

**GROUP STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
FOR
PERKBOX LIMITED**

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PERKBOX LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2019**

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PERKBOX LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS: C P Cao
S Chopra
U Goyal
J H M Stern

SECRETARY: R J Gorle

REGISTERED OFFICE: 3-7 Herbal Hill
London
EC1R 5EJ

REGISTERED NUMBER: 07355963 (England and Wales)

INDEPENDENT AUDITORS: PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

PERKBOX LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their strategic report of the company and the group for the year ended 31 December 2019.

REVIEW OF BUSINESS

The Group develops and operates a leading 'software as a service' employee engagement, which provides a range of tools and discounted perks and benefits to staff and customers for reward and recognition. The platform aims to support the financial, emotional and physical wellbeing of employees. Access to the products is made available on a subscription basis, and specific perks and benefits can then be redeemed by the end users.

The Group is based in the UK with sales offices in France and Australia both operating as branches of Perkbox Limited.

The Group has continued to develop additional features and enhancements within the Perkbox platform during the year.

During the year, the Group also operated a customer loyalty platform which is being discontinued and as a result the Loyalty Bay Limited subsidiary was dissolved on 10th September 2019. Existing customers are being supported for the remainder of their contract where it was not possible to transfer them to the core employee engagement platform.

The directors are satisfied with the performance during the year. The Group grew its core businesses substantially in terms of number of customers and ongoing subscription revenues and it is well positioned in the UK and rapidly expanding in France and Australia its employee engagement markets. User engagement on the platform increased substantially as a result of some of the new features.

The Group invested significantly in its products and markets during the year, and made an operating loss in line with expectations. Following this period of intense development, it has been possible to scale the team back slightly so the directors expect a smaller loss in the subsequent year. The directors do expect to continue investing in the growth of the Group to grow its customer base and make improvements to its core products.

At the end of the year the Group had cash reserves of £5.78M and net assets of £1.6M

PRINCIPAL RISKS AND UNCERTAINTIES

The employee engagement market is fast moving. They are therefore subject to change for example in the competitive environment, the regulatory and tax environments, and as a result of updates to technical platforms and standards. Our business is also reliant on third party partners to continue to provide attractive benefits for our users.

Since March 2020, the Covid-19 pandemic has had a significant effect on most businesses, including Perkbox. Our customer base includes many small and medium-sized businesses which bore much of the immediate impact of the disruption; with many suffering reductions in income and cashflow. We believed it was right that Perkbox shared that burden, and we swiftly offered measures to help support our customers, including short term payment holidays and discounts. The health and safety and the mental wellbeing of our customers, employees and partners is always our primary concern.

ON BEHALF OF THE BOARD:



S Chopra - Director

Date: 13th November 2020

PERKBOX LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report with the audited financial statements of the company and the group for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of the development and operation of a 'software as a service' employee engagement and customer loyalty platform.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2019.

DIRECTORS

The directors who were in the office during the year and up to the date of signing the financial statements were:

C P Cao
S Chopra
U Goyal
J H M Stern

The beneficial interests of the directors holding office on 31 December 2019 in the issued share capital of the company were as follows:

	31.12.19 No.	1.1.19 No.
Ordinary 0.1p shares		
C P Cao	424,686	424,686
S Chopra	483,545	481,516
U Goyal	11,381	11,381
J H M Stern	-	-

GOING CONCERN

The Company and Group made a loss in the year under review, but during 2020 the Company has taken further steps to reduce its operating costs while continuing to invest in new product development.

The Company has renewed its loan facility with Barclays on a new four year term. The Company has also been able to raise equity funding on a number of occasions, most recently in August 2020.

The directors have prepared detailed cash flow forecasts, which are based on their current expectations of trading prospects. The forecasts have been prepared over a period of 12 months and the directors are confident that the Company will not be in a breach of its banking covenants and will be able to meet its liabilities as they fall due. Accordingly, the directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

FINANCIAL RISK MANAGEMENT

The company's operations expose it to a variety of financial risks that include credit risk and liquidity risk. The following policies are in place to help mitigate these risks:

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, and credit exposures such as outstanding receivables. The company seeks to minimise the exposure on cash deposits by using only major banks and financial institutions. It operates credit checking and control procedures to reduce the risk from bad debts.

Liquidity risk

The company actively manages cash balances to ensure there are sufficient available funds for operations.

THIRD PARTY INDEMNITY

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

PERKBOX LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2019**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director in office at the date the Report of the Directors is approved:

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

ON BEHALF OF THE BOARD:



.....
S Chopra - Director

Date: 13th November 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PERKBOX LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Perkbox Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Group Strategic Report, Report of the Directors and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company balance Sheets as at 31 December 2019; the Consolidated Income Statement and Consolidated Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' 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.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

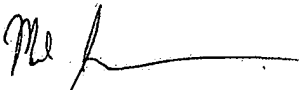
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Mark Jordan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

13 November 2020

PERKBOX LIMITED

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £	2018 £
TURNOVER	3	60,585,916	53,607,420
Cost of sales		<u>43,740,044</u>	<u>35,716,141</u>
GROSS PROFIT		16,845,872	17,891,279
Administrative expenses		<u>24,371,997</u>	<u>22,545,227</u>
OPERATING LOSS	5	(7,526,125)	(4,653,948)
Interest receivable and similar income		<u>11,669</u>	<u>7,108</u>
		(7,514,456)	(4,646,840)
Interest payable and similar expenses	6	<u>287,511</u>	<u>147,146</u>
LOSS BEFORE TAXATION		(7,801,967)	(4,793,986)
Tax on loss	7	<u>-</u>	<u>(39,345)</u>
LOSS FOR THE FINANCIAL YEAR		<u>(7,801,967)</u>	<u>(4,754,641)</u>
Loss attributable to: Owners of the parent		<u>(7,801,967)</u>	<u>(4,754,641)</u>

The notes on pages 15 to 24 form part of these financial statements

PERKBOX LIMITED

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £	2018 £
LOSS FOR THE YEAR		(7,801,967)	(4,754,641)
OTHER COMPREHENSIVE EXPENSES		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR		<u>(7,801,967)</u>	<u>(4,754,641)</u>
Total comprehensive income attributable to: Owners of the parent		<u>(7,801,967)</u>	<u>(4,754,641)</u>

The notes on pages 15 to 24 form part of these financial statements

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019**

	Notes	2019 £	2018 £
FIXED ASSETS			
Intangible assets	9	-	335,340
Tangible assets	10	382,505	380,892
Investments	11	-	-
		<u>382,505</u>	<u>716,232</u>
CURRENT ASSETS			
Stocks	12	1,768,176	3,007,227
Debtors	13	4,257,801	4,223,597
Cash at bank and in hand		<u>5,784,148</u>	<u>4,662,584</u>
		11,810,125	11,893,408
CREDITORS			
Amounts falling due within one year	14	<u>(10,626,369)</u>	<u>(5,226,474)</u>
NET CURRENT ASSETS		<u>1,183,756</u>	<u>6,666,934</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,566,261	7,383,166
CREDITORS			
Amounts falling due after more than one year	15	<u>-</u>	<u>(4,000,000)</u>
NET ASSETS		<u>1,566,261</u>	<u>3,383,166</u>
CAPITAL AND RESERVES			
Called up share capital	19	1,482	1,368
Share premium account	20	12,450,874	4,685,926
Other reserves	20	5,700,000	7,480,000
Accumulated loss	20	<u>(16,586,095)</u>	<u>(8,784,128)</u>
SHAREHOLDERS' FUNDS		<u>1,566,261</u>	<u>3,383,166</u>

The financial statements on page 3 to 14 were approved by the Board of Directors and authorised for issue on 13th November 2020 and were signed on its behalf by:



S Chopra - Director

**COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2019**

	Notes	2019 £	2018 £
FIXED ASSETS			
Intangible assets	9	-	-
Tangible assets	10	382,505	380,892
Investments	11	-	403,778
		<u>382,505</u>	<u>784,670</u>
CURRENT ASSETS			
Stocks	12	1,768,176	3,007,227
Debtors	13	4,257,801	4,598,957
Cash at bank and in hand		<u>5,784,148</u>	<u>4,547,740</u>
		11,810,125	12,153,924
CREDITORS			
Amounts falling due within one year	14	<u>(10,626,369)</u>	<u>(5,200,286)</u>
NET CURRENT ASSETS		<u>1,183,756</u>	<u>6,953,638</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,566,261	7,738,308
CREDITORS			
Amounts falling due after more than one year	15	-	(4,000,000)
NET ASSETS		<u>1,566,261</u>	<u>3,738,308</u>
CAPITAL AND RESERVES			
Called up share capital	19	1,482	1,368
Share premium account	20	12,450,874	4,685,926
Other reserves	20	5,700,000	7,480,000
Accumulated losses	20	<u>(16,586,095)</u>	<u>(8,428,986)</u>
SHAREHOLDERS' FUNDS		<u>1,566,261</u>	<u>3,738,308</u>
Company's loss for the financial year		<u>(8,157,109)</u>	<u>(4,449,336)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 13th November 2020 and were signed on its behalf by:



S Chopra - Director

PERKBOX LIMITED

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

	Called up share capital £	Retained earnings £	Share premium account £	Other reserves £	Total equity £
Balance at 1 January 2018	1,353	(4,029,487)	4,668,339	-	640,205
Changes in equity					
Issue of share capital	15	-	17,587	-	17,602
Total comprehensive expenses	-	(4,754,641)	-	-	(4,754,641)
Shares to be issued	-	-	-	7,480,000	7,480,000
Balance at 31 December 2018	<u>1,368</u>	<u>(8,784,128)</u>	<u>4,685,926</u>	<u>7,480,000</u>	<u>3,383,166</u>
Changes in equity					
Issue of share capital	114	-	7,764,948	-	7,765,062
Total comprehensive expenses	-	(7,801,967)	-	-	(7,801,967)
Shares to be issued	-	-	-	(1,780,000)	(1,780,000)
Balance at 31 December 2019	<u>1,482</u>	<u>(16,586,095)</u>	<u>12,450,874</u>	<u>5,700,000</u>	<u>1,566,261</u>

The notes on pages 15 to 24 form part of these financial statements

PERKBOX LIMITED

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

	Called up share capital £	Accumulated losses £	Share premium account £	Other reserves £	Total equity £
Balance at 1 January 2018	1,353	(3,979,650)	4,668,339	-	690,042
Changes in equity					
Issue of share capital	15	-	17,587	-	17,602
Total comprehensive expense	-	(4,449,336)	-	-	(4,449,336)
Shares to be issued	-	-	-	7,480,000	7,480,000
Balance at 31 December 2018	<u>1,368</u>	<u>(8,428,986)</u>	<u>4,685,926</u>	<u>7,480,000</u>	<u>3,738,308</u>
Changes in equity					
Issue of share capital	114	-	7,764,948	-	7,765,062
Total comprehensive expense	-	(8,157,109)	-	-	(8,157,109)
Shares to be issued	-	-	-	(1,780,000)	(1,780,000)
Balance at 31 December 2019	<u>1,482</u>	<u>(16,586,095)</u>	<u>12,450,874</u>	<u>5,700,000</u>	<u>1,566,261</u>

The notes on pages 15 to 24 form part of these financial statements

PERKBOX LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £	2018 £
Cash flows used in from operating activities			
Cash generated from operations	1	(4,433,590)	(6,681,220)
Interest paid		(287,511)	(147,146)
Tax refund		<u>-</u>	<u>32,444</u>
Net cash used in operating activities		<u>(4,721,101)</u>	<u>(6,795,922)</u>
 Cash flows from investing activities			
Purchase of tangible fixed assets		(155,447)	(317,475)
Sale of tangible fixed assets		1,381	-
Interest received		<u>11,669</u>	<u>7,108</u>
Net cash generated investing activities		<u>(142,397)</u>	<u>(310,367)</u>
 Cash flows from financing activities			
New loans in year		-	2,000,000
Share issue		<u>5,985,062</u>	<u>7,497,602</u>
Net cash from financing activities		<u>5,985,062</u>	<u>9,497,602</u>
 Increase in cash and cash equivalents		<u>1,121,564</u>	<u>2,391,313</u>
Cash and cash equivalents at beginning of year	2	<u>4,662,584</u>	<u>2,271,271</u>
 Cash and cash equivalents at end of year	2	<u><u>5,784,148</u></u>	<u><u>4,662,584</u></u>

The notes on pages 15 to 24 form part of these financial statements

PERKBOX LIMITED

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH USED IN OPERATIONS

	2019 £	2018 £
Loss before taxation	(7,801,967)	(4,793,986)
Depreciation and amortisation charges	469,424	201,507
Loss on disposal of fixed assets	18,369	-
Finance costs	287,511	147,146
Finance income	<u>(11,669)</u>	<u>(7,108)</u>
	(7,038,332)	(4,452,441)
Decrease/(increase) in stocks	1,239,051	(1,596,530)
Increase in trade and other debtors	(34,204)	(1,738,965)
Increase in trade and other creditors	<u>1,399,895</u>	<u>1,106,716</u>
Cash used in operations	<u><u>(4,433,590)</u></u>	<u><u>(6,681,220)</u></u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Consolidated Cash Flow Statement in respect of cash and cash equivalents are in respect of these Consolidated Balance Sheet amounts:

Year ended 31 December 2019

	31.12.19 £	1.1.19 £
Cash and cash equivalents	<u>5,784,148</u>	<u>4,662,584</u>

Year ended 31 December 2018

	31.12.18 £	1.1.18 £
Cash and cash equivalents	<u>4,662,584</u>	<u>2,271,271</u>

3. ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)

	At 1.1.19 £	Cash flow £	At 31.12.19 £
Net cash			
Cash at bank and in hand	<u>4,662,584</u>	<u>1,121,564</u>	<u>5,784,148</u>
	<u>4,662,584</u>	<u>1,121,564</u>	<u>5,784,148</u>
Debt			
Debts falling due within 1 year	-	(4,000,000)	(4,000,000)
Debts falling due after 1 year	<u>(4,000,000)</u>	<u>4,000,000</u>	<u>-</u>
	<u>(4,000,000)</u>	<u>-</u>	<u>(4,000,000)</u>
Total	<u><u>662,584</u></u>	<u><u>1,121,564</u></u>	<u><u>1,784,148</u></u>

The notes on pages 15 to 24 form part of these financial statements

PERKBOX LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. STATUTORY INFORMATION

Perkbox Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The accounting policies have been applied consistently, other than where new policies have been adopted.

Going concern

The Company and Group made a loss in the year under review, but during 2020 the Company has taken further steps to reduce its operating costs while continuing to invest in new product development.

The Company has renewed its loan facility with Barclays on a new four year term. The Company has also been able to raise equity funding on a number of occasions, most recently in August 2020.

The directors have prepared detailed cash flow forecasts, which are based on their current expectations of trading prospects. The forecasts have been prepared over a period of 12 months and the directors are confident that the Company will not be in a breach of its banking covenants and will be able to meet its liabilities as they fall due. Accordingly, the directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

Significant accounting judgements and estimation uncertainty

The Company makes estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Turnover

Turnover comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Sales are presented, net of VAT, rebates and discounts, and after eliminating sales within the Group.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2017, is being amortised evenly over its estimated useful life of two years.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Office equipment	-	25% on cost
Computer equipment	-	25% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

PERKBOX LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES - continued

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to profit or loss in the period to which they relate.

3. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the group.

An analysis of turnover by geographical market is given below:

	2019	2018
	£	£
United Kingdom	60,110,328	53,607,420
Europe	136,899	-
Rest of World	338,689	-
	<u>60,585,916</u>	<u>53,607,420</u>

PERKBOX LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. EMPLOYEES AND DIRECTORS

	2019	2018
	£	£
Wages and salaries	12,950,686	9,791,278
Social security costs	1,414,589	1,127,539
Other pension costs	<u>230,835</u>	<u>137,174</u>
	<u>14,596,110</u>	<u>11,055,991</u>

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

	2019	2018
Directors	2	2
Administrative staff	<u>236</u>	<u>237</u>
	<u>238</u>	<u>239</u>

	2019	2018
	£	£
Directors' remuneration	<u>215,500</u>	<u>243,100</u>

Information regarding the highest paid director is as follows:

	2019	2018
	£	£
Emoluments and remunerations	<u>145,250</u>	<u>127,075</u>

5. OPERATING LOSS

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

	2019	2018
	£	£
Other operating leases	1,147,055	1,064,217
Depreciation - owned assets	134,084	126,964
Loss on disposal of fixed assets	18,369	-
Goodwill amortisation	40,340	40,341
Intellectual property amortisation	295,000	-
Computer software amortisation	-	34,202
Auditors' remuneration - Audit fees	33,100	39,600
Auditors' remuneration - tax advisory	7,750	-
Foreign exchange differences	<u>(9,270)</u>	<u>(244)</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	£	£
Bank loan interest	<u>287,511</u>	<u>147,146</u>

PERKBOX LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

7. TAX ON LOSS

Analysis of the tax credit

The tax credit on the loss for the year was as follows:

	2019 £	2018 £
Current tax:		
UK corporation tax	-	(39,023)
Deferred tax:		
Excess of capital allowances over depreciation	<u>-</u>	<u>(322)</u>
Tax on loss	<u>-</u>	<u>(39,345)</u>

UK corporation tax has been charged at 19% (2018 - 19%).

Reconciliation of total tax credit included in profit and loss

The tax assessed for the year is higher (2018: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £	2018 £
Loss before tax	<u>(7,801,967)</u>	<u>(4,793,986)</u>
Loss before tax multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	(1,482,374)	(910,857)
Effects of:		
Expenses not deductible for tax purposes	36,037	37,569
Capital allowances in excess of depreciation	(3,816)	(11,396)
Tax losses carried forwards	1,450,153	854,083
Other adjustments	<u>-</u>	<u>(8,744)</u>
Total tax credit	<u>-</u>	<u>(39,345)</u>

The unrecognised deferred tax asset is due to a lack of historical profits. The approximate unrecognised deferred tax asset is £3,232,577 (2018: £1,699,395).

8. INDIVIDUAL INCOME STATEMENT

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

PERKBOX LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

9. INTANGIBLE FIXED ASSETS

Group

	Goodwill £	Intellectual property £	Computer software £	Totals £
COST				
At 1 January 2019	80,681	295,000	68,405	444,086
Disposals	-	-	(68,405)	(68,405)
At 31 December 2019	<u>80,681</u>	<u>295,000</u>	<u>-</u>	<u>375,681</u>
ACCUMULATED AMORTISATION				
At 1 January 2019	40,341	-	68,405	108,746
Amortisation for year	40,340	295,000	-	335,340
Eliminated on disposal	-	-	(68,405)	(68,405)
At 31 December 2019	<u>80,681</u>	<u>295,000</u>	<u>-</u>	<u>375,681</u>
NET BOOK VALUE				
At 31 December 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2018	<u>40,340</u>	<u>295,000</u>	<u>-</u>	<u>335,340</u>

Company

	Computer software £
COST	
At 1 January 2019	68,405
Disposals	(68,405)
At 31 December 2019	<u>-</u>
ACCUMULATED AMORTISATION	
At 1 January 2019	68,405
Eliminated on disposal	(68,405)
At 31 December 2019	<u>-</u>
NET BOOK VALUE	
At 31 December 2019	<u>-</u>
At 31 December 2018	<u>-</u>

PERKBOX LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

10. TANGIBLE ASSETS

Group

	Office equipment £	Computer equipment £	Totals £
COST			
At 1 January 2019	240,631	389,603	630,234
Additions	48,751	106,696	155,447
Disposals	<u>(32,182)</u>	<u>(43,922)</u>	<u>(76,104)</u>
At 31 December 2019	<u>257,200</u>	<u>452,377</u>	<u>709,577</u>
ACCUMULATED DEPRECIATION			
At 1 January 2019	75,766	173,576	249,342
Charge for year	53,404	80,680	134,084
Eliminated on disposal	<u>(22,133)</u>	<u>(34,221)</u>	<u>(56,354)</u>
At 31 December 2019	<u>107,037</u>	<u>220,035</u>	<u>327,072</u>
NET BOOK VALUE			
At 31 December 2019	<u>150,163</u>	<u>232,342</u>	<u>382,505</u>
At 31 December 2018	<u>164,865</u>	<u>216,027</u>	<u>380,892</u>

Company

	Office equipment £	Computer equipment £	Totals £
COST			
At 1 January 2019	240,631	389,603	630,234
Additions	48,751	106,696	155,447
Disposals	<u>(32,182)</u>	<u>(43,922)</u>	<u>(76,104)</u>
At 31 December 2019	<u>257,200</u>	<u>452,377</u>	<u>709,577</u>
ACCUMULATED DEPRECIATION			
At 1 January 2019	75,766	173,576	249,342
Charge for year	53,404	80,680	134,084
Eliminated on disposal	<u>(22,133)</u>	<u>(34,221)</u>	<u>(56,354)</u>
At 31 December 2019	<u>107,037</u>	<u>220,035</u>	<u>327,072</u>
NET BOOK VALUE			
At 31 December 2019	<u>150,163</u>	<u>232,342</u>	<u>382,505</u>
At 31 December 2018	<u>164,865</u>	<u>216,027</u>	<u>380,892</u>

PERKBOX LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

11. INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1 January 2019	403,778
Disposals	<u>(403,778)</u>
At 31 December 2019	-
NET BOOK VALUE	
At 31 December 2019	<u>-</u>
At 31 December 2018	<u>403,778</u>

The Group or the Company's investments at the Balance Sheet date in the share capital of companies include the following:

Subsidiary

Loyalty Bay Limited (dissolved 10 September 2019)

Registered office: 50 Finsbury Square, Second Floor, London, EC2A 1HD

Nature of business: Customer loyalty platform

	%
Class of shares:	holding
Ordinary	100.00

12. STOCKS

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Stocks	<u>1,768,176</u>	<u>3,007,227</u>	<u>1,768,176</u>	<u>3,007,227</u>

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Trade debtors	2,098,802	1,616,347	2,098,802	1,626,856
Amounts owed by group undertakings	-	-	-	365,951
Other debtors	389,358	1,386,789	389,358	1,386,789
Prepayments and accrued income	<u>1,769,641</u>	<u>1,220,461</u>	<u>1,769,641</u>	<u>1,219,361</u>
	<u>4,257,801</u>	<u>4,223,597</u>	<u>4,257,801</u>	<u>4,598,957</u>

PERKBOX LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Bank loans and overdrafts (see note 16)	4,000,000	-	4,000,000	-
Trade creditors	2,120,254	1,774,174	2,120,254	1,775,256
Other taxation and social security	400,195	379,110	400,195	379,110
VAT	572,281	288,733	572,281	285,142
Other creditors	112,814	124,903	112,814	124,415
Deferred revenue	2,481,227	1,573,312	2,481,227	1,573,312
Accrued expenses	939,598	1,086,242	939,598	1,063,051
	<u>10,626,369</u>	<u>5,226,474</u>	<u>10,626,369</u>	<u>5,200,286</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Bank loans and overdrafts (see note 16)	<u>-</u>	<u>4,000,000</u>	<u>-</u>	<u>4,000,000</u>

16. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Amounts falling due within one year or on demand:				
Bank loans	<u>4,000,000</u>	<u>-</u>	<u>4,000,000</u>	<u>-</u>
Amounts falling due between two and five years:				
Bank loans - 2-5 years	<u>-</u>	<u>4,000,000</u>	<u>-</u>	<u>4,000,000</u>

17. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Company

	Non-cancellable operating leases	
	2019	2018
	£	£
Within one year	361,258	456,956
Between one and five years	<u>510,011</u>	<u>84,116</u>
	<u>871,269</u>	<u>541,072</u>

PERKBOX LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

18. SECURED DEBTS

The following secured debts are included within creditors:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Bank loans	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>

Bank loans and overdrafts are secured by a fixed and floating charge over the assets of the Company.

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019	2018
			£	£
1,481,859	Ordinary	0.1p	<u>1,482</u>	<u>1,368</u>

During the year 10,669 ordinary 1p shares were issued at a premium of £7.76M.

During April 2019 the Company raised £6M by way of an advanced share subscription.

20. RESERVES

Group

	Accumulated losses	Share premium account	Other reserves	Totals
	£	£	£	£
At 1 January 2019	(8,784,128)	4,685,926	7,480,000	3,381,798
Loss for the year	(7,801,967)	-	-	(7,801,967)
Cash share issue	-	7,802,640	-	7,802,640
Share issue costs	-	(37,692)	-	(37,692)
Shares to be issued	-	-	(1,780,000)	(1,780,000)
At 31 December 2019	<u>(16,586,095)</u>	<u>12,450,874</u>	<u>5,700,000</u>	<u>1,564,779</u>

Company

	Accumulated losses	Share premium account	Other reserves	Totals
	£	£	£	£
At 1 January 2019	(8,428,986)	4,685,926	7,480,000	3,736,940
Loss for the year	(8,157,109)	-	-	(8,157,109)
Cash share issue	-	7,802,640	-	7,802,640
Share issue costs	-	(37,692)	-	(37,692)
Shares to be issued	-	-	(1,780,000)	(1,780,000)
At 31 December 2019	<u>(16,586,095)</u>	<u>12,450,874</u>	<u>5,700,000</u>	<u>1,564,780</u>

PERKBOX LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

20. RESERVES - continued

There is an Advanced Share Subscription agreement with investors to issue ordinary shares on completion of the next funding round. The investors pre-paid for shares that will be allocated during the next funding round at a discount to the valuation stipulated in the Advanced Share Subscription agreement.

21. RELATED PARTY DISCLOSURES

The Company is taking advantage of the exemptions of FRS 102 not to disclose transactions within the Group as it is 100% owned and the financial statements of the group are publicly available.

No further transactions require disclosure as per FRS 102.

22. ULTIMATE CONTROLLING PARTY

As at 31 December 2019 there was no parent entity nor ultimate controlling party.

23. SHARE-BASED PAYMENT TRANSACTIONS

The Group operates the Huddlebuy Share Option Plan, a share-based payment scheme for its employees.

Key employees are granted share options in the Company as part of the scheme. The options are granted with a fixed exercise price, are exercisable subject to a vesting period typically over four years after the date of grant, and expire ten years after the date of grant. Employees are not entitled to dividends until the shares are exercised. Employees are required to remain in employment with the Company until exercise, otherwise the awards lapse. Grants for new joiners are approved by the board periodically. On exercise of the options by the employees, the Company issues new shares.

A reconciliation of share option movements over the year to 31 December is shown below:

	2019		2018	
	No.	Weighted average exercise price	No.	Weighted average exercise price
Outstanding at 1 January	56,525	£4.3353	60,018	£3.0142
Granted	21,420	£11.0600	19,082	£6.2976
Forfeited	(15,584)	£7.5541	(7,301)	£5.1214
Exercised	(7,312)	£3.1119	(15,274)	£1.1524
Expired	-	-	-	-
Outstanding at 31 December	55,049	£6.1935	56,525	£4.3353
Exercisable at 31 December	26,867	£2.8951	21,706	£1.7890

The Company is unable to directly measure the fair value of employee services received. Instead the fair value of the share options granted during the year is determined by estimating the market value of the options on the date of grant. The exercise price for all grants made up to 31 December 2019 was deemed to be approximately nominal value, hence the market value was not sufficiently material and no charge was deemed necessary.

24. EVENTS AFTER THE BALANCE SHEET DATE

The COVID-19 global pandemic during 2020 has been an unprecedented event which affected business and economic activity around the world, including the countries in which the Group operates. This will have an impact on the level of new bookings and on maintaining our existing customer portfolio. Despite this challenging period, our subscription business model has remained resilient.

As the COVID-19 pandemic occurred after the balance sheet date it represents a non-adjusting post balance sheet event.