

Applearn Limited

Annual Report and Unaudited Financial Statements
for the Year Ended 31 December 2020

Hallidays
Riverside House
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Yew Street
Stockport
SK4 2HD

Applearn Limited

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Applearn Limited

(Registration number: 07620235)
Balance Sheet as at 31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	<u>5</u>	16,333	12,417
Tangible assets	<u>6</u>	50,416	27,322
		<u>66,749</u>	<u>39,739</u>
Current assets			
Debtors	<u>7</u>	1,244,124	730,587
Cash at bank and in hand		548,605	1,820,835
		<u>1,792,729</u>	<u>2,551,422</u>
Creditors: Amounts falling due within one year	<u>8</u>	<u>(2,791,353)</u>	<u>(1,433,610)</u>
Net current (liabilities)/assets		<u>(998,624)</u>	<u>1,117,812</u>
Total assets less current liabilities		<u>(931,875)</u>	<u>1,157,551</u>
Creditors: Amounts falling due after more than one year	<u>8</u>	<u>(13,422,651)</u>	<u>(12,581,353)</u>
Net liabilities		<u>(14,354,526)</u>	<u>(11,423,802)</u>
Capital and reserves			
Called up share capital		1	1
Profit and loss account		<u>(14,354,527)</u>	<u>(11,423,803)</u>
Total equity		<u>(14,354,526)</u>	<u>(11,423,802)</u>

For the financial year ending 31 December 2020 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

These financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime and the option not to file the Profit and Loss Account has been taken.

Applearn Limited

(Registration number: 07620235)
Balance Sheet as at 31 December 2020

Approved and authorised by the Board on 10 December 2021 and signed on its behalf by:

Adam Prickett

Director

Applearn Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1 General information

The company is a private company limited by share capital incorporated in England and Wales.

The address of its registered office is:

Riverside House
Kings Reach Business Park
Yew Street
Stockport
Cheshire
SK4 2HD

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 102 Section 1A - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Going concern

At the balance sheet date, the company had excess liabilities over assets and therefore a net deficit position. The financial statements have been prepared on a going concern basis which assumes the company will continue in operational existence for the foreseeable future. The validity of the use of this basis depends upon the following:-

The company manages its day to day working capital requirements through a loan agreement with its parent company, Applearn International Limited. The directors of Applearn International Limited have agreed to continue to support the company's working capital requirements through the loan agreement. The terms of the loan are that it may be repaid within one year and one day following the year end, on an annual rolling basis.

Exemption from preparing group accounts

The company has taken advantage of the exemption in section 398 of the Companies Act 2006 from the requirement to prepare consolidated financial statements, on the grounds that it is a small sized group.

Applearn Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Revenue recognition

Turnover represents amounts invoiced for software licensing, recognised equally over the subscription period of the software licence.

The Company recognises revenue when:

The amount of revenue can be reliably measured;

it is probable that future economic benefits will flow to the entity;

and specific criteria have been met for each of the Company's activities.

The subscription period of the software licences is typically greater than one year. Due to this proportions of the revenue received are deferred accordingly. The amount of deferred income within this financial year is £1,076,970 (2019: £1,021,064). Please see note 8.

Government grants

During the year the company received grant income in respect of furlough claims as part of the government support measures for companies during the Covid 19 pandemic.

Foreign currency transactions and balances

The functional currency of the company is GBP. Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the income statement.

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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 taxable income.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and machinery	25% straight line basis
Office equipment	25% straight line basis
Furniture and fittings	25% straight line basis

Applearn Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Intangible assets

Separately acquired trademarks and licences are shown at historical cost.

Trademarks, licences (including software) and customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Research and Development costs

Research and development expenditure is written off in the year in which it is incurred apart from development expenditure incurred on intellectual property relating to clearly defined projects and whose outcome can be assessed with reasonable certainty. Such expenditure is carried forward as an intangible asset and amortised from the time that turnover commences over the life of the project.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Other intangible assets	25% on Cost

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Applearn Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

3 Staff numbers

The average number of persons employed by the company (including directors) during the year, was 54 (2019 - 49).

4 Loss before tax

Arrived at after charging/(crediting)

	2020	2019
	£	£
Depreciation expense	22,860	18,691
Amortisation expense	6,084	7,879

Applearn Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

5 Intangible assets

	Website £	Total £
Cost or valuation		
At 1 January 2020	75,822	75,822
Additions acquired separately	10,000	10,000
At 31 December 2020	85,822	85,822
Amortisation		
At 1 January 2020	63,405	63,405
Amortisation charge	6,084	6,084
At 31 December 2020	69,489	69,489
Carrying amount		
At 31 December 2020	16,333	16,333
At 31 December 2019	12,417	12,417

The aggregate amount of research and development expenditure recognised as an expense during the period is £1,986,889 (2019: £1,566,013).

6 Tangible assets

	Furniture and Fittings £	Office Equipment £	Plant and Machinery £	Total £
Cost or valuation				
At 1 January 2020	12,371	28,948	86,684	128,003
Additions	5,050	40,904	-	45,954
At 31 December 2020	17,421	69,852	86,684	173,957
Depreciation				
At 1 January 2020	10,752	13,164	76,765	100,681
Charge for the year	981	11,960	9,919	22,860
At 31 December 2020	11,733	25,124	86,684	123,541
Carrying amount				
At 31 December 2020	5,688	44,728	-	50,416
At 31 December 2019	1,619	15,784	9,919	27,322

Applearn Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

7 Debtors

	2020 £	2019 £
Trade debtors	486,072	84,760
Other debtors	758,052	645,827
	1,244,124	730,587
Less non-current portion	-	(266,058)
Total current trade and other debtors	1,244,124	464,529

8 Creditors

	Note	2020 £	2019 £
Due within one year			
Loans and borrowings	9	588,369	-
Trade creditors		218,059	135,192
Taxation and social security		356,574	83,445
Other creditors		576,800	193,909
Deferred income		1,051,551	1,021,064
		2,791,353	1,433,610
Due after one year			
Loans and borrowings	9	50,000	668,993
Deferred income		25,419	57,453
Other non-current financial liabilities		13,347,232	11,854,907
		13,422,651	12,581,353

9 Loans and borrowings

	2020 £	2019 £
Non-current loans and borrowings		
Bank borrowings	50,000	-
Other borrowings	-	668,993
	50,000	668,993

Applearn Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Other borrowings

The Greater Manchester Combined Authority with a carrying amount of £588,369 (2019 - £668,993) is denominated in £ Sterling with a nominal interest rate of 5%.

There is a fixed charge over the book debts of the company in favour of The Greater Manchester Combined Authority.

As a further continuing security for the payment of the liability, the company, with full title guarantee, charges, by way of floating charge, all other remaining property assets and rights.

The total amount due was cleared after the year end and the charge was satisfied in full.

Credit Card with a carrying amount of £21,783 (2019 - £20,500) is denominated in £ Sterling with a commercial rate of interest. The final instalment is due on 12 January 2021.

10 Related party transactions

Summary of transactions with parent

Applearn International Limited

The company manages its day to day working capital requirements through a flexible loan agreement with its parent company, Applearn International Limited. The directors of Applearn International Limited have agreed to continue to support the company's working capital requirements through the loan agreement.

The terms of the loan are that it may be repaid with notice of one year and one day on an annual rolling basis. The balance owed to Applearn International Limited at the year end was £9,092,987 (2019 : £9,758,972).

Summary of transactions with other related parties

Applearn Inc

Applearn Inc is a wholly owned subsidiary of Applearn International Limited. The company is registered in the United States of America. Applearn Inc manages its day to day working capital requirements through a flexible loan agreement with Applearn Limited. The terms of the loan are interest free and repayable with notice of one year and one day on a rolling annual basis, The balance owed from/(to) Applearn Inc at the year end was (£4,254,245) (2019 : (£2,095,936)).

11 Parent and ultimate parent undertaking

The company's immediate parent is Applearn International Ltd, incorporated in England and Wales.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.