

Poq Studio Limited

Report and Financial Statements

Year Ended

31 December 2020

Company Number 07791197



Poq Studio Limited

Company Information

Directors	O Henriksen J Johnston M Langguth J Lerner E Malinger J Mckay E Menzies
Company secretary	OHS Secretaries Limited
Registered number	07791197
Registered office	9 th Floor 107 Cheapside London EC2V 6DN
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Poq Studio Limited

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Poq Studio Limited

Directors' report For the year ended 31 December 2020

The directors present their report together with the audited financial statements for the year ended 31 December 2020.

Principal activities and review of business

The principal activity of the company is that of providing native mobile apps for retailers and brands.

Results and dividends

The loss for the year, after taxation, amounted to £4,742,000 (2019: £6,223,000). The directors do not recommend the payment of a dividend (2019: £Nil).

Future developments

No change is anticipated in the nature of the company's activities for the foreseeable future.

Going concern

The directors have reviewed the company's going concern position taking into account its current business activities, budgeted performance and the factors likely to affect its future development through to September 2022.

In concluding on going concern, the directors have assessed the need for further funding in order to support the group and company's ongoing operations and continued revenue growth. The directors have concluded additional financing is likely to be needed to be sought in 2022 to cover operations and to achieve revenue growth targets until positive operating cash flows are consistently achieved. The directors are confident of obtaining the required additional investment and are assessing the optimum structure and timing of this financing alongside the existing investors who are actively involved on the board and who led the series A, B and the most recent bridge rounds of funding (a total of £17.0m equity funding). If not achieved, the directors will reduce the cash burn and extend the period available to identify and implement new financing options.

The directors recognise that the need to raise finance to cover operations until such time as the business becomes cash generative represents a material uncertainty that may cast doubt on the group's and the company's ability to continue as a going concern, and therefore their ability to continue realising their assets and discharging their liabilities in the normal course of business.

The financial statements do not include any adjustments that would result if the group and company were unable to continue as a going concern.

Directors

The directors who held office during the year were as follows (except as noted below):

O Henriksen
J Johnston (appointed 4 January 2021)
M Langguth
J Lerner
E Malingier
J Mckay
E Menzies (appointed 4 January 2021)

Poq Studio Limited

Directors' report (continued) For the year ended 31 December 2020

Disclosure of information to auditor

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

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

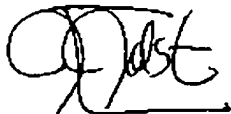
Auditor

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

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 29 July 2021 and signed on its behalf.



J Johnston
Director

Poq Studio Limited

Directors' responsibilities statement For the year ended 31 December 2020

The directors are responsible for preparing the directors' report and the consolidated financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies for the group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Poq Studio Limited

Independent auditor's report to the members of Poq Studio Limited

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Poq Studio Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated Statement of comprehensive income, Consolidated statement of financial position, Company statement of financial position, Consolidated statement of changes in equity, Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements, which indicates that the Group and Parent Company are reliant on their ability to secure additional funding to enable it to continue as a going concern. As stated in note 1, these events or conditions, along with other matters as set out in note 1, indicate that a material uncertainty exists that may cast significant doubt on the group's and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

Other information

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

We have nothing to report in this regard.

Poq Studio Limited

Independent auditor's report (continued)

Other Companies Act 2006 reporting

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

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

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

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Poq Studio Limited

Independent auditor's report (continued)

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and those laws and regulations that had a direct effect on the financial statements. The significant laws were considered to be FRS 102 and the Companies Act 2006.
- We understood how the group is complying with these laws and regulations by making enquiries of management and the Board. We have corroborated our enquiries through review of Board minutes.
- We have considered the risk of fraud through revenue recognition by:
 - Testing on sample basis for each stream of revenue appropriate supporting documents such as customer orders, acceptances, invoices and bank payments;
- We have also considered the risk of fraud through management override of controls by:
 - Testing on a sample basis the appropriateness of journal entries and other adjustments; and
 - Assessing whether the judgements made in making accounting estimates are indicative of potential bias.
- We assessed the susceptibility of the financial statement to material misstatement, including fraud, and evaluated management incentives and opportunities for fraudulent manipulation of the financial statements including management override and revenue recognition, and considered that the principal risk was related to the posting of inappropriate journal entries to improve the result before tax for the year and revenue recognition. The risk of fraud through management override of controls by testing on a sample basis the appropriateness of journal entries and other adjustments; and assessing whether the judgements made in making accounting estimates are indicative of potential bias. The risk of fraud through revenue recognition was addressed by testing on sample basis appropriate customer orders, acceptances and invoices.
- We have obtained an understanding of the processes designed to prevent and detect irregularities.
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

Use of our report

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

DocuSigned by:
BDO LLP
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Leighton Thomas (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK 29 July 2021

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

Poq Studio Limited

Consolidated statement of comprehensive income For the year ended 31 December 2020

	Note	2020 £000	2019 £000
Turnover	2	5,809	4,822
Cost of sales		(2,778)	(2,520)
Gross profit		3,031	2,302
Administrative expenses		(7,470)	(8,554)
Operating loss	4	(4,439)	(6,252)
Interest receivable and similar income ¹	5	-	4
Interest payable and similar expenses	6	(652)	(208)
Loss before taxation		(5,091)	(6,456)
Taxation credit	7	349	233
Loss for the financial year		(4,742)	(6,223)
Loss for the year attributable to:			
Owners of the parent company		<u>(4,742)</u>	<u>(6,223)</u>

All amounts relate to continuing activities

The notes on pages 12 to 20 form part of these financial statements

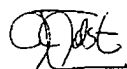
Poq Studio Limited
Registered number: 07791197

Consolidated statement of financial position
As of 31 December 2020

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets	8	34	127
Current assets			
Debtors	10	2,268	2,111
Cash at bank and in hand		<u>2,704</u>	<u>1,278</u>
		4,972	3,389
Current liabilities			
Creditors: amounts falling due within one year	11	<u>(4,977)</u>	<u>(2,554)</u>
Net current (liabilities)/ assets		(5)	835
Total assets less current liabilities		<u>29</u>	<u>962</u>
Creditors: amounts falling due after more than one year	12	(360)	(268)
Loans and borrowings	13	<u>(4,836)</u>	<u>(3,151)</u>
Net liabilities		<u><u>(5,167)</u></u>	<u><u>(2,457)</u></u>
Capital and reserves			
Called up share capital	14	1	1
Share premium account		16,378	14,346
Capital contribution reserve		14	14
Retained earnings		(21,560)	(16,818)
Shareholders' deficit		<u><u>(5,167)</u></u>	<u><u>(2,457)</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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



J Johnston 29 July 2021
Director

The notes on pages 12 to 20 form part of these financial statements.

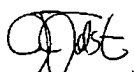
Poq Studio Limited
Registered number: 07791197

Company statement of financial position
As of 31 December 2020

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets	8	34	127
Investments	9	-	-
		<u>34</u>	<u>127</u>
Current assets			
Debtors: amounts falling due within one year	10	2,267	2,206
Cash at bank and in hand		2,695	1,172
		<u>4,962</u>	<u>3,378</u>
Current liabilities			
Creditors: amounts falling due within one year	11	(4,969)	(2,544)
Net current (liabilities)/ assets		<u>(7)</u>	834
Total assets less current liabilities		<u>27</u>	961
Creditors: amounts falling due after more than one year	12	(360)	(268)
Loans and borrowings	13	(4,836)	(3,151)
Net liabilities		<u>(5,169)</u>	<u>(2,458)</u>
Capital and reserves			
Called up share capital	14	1	1
Share premium account		16,378	14,346
Capital contribution reserve		14	14
Retained earnings		(21,562)	(16,819)
Shareholders' deficit		<u>(5,169)</u>	<u>(2,458)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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



J Johnston
Director

29 July 2021

The notes on pages 12 to 20 form part of these financial statements.

Poq Studio Limited

Consolidated statement of changes in equity For the year ended 31 December 2020

	Called up share capital	Share premium account	Capital contribution reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
At 1 January 2020	1	14,346	14	(16,818)	(2,457)
Comprehensive income for the year					
Loss for the year	-	-	-	(4,742)	(4,742)
Total comprehensive loss for the year	-	-	-	(21,560)	(7,199)
Contributions by and distributions to owners					
Issue of share capital	-	2,032	-	-	2,032
Total transactions with owners					
At 31 December 2020	1	16,378	14	(21,560)	(5,167)

Consolidated statement of changes in equity For the year ended 31 December 2019

	Called up share capital	Share premium account	Capital contribution reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
At 1 January 2019	1	14,346	14	(10,595)	3,766
Comprehensive income for the year					
Loss for the year	-	-	-	(6,223)	(6,223)
Total comprehensive loss for the year	-	-	-	(6,223)	(6,223)
At 31 December 2019	1	14,346	14	(16,818)	(2,457)

The notes on pages 12 to 20 form part of these financial statements.

Poq Studio Limited

Company statement of changes in equity For the year ended 31 December 2020

	Called up share capital	Share premium account	Capital contribution reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
At 1 January 2020	1	14,346	14	(16,819)	(2,458)
Comprehensive income for the year					
Loss for the year	-	-	-	(4,743)	(4,743)
Total comprehensive loss for the year	-	-	-	(21,562)	(7,201)
Contributions by and distributions to owners					
Issue of share capital	-	2,032	-	-	2,032
Total transactions with owners					
At 31 December 2020	1	16,378	14	(21,562)	(5,169)

Company statement of changes in equity For the year ended 31 December 2019

	Called up share capital	Share premium account	Capital contribution reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
At 1 January 2019	1	14,346	14	(10,595)	3,766
Comprehensive income for the year					
Loss for the year	-	-	-	(6,224)	(6,224)
Total comprehensive loss for the year	-	-	-	(6,224)	(6,224)
At 31 December 2019	1	14,346	14	(16,819)	(2,458)

The notes on pages 12 to 20 form part of these financial statements.

Poq Studio Limited

Notes to the financial statements For the year ended 31 December 2020

1. General information

Poq Studio Limited is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is stated on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report.

Accounting policies

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime.

The financial statements are prepared in sterling, which is the functional currency of the company.

The financial statements are prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Basis of consolidation

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

Following the incorporation of the company's subsidiary, Poq Inc, in 2019, these financial statements are presented on a consolidated basis for the first time in the previous year.

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

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent company for the year was £4,743,000.

Going concern

The directors have reviewed the company's going concern position taking into account its current business activities, budgeted performance and the factors likely to affect its future development through to September 2022.

In concluding on going concern, the directors have assessed the need for further funding in order to support the group and company's ongoing operations and continued revenue growth. The directors have concluded additional financing is likely to be needed to be sought in 2022 to cover operations and achieve revenue growth targets until positive operating cash flows are consistently achieved. The directors are confident of obtaining the required additional investment and are assessing the optimum structure and timing of this financing alongside the existing investors who are actively involved on the board and who led the series A, B and the most recent bridge round (a total of £17.9m funding). If not achieved, the directors will reduce the cash burn and extend the period available to identify and implement new financing options.

The directors recognize that the need to raise finance to cover operations until such time as the business becomes cash generative represents a material uncertainty that may cast doubt on the group's and the company's ability to continue as a going concern, and therefore their ability to continue realizing their assets and discharging their liabilities in the normal course of business.

Poq Studio Limited

Notes to the financial statements For the year ended 31 December 2020

1. General information (continued)

Going concern (continued)

The financial statements do not include any adjustments that would result if the group and company were unable to continue as a going concern.

Turnover

The turnover shown in the consolidated statement of comprehensive income represents amounts earned and earnable during the year on the sale of software license subscriptions and services, (including managed services) exclusive of value added tax and other discounts.

Software license subscription contracts are recognised straight line over the course of the subscription contract license period. Services turnover is recognised when the company obtains the right to consideration as the services are delivered.

Cash flow statement

The group has taken advantage of the exemption conferred by Financial Reporting Standard 102, Section 1A not to prepare a cash flow statement on the basis it is classified as a small entity under the Companies Act 2006.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	3 years
Computer equipment	3 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is credited or charged to profit or loss.

Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Poq Studio Limited

Notes to the financial statements For the year ended 31 December 2020

1. General information (continued)

Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Taxation

The charge for taxation is the sum of the tax currently payable and deferred tax payable.

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the reporting period end date. Tax credits in respect of Research & Development Tax Relief are recognized when it is considered probable the amount will be received.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the period end reporting date except that the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying differences.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black Scholes model.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the consolidated statement of comprehensive income for the year.

Financial Liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. Financial liabilities are stated at fair value with differences taken to the consolidated statement of comprehensive income. Interest on financial liabilities up to maturity is included in the finance costs line item in the consolidated statement of comprehensive income. Other financial liabilities are initially measured at fair value, net of transaction costs. For Convertible loan notes, the amount initially attributed to debt component is at fair value, net of transaction costs and the conversion and redemption features are measured at fair value through profit or loss.

Government Grant

The company received the Government Coronavirus Job Retention Scheme ('Furlough') of £55k during the year, along with UK future fund scheme loans.

Judgements in applying accounting policies and key sources of estimation uncertainty

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available information. In preparing these financial statements, the Directors have made the following key estimates

Poq Studio Limited

Notes to the financial statements For the year ended 31 December 2020

1. General information (continued)

Revenue from managed services and other services : Revenue from managed services is accounted for depending on the contract-specific facts and circumstances and is based upon the satisfaction of specific performance obligations and milestones. Estimates may be required when determining the service performed as proportion of the total services to be provided. When carrying out the assessment various factors are considered including time and material spent, milestones achieved and schedules of completed works.

Research & Development tax credits: Judgements and estimates are used to determine tax credits in respect of Research & Development Tax Relief and are recognized when it is considered probable amounts will be received.

Convertible loan note: The company uses estimates and assumptions for the carrying value of financial instruments at fair value through profit or loss. Key inputs used are discount rates, measurement of conversion and redemption feature (note 13).

2. Turnover

Turnover is wholly attributable to the principal activity of the group and arises primarily within the United Kingdom.

3. Employees

	2020 £000	2019 £000
Staff costs consist of		
Wages and salaries	5,306	6,199
Social security costs	600	755
Other pension costs	104	96
	<u>6,010</u>	<u>7,050</u>

The average monthly number of persons (including directors) employed by the group during the year was 75 (2019: 91).

Directors' remuneration was £221,240 (2019: £300,240).

4. Operating loss

	2020 £000	2019 £000
Operating loss has been arrived after charging/(crediting):		
Depreciation	67	81
Loss on disposal of fixed assets	38	-
Foreign exchange differences	64	176
Auditor's remuneration	<u>30</u>	<u>27</u>

Poq Studio Limited

Notes to the financial statements For the year ended 31 December 2020

5. Interest receivable and similar income

	2020 £000	2019 £000
Interest receivable	<u> -</u>	<u> 4</u>

6. Interest payable and similar expenses

	2020 £000	2019 £000
Interest payable on loans	545	208
Changes in fair value of the convertible loan note (note 13)	<u>107</u>	<u>-</u>
	<u>652</u>	<u>208</u>

7. Taxation

	2020 £000	2019 £000
Current tax		
R&D tax credit for the year	(349)	(400)
Over provision in respect of prior years	-	167
Current tax credit	<u>(349)</u>	<u>(233)</u>

Poq Studio Limited

Notes to the financial statements
For the year ended 31 December 2020

8. Tangible fixed assets

Group and Company

	Plant & Machinery	Fixtures & Fittings	Total
	£000	£000	£000
Cost			
At 1 January 2020	158	137	295
Additions	12	-	12
Disposals	(13)	(113)	(126)
At 31 December 2020	<u>157</u>	<u>24</u>	<u>181</u>
Depreciation			
At 1 January 2020	102	66	168
Charge for the year	34	33	67
Disposals	(13)	(75)	(88)
At 31 December 2020	<u>123</u>	<u>24</u>	<u>147</u>
Net book value			
At 31 December 2020	34	-	34
At 31 December 2019	56	71	127

Poq Studio Limited

Notes to the financial statements For the year ended 31 December 2020

9. Fixed asset investments

	Investment in subsidiary undertaking £000
Cost	
At 1 January 2020	-
At 31 December 2020	<u>-</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the company:

Name	Registered office	Class of shares	Holding
Poq Inc	USA	Ordinary	100%

The address of the registered office is 251 Little Falls Drive, Wilmington, DE 19819, United States. The principal activities of this subsidiary are business development and sales support.

10. Debtors

	Group 2020 £000	Company 2020 £000	Group 2019 £000	Company 2019 £000
Trade debtors (net of provision)	1,148	1,148	784	784
Amounts owed by group undertakings	-	5	-	99
Corporation tax recoverable	749	749	700	700
Other debtors	371	365	627	623
	<u>2,268</u>	<u>2,267</u>	<u>2,111</u>	<u>2,206</u>

11. Creditors: amounts falling due within one year

	Group 2020 £000	Company 2020 £000	Group 2019 £000	Company 2019 £000
Loan	525	525	-	-
Financial liabilities (see note 13)	180	180	138	138
Trade creditors	475	473	589	584
Other taxation and social security	1,645	1,656	249	249
Accruals and other creditors	323	306	269	264
Deferred income	1,829	1,829	1,309	1,309
	<u>4,977</u>	<u>4,969</u>	<u>2,554</u>	<u>2,544</u>

Poq Studio Limited

Notes to the financial statements For the year ended 31 December 2020

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

	Group and Company 2020	Group and Company 2019
	£000	£000
Financial liabilities (see note 13)	<u>360</u>	<u>268</u>

13. Loans and borrowings

	Group and Company 2020	Group and Company 2019
	£000	£000
Loans	<u>4,836</u>	<u>3,151</u>

The company drew down a venture debt loan of £3.5 million in 3 tranches in 2019. Tranche 1 for £2 million was drawn down in July 2019, tranche 2 for £250,000 in September 2019 and tranche 3 for EUR 1,363,185 (£1.25 million) in September 2019. The repayment terms were re-negotiated in October 2020 so that repayments will commence 1 August 2021 in 30 monthly repayments. The interest rate on all tranches is 10.15%. The loan is secured by first security priority debenture on all assets of the group, including intellectual property.

In conjunction with the venture debt loan issued in 2019, the company has issued warrants over a number of shares in the company to the lender with a value of £540,000. The actual number of warrant shares will be calculated at the time of exercise by dividing that amount by the subscription price. The warrants are treated as financial instruments and are recorded at fair value of £540,000 which is deducted from the amount borrowed initially and amortized over the period of the loan. The closing balances are recorded as a current liability amounting to £180,000 (note 11) and a non-current liability of £360,000 (note 12).

In October 2020 the company issued 8% convertible loan notes of £2.1 million at par to certain shareholders and the UK Future Fund with a valuation cap of £2.0 million. They are redeemable at 36 months or alternatively may be converted into equity shares at a future equity financing round, if sooner. The conversion and redemption features have been accounted in accordance with terms of the instruments and the fair value of such features at fair value through profit or loss.

14. Share capital

	2020	2019
	£	£
Allotted, called up and fully paid		
4,210,161 (2019 - 4,210,161) Ordinary shares of £0.0001 each	421	421
3,094,820 (2019 - 3,094,820) Series A shares of £0.0001 each	309	309
4,438,615 (2019 - 4,438,615) Series B shares of £0.0001 each	444	444
79,883 (2019 - 79,883) Series B2 shares of £0.0001 each	8	8
909,748 (2019 - -) Series B3 shares of £0.0001 each	91	-
	<u>1,273</u>	<u>1,182</u>

Poq Studio Limited

Notes to the financial statements For the year ended 31 December 2020

14. Share capital (continued)

In February 2020 the Company issued 900,748 B3 shares of £0.0001 for a cash consideration of £2,032,832.

Holders of Ordinary shares, Series A shares, Series B shares, Series B2 shares and Series B3 shares have equal rights in the company with respect to voting and dividends. On a distribution of assets on a liquidation or a return of capital the surplus assets of the company shall be distributed among all holders of shares according to the provisions of the company's Articles of Association which confer a preferential distribution in favour of the series B shareholders. The Ordinary shares, Series A shares, Series B shares, Series B2 shares and Series B3 shares are not redeemable.

15. Operating lease commitments

At 31 December 2020 the group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group and Company	Group and Company
	2020	2019
	£000	£000
Within one year	-	166
Between two and five years	-	-
	<u>-</u>	<u>166</u>

16. Related party transactions

There were no related party transactions during the year (2019 - £Nil).

17. Ultimate holding company

There is no ultimate controlling party of the company.