

Registered number: 08589048

Arctic Shores Limited

Unaudited

Financial statements

Information for filing with the registrar

For the Year Ended 31 December 2021

Balance Sheet
As at 31 December 2021

| | Note | 2021 £ | 2020 £ |
|---|------|--------------------|------------------|
| Fixed assets | | | |
| Tangible assets | 5 | 10,922 | 23,208 |
| Investments | 6 | - | - |
| | | <u>10,922</u> | <u>23,208</u> |
| Current assets | | | |
| Debtors: amounts falling due within one year | 7 | 810,434 | 539,983 |
| Cash at bank and in hand | | 1,990,652 | 2,850,864 |
| | | <u>2,801,086</u> | <u>3,390,847</u> |
| Creditors: amounts falling due within one year | 8 | (2,516,027) | (2,023,016) |
| Net current assets | | <u>285,059</u> | <u>1,367,831</u> |
| Total assets less current liabilities | | <u>295,981</u> | <u>1,391,039</u> |
| Creditors: amounts falling due after more than one year | 9 | (1,584,358) | (451,783) |
| Net (liabilities)/assets | | <u>(1,288,377)</u> | <u>939,256</u> |
| Capital and reserves | | | |
| Called up share capital | | 5 | 5 |
| Share premium account | | 8,175,743 | 8,133,377 |
| Profit and loss account | | (9,464,125) | (7,194,126) |
| | | <u>(1,288,377)</u> | <u>939,256</u> |

Balance Sheet (continued)
As at 31 December 2021

The directors consider that the company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

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

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

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

The company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

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

R J F Newry
Director
Date: 9 May 2022

The notes on pages 3 to 9 form part of these financial statements.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

1. General information

The company is a private company limited by share capital incorporated in United Kingdom.

The address of its registered office and principal place of business is:

Lowry House

17 Marble Street

Manchester

M2 3AW

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are rounded to the nearest £.

The following principal accounting policies have been applied:

2.2 Going concern

The directors have prepared the financial statements using the going concern basis on the grounds that the directors and shareholders have undertaken to provide financial support, for the foreseeable future, being a period of not less than one year from the date of approval of these financial statements.

2.3 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

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 and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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 profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

Notes to the Financial Statements
For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue 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 revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Government grants

Grants are accounted under the accruals model as permitted by FRS 102.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.6 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Pensions

Defined contribution pension plan

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 payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

2.8 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

2. Accounting policies (continued)

2.9 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.

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.

Depreciation is provided on the following basis:

| | |
|--------------------|-----------------------|
| Office equipment | - |
| | 2 years straight line |
| Computer equipment | - |
| | 2 years 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 in profit or loss.

2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.11 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 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.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

2. Accounting policies (continued)

2.13 Financial instruments

The company enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Convertible loan notes

The convertible loan notes issued in the year may be settled in a variable number of the company's own equity instruments and are recognised as a complex financial liability in accordance with FRS 102 Section 12. The proceeds received on issue are initially measured at transaction price and subsequently measured at fair value through profit or loss, in accordance with the requirements of FRS 102 Section 12, at the end of each reporting period.

2.14 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that can affect the amounts reported for assets and liabilities, and the results for the year. The nature of estimation is such that actual outcomes could differ significantly from those estimates.

The following judgements have had the most significant impact on amounts recognised in the financial statements:

Convertible loan notes

As required under FRS 102 the convertible loan notes have been measured at fair value. Due to the lack of observable market prices for similar instruments the valuation is subject to uncertainty. The convertible loan notes are convertible upon maturity (after 3 years from inception), or as a result further equity financing (where the funds raised are equal to the principal sum of the convertible loan). The directors have assessed the probability of the different outcomes and have used an expected value model with a discount rate of 50%, being the estimated cost of capital, to arrive at the fair value of the instruments at the reporting date. The value of the convertible notes at the reporting date is £525,790 and the fair value loss for the year is £131,417.

4. Employees

The average monthly number of employees, including directors, during the year was 67 (2020 - 69).

Notes to the Financial Statements
For the Year Ended 31 December 2021

5. Tangible fixed assets

| | Office equipment £ | Computer equipment £ | Total £ |
|-------------------------------------|--------------------------|----------------------------|------------|
| Cost or valuation | | | |
| At 1 January 2021 | 1,704 | 107,244 | 108,948 |
| Additions | - | 11,033 | 11,033 |
| Disposals | - | (18,117) | (18,117) |
| At 31 December 2021 | 1,704 | 100,160 | 101,864 |
| Depreciation | | | |
| At 1 January 2021 | 1,304 | 84,436 | 85,740 |
| Charge for the year on owned assets | 400 | 21,261 | 21,661 |
| Disposals | - | (16,459) | (16,459) |
| At 31 December 2021 | 1,704 | 89,238 | 90,942 |
| Net book value | | | |
| At 31 December 2021 | - | 10,922 | 10,922 |
| At 31 December 2020 | 400 | 22,808 | 23,208 |

6. Fixed asset investments

| | Investments in subsidiary companies £ |
|----------------------------|--|
| Cost or valuation | |
| At 1 January 2021 | 48,157 |
| At 31 December 2021 | 48,157 |
| Impairment | |
| At 1 January 2021 | 48,157 |
| At 31 December 2021 | 48,157 |
| Net book value | |
| At 31 December 2021 | - |
| At 31 December 2020 | - |

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

7. Debtors

| | 2021 £ | 2020 £ |
|--------------------------------|----------------|----------------|
| Trade debtors | 696,127 | 476,204 |
| Other debtors | 2,657 | 7,178 |
| Prepayments and accrued income | 111,650 | 56,601 |
| | <u>810,434</u> | <u>539,983</u> |

8. Creditors: Amounts falling due within one year

| | 2021 £ | 2020 £ |
|------------------------------------|------------------|------------------|
| Trade creditors | 122,577 | 85,200 |
| Amounts owed to group undertakings | 12,966 | 82,421 |
| Other taxation and social security | 271,819 | 219,190 |
| Other creditors | 5,367 | 15,537 |
| Accruals and deferred income | 2,103,298 | 1,620,668 |
| | <u>2,516,027</u> | <u>2,023,016</u> |

Notes to the Financial Statements
For the Year Ended 31 December 2021

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

| | 2021 £ | 2020 £ |
|------------------------|------------------|----------------|
| Bank loans | 1,000,000 | - |
| Convertible loan notes | 525,790 | 394,374 |
| Other creditors | 58,568 | 57,409 |
| | <u>1,584,358</u> | <u>451,783</u> |

Convertible loan notes

The convertible loan notes comprise a Future Fund loan which is convertible upon maturity (after 3 years from inception), or as a result further equity financing (where the funds raised are equal to the principal sum of the convertible loan).

The following liabilities were secured:

| | 2021 £ | 2020 £ |
|-----------|------------------|-----------|
| Bank loan | 1,000,000 | - |
| | <u>1,000,000</u> | <u>-</u> |

Details of security provided:

The bank loan is secured by way of a fixed and floating charge over the assets of the company.

10. Share based payments

Arctic Shores Limited Enterprise Management Share Option Scheme

The company has an Enterprise Management Investment Scheme for certain employees.

Under this Scheme options can be exercised in tranches over the first 50 months from the date of grant and not after 10 years. During the year, 152,861 (2020: 60,756) options were granted. 27,722 (2020: 27,287) options lapsed. During the year 90,872 options were exercised (2020: Nil). There were 175,023 (2020: 140,756) options at the year end.

The weighted average exercise price at the year end is £0.61 (2020: £0.48).

11. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £76,514 (2020: £57,075). Contributions totalling £Nil (2020: £12,960) were payable to the fund at the balance sheet date and are included in creditors.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.