

Company Registration No. 07620235 (England and Wales)

**APPLEARN LIMITED**  
**UNAUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
**PAGES FOR FILING WITH REGISTRAR**

# APPLEARN LIMITED

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# APPLEARN LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mark W Barlow Andrew S Avanesian Andrew W Barlow Adam Prickett
<b>Company number</b>	07620235
<b>Registered office</b>	Riverside House Kings Reach Business Park Yew Street Stockport Cheshire SK4 2HD
<b>Accountants</b>	Hallidays Group Ltd Riverside House Kings Reach Business Park Yew Street Stockport Cheshire SK4 2HD

# APPLEARN LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021		2020	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	3		10,208		16,333
Tangible assets	4		60,147		50,416
			<u>70,355</u>		<u>66,749</u>
<b>Current assets</b>					
Debtors	5	1,057,776		1,244,124	
Cash at bank and in hand		1,605,637		548,605	
		<u>2,663,413</u>		<u>1,792,729</u>	
<b>Creditors: amounts falling due within one year</b>	6	<u>(2,351,211)</u>		<u>(2,791,353)</u>	
<b>Net current assets/(liabilities)</b>			<u>312,202</u>		<u>(998,624)</u>
<b>Total assets less current liabilities</b>			<u>382,557</u>		<u>(931,875)</u>
<b>Creditors: amounts falling due after more than one year</b>	7		<u>(16,994,713)</u>		<u>(13,422,651)</u>
<b>Net liabilities</b>			<u>(16,612,156)</u>		<u>(14,354,526)</u>
<b>Capital and reserves</b>					
Called up share capital			1		1
Share based payment reserve			64,329		-
Profit and loss reserves			<u>(16,676,486)</u>		<u>(14,354,527)</u>
<b>Total equity</b>			<u>(16,612,156)</u>		<u>(14,354,526)</u>

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

For the financial year ended 31 December 2021 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

**APPLEARN LIMITED**

**BALANCE SHEET (CONTINUED)**

**AS AT 31 DECEMBER 2021**

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The financial statements were approved by the board of directors and authorised for issue on 21 December 2022 and are signed on its behalf by:

Adam Prickett  
Director

**Company Registration No. 07620235**

# APPLEARN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

#### Company information

Applearn Limited is a private company limited by shares incorporated in England and Wales. The registered office is Riverside House, Kings Reach Business Park, Yew Street, Stockport, Cheshire, SK4 2HD.

#### 1.1 Accounting convention

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 disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

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

The company has taken advantage of the exemption under section 399 of the Companies Act 2006 not to prepare consolidated accounts, on the basis that the group of which this is the parent qualifies as a small group. The financial statements present information about the company as an individual entity and not about its group.

#### 1.2 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.

#### 1.3 Turnover

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 £1,597,862 (2020: £1,076,970). Please see notes 7 and 8.

# APPLEARN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies (Continued)

#### 1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Other intangibles	25% on cost
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#### 1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	25% On cost
Fixtures and fittings	25% On cost
Office equipment	25% On cost

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.

#### 1.6 Cash and cash equivalents

Cash and cash equivalents 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.

#### 1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

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

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

# APPLEARN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

(Continued)

#### **Classification of financial liabilities**

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

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

### 1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

# APPLEARN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

(Continued)

#### 1.9 Retirement benefits

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.

#### 1.10 Share-based payments

The company is part of a group that operates an equity settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the entity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. In accordance with FRS 102 Section 26; in the absence of an observable market price, the fair value of the share options has been arrived at using entity specific observable market data, namely a recent transaction in the shares of the group companies following an independent valuation. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

The proceeds received net of any directly attributable transaction cost are credited to share capital (nominal value) and share premium when the options are exercised.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

#### 1.11 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 in the period are included in profit or loss.

#### 1.12 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.

# APPLEARN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies (Continued)

#### 1.13 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.

### 2 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2021 Number	2020 Number
Total	48	54

### 3 Intangible fixed assets

	Other intangibles £
<b>Cost</b>	
At 1 January 2021 and 31 December 2021	85,822
<b>Amortisation and impairment</b>	
At 1 January 2021	69,489
Amortisation charged for the year	6,125
At 31 December 2021	75,614
<b>Carrying amount</b>	
At 31 December 2021	10,208
At 31 December 2020	16,333

The aggregate amount of research and development expenditure recognised as an expense during the period is £ 2,038,931 (2020: £1,986,889).

# APPLEARN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 4 Tangible fixed assets

	Plant and equipment £	Fixtures and fittings £	Office equipment £	Total £
<b>Cost</b>				
At 1 January 2021	86,684	17,421	69,852	173,957
Additions	-	1,987	27,240	29,227
At 31 December 2021	86,684	19,408	97,092	203,184
<b>Depreciation and impairment</b>				
At 1 January 2021	86,684	11,733	25,124	123,541
Depreciation charged in the year	-	2,011	17,485	19,496
At 31 December 2021	86,684	13,744	42,609	143,037
<b>Carrying amount</b>				
At 31 December 2021	-	5,664	54,483	60,147
At 31 December 2020	-	5,688	44,728	50,416

### 5 Debtors

	2021 £	2020 £
<b>Amounts falling due within one year:</b>		
Trade debtors	301,838	486,072
Corporation tax recoverable	679,984	662,627
Other debtors	75,954	95,425
	1,057,776	1,244,124

### 6 Creditors: amounts falling due within one year

	2021 £	2020 £
Bank loans	8 5,556	-
Other borrowings	8 -	588,369
Trade creditors	188,511	218,059
Taxation and social security	87,157	356,574
Deferred income	1,550,793	1,051,551
Other creditors	42,691	34,867
Accruals	476,503	541,933
	2,351,211	2,791,353

# APPLEARN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 7 Creditors: amounts falling due after more than one year

	Notes	2021 £	2020 £
Bank loans and overdrafts	8	41,667	50,000
Amounts owed to group undertakings		12,115,139	9,092,987
Deferred income		47,069	25,419
Other creditors		4,790,838	4,254,245
		<u>16,994,713</u>	<u>13,422,651</u>

### 8 Loans and overdrafts

	2021 £	2020 £
Bank loans	47,223	50,000
Other loans	-	588,369
	<u>47,223</u>	<u>638,369</u>

Payable within one year	5,556	588,369
Payable after one year	41,667	50,000
	<u>47,223</u>	<u>638,369</u>

#### Other borrowings

The Greater Manchester Combined Authority with a carrying amount of £NIL (2020 - £588,369) is denominated in £ Sterling with a nominal interest rate of 5%.

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

Credit Cards with a carrying amount of £10,520 (2020 - £21,783) are denominated in £ Sterling with a commercial rate of interest. The final instalments are due on 11 January 2022 and 25 January 2022.

### 9 Share-based payment transactions

Applearn International Limited, the parent company of Applearn Limited introduced a share option scheme in 2017. Under the rules of the option plan, the Board of Directors may grant options over shares in the company. Options are granted with an exercise price determined by the Board and are not transferrable. The options may be exercised, subject to continued employment and subject to the rules of the plan which are reviewed annually.

The fair value of the total charge relating to employee share based payment plan was £64,329 all of which related to equity-settled share based payment transactions. In accordance with FRS 102 Section 26; in the absence of an observable market price, the fair value of the share options has been arrived at using entity specific observable market data, namely a recent transaction in the shares of group companies following an independent valuation.

# APPLEARN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

9 Share-based payment transactions (Continued)

Share-based payment transactions	Number of share options		Weighted average exercise price	
	2021 Number	2020 Number	2021 £	2020 £
Outstanding at 1 January 2021 and 31 December 2021	58,758	15,001	0.13	0.12
Granted	14,630	43,757	0.16	0.14
Forfeited	(35,727)	-	0.13	-
Outstanding at 31 December 2021	<u>37,661</u>	<u>58,758</u>	<u>0.13</u>	<u>0.13</u>
Exercisable at 31 December 2021	<u>37,661</u>	<u>58,758</u>	<u>0.13</u>	<u>0.13</u>

### Liabilities and expenses

During the year, the company recognised total share-based payment expenses of £64,329 (2020 - £-) which related to equity settled share based payment transactions.

# APPLEARN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 10 Related party transactions

#### Transactions with related parties

During the year the company entered into the following transactions with related parties:

#### 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 £12,115,139 (2020 : £9,092,987).

#### 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 (£4,790,838) (2020 : (£4,254,245)).

### 11 Parent company

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.