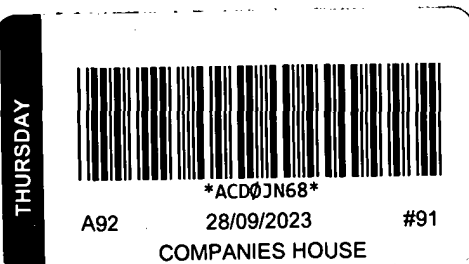


Registered number: 02117968

SERIF (EUROPE) LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022



SERIF (EUROPE) LIMITED

COMPANY INFORMATION

Directors	G Bates J Bryce A Hewson C Watkins (appointed 8 August 2023)
Company secretary	G Bates
Registered number	02117968
Registered office	Unit 12 Wilford Industrial Estate Nottingham NG11 7EP
Independent Auditors	Cooper Parry Group Limited Statutory Auditors Sky View Argosy Road East Midlands Airport Castle Donington Derby DE74 2SA

SERIF (EUROPE) LIMITED

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SERIF (EUROPE) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The principal activity of the company is the supply and development of world-class creative software applications for the professional market.

Since its inception, Serif's Affinity software range has gained the trust of professionals across the globe and picked up some of the industry's most prestigious awards. Now being used by more than three million users, it delivers a next-level experience for photographers, designers, artists, architects, students, teachers, publishers, hobbyists and others looking for top tier creative software without sky-high subscription fees.

The whole Affinity software range was created to be impressively fast, remarkably smooth, and fully featured on all platforms. It has set a new, higher standard for creative design apps using the latest tech to provide the tools that professionals need for photo editing, vector drawing and desktop publishing.

Everything is underpinned by one shared file format for a seamless workflow between applications, devices and across operating systems meaning no more app switching, file format conversion or frustration – the biggest game changer to the creative workflow in years.

Embedded in Serif's ethos is a focus on customer experience and community. Content is regularly shared online, providing informative resources, insightful articles and creative video tutorials for anyone looking for some inspiration. Valuable customer feedback ensures that the regular updates address what people really want with all new features tested by professional users.

Business review

2022 was an incredibly successful year for the business achieving revenue growth of 32.9% to £31.2M (2021: £23.4M) with a 24.3% increase in operating profit, before amortisation to £17.9M (2021: £14.4M).

The main contributor to this increase was the release of Version 2 of the Affinity Suite, despite not being launched until 9th November. This upgrade not only included new versions of all existing apps on all operating systems, but also introduced Affinity Publisher to iPad for the first time.

This was a very important milestone for the company, both in terms of generating significant additional revenue from existing customers from a paid-for upgrade, but also completing the objective of having a full professional creative suite available across macOS, Windows and iPad.

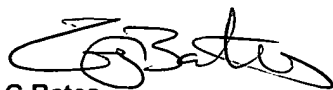
As well as the hundreds of features and enhancements V2 introduced, significant R&D investment continued in new areas for products, services and other significant features which are yet to be released. The business anticipates showcasing many of these developments before the end of 2023.

Principal risks and uncertainties

Machine learning and artificial intelligence (AI) increasingly has many consequences for the company's creative professional customer base and for the types of tools they will demand to be available to them in the future.

This quickly evolving area naturally introduces some uncertainty into the creative sector that did not exist before. However it is also a big opportunity for Serif to champion and support human creativity. The company is making significant R&D investment in these areas and, with the company's agile processes and culture, Serif well placed to move quickly in producing innovative solutions harnessing these new technologies.

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



G Bates
Director

Date: 28/9/23

SERIF (EUROPE) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

Results and dividends

The profit for the year, after taxation, amounted to £16,457,103 (2021: £13,776,136).

During the year the company paid dividends of £14,500,949 (2021: £16,401,296). On 25 January and 20 April 2023 further dividends of £9,000,035 and £3,500,229 were declared and paid.

Directors

The directors who served during the year were:

G Bates
J Bryce
A Hewson
C Watkins (appointed 8 August 2023)

Strategic report

The company has chosen in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the company's Strategic Report information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 Schedule 7 to be contained in the directors' report.

SERIF (EUROPE) LIMITED

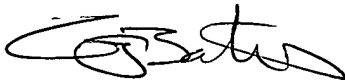
**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Disclosure of information to auditors

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

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

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



G Bates
Director

Date: 28/9/23

SERIF (EUROPE) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SERIF (EUROPE) LIMITED

Opinion

We have audited the financial statements of Serif (Europe) Limited (the 'company') for the year ended 31 December 2022, which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the related notes, 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).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

SERIF (EUROPE) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SERIF (EUROPE) LIMITED (CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

SERIF (EUROPE) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SERIF (EUROPE) LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

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:

Our assessment focused on key laws and regulations the company has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice and relevant tax legislation.

We are not responsible for preventing irregularities. Our approach to detecting irregularities included, but was not limited to, the following:

- obtaining an understanding of the entity's policies and procedures and how the entity has complied with these, through discussions and walk through testing of controls;
- obtaining an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework;
- an understanding of the entity's risk assessment process, including the risk of fraud;
- designing our audit procedures to respond to our risk assessment; and
- performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates, including the dilapidations provision, for bias.

In response to the risk of irregularities in relation to non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims;
- reviewing correspondence with HMRC and associated parties.

Whilst considering how our audit work addressed the detection of irregularities, we also consider the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

SERIF (EUROPE) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SERIF (EUROPE) LIMITED (CONTINUED)

Use of our report

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

Cooper Parry Group Limited

Neil Calder (Senior statutory auditor)

for and on behalf of
Cooper Parry Group Limited

Statutory Auditors

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

Date: *28 September 2023*

SERIF (EUROPE) LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	2021 £
Turnover	3	31,158,690	23,439,684
Cost of sales		(982,564)	(1,855,399)
Gross profit		<u>30,176,126</u>	<u>21,584,285</u>
Administrative expenses		(12,447,303)	(7,207,523)
Operating profit	4	17,728,823	14,376,762
Tax on profit	7	(1,271,720)	(600,626)
Profit for the financial year		<u><u>16,457,103</u></u>	<u><u>13,776,136</u></u>

There were no recognised gains and losses for 2022 or 2021 other than those included in the profit and loss account.


The notes on pages 11 to 23 form part of these financial statements.

SERIF (EUROPE) LIMITED
REGISTERED NUMBER: 02117968

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	As restated 2021 £
Fixed assets			
Intangible assets	9	800,000	918,000
Tangible fixed assets	10	442,771	629,530
		<u>1,242,771</u>	<u>1,547,530</u>
Current assets			
Stocks	11	-	14,979
Debtors: amounts falling due within one year	12	1,704,175	2,866,023
Bank and cash balances		9,648,966	2,508,522
		<u>11,353,141</u>	<u>5,389,524</u>
Creditors: amounts falling due within one year	13	<u>(5,290,510)</u>	<u>(1,587,806)</u>
Net current assets		<u>6,062,631</u>	<u>3,801,718</u>
Total assets less current liabilities		<u>7,305,402</u>	<u>5,349,248</u>
Creditors: amounts falling due after more than one year	14	(21,461)	(21,461)
Provisions for liabilities			
Dilapidation provision	16	(300,000)	(300,000)
Net assets		<u><u>6,983,941</u></u>	<u><u>5,027,787</u></u>
Capital and reserves			
Called up share capital	17	28,000	28,000
Share premium account	18	920	920
Profit and loss account	18	6,955,021	4,998,867
		<u>6,983,941</u>	<u>5,027,787</u>

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


G Bates
 Director

Date: 28/9/23

The notes on pages 11 to 23 form part of these financial statements.

SERIF (EUROPE) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2022	28,000	920	4,998,867	5,027,787
Profit for the year	-	-	16,457,103	16,457,103
Dividends	-	-	(14,500,949)	(14,500,949)
At 31 December 2022	28,000	920	6,955,021	6,983,941

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2021	28,000	920	7,624,027	7,652,947
Profit for the year	-	-	13,776,136	13,776,136
Dividends	-	-	(16,401,296)	(16,401,296)
At 31 December 2021	28,000	920	4,998,867	5,027,787

The notes on pages 11 to 23 form part of these financial statements.

SERIF (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies

1.1 Basis of preparation of financial statements

Serif (Europe) Limited is a limited company incorporated and domiciled in the United Kingdom. The address of its registered office is disclosed on the company information page.

The financial statements are prepared in Sterling (£) and are for the year ended 31 December 2022 (2021: year ended 31 December 2021).

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102), the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The company is itself a subsidiary company and it is exempt from the requirement to prepare group accounts by virtue of Section 400 of the Companies Act 2006. The financial statements therefore present information about the company as an individual undertaking and not about its group.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The following accounting policies have been applied:

1.2 Disclosure exemptions

As permitted by FRS 102, section 1.12 the company has taken advantage of the disclosure exemptions available under the standard in relation to the presentation of a cash flow and the aggregate remuneration of key management personnel. Where required, equivalent disclosures are given in the group accounts of Serif Group Limited. The group accounts for Serif Group Limited are available to the public and can be obtained as set out in note 21.

1.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

SERIF (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.4 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years. Licences are considered to have an estimated useful life of five years from the date the licence is incorporated into products.

The estimated useful lives range as follows:

Licences - 5 years straight line

1.5 Tangible fixed assets

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

Repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

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

Depreciation is provided on the following basis:

Fixtures and fittings	- 15% straight line
Office equipment, computer software and computer hardware	- 10% - 50% straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the profit and loss account.

At each balance sheet date, the company reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that any items have suffered an impairment loss. If any such indication exists, the recoverable amount of an 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 the asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

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. Impairment loss is recognised as an expense immediately.

SERIF (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.6 Operating leases

Assets that are held by the company under leases which transfer substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the group are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

1.7 Financial instruments

The company enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans from related parties.

All financial assets and liabilities are initially measured at transaction price and subsequently measured at amortised cost.

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

The company also enters into derivatives including foreign exchange contracts which are not basic financial instruments. Derivatives are initially recognised at fair value on the date of the derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the profit and loss account.

1.8 Stocks

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

At each balance sheet date, stock are assessed for impairment. If stock is impaired, the carrying amount is reduced to its net realisable value. The impairment loss is recognised immediately in the profit and loss account.

1.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.10 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the monthly average exchange rates at the dates of the transaction.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

SERIF (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.11 Dividends

Equity dividends are recognised when they become legally payable.

1.12 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

1.13 Research and development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

1.14 Pensions

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

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet.

1.15 Taxation

The tax charge for the year comprises of current and deferred tax.

Current or deferred tax is recognised in the profit and loss account, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current or deferred tax is also recognised in other comprehensive income or directly in equity respectively. The current income and deferred tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.16 Prior year restatement

In 2018 the parent company issued 2250 L, 500 M and 5,436 N ordinary shares upon exercise of EMI options held by various employees and a director. The company provided loans to the director and employees to satisfy the subscription price totalling £185,986. In preparing the 2018 financial statements the loan accounts and corresponding amount due to the parent company was not recorded.

This has been corrected in these financial statements through a prior year restatement. There is no profit or loss account impact.

SERIF (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

The directors make estimates and assumptions concerning the future. They are also required to exercise judgement in the process of applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There are no key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3. Turnover

An analysis of turnover by class of business is as follows:

	2022 £	2021 £
Software sales	31,158,690	23,439,684
	<u>31,158,690</u>	<u>23,439,684</u>

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	2,815,375	2,251,811
Rest of Europe	14,568,534	10,026,369
North America	9,384,337	7,247,956
Rest of World	4,390,444	3,913,548
	<u>31,158,690</u>	<u>23,439,684</u>

4. Operating profit

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

	2022 £	2021 £
Research and development expenditure	4,319,536	3,961,025
Depreciation of tangible fixed assets	255,246	284,592
Amortisation of intangible fixed assets	200,000	-
Operating lease rentals	164,500	164,500
Foreign exchange differences	(512,159)	(285,317)
Auditor's remuneration	29,250	27,250
	<u></u>	<u></u>

SERIF (EUROPE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. Staff costs

Staff costs, including director's remuneration, were as follows:

	2022	2021
	£	£
Wages and salaries	6,449,312	4,422,956
Social security costs	569,589	451,712
Other pension costs	373,098	333,846
	<u>7,391,999</u>	<u>5,208,514</u>

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

	2022	2021
	No.	No.
Office and management	85	80
Sales and operations	4	4
	<u>89</u>	<u>84</u>

6. Directors' remuneration

	2022	2021
	£	£
Directors' emoluments	499,553	455,621
Directors' pension costs	7,500	11,395
	<u>507,053</u>	<u>467,016</u>

During the year retirement benefits were accruing to 3 directors (2021: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £253,282 (2021: £230,791).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £3,000 (2021: £4,000).

SERIF (EUROPE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

7. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	1,243,615	487,726
Adjustments in respect of previous periods	5,705	-
Total current tax	<u>1,249,320</u>	<u>487,726</u>
Deferred tax		
Origination and reversal of timing differences	(24,548)	88,525
Adjustments in respect of prior periods	46,948	52,748
Effect of tax rate change on opening balance	-	(28,373)
Total deferred tax	<u>22,400</u>	<u>112,900</u>
Taxation on profit on ordinary activities	<u>1,271,720</u>	<u>600,626</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	<u>17,728,823</u>	<u>14,376,762</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	3,368,476	2,731,585
Effects of:		
Expenses not deductible for tax purposes	97,111	2,421
Fixed asset differences	(2,708)	2,829
Additional deduction for research and development tax relief	(1,066,925)	(978,373)
Patent box additional deduction	(1,170,994)	(1,197,348)
Remeasurement of deferred tax for changes in tax rates	(5,893)	(13,236)
Adjustments to tax charge in respect of previous periods	5,705	-
Adjustments to tax charge in respect of previous periods - deferred tax	46,948	52,748
Total tax charge for the year	<u>1,271,720</u>	<u>600,626</u>

SERIF (EUROPE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

7. Taxation (continued)

Factors that may affect future tax charges

On 3 March 2021, the Chancellor of the Exchequer announced that the corporation tax rate would increase to a maximum of 25% from 1 April 2023. This was substantively enacted on 24 May 2021. 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, based on tax law and the corporation tax rates that have been enacted, or substantively enacted, at the balance sheet date. As such, the deferred tax rate applicable at 31 December 2022 is 25% and deferred tax has been re-measured at this rate.

8. Dividends

	2022 £	2021 £
Dividends paid	14,500,949	16,401,296

9. Intangible assets

	Licences £
Cost	
At 1 January 2022	918,000
Additions	82,000
At 31 December 2022	1,000,000
Amortisation	
Charge for the year	200,000
At 31 December 2022	200,000
Net book value	
At 31 December 2022	800,000
At 31 December 2021	918,000

SERIF (EUROPE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

10. Tangible fixed assets

	Fixtures and fittings £	Office equipment and computer software £	Computer hardware £	Total £
Cost				
At 1 January 2022	1,249,025	970,782	961,433	3,181,240
Additions	14,025	3,305	51,157	68,487
At 31 December 2022	1,263,050	974,087	1,012,590	3,249,727
Depreciation				
At 1 January 2022	770,270	916,218	865,222	2,551,710
Charge for the year	203,884	750	50,612	255,246
At 31 December 2022	974,154	916,968	915,834	2,806,956
Net book value				
At 31 December 2022	288,896	57,119	96,756	442,771
At 31 December 2021	478,755	54,564	96,211	629,530

11. Stocks

	2022 £	2021 £
Finished goods	-	14,979

12. Debtors

	2022 £	As restated 2021 £
Trade debtors	601,885	815,388
Other debtors	694,460	1,657,822
Prepayments and accrued income	400,533	363,116
Deferred taxation	7,297	29,697
	1,704,175	2,866,023

SERIF (EUROPE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

13. Creditors: Amounts falling due within one year

	2022	As restated 2021
	£	£
Trade creditors	10,750	167,446
Amounts owed to group undertakings	185,986	185,986
Corporation tax	631,642	-
Other taxation and social security	3,357,211	874,945
Other creditors	35,506	95,129
Accruals and deferred income	1,069,415	264,300
	<u>5,290,510</u>	<u>1,587,806</u>

14. Creditors: Amounts falling due after more than one year

	2022	2021
	£	£
Share capital treated as debt	21,461	21,461
	<u>21,461</u>	<u>21,461</u>

Disclosure of the terms and conditions attached to the non-equity shares is made in note 17.

15. Deferred taxation

	Deferred taxation £
At 1 January 2021	29,697
Charged to the profit and loss account	(22,400)
At 31 December 2022	<u>7,297</u>

The deferred tax asset is made up as follows:

	2022	2021
	£	£
Fixed asset timing differences	(46,213)	(92,962)
Short term timing differences	53,510	122,659
	<u>7,297</u>	<u>29,697</u>

SERIF (EUROPE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

16. Provisions

**Dilapidation
provision
£**

At 1 January 2022 and 31 December 2022

300,000

The provision relates to dilapidations on the leasehold property used by the company.

17. Share capital

**2022
£**

**2021
£**

Shares classified as equity

Allotted, called up and fully paid

39,760 (2021: 39,760) Ordinary shares of \$1 each

28,000

28,000

**2022
£**

**2021
£**

Shares classified as debt

Allotted, called up and fully paid

21,460 (2021: 21,460) 8% Preference shares of \$0.0001 each

1

1

21,460 (2021: 21,460) Deferred 8% Preference shares of £1 each

21,460

21,460

21,461

21,461

SERIF (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

17. Share capital (continued)

Voting

Share of the company shall carry votes as follows:

Ordinary shares - one vote per share
Deferred Preference shares - no right to vote
Preference shares - one vote per share

Return on capital

On a return of assets on liquidation or otherwise, the assets of the company remaining after the payment of its liabilities shall be applied in the following order of priority:

- a) First, in repaying the holders of the Preference shares the sum of £1 each, together with all arrears of dividends.
- b) Second, shall be distributed to the holders of the Ordinary shares pro-rata according to the number of shares held by them.
- c) Thirdly, the Deferred Preference shares shall not entitle the holders to participate in the return of capital until every holder of ordinary shares has received £1 million in respect of each Ordinary shares they have, and then only to the extent of £1 per each Deferred share.

Further details of the terms and conditions attaching to all shares are detailed within the Articles of Association which are available from Companies House.

18. Reserves

Share premium account

The share premium account represents the amounts received for shares in excess of their nominal value.

Profit and loss account

The profit and loss account represents accumulated profit and loss for the year ended and prior periods less dividends paid.

19. Commitments under operating leases

At 31 December 2022 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	164,000	164,000
Later than 1 year and not later than 5 years	546,667	656,000
Later than 5 years	-	54,667
Total	710,667	874,667

SERIF (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

20. Related party transactions

Advantage has been taken of the exemption provided by FRS 102 Section 33.1A not to disclose transactions with fellow group companies and disclosure on key management personnel as all subsidiary undertakings are wholly owned by the ultimate controlling entity of the group.

During the year, the company incurred rental charges of £164,500 (2021: £164,500) for the use of the premises owned by a partnership where the directors are partners of the business. There was no amounts outstanding at the year end in respect of this (2021: £Nil).

At the year end a balance of £35,534 (2021: £35,534) was owed by key management personnel and £150,452 (2021: £150,452) was owed by 3 employees, who are also shareholders of the parent company. These balances do not attract interest.

21. Ultimate parent undertaking and controlling party

The company's immediate parent company and ultimate parent undertaking is Serif Group Limited, a company registered in England and Wales. Serif Group Limited heads the group in which these financial statements are consolidated. Consolidated accounts are available from Companies House, Cardiff, CF14 3UZ.

The directors consider the ultimate controlling parties are G Bates and J Bryce, acting in consortium.