

SERIF (EUROPE) LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

MONDAY



AADWMXJC

A28

27/09/2021

#10

COMPANIES HOUSE

SERIF (EUROPE) LIMITED

COMPANY INFORMATION

Directors	G Bates J Bryce A Hewson
Company secretary	G Bates
Registered number	02117968
Registered office	Unit 12 Wilford Industrial Estate Nottingham NG11 7EP
Independent Auditors	Cooper Parry Group Limited Chartered Accountants & Statutory Auditors Sky View Argosy Road East Midlands Airport Castle Donington Derby DE74 2SA

SERIF (EUROPE) LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
<i>Independent auditor's report</i>	5 - 8
Profit and loss account	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12 - 26

SERIF (EUROPE) LIMITED**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020****Introduction**

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

Serif's Affinity software was built on an entirely new codebase with the workflow of creative professionals in mind. Setting a new, higher standard for creative design apps, the software is lightning fast, free from bloat, and now covers the core disciplines of photo editing, vector drawing and desktop publishing using exactly the same file format between applications, devices and across operating systems.

Business review

2020 was initially considered to be a year when the company would be unlikely to achieve any growth vs. 2019 due to a planned period of consolidation and the absence of new product launches – a substantial driver of growth in previous years. However, despite this it was another incredibly successful year.

The company achieved a 25% growth in turnover to £24.57m (2019: £19.64m) and a 39% growth in operating profit to £14.96m (2019: £10.77m). The directors are pleased with the net asset position after the dividend paid in the year.

When the lockdown began in the UK in March, the business decided to offer some help to the creative community. This involved commissioning a lot more work than usual from creative freelancers who found themselves struggling, but also extending trials and discounts. It was felt this could be done without impacting revenue in the medium term – with an expectation that while the apps were heavily discounted sales would increase, new customers would be acquired, and more people would benefit.

This initiative resulted in a large amount of very positive press as well as a huge amount of traction on social media. The end result was a very significant increase in the number of units sold and sales revenue during this period, along with higher user numbers and very appreciative customer feedback. Along with a very successful Black Friday sale period, this was the biggest driver for the growth achieved during the year. In fact, the only app where revenue growth wasn't achieved was Affinity Publisher, which was expected so soon after its launch in 2019 when it benefitted from a large amount of pent-up demand.

Product	2020	2019	Growth
Affinity Designer	8.20M	5.79M	+42%
Affinity Photo	9.82M	7.55M	+30%
Affinity Publisher	4.42M	4.55M	(3%)
Affinity Books / add ons	2.13M	1.68M	+27%
Legacy Activity	0.00M	0.06M	(100%)
TOTAL	24.57M	19.64M	+25%

In addition to the growth in the adoption of Affinity products (and the associated opportunities for add-on sales, cross-sales of other Affinity apps, and future upgrades), another important aspect of the year was the continued faster growth being achieved in non-English markets. This was particularly the case in the Far East with 245% growth in Japan, 86% growth in China and more than 50% growth in Indonesia, Malaysia and the Philippines.

Revenue by region

Region	2020	2019	Growth
Europe	12.81M	10.39M	+23.2%
North America	7.51M	6.30M	+19.2%
Rest of World	4.26M	2.95M	+44.4%
TOTAL	24.57M	19.64M	+25.1%

SERIF (EUROPE) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Principal risks and uncertainties

The company's product range continues to benefit from constant innovation and improvements to add new features and to harness the latest hardware technology. This world-class development relies on the continued recruitment and retention of highly-skilled developers and management. The market for these skillsets continues to be very competitive and Serif recognises the need to offer attractive benefits and facilities for its team.

The general economic impact of the pandemic during 2021 and beyond remains uncertain but, considering how the company has coped so far and the hybrid working arrangements it has implemented, the directors remain confident that the business will remain flexible and resilient to the situation moving forward.

While Brexit continues to create some short-term uncertainty and additional work as financial and regulatory changes are implemented, Serif continues to be insulated from the most serious supply chain and labour impacts due to the digital nature of its products and their online distribution. The balance of domestic and international sales also means that Forex risks are relatively minor, particularly as reliance on third party supplies, licenses and content is very low.

Key developments

While no new products were launched during 2020, development of the apps continued at a great pace with 3 updates being released, including the major update to version 1.8.

2021 will again see the focus being on providing more free updates to increase the feature set and maturity of the Affinity range in parallel with investment in new versions of the three main apps. Further add-on offerings, including a new font service, are being planned for launch during the year.

COVID-19

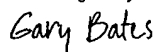
The company has been very resilient to any impact caused by the pandemic so far. With the supply of goods being nearly entirely via downloads, primarily from the Affinity website or through App Stores, the business is largely unaffected by supply chain issues. What's more all staff quickly adapted to working from home since March 2020 and a high level of productivity has been maintained.

The company has not needed to make any cuts or put any staff on furlough (in fact a number of new positions were recruited during the year).

Serif has been actively monitoring the wellbeing of its staff during this period and has been providing support and additional equipment to enable home working. The directors are very grateful to the whole team for the speed with which they adapted so successfully to the unprecedented circumstances, and for their ongoing efforts to ensure that new working arrangements continue to deliver the service and new features enjoyed by the expanding number of Affinity users.

As the results show, the initiatives taken at the start of the first lockdown actually resulted in a positive boost to business, which bears testament to the agile culture of the business.

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

DocuSigned by:

775E115B48C5420...

G Bates
Director

Date: 23 September 2021

SERIF (EUROPE) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

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 £14,992,238 (2019: £9,492,565).

During the year the company paid dividends of £10,000,654 (2019: £9,750,692). On 27 January 2021, 16 April 2021 and 6 July 2021 further dividends of £4,000,262, £4,700,418 and £3,000,196 were declared and paid.

Directors

The directors who served during the year were:

G Bates
J Bryce
A Hewson

SERIF (EUROPE) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Strategic report

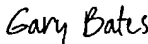
The company has chosen in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the company's Strategic Report information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 Schedule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

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 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's auditors are aware of that information.

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

DocuSigned by:

775E115B48C5420...

G Bates
Director

Date: 23 September 2021

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 2020, 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 2020 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.

SERIF (EUROPE) LIMITED

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

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 on page 3, 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 detect 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 sample 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.

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.

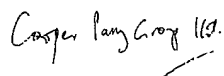
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.



Neil Calder (Senior statutory auditor)

for and on behalf of

Cooper Parry Group Limited

Chartered Accountants & Statutory Auditors

Statutory Auditors

Sky View

Argosy Road

East Midlands Airport

Castle Donington

Derby

DE74 2SA

Date: 23 September 2021

SERIF (EUROPE) LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Turnover	3	24,574,781	19,641,099
Cost of sales		(1,789,452)	(1,421,266)
Gross profit		<u>22,785,329</u>	<u>18,219,833</u>
Administrative expenses		(7,821,810)	(7,454,588)
Operating profit	4	<u>14,963,519</u>	<u>10,765,245</u>
Interest receivable and similar income		746	1,551
Profit on ordinary activities before taxation		<u>14,964,265</u>	<u>10,766,796</u>
Taxation on profit on ordinary activities	7	27,973	(1,274,231)
Profit for the financial year		<u><u>14,992,238</u></u>	<u><u>9,492,565</u></u>

There were no recognised gains and losses for 2020 or 2019 other than those included in the profit and loss account.

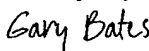
The notes on pages 12 to 26 form part of these financial statements.

SERIF (EUROPE) LIMITED
REGISTERED NUMBER: 02117968

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	9	918,000	-
Tangible assets	10	856,112	1,027,157
Investments	11	-	81,089
		<u>1,774,112</u>	<u>1,108,246</u>
Current assets			
Stocks	12	103,029	68,334
Debtors: amounts falling due within one year	13	2,995,735	2,822,938
Bank and cash balances		5,790,968	1,746,047
		<u>8,889,732</u>	<u>4,637,319</u>
Creditors: amounts falling due within one year	14	<u>(2,689,436)</u>	<u>(2,762,741)</u>
Net current assets		<u>6,200,296</u>	<u>1,874,578</u>
Total assets less current liabilities		<u>7,974,408</u>	<u>2,982,824</u>
Creditors: amounts falling due after more than one year	15	(21,461)	(21,461)
Provisions for liabilities			
Dilapidation provision	17	<u>(300,000)</u>	<u>(300,000)</u>
Net assets		<u><u>7,652,947</u></u>	<u><u>2,661,363</u></u>
Capital and reserves			
Called up share capital	18	28,000	28,000
Share premium account	19	920	920
Profit and loss account	19	<u>7,624,027</u>	<u>2,632,443</u>
		<u><u>7,652,947</u></u>	<u><u>2,661,363</u></u>

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

DocuSigned by:

 775E115B48C5420...
G Bates
 Director

Date: 23 September 2021

The notes on pages 12 to 26 form part of these financial statements.

SERIF (EUROPE) LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2020	28,000	920	2,632,443	2,661,363
Profit for the year	-	-	14,992,238	14,992,238
Dividends	-	-	(10,000,654)	(10,000,654)
At 31 December 2020	28,000	920	7,624,027	7,652,947

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2019	28,000	920	2,890,570	2,919,490
Profit for the year	-	-	9,492,565	9,492,565
Dividends	-	-	(9,750,692)	(9,750,692)
At 31 December 2019	28,000	920	2,632,443	2,661,363

The notes on pages 12 to 26 form part of these financial statements.

SERIF (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 a period of 52 weeks ended 31 December 2020 (2019: 52 weeks ended 31 December 2019).

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 Coronavirus and going concern

At the balance sheet date the company had a significant cash balance and strong net current asset position. At the time of signing these accounts, the directors have considered the ongoing effect of the Coronavirus on the going concern position, and consider that this does indicate that the company will continue to trade for a period of at least 12 months from the date of signing these accounts due to the continued strong trading, profitability and cash generated during the UK lockdown.

The financial forecasts prepared by the directors show that the company will be able to operate within the facilities available to it.

On that basis, the directors have prepared these financial statements on a going concern basis.

1.3 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 22.

SERIF (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

1.4 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.

1.5 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 ten years from the date the licence is incorporated into products.

1.6 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.

SERIF (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

1.6 Tangible fixed assets (continued)

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.

1.7 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.

1.8 Investments

Subsidiary undertakings

Investments in subsidiaries are initially valued at cost and reviewed annually for signs of impairment. If an impairment loss is identified this is recognised immediately in the profit and loss account and the value of the investment is reduced accordingly.

SERIF (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

1.9 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.

1.10 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.

1.11 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.

1.12 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.

1.13 Dividends

Equity dividends are recognised when they become legally payable.

SERIF (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

1.14 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.

1.15 Research and development

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

1.16 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.

1.17 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.

SERIF (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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.

The 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 are addressed below.

Impairment of fixed assets

The company assesses the impairment of tangible fixed assets and intangible assets subject to amortisation or depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include the following:

- Significant underperformance relative to historical or projected future operating results;
- Significant changes in the manner of the use of the acquired assets or the strategy for the overall business; and
- Significant negative industry or economic trends.

Depreciation, amortisation and residual values

The Directors have reviewed the asset lives and associated residual values of all fixed asset classes and have concluded that asset lives and residual values are appropriate.

The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projects disposal values.

Recoverability of trade and other debtors

Trade and other debtors are recognised to the extent that they are judged recoverable. The directors review is performed to estimate the level of reserves required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain.

The directors make allowances for doubtful debts based on an assessment of the recoverability of debtors. Allowances are applied to debtors where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyse historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgment to evaluate the adequacy of the provision for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of debtors and the charge in the profit and loss account.

Dilapidation provisions

The directors recognise dilapidation provisions on the leasehold properties the company occupies. The directors assess the level of provision required based on past experience. These provisions are reviewed annually to ensure that they reflect the current best estimate of the provision required.

SERIF (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****2. Judgments in applying accounting policies (continued)****Taxation**

There are many transactions and calculations for which the ultimate tax determination is uncertain. The company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due.

The director's estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

3. Turnover

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

	2020 £	2019 £
Software sales	24,574,781	19,641,099
	<u>24,574,781</u>	<u>19,641,099</u>

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	2,448,785	2,035,345
Rest of Europe	10,357,818	8,357,442
Rest of world	4,256,558	2,947,515
North America	7,511,620	6,300,797
	<u>24,574,781</u>	<u>19,641,099</u>

4. Operating profit

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

	2020 £	2019 £
Research and development expenditure	3,497,401	2,206,052
Depreciation of tangible fixed assets	283,967	225,144
Operating lease rentals	164,500	164,500
Foreign exchange differences	(277,615)	-
Auditor's remuneration	24,950	23,950
	<u>24,950</u>	<u>23,950</u>

SERIF (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****5. Staff costs**

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

	2020	2019
	£	£
Wages and salaries	4,880,124	4,176,880
Social security costs	539,210	461,383
Other pension costs	329,498	249,181
	<u>5,748,832</u>	<u>4,887,444</u>

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

	2020	2019
	No.	No.
Office and management	79	70
Sales and operations	4	4
	<u>83</u>	<u>74</u>

6. Directors' remuneration

	2020	2019
	£	£
Directors' emoluments	442,847	405,399
Directors' pension costs	11,870	23,034
	<u>454,717</u>	<u>428,433</u>

During the year retirement benefits were accruing to 3 directors (2019: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £229,997 (2019: £207,301).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £4,000 (2019: £10,000).

SERIF (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

7. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	95,014	1,371,221
Adjustments in respect of previous periods	-	(74,269)
Total current tax	<u>95,014</u>	<u>1,296,952</u>
Deferred tax		
Origination and reversal of timing differences	(120,680)	(22,721)
Effect of tax rate change on opening balance	(2,307)	-
Total deferred tax	<u>(122,987)</u>	<u>(22,721)</u>
Taxation on profit on ordinary activities	<u>(27,973)</u>	<u>1,274,231</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	<u>14,964,265</u>	<u>10,766,796</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	2,843,210	2,045,691
Effects of:		
Expenses not deductible for tax purposes	25,251	885
Fixed asset timing differences	6,876	(375)
Adjustments to tax charge in respect of prior periods	-	(74,269)
Adjustments to tax charge in respect of previous periods - deferred tax	-	54,920
Additional deduction for research and development tax	(863,858)	(761,756)
Patent box additional deduction	(2,037,145)	-
Remeasurement of deferred tax for changes in tax rates	(2,307)	9,135
Total tax (credit)/ charge for the year	<u>(27,973)</u>	<u>1,274,231</u>

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 rate was enacted on 25 May 2021. Deferred tax has been calculated at the legislated rate on the balance sheet date of 19%.

SERIF (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8. Dividends

	2020 £	2019 £
Dividends paid	<u>10,000,654</u>	<u>9,750,692</u>

9. Intangible assets

	Licences £
Cost	
Additions	918,000
At 31 December 2020	<u>918,000</u>
Net book value	
At 31 December 2020	<u>918,000</u>
At 31 December 2019	<u>-</u>

SERIF (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10. Tangible fixed assets

	Fixtures and fittings £	Office equipment and computer software £	Computer hardware £	Total £
Cost				
At 1 January 2020	1,111,991	970,782	927,535	3,010,308
Additions	94,179	-	18,743	112,922
At 31 December 2020	1,206,170	970,782	946,278	3,123,230
Depreciation				
At 1 January 2020	383,359	897,532	702,260	1,983,151
Charge for the year	190,594	11,674	81,699	283,967
At 31 December 2020	573,953	909,206	783,959	2,267,118
Net book value				
At 31 December 2020	632,217	61,576	162,319	856,112
At 31 December 2019	728,632	73,250	225,275	1,027,157

11. Fixed asset investments

	Investments in subsidiary companies £
At 1 January 2020	81,089
Amounts written off	(81,089)
At 31 December 2020	-
Net book value	
At 31 December 2020	-
At 31 December 2019	81,089

SERIF (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****11. Fixed asset investments (continued)****Subsidiary undertaking**

The following was a subsidiary undertaking of the company:

Name	Class of Shares	Holding	Principal activity
Serif Inc.	Ordinary	100	Providing royalty services

The company was incorporated in United States of America and its registered office was the same as Serif (Europe) Limited. On 16th December 2020, Serif Inc was dissolved.

12. Stocks

	2020 £	2019 £
Finished goods	103,029	68,334

Stock recognised in cost of sales during the year as an expense was £328,497 (2019: £258,944).

An impairment loss of £1,740 (2019: £26,963) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

13. Debtors

	2020 £	2019 £
Trade debtors	956,061	893,709
Amounts owed by group undertakings	-	86,556
Other debtors	1,455,895	1,421,228
Prepayments and accrued income	441,182	401,835
Deferred taxation	142,597	19,610
	<u>2,995,735</u>	<u>2,822,938</u>

14. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	272,281	212,235
Corporation tax	-	884,159
Other taxation and social security	219,939	286,041
Other creditors	895,735	278,232
Accruals and deferred income	1,301,481	1,102,074
	<u>2,689,436</u>	<u>2,762,741</u>

SERIF (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

	2020 £	2019 £
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 18.

16. Deferred taxation

	Deferred taxation £
At 1 January 2020	19,610
Charged to the profit and loss account	122,987
At 31 December 2020	<u><u>142,597</u></u>

The deferred tax asset is made up as follows:

	2020 £	2019 £
Fixed asset timing differences	(103,578)	(115,054)
Short term timing differences	246,175	134,664
	<u>142,597</u>	<u>19,610</u>

17. Provisions

	Dilapidation provision £
At 1 January 2020 and 31 December 2020	<u><u>300,000</u></u>

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

SERIF (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****18. Share capital**

	2020 £	2019 £
Shares classified as equity		
Allotted, called up and fully paid		
39,760 Ordinary shares of \$ 1 each	28,000	28,000
	<u>28,000</u>	<u>28,000</u>
	2020 £	2019 £
Shares classified as debt		
Allotted, called up and fully paid		
21,460 8% Preference shares of \$0.0001 each	1	1
21,460 Deferred 8% Preference shares of £ 1 each	21,460	21,460
	<u>21,461</u>	<u>21,461</u>

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.

SERIF (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****19. 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.

20. Commitments under operating leases

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

	2020 £	2019 £
Not later than 1 year	164,000	164,000
Later than 1 year and not later than 5 years	656,000	656,000
Later than 5 years	218,667	382,667
Total	<u>1,038,667</u>	<u>1,202,667</u>

21. 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 group incurred rental charges of £164,500 (2019: £152,000) 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 (2019: £Nil).

22. 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.