distributions to owners				
Capital contribution in the year	-	1,043,695	-	1,043,695
Share based payments	-	-	51,888	51,888
Total transactions with owners	-	1,043,695	51,888	1,095,583
At 31 December 2021	1,935	1,043,695	3,754,806	4,800,436

Statement of Changes in Equity For the Year Ended 31 December 2020

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2020	1,935	3,435,238	3,437,173
Comprehensive income for the year			
Profit for the year	-	877,726	877,726
Total comprehensive income for the year	-	877,726	877,726
Contributions by and distributions to owners			
Share based payments	-	62,248	62,248
Total transactions with owners	-	62,248	62,248
At 31 December 2020	1,935	4,375,212	4,377,147

The notes on pages 16 to 35 form part of these financial statements.

Disguise Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

1. General information

Disguise Technologies Limited is a private company limited by shares, incorporated and domiciled in England. The address of the registered office is shown on the Company Information page. The nature of the Company's operations and its principal activities are outlined in the Strategic 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 financial statements are presented in pounds sterling and all values have been rounded to the nearest pound.

The results of Disguise Technologies Limited are included in the consolidated financial statements of Butterfly Topco Limited.

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 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 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Butterfly TopCo Limited as at 31 December 2021 and these financial statements may be obtained from Hermes House 88-89 Blackfriars Rd, South Bank, London, SE1 8HA.

2.3 Exemption from preparing consolidated financial statements

The financial statements contain information about Disguise Technologies Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Butterfly Topco Limited, a company registered in England.

Disguise Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.4 Going concern

As at 31 December 2021 the Company had net assets of £4.8million (2020: £4.4million) and net current assets of £1.2million (2020: £2.0million).

The Directors have received confirmation from the Group that it will provide ongoing financial support for a period of not less than 12 months in order for the Company to meet its liabilities as they fall due. As a result, the below disclosures which are in respect of the wider Butterfly Topco Limited group, are considered relevant to the Company.

On 27 February 2021, Butterfly Topco Limited alongside its subsidiary companies Butterfly Midco Limited and Butterfly Bidco Limited were incorporated to facilitate the acquisition of New Leaf Topco Limited and its subsidiaries (New Leaf Topco Group), which completed on 3 March 2021 Butterfly Topco Limited received £79.4m from a new equity partner and the funds were used to purchase the majority of shares of New Leaf Topco. The remaining shares were exchanged for shares and loan notes in Butterfly Topco Limited resulting in management and existing shareholders taking a minority interest in Butterfly Topco Limited and Group. The capital structure of Butterfly Topco Limited resulted in share capital of £0.7million and loan notes of £111.3million. The loan notes are repayable in 2031 and accrue interest at 10% p.a. As part of the acquisition Butterfly Topco Limited entered into an agreement with its bank to provide a £10million Revolving Credit Facility (RCF) to fund the Group's future growth and working capital requirements. At the balance sheet date the RCF remained undrawn. The interest rate on the shareholder loan notes have been agreed by the Directors to accrue and roll the interest until further notice.

The executive Directors of Butterfly Topco Limited and Group are also Directors of the subsidiary companies, this ensures a consistent approach to achieving the strategic goals of the Group as all subsidiaries within the Group are intrinsically linked in regard to principal activities, systems, processes and funding. As a result, the Directors consider the going concern status of the Company to be intrinsically linked to the going concern status of the new Butterfly Topco Group.

Following the year end the Group has drawn down £10m of the RCF to fund two acquisitions (as set out within post balance sheet events on page 35) and invest in stock to ensure the continuity of supply and maintaining projected revenue. The Directors have reassessed the going concern status of the business following the additional funding and potential impact of the geopolitical factors considered as set out below.

Following the swift and decisive action taken by the Directors to address the negative impact of COVID -19 on the Group through the suspension of live events, the business has gone from strength to strength in 2021.

In particular, the Directors have considered the main markets served by the business linked to an economic downturn and or future lockdowns from COVID-19. Despite the live events market having been directly and severely affected by the pandemic from the early stages of the crisis, the Group serves other new industry verticals that have not been so hard hit by the crisis so far, including the highly diverse fixed installations markets (e.g. theme parks, houses of worship, theatres, cruise ships, casinos) and virtual production (e.g. TV & broadcast, universities), hence the customer base is relatively widely spread, and allied to this, the business is not overly dependent on any single client.

The business benefits from a robust supply chain with manufacturing spread across three main partners, supported by second source manufacturers identified for several of the key components used in the Group's hardware and a global logistics partner.

Disguise Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.4 Going concern (continued)

This benefit mitigates against the current worldwide shortage of key electronic components required by the business for its end products, this shortage is forecast to continue into 2023. The Directors are confident that the strategies put in place will ensure continuity of supply for The Group's customers.

A further challenge the Group faces is securing and retaining the right level of talent and expertise in the business and as a consequence the Group has also invested in its talent and people team to address the personnel issues.

Taking the above matters into account and the economic challenges currently faced including rising cost of inflation, the Directors have prepared financial projections for the period of twelve months from the date of issue of these financial statements. Overall the board are positive about the future EBITDA trajectory of the Group and continue to manage the cash position of the Group carefully. Cash headroom is considered adequate with re-forecasts and sensitivities undertaken to stress test assumptions. The uncertainty around a long and sustained global economic downturn is mitigated by the geographic and market diversification we have across the business with some markets less prone to be impacted i.e. our Live market with people still wanting to visit entertainment venues.

The Directors conclude that there are no material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. The Company has adequate financial resources available to ensure that the Company can meet its obligations as they fall due for the foreseeable future and have therefore adopted the going concern basis in preparing the financial statements.

2.5 Revenue

Revenue relates to management fees charged to group undertakings. Revenue is recognised over the period to which the management fees relate.

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and revenue can be measured reliably. Revenue is measured at the fair value of consideration receivable, after discounts, but excluding VAT.

2.6 Foreign currency translation

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.

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 the Statement of Comprehensive Income.

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

Disguise Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.7 Government grants

Payments received under the UK government's Coronavirus Job Retention Scheme are a form of grant. This grant money is receivable as compensation for expenses already incurred. It is recognised in income in the period in which it becomes receivable and the related expense is incurred

2.8 Finance costs

Finance costs are charged to the Statement of Comprehensive Income 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.

2.9 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 of 3 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.

2.10 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Fixtures and fittings	-	20% straight line
Computer equipment	-	33% straight line

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

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

2.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Disguise Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.12 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

2.13 Debtors

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

2.14 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.

2.15 Financial instruments

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

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

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.16 Creditors

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

Disguise Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.17 Share based payments

The acquisition of the New Leaf Topco Group on 3 March 2021 triggered an exit event in relation to the share options that were granted prior to this acquisition. As a result all options vested on 3 March 2021 at a share price of £7.54. No new options were granted during the year, the policy below is in respect of the judgements used for the prior year.

Equity-settled

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position 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 Company 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 Statement of Comprehensive Income over the remaining vesting period.

Where options are issued by one group entity for settlement in its own shares, and these options are granted to employees of a subsidiary entity, the issuing entity recognises the charge as an increase in cost of investment, while the subsidiary recognised this as a capital contribution in the Statement of Changes in Equity.

Disguise Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.17 Share based payments (continued)

Cash-settled

Where cash-settled instruments are awarded to employees, the fair value of the instrument is measured at the date of grant date, and subsequently remeasured at each reporting date. The fair value is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of instruments that eventually vest. Market vesting conditions are factored into the fair value of the instruments 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 Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

2.18 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income 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.

2.19 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Comprehensive Income 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 Company in independently administered funds.

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income 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 operates and generates income.

Disguise Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.20 Current and deferred taxation (continued)

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

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

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

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

In preparing these financial statements, the directors have made the following judgements:

- **Intangible assets**
Determine the point from which it is appropriate to recognise an intangible asset for development costs incurred in respect of new products. In doing so, the Directors have considered whether the various recognition criteria required by FRS 102 have been met, in particular the reliable measurement of costs directly attributable to the development, the technical feasibility of the project, the availability of the necessary resources to complete the product development, and the existence of a suitable market to buy the finished product.
- **Share-based payments charge**
The Company has legacy share options which vested during the year to following the acquisition of the business by the Butterfly group (an exit event). Therefore, there are no judgements to be applied in the current year. The judgements applied in the previous year were as follows:

Equity-settled

The Company has legacy share options, these are fair valued at the grant date, and the resultant share based payment charge spread over the expected vesting period of the instruments.

The legacy options issued were valued using the Black-Scholes model. This model requires a number of assumptions to be made including the share price at the date of the grant of the options, the volatility of the share price, expected dividend yield and the expected period to exercise.

The legacy options were issued with an exercise price of £0.01 per share. This is significantly lower than the share price of the Company at the date of grant. Therefore the key judgement in the calculation was the share price. All other factors had no bearing on the option price.

Management calculated a share price of £0.15 per share at the date of the latest grant with input from an expert. The directors are satisfied that the share price is reasonable, taking into consideration the EBITDA performance and the resultant expected enterprise value of the Company, based on benchmarking of the earnings ratio to comparable companies in the sector.

Disguise Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

3. Judgements in applying accounting policies (continued)

In addition, for both types of share-based payment, the total anticipated share based payment charge is spread over the vesting period of the instruments. For those instruments that do not vest before the year end, management make an assessment of the expected timing of the vesting date.

Cash-settled

The company has granted cash-settled shared-based payments in the year. These are fair-valued at each period end, and the resultant expected share based payment charge spread over the expected vesting period of the instruments.

Vesting period

The vesting date is the point at which there is an exit event (i.e. a sale or listing of the Company). The directors have assessed the relevant vesting period, based on information available at the balance sheet date. Their assumption was that of an exit event at the end of February 2021.

- **Recoverability of development costs**

The Company determines the recoverability of development costs from future cash flows based on the progress of the development project and any changes in the potential market for the product. The capitalisation of development costs is based on discounted future cash flows based on business forecasts of revenues generated from the development of new products and are therefore inherently judgemental. Future events could cause the values of this intangible asset to be impaired.

4. Turnover

The whole of the turnover is attributable to the principal activity of the Company. All turnover arose within the United Kingdom in the current and prior year.

5. Other operating income

	2021 £	2020 £
Government furlough income receivable	-	164,289

Disguise Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

6. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2021 £	2020 £
Research & development charged as an expense	515,834	662,591
Depreciation of tangible fixed assets	202,944	173,250
Amortisation of intangible assets	815,394	453,491
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	20,000	4,000
Fees payable to the Company's auditor for non-audit services	54,294	-
Exchange differences	54,623	39,785
	<u>5,163,089</u>	<u>1,733,117</u>

7. Employees

	2021 £	2020 £
Wages and salaries	5,579,049	3,909,810
Social security costs	659,513	419,498
Cost of defined contribution scheme	155,854	99,371
	<u>6,394,416</u>	<u>4,428,679</u>

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

	2021 No.	2020 No.
Employees	105	78

8. Directors' remuneration

Directors were remunerated by another group company in the current and prior year.

Key management are considered to be the directors and key personnel of the Company. The emoluments of F Kufer, R Sklar and A Nehru were paid by another group company. No recharges were made for their services to the Company.

Disguise Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

9. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on (losses)/profits for the year	-	(113,532)
Adjustments in respect of previous periods	(72,491)	312,584
Total current tax	(72,491)	199,052
Deferred tax		
Origination and reversal of timing differences	(757,823)	73,253
Adjustments in respect of previous periods	87,837	(51,019)
Effect of tax rate change on opening balance	108,535	19,221
Total deferred tax	(561,451)	41,455
Taxation on (loss)/profit	(633,942)	240,507

Factors affecting tax (credit)/charge for the year

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
(Loss)/profit before tax	(1,306,236)	1,118,233
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(248,185)	212,464
Effects of:		
Expenses not deductible for tax purposes	61,533	11,400
Fixed asset differences	(5,946)	-
Adjustments to tax charge in respect of prior periods	(72,491)	312,584
Adjustments to deferred tax charge in respect of previous periods	87,837	(51,019)
Group relief surrendered	7,643	-
Adjustment in research and development tax credit leading to a decrease in the tax charge	-	(354,061)
Surrender of tax losses for R&D tax credit	-	35,234
Change in tax rates	(71,340)	18,865
Share based payments	(392,993)	55,040
Total tax (credit)/charge for the year	(633,942)	240,507

Disguise Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

9. Taxation (continued)

Factors that may affect future tax charges

An increase in the future main corporation tax rate to 25% from 1 April 2023, from the previously enacted 19%, was announced at the budget on 3 March 2021, and substantively enacted on 24 May 2021. The deferred tax balance at 31 December 2021 has been calculated based on the tax rate as at the Statement of Financial Position date of 25%.

10. Intangible assets

	Development expenditure £
Cost	
At 1 January 2021	2,811,544
Additions	1,778,610
At 31 December 2021	<u>4,590,154</u>
Amortisation	
At 1 January 2021	515,686
Charge for the year	815,394
At 31 December 2021	<u>1,331,080</u>
Net book value	
At 31 December 2021	<u>3,259,074</u>
At 31 December 2020	<u>2,295,858</u>

Disguise Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

11. Tangible fixed assets

	Fixtures and fittings £	Computer equipment £	Total £
Cost			
At 1 January 2021	19,268	588,456	607,724
Additions	-	201,987	201,987
At 31 December 2021	<u>19,268</u>	<u>790,443</u>	<u>809,711</u>
Depreciation			
At 1 January 2021	8,281	250,705	258,986
Charge for the year on owned assets	3,028	199,916	202,944
At 31 December 2021	<u>11,309</u>	<u>450,621</u>	<u>461,930</u>
Net book value			
At 31 December 2021	<u>7,959</u>	<u>339,822</u>	<u>347,781</u>
At 31 December 2020	<u>10,987</u>	<u>337,751</u>	<u>348,738</u>

Finance leases

The net book value of assets held under finance lease at 31 December 2021 was £Nil (2020 - £52,369).

12. Fixed asset investments

	Investments in subsidiary companies £
Cost and net book value	
At 1 January 2021	1,650
At 31 December 2021	<u>1,650</u>

Disguise Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

12. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Disguise Systems Limited	Hermes House, 88-89 Blackfriars Rd, South Bank, London, SE1 8HA	Ordinary	100%
Disguise Systems (APAC) Limited	Workshop D2, 26th Floor, TML Tower, No. 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong	Ordinary	100%
Disguise Systems Inc	421 Colyton Street, #1R, Los Angeles, CA 90013	Ordinary	100%
Disguise Systems (China) Limited	Room 103, 6/F WeWork, The Konnect, 118 South Yunnan Road, Huangpu District, Shanghai, China	Ordinary	100%
Disguise EMEA Limited	Hermes House, 88-89 Blackfriars Rd, South Bank, London, SE1 8HA	Ordinary	100%
Disguise Spain Sociedad Limitada	Paseo Recoletos 37 Planta 128004 Madrid, Spain	Ordinary	100%
Disguise Systems Canada Inc (formerly Mapping Matters Inc)	630, boul. Rene-Levesque Ouest, Bureau 2780, Montreal, Quebec H3B 1S6, Canada.	Ordinary	100%
Disguise New Zealand Limited	Level 4 BDO Centre, 4 Graham Street, Auckland 1010, New Zealand	Ordinary	100%
Disguise Korea Limited	G129-3 No 219, Tera3 No 219, Tera-tower 2, 201, tower 2, 201, Songpa-daero, Songpadaero, Songpa-gu, Seoulgu, Seoul, Korea	Ordinary	100%
Disguise Japan GK	371 We Work Ocean Gate Minato Mirai, Japan	Ordinary	100%
Previz LLC	1115 W Sunset Blvd, Suite 608, Los Angeles, CA 90012, USA	Ordinary	100%

Disguise Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

12. Fixed asset investments (continued)

Subsidiary undertakings (continued)

Disguise Systems Limited is the only subsidiary undertaking held directly.

13. Stocks

	2021 £	2020 £
Raw materials and consumables	<u>19,869</u>	<u>-</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

14. Debtors

	2021 £	2020 £
Due after more than one year		
Deferred tax asset (note 19)	<u>305,596</u>	<u>-</u>
Due within one year		
Amounts owed by group undertakings	6,078,471	4,115,181
Other debtors	1,004,805	63,522
Prepayments and accrued income	115,682	90,956
Tax recoverable	383,393	-
	<u>7,582,351</u>	<u>4,269,659</u>

All amounts shown under debtors fall due for payment within one year.

The amounts owed by group undertakings are interest-free and repayable on demand.

15. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	<u>225,949</u>	<u>106,223</u>

Disguise Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

16. Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	464,276	218,531
Amounts owed to group undertakings	5,674,023	856,712
Corporation tax	-	186,385
Other taxation and social security	193,678	401,950
Obligations under finance leases	-	18,129
Other creditors	95,522	66,841
Accruals and deferred income	514,335	621,535
	<u>6,941,834</u>	<u>2,370,083</u>

The amounts owed to group undertakings are interest-free and repayable on demand.

Obligations under finance leases were secured on the assets to which they relate.

17. Creditors: amounts falling due after more than one year

	2021 £	2020 £
Obligations under finance leases	-	19,043
	<u>-</u>	<u>19,043</u>

Obligations under finance leases were settled in the year.

18. Finance leases

Minimum lease payments under hire purchase fall due as follows:

	2021 £	2020 £
Within one year	-	18,129
Between 1-5 years	-	19,043
	<u>-</u>	<u>37,172</u>

The obligations under finance leases were settled early during the year.

Disguise Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

19. Deferred taxation

	2021 £	2020 £
At beginning of year	255,855	214,400
(Credited)/charged to profit or loss	(561,451)	41,455
At end of year	(305,596)	255,855

The deferred taxation (asset)/liability is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	824,384	341,155
Losses and other deductions	1,120,522	-
Short term timing differences	(9,458)	(85,300)
	(305,596)	255,855

20. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
180,000 (2020 - 180,000) Ordinary shares of £0.01 each	1,800	1,800
9,677 (2020 - 9,677) A Ordinary shares of £0.01 each	97	97
3,870 (2020 - 3,870) B Ordinary shares of £0.01 each	38	38
	1,935	1,935

Rights attached to the current shares in issue are as follows:

- All shares confer voting rights.
- All shares enable the holder to participate in dividends.
- All shares enable the holder to participate in capital distribution.
- All shares are non-redeemable.

Disguise Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

21. Reserves

The Company's reserves are as follows:

Share capital

Share capital represents the nominal value of shares issued.

Capital contribution reserve

The capital contribution reserve represents contributions made by a parent company in relation to settling share based options issued to employees.

Profit and loss account

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

22. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents the contributions payable by the Company to the fund and amounted to £155,854 (2020 - £99,371). Contributions totaling £83,428 (2020 - £66,841) were payable to the fund at the reporting date and are included in other creditors.

23. Commitments under operating leases

At 31 December 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	23,985	32,865
Later than 1 year and not later than 5 years	33,648	62,734
	<u>57,633</u>	<u>95,599</u>

Disguise Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

24. Share based payments

The share-based remuneration expense comprises:

	2021 £	2020 £
Total share based payment expense in the year		
Expense in relation equity settled options during the year	51,888	63,542
Expense in relation cash settled instruments during the year	788,038	286,515
Total expense in relation to share based payments	<u>839,926</u>	<u>350,057</u>

Equity-settled

During the year ended 31 December 2021 the Group issued no new equity settled share options over classes D2 and E shares of New Leaf Topco Limited to employees of the Company. The legacy options issued in previous years were exercised on 3 March 2021 following the takeover of the New Leaf Topco Limited by Butterfly Bidco limited. This represented an exercisable event. The valuation of share options was determined using the Black Scholes model on grant date and the charge has been spread to the vesting date which was the 3 March 2021.

	Weighted average exercise price (pence) 2021	Number 2021	Weighted average exercise price (pence) 2020	Number 2020
Outstanding at the beginning of the year	0.01	393,000	0.01	393,000
Forfeited during the year	0.01	(10,000)		-
Exercised during the year	0.01	(383,000)		-
Outstanding at the end of the year	<u>0.01</u>	<u>-</u>	<u>0.01</u>	<u>393,000</u>

Disguise Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

24. Share based payments (continued)

Cash-settled

During the years ended 31 December 2020 and 31 December 2021 the Company issued cash settled share based payment instruments. These vested on 3 March 2021 upon the acquisition of New Leaf Topco Limited by Butterfly Bidco Limited. The valuation of the instruments was determined using the Black Scholes Model at each reporting date and the cumulative charge spread over the vesting period which ended on 3 March 2021.

	2021 £	2020 £
Cash settled instruments		
Opening share based payment liability	304,335	17,820
Expense during the year	788,038	286,515
Settled during the year	(1,092,373)	-
Closing share based payment liability	<u>-</u>	<u>304,335</u>

25. Related party transactions

The Company is a wholly owned subsidiary of Butterfly Topco Limited and has taken advantage of the available exemption conferred by section 33.1A of FRS 102 not to disclose transactions with wholly owned group members.

26. Post balance sheet events

On 4 March 2022, the Company completed the acquisition of Polygon Labs LLC for maximum \$16million. This purchase was financed by cash, deferred consideration and debt through a drawdown of £4 million on the group's RCF facility.

Following the acquisition of Polygon, the Company, on 8 July 2022, completed the acquisition of Meptik LLC for maximum \$15million. The acquisition was financed by cash through a £4m drawdown of the group's RCF facility, loan notes, equity and deferred consideration.

27. Parent undertaking and Controlling party

At the date of signing these financial statements, the Company's immediate parent undertaking was New Leaf Bidco Limited, incorporated in England, whose registered office is Hermes House 88-89 Blackfriars Rd, South Bank, London, SE1 8HA.

From 3 March 2021, the Company's ultimate parent company became Butterfly Topco Limited, a company incorporated in England, whose registered office is Hermes House 88-89 Blackfriars Rd, South Bank, London, SE1 8HA. Previously the ultimate parent company was New Leaf Topco Limited.

The largest and smallest group in which the results of the Company are consolidated was that headed by Butterfly Topco Limited. The consolidated financial statements of Butterfly Topco Limited are publicly available and may be obtained from Hermes House 88-89 Blackfriars Rd, South Bank, London, SE1, 8HA.

CETP IV Investment S.a.r.l, is the ultimate controlling party at the reporting date.