FINANCIAL STATEMENTS AND DIRECTOR'S REPORT FOR 2018

MONDO TV

PRODUCCIONES CANARIAS

THE DREAM FACTORY

"Our long-term expectations are to transform Mondo TV Producciones Canarias into an international hub for creating, developing and producing high quality projects."

A MESSAGE FROM THE CEO OF MONDO TV PRODUCCIONES CANARIAS: **MARIA BONARIA FOIS**

The animation and special effects sector is clearly now one of the sectors with the greatest potential for international growth.

Our studio in Tenerife, Mondo TV Producciones Canarias, has seen spectacular growth in just two years, and continues to expand. We can now confirm that it has become one of the leading animation studios on the island.

Thanks to a talented team of highly-qualified international artists, Mondo TV Producciones Canarias is able to offer comprehensive visual development and pre-production service for any kind of animated series.

There are many reasons why we decided to invest in the Canary Islands, but perhaps the main attraction was that we could see that they had huge potential. In fact, Tenerife is a place that is able to accommodate any kind of audiovisual production.

Animation has become a very relevant sector, and generates big profits. Also, thanks to the

(1). SISSI - girl adventure **(2).** BAT PAT - comedy adventure

(3). METEO HEROES - gender neutral **(4).** INVENTION STORY - comedy adventure

Canary Islands' tax incentives, we believe that it is the perfect place for locating the majority of the work in an animation production chain.

Our long-term expectations are to transform the studio into an international hub for creating, developing and producing high quality projects.

We trust that 2019 will prove that we are on the right path for this to happen

2018: HIGHLIGHTS

Mondo TV Producciones Canarias is currently working on the main Mondo TV Group titles, through service contracts..

Main highlights of 2018:

- **January 2018:** off to a good start with the production of Invention Story [co-production between Mondo TV and Henan York] and the third 3D series of the hit Sissi, The Young Empress [co-production between Mondo TV and Il Sole di Carta].
- **March 2018:** production starts on the second series of Bat Pat, a 2D animation series of 52 episodes, each 11 minutes long, co-produced with Italian producer Atlantyca S.A. Bat Pat narrates the exciting, hair-raising and comical adventures of a talking bat and his friends, the Silver siblings. Together they unravel mysteries and come up against supernatural creatures of the night who lurk around every corner in the town of Fogville.
- **June 2018:** Mondo TV Producciones Canarias is also part of the Tenerife Film Commission.

- **September 2018:** during the MIPCOM in Cannes, Mondo TV announces the co-production of the animation series MeteoHeroes together with the Italian company MDPI - Meteo Expert. It comprises 52 episodes, each 7 minutes long. The series highlights how global warming works and explains ecology and respect for nature through the adventures of six children who turn into superheroes with special powers related to nature and climate. Through a service contract with the parent company Mondo TV S.p.A., the Mondo TV Producciones Canarias studio is in charge of the entire pre-production of this exciting new animation project.

(1). BAT PAT **(2).** INVENTION STORY **(3).** METEO HEROES **(4).** SISSI

MONDO TV PRODUCCIONES CANARIAS, S.L.U.

ABRIDGED FINANCIAL STATEMENTS FOR 2018 WITH THE AUDIT REPORT OF THE ABRIDGED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

MONDO TV PRODUCCIONES CANARIAS, S.L.U.

Abridged Financial Statements for 2018 with the Audit Report of the Abridged Financial Statements issued by an Independent Auditor

AUDIT REPORT OF THE ABRIDGED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

ABRIDGED FINANCIAL STATEMENTS FOR THE YEAR 2018:

Abridged Statement of Financial Position as at 31 December 2018 and 2017.
Abridged Income Statement for 2018 and 2017
Statement of Changes in Equity for 2018 and 2017
Statement of Cash Flows for 2018 and 2017
Abridged Notes to the Financial Statements for 2018

MONDO TV PRODUCCIONES CANARIAS, S.L.U.

Audit Report of the Abridged Financial Statements issued by an Independent Auditor

MONDO TV PRODUCCIONES CANARIAS, S.L.U.

ABRIDGED FINANCIAL STATEMENTS FOR THE YEAR 2018

MONDO TV PRODUCCIONES CANARIAS, S.L.U.
ABRIDGED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018
(Expressed in Euros)

ASSETS	Notes to the Financial Statements	31/12/2018	31/12/2017
NON-CURRENT ASSETS		**1,612,119.71**	**3,276,337.65**
Intangible assets	**Note 4**	**(1,564,643.56)**	**3,245,384.07**
Property, plant and equipment	**Note 5**	**45,526.15**	**30,103.58**
Non-current financial assets	**Note 7**	**1,950.00**	**850.00**
CURRENT ASSETS		**311,018.96**	**397,693.88**
Trade and other receivables		**297,668.70**	**397,784.13**
Trade receivables for sales and services	Notes 7 and 16	289,755.22	390,437.48
Other borrowings	Note 12	7,913.48	7,346.65
Cash and cash equivalents	**Note 7.1**	**13,350.26**	**(90.25)**
Cash		13,350.26	(90.25)
TOTAL ASSETS		**1,923,138.67**	**3,674,031.53**

The Abridged Financial Statements of the Company, which form a single item, include the attached abridged Statement of Financial Position, the abridged Income Statement, the Statement of Changes in Equity, the Statement of Cash Flows and the abridged Annual Notes to the Financial Statements comprising 18 Notes.

MONDO TV PRODUCCIONES CANARIAS, S.L.U.
ABRIDGED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018
(Expressed in Euros)

EQUITY AND LIABILITIES	Notes to the Financial Statements	31/12/2018	31/12/2017
EQUITY		**(2,443,160.68)**	**266,638.18**
Shareholders' equity	**Note 10**	**(2,443,160.68)**	**266,638.18**
Share capital	**Note 10**	**3,006.00**	**3,006.00**
Registered share capital		3,006.00	3,006.00
Reserves		**263,632.18**	**89,152.76**
Legal reserve	Note 10	601.20	601.20
Voluntary reserves		263,030.98	88,551.56
Result for the year		**(2,709,798.86)**	**174,479.52**
NON-CURRENT LIABILITIES		**3,611,543.23**	**1,941,491.20**
Non-current debts	**Note 8**	**81,263.46**	**-**
Bank borrowings		81,263.46	-
Borrowings with Group and Associated Companies	**Note 8 and 16**	**3,530,279.77**	**1,941,491.20**
CURRENT LIABILITIES		**754,756.12**	**1,465,902.15**
Current debts	**Note 8**	**77,501.36**	**4,183.86**
Bank borrowings		76,161.00	-
Other current debts		1,340.36	4,183.76
Debts with Group and Associated Companies	**Notes 8 and 16**	**617,568.64**	**1,438,022.65**
Trade and other payables		**59,686.12**	**23,695.64**
Other creditors	Notes 8 and 12	59,686.12	23,695.64
TOTAL EQUITY AND LIABILITIES		**1,923,138.67**	**3,674,031.53**

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MONDO TV PRODUCCIONES CANARIAS, S.L.U.
ABRIDGED INCOME STATEMENT FOR 2018
(Expressed in Euros)

INCOME STATEMENT	Notes to the Financial Statements	2018	2017
Net Turnover	**Notes 16 and 18**	**308,018.13**	**495,000.00**
Self-constructed assets		**189,573.33**	**-**
Provisions	**Note 13**	**(11,104.16)**	**-**
Other operating income		**540.97**	**-**
Staff costs	**Note 13**	**(380,482.10)**	**(245,183.70)**
Other operating expenses		**(123,808.85)**	**(59,369.12)**
Depreciation of property, plant and equipment	**Notes 4 and 5**	**(393,641.18)**	**(7,666.43)**
Impairment and gains/losses through disposal of fixed		**(2,220,080.59)**	**-**
Other gains and losses		**540.51**	**-**
RESULT FROM OPERATIONS		**(2,630,479.94)**	**182,360.75**
Finance income		**-**	**9.44**
Finance costs	**Note 16**	**(77,253.38)**	**(620.79)**
Exchange differences	**Note 11**	**(2,065.54)**	**-**
FINANCIAL RESULT		**(79,318.92)**	**(611.35)**
RESULT BEFORE TAX		**(2,709,798.86)**	**181,749.40**
Income tax	**Note 12**	**-**	**(7,269.98)**
RESULT FROM CONTINUING OPERATIONS		**(2,709,798.86)**	**174,479.42**
RESULT FOR THE YEAR		**(2,709,798.86)**	**174,479.42**

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MONDO TV PRODUCCIONES CANARIAS, S.L.U.
STATEMENT OF CHANGES IN EQUITY

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR 2018 AND 2017

	2018	2017
RESULT FROM THE INCOME STATEMENT	**(2,709,798.66)**	**174,479.42**
Income and expenses recognised directly in equity		-
CONSOLIDATED INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY		-
Transfers to the income statement		-
TOTAL TRANSFERS TO THE INCOME STATEMENT		-
TOTAL RECOGNISED INCOME AND EXPENSE	**(2,709,798.66)**	**174,479.42**

B) STATEMENT OF TOTAL CHANGES IN EQUITY FOR 2018 AND 2017

(Expressed in Euros)

	Subscribed Capital	Reserves	Results from previous financial years	Other shareholder contributions	Result for the year	Total
BALANCE AT 2016 YEAR-END	**3,006.00**	**-**	**-**	**-**	**89,152.75**	**92,158.75**
Error corrections from 2016	-	-	-	-	-	-
ADJUSTED BALANCE, YEAR END 2017	**3,006.00**	**-**	**-**	**-**	**89,152.75**	**92,158.75**
Total recognised income and expense	-	-	-	-	**174,479.42**	**174,479.42**
Operations with partners or owners	-	-	-	-	-	-
Capital increases	-	-	-	-	-	-
Other changes in equity	-	**89,152.75**	-	-	**(89,152.75)**	-
Distribution of prior year's profit/(loss)	-	89,152.75	-	-	(89,152.75)	-
BALANCE AT 2017 YEAR-END	**3,006.00**	**89,152.75**	**-**	**-**	**174,479.42**	**266,638.17**
Error corrections from 2017	-	**0.01**	-	-	-	**0.01**
ADJUSTED BALANCE, YEAR END 2018	**3,006.00**	**89,152.76**	**-**	**-**	**174,479.42**	**266,638.18**
Total recognised income and expense	-	-	-	-	**(2,709,798.66)**	**(2,709,798.66)**
Operations with partners or owners	-	-	-	-	-	**2,296,994.00**
Capital increases	-	-	-	-	-	2,296,994.00
Other changes in equity	-	**174,479.42**	-	-	**(174,479.42)**	-
Distribution of prior year's profit/(loss)	-	174,479.42	-	-	(174,479.42)	-
BALANCE AT 2018 YEAR-END	**3,006.00**	**263,632.18**	**-**	**-**	**(2,709,798.86)**	**(2,443,160.68)**

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MONDO TV PRODUCCIONES CANARIAS, S.L.U.
STATEMENT OF CASH FLOWS FOR 2018 AND 2017
(Expressed in Euros)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before tax	**(2,709,798.86)**	**181,749.40**
Adjustments to profit	**2,503,467.36**	**8,277.78**
Depreciation of property, plant and equipment	393,641.18	7,666.43
Valuation corrections due to impairment	2,220,080.59	-
Finance income	-	(9.44)
Finance costs	77,253.38	620.79
Exchange differences	2,065.54	-
Other income and expense	(189,573.33)	-
Changes in working capital	**140,281.17**	**(210,132.56)**
Trade and other receivables	100,115.43	(212,734.57)
Trade and other payables	40,165.74	2,602.01
Other cash flows from operating activities	**(9,525.77)**	**(3,987.18)**
Interest paid	(3,284.97)	(620.79)
Income tax payments	(6,240.80)	(3,375.83)
Cash flows from operating activities	**(75,576.10)**	**(24,092.56)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments due to investment	**(759,930.50)**	**(3,247,170.59)**
Group companies and associated companies	-	-
Intangible assets	(735,152.21)	(3,243,861.15)
Property, plant and equipment	(23,678.29)	(3,309.44)
Other financial assets	(1.100,00)	-
Receipts from divestments	**-**	**-**
Other financial assets	-	-
Cash flows from investing activities	**(759,930.50)**	**(3,247,170.59)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts and payments for equity instruments	**-**	**0.01**
Issuance of equity instruments	-	-
Amortisation of equity instruments	-	0.01
Changes to reserves	-	0.01
Receipts and payments for financial liability instruments	**848,947.11**	**3,275,636.89**
Issuance of:		
Bank borrowings	177,541.96	-
Borrowings with Group and associated companies	1,173,798.68	3,272,174.87
Other debts	-	3,462.02
Repayment and amortisation of:		
Bank borrowings	(20,117.50)	-
Borrowings with Group and associated companies	(479,432.53)	-
Other debts	(2,843.50)	-
Payments through dividends and remuneration of other asset instruments		-
Cash flows from financing activities	**848,947.11**	**3,275,636.90**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**13,440.51**	**4,373.75**
Cash and cash equivalents at beginning of year	(90.25)	(4,464.00)
Cash and cash equivalents at end of year	13,350.26	(90.25)

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MONDO TV PRODUCCIONES CANARIAS, S.L.U.

ABRIDGED NOTES TO THE FINANCIAL STATEMENTS FOR 2018

NOTE 1 INCORPORATION, ACTIVITY AND LEGAL FORM OF THE COMPANY

a) Incorporation and Registered Address

Mondo TV Producciones Canarias, S.L.U., (hereinafter the "Company"), was incorporated in Madrid, on 17 June 2016. Its current registered address is at Calle Rambla de Pulido 42-1, 38004 Santa Cruz de Tenerife.

The Company forms part of a Group, the Parent of which is Mondo TV Iberoamérica, S.A., which files the Consolidated Financial Statements with the Madrid Companies Register.

Thus, it forms part of the Mondo Group, the Parent of which is the Company Mondo TV S.p.A, which files its Consolidated Financial Statements in Italy.

b) Activity

Its activity consists of the cinematographic pre-production and distribution of youth series and television programmes, including concept art, development of the bible, model packs and storyboard, as well as any other activity related to the aforementioned corporate purpose.

The Company's financial year begins on 1 January and ends on 31 December of each year. Throughout the Notes to these Financial Statements, every time there is a reference to the financial year ended 31 December 2018, this will be simplified to "2018".

c) Legal Form

The Company is governed by its Articles of Association and the Corporate Enterprises Act in force.

NOTE 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

a) True and fair view

The financial statements for 2018 have been prepared on the basis of the Company's accounting records and are presented in accordance with current mercantile legislation and with the regulations laid down in the General Accounting Plan approved by Royal Decree 1514/2007, of 16 November, applying the amendments introduced thereto by Royal Decree 1159/2010 and 602/2016 of 17 September and 17 December, respectively, in order to show a true and fair view of the assets, the financial situation and the results of the Company.

b) Accounting Principles Applied

The financial statements have been prepared by applying the accounting principles established in the Code of Commerce and the General Accounting Plan.

c) Presentation Currency

Pursuant to the legislation in force concerning accounting matters, the financial statements are expressed in Euros.

d) Key issues in relation to the measurement and estimation of uncertainty

The Company has prepared these financial statements using the going concern principle.

The preparation of the attached financial statements involved estimates made by the Company Directors in order to value certain assets, liabilities, revenue, expenditure and commitments recorded in the accounts. These estimates essentially refer to:

- The measurement of possible losses due to impairment of certain assets.
- The useful life of intangible assets.
- Recoverability of tax credits.
- Estimated future cash flows and expected returns used in the business plan approved by the Management.

In spite of the fact that these estimations are based on the best available information, as at 2018 year-end, future events might make it necessary to amend them (upwards or downwards) in subsequent years, which would be done in a forward-looking manner.

The Company has analysed the factors and mitigating aspects that are cause for concern using the going concern principle to support its conclusions.
The financial, operational and legal causes for concern are the following:

1) Working capital: as at 31 December 2018 the Company has a negative working capital of €443,737.16 (negative €1,068,208.27 at 31 December 2017);

2) Negative equity: as at 31 December 2018 the Company has negative equity totalling €2,443,160.68;

3) Negative operating cash flows in past or prospective financial statements: the cash flow has been negative until now because the Company is currently in a growth phase and has only been on the market for two years.

4) Key unfavourable financial ratios:

Ratios	2016	2017	2018
Liquidity risk	1.45	0.27	0.41
Liquidity ratio (no intragroup)	11.44	14.26	2.27
Solvency ratio	2.50	0.67	0.72
Debt ratio	0.55	0.93	2.32
Debt coverage ratio	1.16	17.78	(256.11)
Debt coverage ratio (no intragroup)	0.05	-	(8.60)
ROE	0.97	0.65	(1.11)
ROA	0.41	0.10	(3.10)
Bad debts ratio	-	-	-
Working Capital	55,325.26	(1,068,208.27)	(443,737.16)
Working capital (no intragroup)	162,664.19	369,814.38	173,831.48

The ratios in 2018 are affected by the irreversible impairment of Heidi II, and the debt resulting from its financing;

5) Considerable operating losses or significant impairment in the value of assets used to generate cash flows: the losses of 2018 are mostly due to the write-off of the non-recoverable value of the series "Heidi, Bienvenida al Show" for the amount of €2,222,953.58 The write-off of the asset is due to its recoverable value being less than that recognised in the accounts because of the lower volume of revenue coming from the licensing and merchandising due to the first season "Heidi, Bienvenida a Casa" not having the expected success;

6) Inability to comply with the terms of the loan agreement: in 2018the Company was not able meet the payments of the current loan held with Mondo TV Iberoamérica S.A. in the amount of €279,579.17;

7) The decrease in revenue for the 2018 financial year compared to the previous and that budgeted is due to the fact that some significant contracts expected for the year are now expected for 2019;

8) Non-fulfilment of the 2018 Business Plan: due to the lower sales of Heidi II and the contracts that were supposed to be closed in 2018 and will most likely be signed in 2019, the estimated forecasts in the Business Plan 2018 prepared by the Management of the Company have not been met.

The Company has analysed each one of these factors and the mitigating factors are as follows:

1) As at 31 December 2018 the Company has a negative working capital of €443,737.16 (negative €1,068,208.27 at 31 December 2017). However, as indicated in Note 16, in order to address the negative equity, in 2018 the entirety of the loan (€3,809,858.94) with Mondo TV Iberoamérica S.A. was converted into a participating loan falling due in 2023 with the aim of converting it into capital over the coming years. Pursuant to article 363 of the Corporate Enterprises Act, the equity would increase to €1,366,698.26 for the purpose of evaluating the balance of the equity. Furthermore, this results in an Equity/Capital ratio of 455%. This, together with the return to a forecast positive result in 2020 would avoid the risk of grounds for dissolution of the Company.

2) The Company has the financial support of the Group for 2019 and 2020, which is committed in the case of liquidity issues to continue financing the working capital of the Company and, in the case of it not being able to pay the current debt at the end of the year, postpone it to the following year. On 26 March 2019, Mondo TV Iberoamérica S.A. increased its shareholding in the capital of the Company in the amount of €2,296,994.00 through the offsetting of the participating loan to assist the company in its growth and expansion.

   Mondo TV S.p.A is a solvent parent company with sufficient liquidity of more than €12 million in cash at hand and a net financial position of €8.1 million. The equity of the Mondo TV S.p.A group as at 31 December 2018 totals €58.2 million, the working capital stands at €12 million and has a turnover of €22.2 million;

3) Despite 2018 registering a negative working capital, the Company has prepared a cash budget which does not forecast any cash issues or non-payments in the short/long-term.

   The solvency ratio of the Company for 2018 (calculated as Equity + Non-current liabilities and divided by Non-current assets) is 0.72. This indicates that the current permanent resources only finance 72% of the non-current assets.

   The operating cash flow has been negative until now because the Company is currently in a period of investment and has only been on the market for two years. According to the 2019-2021 Business Plan the EBITDA and the profit/(loss) for the year will be in positive figures as of 2020 due to the dubbing costs of Heidi II forecast in 2019 and the change in the recognition of revenue that will apply in Spain as of 2020 which will allow us to recognise the sale of "Bat Pat 2" at the start date of the licence and not with the delivery of the material, demonstrating the capacity of the Company to generate operating cash flows without any problems.

The main measures adopted by the company to ensure adequate cash on hand are:

a. Structuring of the financing of projects (such as "Bat Pat 2") has begun using loans over three years rather than using lines of credit.

b. Change in the Company's financing policy which now has the option to perform presales in order to self-finance itself before the completion of the co-production.

c. According to the 2019-2021 Business Plan, the EBITDA and the result for the year will be positive as of 2020. This is thanks to the new investments in co-productions and the capture of new audiovisual catalogues that permit a very high margin to be obtained (up to 40%), together with the tax benefits available in the Canary Islands. However, during the first few years the Company will require additional financing to cover the new investments.

4) During the year, the Company has reduced the maximum payment period to trade suppliers legally established at 60 days down to 17 days, (56 days in 2017) as a result of better cash management.

5) The 2018 financial year closed with a loss mostly due to the write-off of the Heidi II series. In our sector, which depends on various factors ranging from audience tastes to current trends, it is fairly common for the forecast sale of a particular content to be delayed or replaced for another sale of differing content. But, far from being a weakness, it is a very valuable strength because it shows that the Management understands the market, the customers and the trends and has the capacity to redirect situations, which could have negative effects on the results, to other valid alternatives at that time to comply with the end results. The same market knowledge and versatility in knowing how to redirect the results provides us with sufficient comfort when affirming our absolute confidence in achieving the objectives set for 2019-2021, where there are many projects under way and contracts to close. As of 2019, the Company will begin to generate income not only with the Group, but also with third-parties, increasing from three productions to seven. Among these, it should be noted that the audiovisual service for MeteoHeroes with MOPI, Disco Dragon with Mondo TV France S.A., Invention Story with Mondo TV S.p.A, the conclusion of the second co-production with "Bat Pat 2" con Atlantyca. This represents a very high growth in revenue and indicates the importance of the Company for the Group, given that it wants to convert it into a leading audiovisual hub.

6) It should be noted that the Company has not lost important markets, there have simply been delays in closing the contracts. Furthermore, the number of customers signing another foreign co-production for the co-production of season two of "Bat Pat 2" has been increasing and from 2019 onwards the Company will be capable of generating revenue not only through the audiovisual service, but also through co-production.

7) The Company's management has prepared a Business Plan for the years 2019-2021 in which it forecasts exceeding a turnover of €1 million as of 2019 and having a positive EBITDA from 2020 onwards.

All these factors, that mitigate the continuity risk of the Company's operations, must be considered in relation to the forecast activity, therefore the Board of Directors estimates that it will obtain the sufficient resources, counting the financial support of the Group, to allow the Company to realise its assets and settle its liabilities for the amounts and according to the classification in which they appear in the financial statements, which have been prepared assuming that the Company's activity will continue.

e) Comparative information

Pursuant to the mercantile legislation, for each one of the headings of the Statement of Financial Position and the Income Statement, the Statement of Changes in Equity and the Statement of Cash Flows, the Directors present the figures for 2018, as well as those for the previous year for comparative purposes.

f) Consolidation of Items

To facilitate understanding of the Statement of Financial Position and the Income Statement, these statements are presented in a grouped manner, with the analyses required being presented in the corresponding explanatory notes.

g) Items Detailed under Several Headings

There are no equity elements of a similar nature that have been included in different headings in the statement of financial position.

h) Changes in Accounting Criteria

There were no significant changes to the accounting principles with regard the financial statements of the previous year.

i) Responsibility of the Information and Estimates Made

The information contained in these financial statements is the responsibility of the Company's Board of Directors. Estimates have been used in the preparation of these financial statements to measure some of the assets, liabilities, expenses and commitments recognised therein, and these estimates basically refer to the measurement of impairment losses of certain assets, the useful life of the non-current assets and the likelihood of provisions being made.

Although these estimates are made using the best information available on the date of issue of these financial statements, it is possible that events may arise in the future that require that these be amended in future financial years. In such case, this shall be done prospectively, recognising the effects of the change of the estimate in the corresponding income statements.

j) Grouping of items

To facilitate understanding of the Statement of Financial Position, the Income Statement, the Statement of Changes in Equity and the Cash Flow Statement, these statements are presented in a grouped manner, with the analyses required being presented in the corresponding explanatory notes.

k) Items detailed under several headings

There are no equity elements of a similar nature that have been included in different headings in the statement of financial position.

l) Error correction

No changes in accounting criteria have been detected nor are there errors at the close of the financial year that oblige their restatement or the correction of equity information from previous financial years.

NOTE 3 RECOGNITION AND MEASUREMENT STANDARDS

The main recognition and measurement standards used by the Company in the preparation of its Financial Statements for 2018 in accordance with the General Accounting Plan, are as follows:

a) Intangible assets

This heading includes the rights relating to the series and films of co-productions made by the Company.

The audiovisual rights of the Company are classified as intangible assets insofar as they are elements destined to serve the company's activity over the long-term. Where an audiovisual right has be earmarked for sale, it is considered to form part of the Company's inventory.

These rights are measured at their acquisition cost less the amortisation practiced based on the transfer of the rights of use and updated during the year.

The production costs of the items of intangible assets produced by the Company can be obtained by including the costs directly attributable to such assets, as well as the portion that reasonably corresponds of the costs indirectly attributable to the assets concerned, insofar as such costs correspond to the production period and are necessary for the asset to be operational.

Pursuant to the provisions of the General Accounting Plan and its implementing regulations, the cost of the work must be calculated with reference to the production period, provided that such costs are necessary for the asset to be operational, with this concept recognising the direct and indirect production costs. Therefore, as specifically established in the Resolution of 28 May 2013 of the ICAC (Spanish Institute of Accounting and Audit), establishing the criteria for determining the production cost, the marketing costs, such as publicity and promotion, and the general administration costs shall not form part of the aforesaid cost.

It is not possible to reliably estimate the fair value of the audiovisual rights by fragments, therefore these assets are derecognised through amortisation, the systematic depreciation is performed on a straight-line basis as it is considered that this amortisation system is better suited to the economic life of the rights of animated series owned by the company.

The audiovisual rights, net of their residual value, if any, are amortised by distributing the cost of the different assets on a straight-line basis over the estimated number of years of useful life that make up the period during which the Company expects to use them, in accordance with the following table:

Production	**Useful life**
Heidi II	5
Bat Pat 2	5

At 31 December 2017, the second season of the series Heidi Bienvenida was under way, and by July 2018 it was already being marketed and amortised.

Intangible assets are assessed for signs of impairment at least at the end of each reporting period and, if any, the recoverable amount is estimated and the appropriate impairment losses are recognised. The recoverable amount is estimated through the updating of flows from the forecast profits for these assets over the coming years in the business plan.

Impairment losses and their reversal are recognised in the income statement.

Impairment losses are reversed when the circumstances giving rise to them cease to exist. Impairment losses may be reversed up to the limit of the carrying amount that would have been determined had no impairment loss been recognised in prior years.

In 2018 no valuation corrections due to impairment of intangible assets were recognised.

Computer software

Licences acquired for computer programs from third parties are capitalised on the basis of the costs incurred in acquiring them.

The maintenance costs of the computer software incurred for the year are recognised in the Income Statement.

Computer software is amortised on a straight-line basis over a period of between 3 and 5 years.

b) Property, plant and equipment

Property, plant and equipment are measured at their acquisition or production cost less accumulated depreciation, and where applicable, the accumulated losses arising from impairment.

The production costs of the items of property, plant and equipment manufactured or constructed by the Company can be obtained by including the acquisition costs of the raw materials and other consumables, the costs directly attributable to such assets, as well as the part that reasonably corresponds of the costs indirectly attributable to the assets concerned, insofar as such costs correspond to the manufacturing or construction period and are necessary for the asset to be operational.

The conservation and maintenance costs incurred during the financial year are charged to the Income Statement. The renovation, extension or improvement to property, plant and equipment, which represent an increase in capacity, productivity or a lengthening of the useful life, are capitalised at the higher values of the assets concerned, once the accounting values of the elements that have been replaced have been derecognised.

The property, plant and equipment, net of their residual value, if any, are depreciated by distributing the cost of the different items that make up said property, plant and equipment on a straight-line basis over the estimated number of years of useful life during which the Company expects to make use of them, in accordance with the following table:

	Estimated Years of Useful Life	Annual %
Plant	10	10.00
Tools	4	25.00
Other installations	10	10.00
Furniture	10	10.00
Information processing equipment	4	25.00

The carrying amount of an item of property, plant and equipment is derecognised in the accounts via its disposal or writing it off by some other means, or when it is not expected to obtain any further profits or economic returns through its use, disposal or writing off by some other means.

At the year-end, the Company carries out impairment tests to establish whether there is any impairment to an item of property, plant and equipment or any cash generating unit, in which case, the recoverable values are estimated and the necessary valuation adjustments are made.

An impairment loss is recognised when the value of an item of property, plant and equipment exceeds its recoverable value, this being understood as the highest amount between its fair value less sale costs and its value in use.

The valuation adjustments due to impairment of property, plant and equipment, as well as their reversal when circumstances that caused them cease to exist, are recognised as an expense or revenue, respectively, in the Income Statement.

In 2018 no valuation corrections due to impairment of intangible assets were recognised.

c) Leases and other operations of a similar nature

The Company classifies leases as finance leases whenever it can be inferred from the economic terms and conditions of the lease that all the risks and rewards incidental to the ownership of the leased asset are substantially transferred to the lessee. In the case that the terms and conditions of the lease are not met for it to be considered a financial lease, it will be considered as an operating lease.

The operating lease costs incurred during the financial year are charged to the Income Statement.

d) Financial Instruments

The Company determines the classification of its financial assets at the moment of initial recognition and, where permitted and appropriate, re-evaluates this classification at the end of each financial year.

The financial instruments used by the Company, for measurement purposes, are classified into the following categories:

1. Loans and receivables and liabilities and payables.

Loans and receivables and liabilities and payables

Loans and receivables

This category includes:

a) Receivables from trade transactions: financial assets originating from the sale of assets and the provision of services for traffic operations, and

b) Receivables from non-trade transactions: financial assets which, not being equity or derivative instruments, have no trade origin, the amount receivable of which is a determined or determinable amount, and which are traded on an active market.

Liabilities and payables

This category includes:

c) Payables from trade transactions: financial liabilities originating from the purchase of assets and services for traffic operations, and

d) Payables from non-trade transactions: financial liabilities that, not being derivative instruments, have no trade origin.

Initially, the financial assets and liabilities included in this category are recognised at fair value, which is the transaction price, this being equal to the fair value of the consideration received plus the directly attributable transaction costs.

Notwithstanding the foregoing, the trade receivables and payables that fall due within less than one year and which do not have a contractual rate of interest, and where relevant, advances and loans to staff, dividends receivable and payments required regarding equity instruments, where the amount is expected to be received in the short-term, and the payments required by third parties regarding ownership interests, where the amount is expected to be paid in the short-term, are measured at their nominal value when the effect of not discounting the cash flows is insignificant.

In previous measurements, both assets and liabilities are measured at their amortised cost. Accrued interest is recognised in the Income Statement using the effective interest method. Notwithstanding the foregoing, receivables and payables falling due within a year which are not initially measured at their nominal value continue to be measured at said amount, except, in the case of receivables, these have become impaired.

At year-end, the necessary valuation corrections are performed if there is objective evidence that the value of a receivable is impaired, that is, if it can be demonstrated that there is a reduction or delay in estimated future cash flows corresponding to said asset.

Impairment losses for loans and receivables, corresponding to the difference in the carrying amount and the current value of the future cash flows that it is estimated that these will generate, discounting the effective interest rate calculated when initially recognised.

Reclassification of financial assets

Financial assets initially included in the category of held for trading or at fair value with changes in the income statement cannot be reclassified to other categories or between these categories, unless when it is appropriate to classify the asset as an investment in the equity of the group, multi-group and associated companies.

Derecognition of financial assets

A financial asset, or part thereof, is derecognised when it expires or the contractual rights over the cash flows of the financial asset are assigned and the risks and rewards of ownership have been substantially transferred.

Derecognition of financial liabilities

A financial liability is derecognised when the corresponding obligation is extinguished.

Interest and dividends from financial assets

Interest and dividends from financial assets accrued after the date of acquisition are recognised as income in the Income Statement.

Interest is recognised using the effective interest rate method and dividends when the right of the shareholder to receive them is announced. For these purposes, in the initial measurement of the financial assets, the amount of unmatured accrued explicit interest is recognised separately based on their maturity dates, as well as the amount of the dividends agreed by the competent body at the moment of acquisition.

Guarantees delivered

For guarantees delivered for operating leases and the provision of services, the difference between their fair value and the amount paid is recognised as a prepayment for the lease or provision of the service. In the case of non-current guarantees delivered, these are measured at the amount paid.

Guarantees delivered for operating leases are measured at fair value.

e) Income tax

Income tax is recognised in the Income Statement or directly in Equity depending on where the earnings or loss generating said item is recognised. The income tax for each financial year recognises both the current tax and the deferred taxes, as relevant. The Autonomous Community of the Canary Islands is subject to the Canary Islands Special Zone (Zona Especial Canaria (ZEC) in Spanish), which is a zone subject to a reduced tax rate created within the framework of the Canary Islands Economic and Tax Scheme (REF), with the aim of promoting the economic and social development of the Archipelago and diversifying its productive structure.

The ZEC was authorised by the European Commission in January 2000 and is governed by Law 19/94 of 6 July 1994.

The current income tax is the amount the Company pays as a result of the tax returns of the tax on profit.

The differences between the carrying amount of the assets and liabilities, and their tax base, generate deferred tax asset or liability balances which are calculated using the expected tax rates at the time of their reversal, and in accordance with the manner in which it is reasonably expected to recover or pay the asset or liability.

The changes produced in the financial year in the deferred tax assets or liabilities are recognised in the Income Statement or directly in Equity, as appropriate.

Deferred tax assets are recognised insofar as it is likely that future tax gains will be available which allow the application of these assets.

f) Income and expenses

Income and expenses are recognised depending on the accrual criteria, i.e. when the real flow of goods and services it represents occurs, irrespective of the time when the monetary or financial flow arising from them occurs.

Income from the sale of goods and the provision of services is measured at the fair value of the balancing entry, received or due to be received, deriving from the foregoing, which, unless otherwise stated, is the price agreed for said goods or services, discounting: the amount of any discount, price reduction or other similar item that the Company may grant, as well as the interest incorporated into the nominal of the loans.

Income from the sale of assets is only recognised when each of the following conditions are met:

a) the significant risks and rewards inherent in the ownership of the assets have transferred to the buyer

b) the current management of the assets sold is not maintained at a level normally associated with their ownership, and nor is effective control over said assets retained

c) the amount of the income can be reliably measured

d) it is likely that the Company shall receive the profit or economic returns deriving from the transaction, and,

e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

g) Provisions and contingencies

Obligations existing at the year-end arising from past events which could result in probable losses for the Company, and the amount and moment of cancelation of which are undetermined, are recognised on the statement of financial position as provisions and are measured at the current value of the best estimate possible of the amount necessary to cancel the obligation or transfer it to a third-party.

Adjustments in the provision based on any updates are recognised as a financial expense as they accrue. In the case of provisions maturing within or at one year, discounting is not used if the effect thereof is not material.

The Company similarly informs, where applicable, of the contingencies not giving rise to provisions.

h) Related-party transactions

In general terms, the elements object of a transaction with related-parties are initially recognised at fair value. The subsequent valuation shall be made in accordance with the terms of the corresponding regulations.

i) Foreign currency transactions

Foreign currency transactions are recognised at their counter-value in euros, using the exchange rates in force on the date on which they occur.

At the close of each period, the monetary items are measured applying the exchange rate at the year-end. Exchange rate differences, both positive and negative, originating from this process, are recognised in the Income Statement for the financial year.

In the case of financial assets of a monetary nature classified as available for sale, the determination of the exchange rate differences caused by the fluctuations in the exchange rate on the date of the transaction and the at the year-end is performed as if said assets were measured at their amortised cost in the foreign currency, therefore the exchange rate differences are the results of the variations in said amortised cost as a result of the variations in the exchange rates, irrespective of their fair value. Exchange rate differences calculated in this manner are recognised in the Income Statement of the year in which they arise, whereas the other changes in the carrying amount of these financial assets would be recognised directly in Equity as provided for in the regulations concerning financial instruments.

The non-monetary items measured at historic costs continue to be measured by applying the exchange rate of the transaction date. The measurement thus obtained cannot exceed at the year-end the recoverable amount at that time, applying to this value, if necessary, the exchange rate at the year-end; in other words, the date referred to in the financial statements.

At the year-end, the non-monetary values measured at fair value, are measured by applying the exchange rate as at the date the fair value is determined, this being that of the year-end. When gains or losses deriving from the measurement of a non-monetary item are recognised directly in equity, any exchange rate difference is also measured in Equity. Contrarily, when gains or losses deriving from the measurement of a non-monetary item direct are recognised directly in the Income Statement, any exchange rate difference is measured in the profit/(loss) for the year.

NOTE 4 INTANGIBLE FIXED ASSETS

The breakdown and changes in intangible fixed assets for 2018 are as follows:

	01/01/2018	Additions	Disposals	Transfers	31/12/2018
Cost:					
Patents, licences, trademarks and similar	-	217,240.18	(2,469,948.43)	3,592,618.76	1,339,910.51
Computer software	4,460.18	864.47	-	-	5,324.65
Other intangible assets	3,241,491.20	706,620.89	-	(3,592,618.76)	355,493.33
	3,245,951.38	**924,725.54**	**(2,469,948.43)**	**-**	**1,700,728.49**
Accumulated amortisation:					
Patents, licences, trademarks and similar	-	(380,985.90)	246,994.85	-	(133,991.05)
Computer software	(567.31)	(1,526.57)	-	-	(2,093.88)
	(567.31)	**(382,512.47)**	**246,994.85**	**-**	**(136,048.93)**
Net intangible assets	**3,245,384.07**	**542,213.07**	**(2,222,953.58)**	**-**	**1,564,643.56**

The breakdown and changes in intangible fixed assets for 2017 are as follows:

	01/01/2017	Additions	31/12/2017
Cost:			
Computer software	1,600.90	2,860.18	4,460.18
Patents, licences, trademarks and similar	-	3,241,491.20	3,241,491.20
	1,600.90	**3,244,351.38**	**3,245,951.38**
Accumulated amortisation:			
Computer software	(77.98)	(489.33)	(567.31)
	(77.98)	**(489.33)**	**(567.31)**
Net intangible assets	**1,522.92**	**3,243,862.05**	**3,245,384.07**

At 31 December 2017, the second season of the series Heidi Bienvenida was under way, and by July 2018 it was already being marketed and amortised.

At 31 December 2018, a write-off of €2,222,953.58 due to the irreversible impairment of an intangible asset was recognised relating to Heidi II due to lower revenue from licencing and international sales. Being dependent on the success of Heidi I (accounted for by the Parent Mondo TV Iberoamérica S.A.) and the commencement of its recent amortisation (July 2018), the impairment effect has a greater impact.

The heading "Other intangible assets" includes the co-production "Bat Pat 2", which will be completed in 2019 for its release in 2020.

Fully amortised elements and in use

As at 31 December 2018, there were no fully amortised elements (nor were there any fully amortised elements at 31 December 2017).

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

The breakdown and changes in property, plant and equipment for 2018 are as follows:

	01/01/2018	Additions	Disposals	31/12/2018
Cost:				
Other facilities, tools and furniture	12,467.98	5,976.58	-	18,444.56
Information processing equipment	26,145.58	20,460.59	-	46,606.17
	38,613.56	**26,437.17**	**-**	**65,050.73**
Accumulated amortisation:				
Other facilities, tools and furniture	(1,583.35)	(1,620.37)	114.11	(3,089.61)
Information processing equipment	(6,926.63)	(9,508.34)	-	(16,434.97)
	(8,509.98)	**(11,128.71)**	**114.11**	**(19,524.58)**
Property, Plant and Equipment, Net	**30,103.58**	**15,308.46**	**114.11**	**45,526.15**

The breakdown and changes in property, plant and equipment for 2017 are as follows:

	31/12/2017	Additions	31/12/2017
Cost:			
Other facilities, tools and furniture	12,467.98	-	12,467.98
Information processing equipment	23,325.47	2,820.11	26,145.58
	35,793.45	**2,820.11**	**38,613.56**
Accumulated amortisation:			
Other facilities, tools and furniture	(313.30)	(1,270.05)	(1,583.35)
Information processing equipment	(1,019.58)	(5,907.05)	(6,926.63)
	(1,332.88)	**(7,177.10)**	**(8,509.98)**
Property, Plant and Equipment, Net	**34,460.57**	**(4,356.99)**	**30,103.58**

Fully amortised elements and in use

As at 31 December 2018, there were no fully depreciated elements (nor were there any fully depreciated elements of property, plant and equipment at 31 December 2017).

Other information

All the Company's property, plant and equipment is used in its operations and is duly insured and not subject to any encumbrance.

NOTE 6 LEASES AND OTHER OPERATIONS OF A SIMILAR NATURE

6.1) Operating leases (the Company as lessee)

The charge to the income statement for operating leases for the 2018 financial year increased to €7,848.55 (€7,839.00 in 2017).

The total amount of minimum future payments corresponding to non-cancelable operating leases is as follows:

	2018	2017
Up to 1 year	14,770.80	5,850.00
Between one and five years	26,704.17	-
	41,474.97	**5,850.00**

NOTE 7 FINANCIAL ASSETS

The breakdown of non-current financial assets in 2018 and 2017 is as follows:

	Loans, Derivatives and other 31/12/2018	Loans, Derivatives and other 31/12/2017
Loans and receivables (Note 7.2)	**1,950.00**	**850.00**
Total	**1,950.00**	**850.00**

The changes in non-current financial assets in 2018 is as follows:

	01/01/2018	Additions	31/12/2018
Loans and receivables (Note 7.2)	**850.00**	**1,100.00**	**1,950.00**
Total	**850.00**	**1,100.00**	**1,950.00**

The breakdown of non-current financial assets in 2017 is as follows:

	Loans, Derivatives and other 31/12/2017	Loans, Derivatives and other 31/12/2017
Loans and receivables (Note 7.2)	**850.00**	**850.00**
Total	**850.00**	**850.00**

The breakdown of current financial assets in 2018 is as follows:

	Loans, Derivatives and other 31/12/2018	Total 31/12/2018
Assets at fair value with changes in the income statement:	**13,350.26**	**13,350.26**
Cash and other liquid assets (Note 7.1.a)	13,350.26	13,350.26
Loans and receivables (Note 7.2)	**289,755.22**	**289,755.22**
Trade receivables for sales and services	289,755.22	289,755.22
Total	**303,105.48**	**303,105.48**

The breakdown of current financial assets in 2017 is as follows:

	Loans, Derivatives and other 31/12/2017	Total 31/12/2017
Assets at fair value with changes in the income statement:	**(90.25)**	**(90.25)**
Cash and other liquid assets (Note 7.1.a)	(90.25)	(90.25)
Loans and receivables (Note 7.2)	**395,437.48**	**395,437.48**
Trade receivables for sales and services	390,437.48	390,437.48
Other borrowings	5,000.00	5,000.00
Total	**395,347.23**	**395,347.23**

7.1) Assets at fair value with changes in the income statement

7.1.a) Cash and cash equivalents

The breakdown of these assets as at 31 December 2018 is as follows:

	Balance at 31/12/2018
Cash and bank	13,350.26
Total	**13,350.26**

In 2017 the Company's current account had an overdrawn balance of €90.25 which was settled in January 2018.

The breakdown of these assets as at 31 December 2017 is as follows:

	Balance at 31/12/2017
Cash and bank	(90.25)
Total	**(90.25)**

7.2) Loans and receivables

The composition of this heading at 31 December 2018 is as follows:

	Balance at 31/12/2018		Balance at 31/12/2017	
	Non-	Current	Non-	Current
Receivables from trade transactions				
Group companies and associates (Note 15)	-	289,755.22	-	395,437.48
Other borrowings	-	-	-	5,000.00
Total receivables from trade transactions	**-**	**289,755.22**	**-**	**395,437.48**
Receivables from non-trade transactions				
Guarantees and deposits	1,950.00	-	850.00	-
Total non-trade receivables	**1,950.00**	**-**	**850.00**	**-**
Total	**1,950.00**	**289,755.22**	**850.00**	**395,437.48**

a) Assets given as guarantee

There are no assets given as guarantee.

b) Classification by maturity

The breakdown by maturity as at 31 December 2018 is as follows:

	Maturity by year						
	2019	2020	2021	2022	2023	More than 5 years	Total
Financial investments	**-**	**-**	**1,950.00**	**-**	**-**	**-**	**1,950.00**
Other financial assets	-	-	1,950.00	-	-	-	1,950.00
Trade and other receivables	**289,755.22**	**-**	**-**	**-**	**-**	**-**	**289,755.22**
Trade receivables for sales and services	289,755.22	-	-	-	-	-	289,755.22
Total	**289,755.22**	**-**	**1,950.00**	**-**	**-**	**-**	**291,705.22**

The breakdown by maturity as at 31 December 2017 is as follows:

	Maturity by year						
	2018	**2019**	**2020**	**2021**	**2022**	**More than 5 years**	**Total**
Financial investments	**-**	**-**	**-**	**-**	**-**	**850.00**	**850.00**
Other financial assets	-	-	-	-	-	850.00	850.00
Trade and other receivables	395,437.48	-	-	-	-	-	**395,437.48**
Trade receivables for sales and services	395,437.48	-	-	-	-	-	395,437.48
Total	**395,437.48**	**-**	**-**	**-**	**-**	**850.00**	**396,287.48**

NOTE 8 FINANCIAL LIABILITIES

The breakdown of non-current financial liabilities is as follows:

	Bank borrowings		**Derivatives and Others**		**Total**	
	31/12/2018	**31/12/2017**	**31/12/2018**	**31/12/2017**	**31/12/2018**	**31/12/2017**
Liabilities and payables (Note 9.1)	**81,263.46**	**-**	**3,530,279.77**	**1,941,491.20**	**3,611,543.23**	**1,941,491.20**
Total	**81,263.46**	**-**	**3,530,279.77**	**1,941,491.20**	**3,611,543.23**	**1,941,491.20**

The breakdown of current financial liabilities is as follows:

	Bank borrowings		**Derivatives and Others**		**Total**	
	31/12/2018	**31/12/2017**	**31/12/2018**	**31/12/2017**	**31/12/2018**	**31/12/2017**
Liabilities and payables (Note 8.1)	**76,161.00**	**-**	**659,543.53**	**1,446,440.06**	**735,704.53**	**1,446,440.06**
Total	**76,161.00**	**-**	**659,543.53**	**1,446,440.06**	**735,704.53**	**1,446,440.06**

8.1) Liabilities and payables

The breakdown of this heading as at 31 December 2018 and 31 December 2017 is as follows:

	Balance at 31/12/2018		Balance at 31/12/2017	
	Non-current	Current	Non-current	Current
From trade transactions:				
Payables	-	40,634.53	-	4,265.05
Total balances from trade transactions	**-**	**40,634.53**	**-**	**4,265.05**
From non-trade transactions:				
Bank borrowings (Note 8.1a)	81,263.46	76,161.00	-	-
Borrowings with related parties (Note 15)	3,530,279.77	617,568.64	1,941,491.20	1,438,022.65
Loans and other borrowings	**3,611,543.23**	**693,729.64**	**1,941,491.20**	**1,438,022.65**
Other non-current borrowings	-	1,340.36	-	4,183.86
Suppliers of intangibles	**-**	**1,340.36**	**-**	**4,183.86**
Staff (remuneration payable)			-	(31.50)
Total balances from non-trade transactions	**3,611,543.23**	**695,070.00**	**1,941,491.20**	**1,442,175.01**
Total Liabilities and payables	**3,611,543.23**	**735,704.53**	**1,941,491.20**	**1,446,440.06**

a) Terms and conditions

The terms and conditions of the loans and payables are as follows:

Loans	Currency	Nominal rate	Year of maturity	Nominal value	Current	Non-current
Group and associated companies						
Mondo TV Iberoamérica S.A.	Euros	Euribor +3%	31/12/2023	3,809,858.94	617,568.64	1,233,285.77
Non-related						
Sabadell	Euros	3.75%	31/07/2021	150,000.00	48,896.99	81,263.46
Total					**666,465.63**	**1,314,549.23**

Credit agreements	Currency	Nominal rate	Year of maturity	Limit	Drawn	Undrawn
Non-related						
Bankinter	Euros	2.50%	03/04/2019	30,000.00	27,264.01	2,735.99
Total					**27,264.01**	**2,735.99**
Total loans and other borrowings					**693,729.64**	**1,314,549.23**

On 25 July 2018 the Company converted the entirety of the loan with Mondo TV Iberoamérica S.A. into a participating loan.

On 14 and 28 December 2018, the Company decided to increase its capital by €496,994.00 and €1,800,000.00 through the offsetting of loans with Mondo TV Iberoamérica S.A. to address the losses caused by the impairment of "Heidi, Bienvenida al Show" and to maintain the equity/capital ratio above 50%. The capital increase was entered in the Companies Register on 26 March 2019.

b) Classification by maturity

The breakdown by maturity as at 31 December 2018 is as follows:

	Maturity by year						
	2019	**2020**	**2021**	**2022**	**2023**	**More than 5 years**	**Total**
Debts	**77,501.36**	**50,762.49**	**30,500.97**	**-**	**-**	**-**	**158,764.82**
Bank borrowings	76,161.00	50,762.49	30,500.97	-	-	-	**157,424.46**
Other financial liabilities	1,340.36	-	-	-	-	-	**1,340.36**
Borrowings with Group and associated companies	**617,568.64**	**290,630.53**	**302,118.74**	**314,061.06**	**2,623,469.44**	**-**	**4,147,848.41**
Borrowings with Group and associated companies	617,568.64	290,630.53	302,118.74	314,061.06	2,623,469.44	-	4,147,848.41
Trade and other payables	**40,634.53**	**-**	**-**	**-**	**-**	**-**	**40,634.53**
Sundry accounts payable	40,634.53	-	-	-	-	-	40,634.53
Total	**735,704.53**	**341,393.02**	**332,619.71**	**314,061.06**	**2,623,469.44**	**-**	**4,347,247.76**

NOTE 9 INFORMATION ON DEFERRAL OF PAYMENT PERIODS TO SUPPLIERS ADDITIONAL PROVISION THREE "DUTY TO INFORM" OF LAW 15/2010, OF 5 JULY

Resolution of 29 January 2016 of the Spanish Institute of Accounting and Account Auditing concerning the information to be included in the Notes to the financial statements in relation to the average payment period to suppliers in trade transactions was published on 4 February 2016. Its purpose is to comply with the express mandate contained in Law 31/2014 of 3 December, repealing the immediate antecedent in the matter, the Resolution of 29 December 2010 of the Institute of Accounting and Account Auditing concerning the information to be included in the Notes to the consolidated financial statements in relation to the average payment period to suppliers in trade transactions, which has its origins in the previous wording of additional provision three of Law 15/2010 of 5 July, amending Law 3/2004 of 29 December.

The Company informs that the average payment period to suppliers in 2018 was as follows:

	2018 Days
Average payment period to suppliers	**17.34**

The Company informs that the average payment period to suppliers in 2017 was as follows:

	2017 Days
Average payment period to suppliers	**56.24**

NOTE 10 SHAREHOLDERS' EQUITY

Share Capital

As at 31 December 2018 the share capital totalled €3,006.00, represented by 3,006 fully subscribed and paid up registered shares, each with a nominal value of €1.00 (as at 31 December 2017 the share capital totalled €3,006). All these shares have the same voting and economic rights.

The changes in registered shares in circulation are as follows:

	2018	2017
At 1 January	3,006	3,006
Capital increases	-	-
At 31 December	3,006	3,006

In 2018, the Company transformed the entirety of the loan (€3,809,858,94) with Mondo TV S.p.A into a participating loan maturing in 2023 with the aim of converting it into capital over the coming years. On 14 and 28 December 2018, the Company increased its capital by €496,994.00 and €1,800,000.00 through the offsetting of loans with Mondo TV Iberoamérica S.A. to address the losses caused by the impairment of "Heidi, Bienvenida al Show" and to maintain the equity/capital ratio above 50%. The capital increase was entered in the Companies Register on 26 March 2019.

Reserves

Legal reserve

The Legal Reserve is restricted with regard to its use, which is determined by various legal provisions. In accordance with the Corporate Enterprises Act, companies obtaining a profit and which operate under said legal form, are obliged to allocate 10% to the legal reserve until this reaches an amount representing 20% of the subscribed share capital. The legal reserve can be used to offset losses or to increase capital by the amount that exceeds 10% of the already increased capital, as well as be distributed among Shareholders in the case of dissolution. As at 31 December 2018 the Lega Reserve totalled €601.20 (at 31 December 2017 it was fully provisioned).

NOTE 11 FOREIGN CURRENCY

The most significant balances in foreign currency at the close of 2018 and 2017 are those detailed below:

	31/12/2018		31/12/2017	
	Amount in Euros	**Amount in Dollars**	**Amount in Euros**	**Amount in Dollars**
Current liabilities				
Trade and other payables	17,463.24	19,974.30	-	-
Total	**17,463.24**	**19,974.30**	**-**	**-**

The amount of the exchange differences recognised in the income statement for 2018 and 2017 are as follows:

	31/12/2018		31/12/2017	
	Settled	**Outstanding**	**Settled**	**Outstanding**
Current liabilities				
Trade and other payables	2,065.54	-	-	-
Total	**2,065.54**	**-**	**-**	**-**

NOTE 12 TAX MATTERS

The detail of the balances with Public Administrations at 31 December 2018 is shown below, in Euros:

	31/12/2018		31/12/2017	
	Receivable	**Payable**	**Receivable**	**Payable**
Non-current				
Deferred tax assets	-	-	-	-
	-	**-**	**-**	**-**
Current:				
Canary Island General Indirect Tax (IGIC)	4,267.11	-	1,317.48	-
Personal income tax (IRPF) withholdings	-	9,791.21	-	7,819.03
Rental withholdings	-	-		376.05
Income tax	3,646.37	-	1,029.17	6,240.80
Social Security	-	9,260.38	-	5,026.21
	7,913.48	**19,051.59**	**2,346.65**	**19,462.09**

Income tax

The reconciliation between the net income and expense for the year and the taxable base of the income tax is as follows:

	2018 Income Statement			2017 Income Statement		
Profit for the year (after tax)			**(2,709,798.86)**			**174,479.42**
	Increases	***Decreases***	***Net effect***	***Increases***	***Decreases***	***Net effect***
Income tax expense	-	-	-	**7,269.98**	-	**7,269.98**
Permanent differences	-	-	-	-	-	-
Temporary differences:	-	-	-	-	-	-
Tax loss carryforwards from previous financial years	-	-	-	-	-	-
Taxable profit (tax loss)	**-**	**-**	**(2,709,798.86)**	**-**	**-**	**181,749.40**
Tax rate			**0.04**	**-**	**-**	**0.04**
Gross tax liability			**-**	**-**	**-**	**7,269.98**
Withholdings			-	-	-	-
Net tax liability			**-**	**-**	**-**	**7,269.98**

The calculations performed in relation to the tax expense are as follows:

	2018	2017
Profit before tax	(2,709,798.86)	181,749.40
Gross tax liability in the common territory (25%)	(677,449.72)	45,437.35
Gross tax liability in the ZEC (tax rate of 4%)	(108,391.05)	7,269.98
Gross tax liability in the common territory - Gross tax liability	(569,057.76)	38,167.37
30% NET BUSINESS TURNOVER	92,405.44	49,500.00
Tax expense	**-**	**7,269.98**

The main elements of the Income Tax expense are the following:

	2018	2017
Current tax expense	-	7,269.98
Deferred tax	-	-
Total	**-**	**7,269.98**

The company is entered in the Register of Entities of the Canary Islands Special Zone, therefore it is subject to tax under the special regime of the Canary Islands Special Zone (ZEC) Income Tax, and is therefore entitled to apply the tax credits detailed in article 42 et seq of Law 19/1994 of 6 July.

Pursuant to said regulation, the company pays its taxes at a rate of 4% for material activities effectively carried on within the geographic area of the ZEC.

However, the regulation includes the following restriction when determining the tax liability:

"The reduction of the gross tax liability in each tax period, after the application of the special tax rate applicable in the ZEC, in respect of the general Income Tax rate may not exceed 10% of the net business turnover of the entity."

Tax matters

According to current tax regulations, taxes cannot be considered as finally settled until they have either been inspected by the Tax Authorities or until the four-year statute-of-limitations has expired. Subsequently, as a result of possible inspections, additional liabilities in addition to those recognised by the Company may arise. Notwithstanding, the Directors of the Company consider that any such liabilities, should they arise, would not be significant considering the financial statements as a whole.

Tax returns cannot be considered as finally settled until they have been inspected by the Tax Authorities or until the four-year statute-of-limitations has expired.

NOTE 13 INCOME AND EXPENSE

a) Provisions

The composition of this heading of the attached Income Statement is as follows, in Euros:

	2018	2017
Other external expenses	11,104.16	-
Provisions	**11,104.16**	**-**

b) Employee benefit costs

The composition of this heading of the attached Income Statement is as follows:

	2018	2017
Social Security payable by the company	83,864.48	52,369.40
Employee benefit costs	**83,864.48**	**52,369.40**

NOTE 14 ENVIRONMENTAL INFORMATION

The Company does not have assets of any significance nor has it incurred any expenses destined to minimising the impact on the environment or the protection and improvement of the environment. Similarly, there are no provisions for risks and costs or contingencies relating to the protection and improvement of the environment.

NOTE 15 EVENTS AFTER THE REPORTING PERIOD

On 23 November 2018, an Economic Interest Association was formed with the requirements established by Law 12/1191, of 29 April. Formed under the name "BAT PAT SERIE, A.I.E" its corporate purpose is to produce, create, distribute and market the "Bat Pat 2" series within Spain and internationally. Mondo TV Producciones Canarias S.L.U. holds a 99% shareholding whereas the remaining 1% is held by Mondo TV Iberoamérica S.A. However, its economic activity begins as of 1 January 2019.

On 26 February 2019, the Company signed a production contract with Mondo TV France S.A. for the development of the first season of "Disco Dragon".

On 26 March 2019, the capital increase through offsetting the participating loan with Mondo TV Iberoamérica S.A.in the amount of €2,296,994.00 was made effective.

NOTE 16 RELATED PARTY TRANSACTIONS

Balances between related-parties

The breakdown of the balances with related parties at 31 December 2018 is as follows:

Outstanding balances with related parties in 2018	Mondo TV Iberoamérica, S.A.	Mondo TV S.p.A
CURRENT ASSETS	**-**	**289,755.22**
Trade and other receivables:		
Trade receivables from sales and services (Note 7.2)	-	289,755.22
NON-CURRENT LIABILITIES	**3,530,279.77**	**-**
Non-current borrowings with group and associated companies		
Non-current participating loan (Note 8.1)	3,530,279.77	-
CURRENT LIABILITIES	**617,568.64**	**-**
Current borrowings with group and associated companies (Note		
Current participating loan	279,579.17	-
Borrowings with the group's companies	264,021.06	-
Interest on borrowings	73,968.41	

The breakdown of the balances with related parties at 31 December 2017 is as follows:

Outstanding balances with related parties in 2017	Mondo TV Iberoamérica, S.A.	Mondo TV SPA
CURRENT ASSETS	**-**	**390,437.48**
Trade and other receivables:	**-**	
Non-current trade receivables from sales and services (Note 7.2)	-	390,437.48
NON-CURRENT LIABILITIES	**(1,941,491.20)**	**-**
Non-current borrowings with group and associated companies (Note	**(1,941,491.20)**	**-**
CURRENT LIABILITIES	**(1,438,022.65)**	**-**
Current borrowings with group and associated companies (Note 8.1)	**(1,438,022.65)**	**-**

Related-party transactions

The most significant transactions carried out with related parties in 2018 are as follows:

Related party transactions in 2018	Mondo TV Iberoamérica, S.A.	Mondo TV S.p.A
REVENUE	**-**	**296,634.92**
Rendering of services	-	296,634.92

Related party transactions in 2018	Mondo TV Iberoamérica, S.A.	Mondo TV S.p.A
COSTS	**73,968.41**	**-**
Finance costs	73,968.41	-

The most significant transactions carried out with related parties in 2017 are as follows:

Related party transactions in 2017	Mondo TV Iberoamérica, S.A.	Mondo TV S.p.A
REVENUE	**-**	**(495,000.00)**
Rendering of services	-	(495,000.00)

Balances and Transactions with Directors and Senior Management

The amounts received by the Directors in 2018 and 2017 are detailed below in Euros:

	31/12/2018	31/12/2017
Salaries, per diems and other remuneration	25,000.00	21,200.00
Total	**25,000.00**	**21,200.00**

Other information relating to the Directors

At the close of 2018, the Directors of the Company, as defined in the Corporate Enterprises Act, did not communicate to the other members of the Board of Directors any situations of a conflict of interests, either direct or indirect, that they, or persons related thereto, may have, regarding the interests of the Company.

Similarly, in accordance with the abovementioned Corporate Enterprises Act, the members of the Governing Body are informed that no activity has been performed, either on its own behalf or on behalf of another party, with the Company that may be considered outside of the ordinary course of business which has not been performed under normal market conditions.

NOTE 17 OTHER INFORMATION

The average number of employees in 2018, broken down by category, is as follows:

	2018
Senior Management	-
Administrative and similar	12
Sales, commercial personnel and similar	1
Total	**13**

The distribution of the Company's personnel at the end of the 2018 financial year, by category and gender, is as follows:

	2018		
	Men	**Women**	**Total**
Senior Management	-	-	-
Administrative and similar	9	6	15
Sales, commercial personnel and similar	-	1	1
Total personnel at year-end	**9**	**7**	**16**

The average number of employees in 2017, broken down by category, is as follows:

	2017
Senior Management	-
Administrative and similar	7
Sales, commercial personnel and similar	1
Total	**8**

The distribution of the Company's personnel at the end of the 2017 financial year, by category and gender, is as follows:

	2017		
	Men	**Women**	**Total**
Senior Management	-	-	-
Administrative and similar	5	2	7
Sales, commercial personnel and similar	-	1	1
Total personnel at year-end	**5**	**3**	**8**

The fees and charges for professional services invoiced by the Auditor of the Company's financial statements for the years ending 31 December 2018 and 2017 are as follows:

	2018	**2017**
Auditing services	6,800.00	6,037.20
Total	**6,800.00**	**6,037.20**

NOTE 18 SEGMENTED INFORMATION

The distribution of the turnover corresponding to the ordinary activities of the Company, by category and/or activity segments, are detailed below:

	31/12/2018		31/12/2017	
Description of the action.	**Euros**	**%**	**Euros**	**%**
Co-production	11,383.51	3.70%	-	0.00%
Audiovisual services	296,634.92	96.30%	495,000.00	100.00%
	308,018.43	**100%**	**495,000.00**	**100%**

The distribution of the turnover corresponding to the ordinary activities of the Company, by geographic markets, are detailed below:

	2018		2017	
	Euros	**%**	**Euros**	**%**
Intra-Community	296,634.92	96.30%	495,000.00	100.00%
Central and South America	11,383.51	3.70%	-	0.00%
	308,018.43	**100%**	**495,000.00**	**100%**

The most significant sales of 2018 correspond to the audiovisual sales to Mondo TV S.p.A.

MONDO TV PRODUCCIONES CANARIAS, S.L.U.

DIRECTORS' REPORT ON THE 2018 FINANCIAL YEAR

MONDO TV PRODUCCIONES CANARIAS, S.L.U.

DIRECTORS' REPORT ON THE 2018 FINANCIAL YEAR

1. SITUATION OF THE COMPANY

Organizational structure

Mondo TV Producciones Canarias S.L.U., was incorporated in September 2016 with 100% capital of Mondo TV Iberoamérica S.A., with the purpose of initially providing animation production services to Mondo TV S.p.A, and then later to third parties.

The company is managed by a Studio Manager, whose activity and results are controlled by the Board of Directors.

The Board of Directors is formed by three directors, and this delegates the management function to the CEO.

Functioning of the entity

The functioning and the activity of Mondo TV Producciones Canarias S.L.U. is that which is typical of an animation production company. Its business lines are currently as follows:

a) Production services, which range from the design of the characters to the storyboards, for the series in which the Parent Company participates as co-producer (e.g. Invention Story);

b) Production services, which range from the design of the characters to the storyboards, for third parties (e.g. MeteoHeroes);

c) Co-production of animated series in which the company participates as co-producer by mostly supplying the production services (Bat Pat 2), in addition to participating as finance co-producer in fictional series that are later distributed internationally (Heidi II).

2. EVOLUTION OF THE BUSINESS AND RESULTS

Evolution and trend in revenue

Segment	2016	2017	Change 2016-2017	2018	Change 2017-2018
Distribution	-	-	-	-	-
Co-production	-	-	-	11,383.51	100%
Audiovisual services	180,000.00	495,000.00	175%	296,634.92	-40.07%
Total revenue	**180,000.00**	**495,000.00**	**175%**	**308,018.43**	**-37.77%**

Up until 2018, the Company's only revenue came from the audiovisual services provided to the Parent Mondo TV S.p.A.

Since 2018, the company has begun to monetize the results of its first co-production (Heidi II), although the most important contracts will be signed in 2019.

The decrease of 40.7% in the audiovisual services is due to a contract with Mondo TV S.p.A. for the production of 104 episodes of Invention Story, which has been postponed until 2019.

Evolution and trend in costs

Cost type	2016	2017	Change 2016-2017	2018	Change 2017-2018
Amortisation and depreciation	1,410.86	7,666.43	443.39%	393,641.18	5034.61%
Irreversible impairment intangible asset	-	-	-	2,220,080.59	100%
Staff cost	46,137.05	245,183.70	431.42%	380,482.10	55.18%
Outsourced services	37,491.53	59,369.12	58.35%	121,434.95	104.54%
Finance costs	90.22	611.35	577.62%	3,284.97	437.33%
Group finance costs	-	-	-	73,968.41	100%

The increase in amortisation and depreciation in 2018 is due to the commercialisation of Heidi II in July 2018, with any depreciation prior to 2018 relating only to property, plant and equipment.

The irreversible impairment of €2.2m in 2018 corresponds to Heidi II, due to the problems with the licencing, which was below expectations and a market performance that was below expectations. With Heidi II reliant on the success of Heidi I (accounted for in Mondo TV Iberoamérica S.A.) and the fact that its amortisation has commenced only recently, the Company has decided to consider a greater amount as unrecoverable.

Staff costs rose 55% compared to the previous year given that the Company increased its number of productions from 2 in 2017 to 3 productions in 2018 (Sissi, Invention Story, Bat Pat 2). The number of staff has increased from 8 to 16.

In outsourced services, the most important items that have doubled the costs are the storyboard contracting and the purchase of the most recent licences to address in increased volume of work.

The bank finance costs increased in 2018 due to the financing with Banco Sabadell over three years for the amount €150,000,00 to finance the production of "Bat Pat 2" and the use of a line of credit totalling €30,000 with Bankinter.

In respect of group finance costs, 2018 is the year when the loan with Mondo TV Iberoamérica S.A.began to generate interest (Euribor + 3%).

Evolution and trend in profit/(loss)

Profit/(loss)	2016	2017	Change 2016-2017	2018	Change 2017-2018
EBITDA	96,371.42	190,027.18	97.18%	(16,758.17)	-108.82%
Result for the year	89,152.75	174,479.42	95.71%	(2,709,798.86)	-1,653.08%

The EBITDA for 2018 was in negative figures due to the rapid growth of the Company generating an increase in staff and professional services costs.
Furthermore, the most significant part of the staff costs in 2018 was related to the co-production of Bat Pat 2 (almost 80%), whereas the revenue is expected in 2020.

As a result of the higher amortisation and depreciation, the impairment of Heidi II and the increased costs of 2018, the profit/(loss) for the year stands at negative €2.7m.

Main financial and non-financial indicators

Ratios	2016	2017	2018
Liquidity risk	1.45	0.27	0.41
Liquidity ratio (no intragroup)	11.44	14.26	2.27
Solvency ratio	2.50	0.67	0.72
Debt ratio	0.55	0.93	2.32
Debt coverage ratio	1.16	17.78	-256.11
Debt coverage ratio (no intragroup)	0.05	0.00	8.60
ROE	0.97	0.65	-1.11
ROA	0.41	0.10	-3.10
Bad debts ratio	0.00	0.00	0.00
Working Capital	55,325.26	(1,068,208.27)	(443,737.16)
Working capital (no intragroup)	162,664.19	369,814.38	173,831.48

3. LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Company was financed for the first two years through loans granted by Mondo TV Iberoamérica S.A.

In 2018, alternative sources were sought with the signing of a 3-year €150,000 loan with Banco Sabadell for the co-production of "Bat Pat 2" and a line of credit to cover payroll with Bankinter in the amount of €30,000.

In accordance with the 2019-2021 Business Plan, in order to avoid resorting to intragroup financing and to be able to reach the level of forecast revenue, the Company will need approximately €636 thousand in new financing to finance its productions, of which €452 thousand will be required in 2019.

This need will be mostly sought through bank financing, both short-term (lines of credit/confirming) and long-term.

Capital resources

In 2018, the entire loan with Mondo TV Iberoamérica S.A. was transformed into a participating loan falling due in 2023.

In March 2019, in order to offset the impairment of Heidi II and the losses, €2,296 thousand was converted into capital. This results in an Equity/Capital ratio of 64%.

With forecast losses for 2019 (€1.1m), the company can convert up to an additional €1.5m to maintain the ratio above 50% so as not to enter into a situation of insolvency.

4. MAIN RISKS AND UNCERTAINTIES

Operating risks

The Company's biggest operating risk is its dependency on the productions ordered by the Parent Company. It is for this reason that since 2017 investments have begun in co-production and to attract productions from outside the scope of the intragroup.

In 2017 it co-produced the second season of Heidi "Heidi, Bienvenida al Show"with Alianzas and in 2018 "Bat Pat 2" con Atlantyca, the second season of the animated series produced by RTVE.

The trend is to reduce the intragroup service to be able to increase clients and for the Company to be recognised as an important audiovisual hub.

Another risk is the tax regulations in the Canary Islands.

The producers with their tax residency in the Canary Islands and which are charged with the execution of a foreign production (companies in service of the production) benefit from a rebate of 40% of the eligible cost in the territory of the Canary Islands. This incentive is restricted to a maximum deduction of €5.4 million, therefore the maximum base for the tax credit is €13.5 million euros.

The amount of the tax credit (40% of eligible costs) is deducted from the income tax liability as of the tax period during which the production service terminates.

In the case the tax liability is not sufficient, a request can be made to the Tax Authority to monetise the remaining amount not deducted.

In the case of the national productions that are carried out in the Canary Islands and which obtain the Canaries Film Certificate, the deduction percentages are 45% for the first million euros and 40% thereafter. This incentive is restricted to a maximum rebate of €5,4 million, therefore the maximum base for the tax credit is €13.375 million.

The amount of the tax deduction is the tax credit that is deducted from the Income Tax liability.

If the tax liability is insufficient to be able to apply the full amount of the deduction, the remaining amount can be deducted from income tax liability of the following years. The deduction will be generated in each tax period by the production cost incurred and will be applied from the tax period in which the nationality certificate is obtained.

All these incentives reduce the tax expense of the Company or generate an extra cash flow.

Financial risks

The only interest rate risk that can affect the Company is from the participating loan with Mondo TV Iberoamérica S.A. which accrues at the EURIBOR + 3%.

The Euribor is currently in negative figures and according to recent communications from the European Central Bank, the interest rate will remain the same for the rest of 2019.

Below follows the sensitivity analysis in the event of an increase in the Euribor (Euribor 1Y up to 31.12.18 - 0.117%):

Profit/(loss)	-0.117%	0.5%	1.00%
Interest on borrowings	138,434.00	179,397.00	200,113.00

If we consider the entirety of the outstanding participating loan (although in reality a portion will probably be converted in 2019), an increase in the Euribor of up to 1% would result in an additional cost of €61,679.00 up until 2023, in other words €15,417.75 more per year, which would not have an impact on the Company's accounts.

In respect of exchange rate risk, the Company usually takes steps to protect itself at no cost through some suppliers that advise on trends, thus reducing the risk. Currently, the only foreign currencies used are USD and GBP.

The Company manages credit risk by obtaining part of the amount at the beginning of production. Furthermore, it calculates the credits matured in order to claim them.

At this time the Company has not experienced any impairment losses relating to clients.

5. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Significant events after the reporting period

After the close of the 2018 financial year, talks have continued with clients to close two very important contracts in which the negotiation and confirmation of acquisition began in 2018, namely the purchase of Heidi II by RAI, and the co-production of Bat Pat 2. The signature of both contracts was delayed until 2019, but due to a shortfall in the budget of RAI in spite of the purchase being approved, and due to a shortfall in the budget of RTVE which needs to delay the beginning of the rights until 2020, these remain unsigned.

On 23 November 2018, an Economic Interest Association was formed with the requirements established by Law 12/1191, of 29 April. Formed under the name "BAT PAT SERIE, A.I.E" its corporate purpose is to produce, create, distribute and market the "Bat Pat 2" series within Spain and internationally. Mondo TV Producciones Canarias S.L.U. holds a 99% shareholding whereas the remaining 1% is held by Mondo TV Iberoamérica S.A. However, its economic activity begins as of 1 January 2019. This allows the Company to use the tax benefits associated with these types of company.
The completion of the first part of the competing series produced by Company is scheduled for the first quarter of 2019, although it is expected to be finished towards the end of 2019.

On 26 February 2019, the Company signed a production contract with Mondo TV France S.A. for the development of the first season of "Disco Dragon". This is the first production of Mondo TV France S.A. with another company of the Group. The production by Mondo TV Producciones Canarias S.L.U. will last from April 2019 to June 2020.

On 26 March 2019, the capital increase through offsetting the participating loan with Mondo TV Iberoamérica S.A.in the amount of €2,296,994.00 was made effective.

6. INFORMATION ON THE FORECAST EVOLUTION OF THE COMPANY

Forecast evolution of the company

The Company forecasts a positive evolution of its revenue, due to the differentiation of the business compared to the past, in particular, in addition to continuing its production activities for the Parent Company, service contracts have been signed with third-parties as well as a co-production contract. The intention is to expand the last two lines of business so that revenue is received from third-parties and it is not dependent solely on agreements with the Parent Company.

In the last few years prior to 2018, the Group experienced a very positive evolution in its revenue. Although 2018 is a year that closed with a loss, this is not due to a decrease in business but rather the impairment of an investment that did not turn out as expected. Had this impairment not occurred, the turnover would be in line with expectations and the market situation.
The 2019-2021 Business Plan shows sustained growth, due to the forecast increase in the series in production, whether as a service for the Parent Company, the participation in the co-production of animated series, or distributing fiction contents co-produced with third-parties.

The EBITDA and the profit/(loss) for the year will be in positive figures as of 2020, considering that in 2019 there will be a partial amortisation of €500 thousand for the sale of Heidi II and related dubbing costs of €375 thousand.

PREPARATION OF THE FINANCIAL STATEMENTS

In compliance with the prevailing commercial legislation, the Directors of **Mondo TV Producciones Canarias, S.L.U.** issue the Abridged Financial Statements for the year ended 31 December 2018 which comprise the attached sheets numbers 1 to 47.

Santa Cruz de Tenerife, 27 March 2019
Directors

Mr Matteo Corradi
Director

Mr Enrico Martinis
Director

Ms Maria Bonaria Fois
Director

MONDO TV

PRODUCCIONES CANARIAS

THE DREAM FACTORY

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