

Registration number: 08172044

Busuu Limited
Annual Report and Financial Statements
for the Year Ended 31 December 2020

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Busuu Limited

Contents

Company Information	1
Strategic Report	2 to 3
Director's Report	4 to 5
Independent Auditor's Report to the Members of Busuu Limited	6 to 9
Profit and Loss Account	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 to 24

Busuu Limited
Company Information

Director

Mr Bernhard Niesner

Registered Office

City Place House
55 Basinghall Street
London
EC2V 5DX

Auditors

Cooper Parry Group Limited
Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

Bankers

HSBC UK Bank PLC
Ground Floor
1 London Square
Cross Lanes
Guildford
Surrey
GU1 1UN

Busuu Limited

Strategic Report for the Year Ended 31 December 2020

Principal activity

The principal activity of the company during the year was the provision of a language learning platform subscription service.

Business review

The company's focus on top line revenue growth has resulted in a 27% increase in year on year revenues whilst improving its gross profit margins. The company continued to drive strong growth in revenue from both its consumer product and the B2B product, and has diversified its offerings through the provision of live tutoring services. The company also continued to invest heavily into research and development, completing over 35 technology-led research and development projects. The director is pleased with the continuing strong performance achieved by the company and looks forward to continued growth during 2021.

Principal risks and uncertainties

The management of the business and the execution of the company's strategies are subject to a number of risks. The key risks identified include competition, some reliance on third party platforms such as Apple Appstore and Google Play to distribute the app to users, and currency exchange rate fluctuations.

The business is continually monitoring its competitive position, and the group's acquisition of Verbling, Inc in January 2020 has enabled a diversification and expansion of services offered. The group operates globally, and therefore benefits from some natural hedging against currency exchange risk.

Key performance indicators

Management uses a number of financial and non-financial KPIs, other than turnover and gross profit referred to above:

Key performance indicator	Change 2019 to 2020
Total Premium Users #	+29%
Average Order Value £	+12%
New B2B Deals #	+41%

The director is pleased with the progress made on these key performance indicators in the year. These show the company is growing its user base and premium users are choosing to learn with Busuu for much longer. The acquisition of Verbling in the group during the year has enabled the group to enhance its global language learning offering.


Busuu Limited

Strategic Report for the Year Ended 31 December 2020 (*Continued*)

Coronavirus

At the date of signing these accounts, Coronavirus continues to represent both a risk to the business and its people. The company has taken active measures to ensure its people remain safe and healthy. Measures include additional education on cleanliness, self-isolation, social distancing and the ability to work from home. There are regular business continuity meetings to ensure compliance with the measures introduced. To date, the company has outperformed its forecasts where industries in the Ed tech sector have continued to trade well in the current environment.

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

DocuSigned by:

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Mr Bernhard Niesner
Director
17 May 2021

Busuu Limited

Director's Report for the Year Ended 31 December 2020

The director presents his report and the financial statements for the year ended 31 December 2020.

Director's responsibilities statement

The director is responsible for preparing the strategic report, the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director 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.

In preparing these financial statements, the director is required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements 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 director is 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 loss for the year, after taxation, amounted to £2,854,409 (2019: loss of £3,423,031).

The director does not recommend the payment of a dividend (2019: £Nil).

Directors

The director who served during the year is noted on the company information page.

Qualifying third party indemnity provisions

The company has provided a qualifying third party indemnity provision in respect of the director who was in force during the year and at the date of the report.

Matters covered in the strategic report

Principal risks and uncertainties and key performance indicators have been included in the strategic report on page 2.

Coronavirus

At the date of signing these financial statements, the director has considered the effect on the company with the information available to it, and does not believe it will affect the company's ability to continue to trade for the foreseeable future. See note 1.3 for further details.

Busuu Limited

Director's Report for the Year Ended 31 December 2020 (*Continued*)

Disclosure of information to auditor

The director has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

Auditor

The auditor, Cooper Parry Group Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board on 17 May 2021 and signed on its behalf by:

DocuSigned by:

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Mr Bernhard Niesner
Director

17 May 2021

City Place House
55 Basinghall Street
London
EC2V 5DX

Independent Auditor's Report to the members of Busuu Limited

Opinion

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

Conclusions relating to going concern

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

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

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

Other information

The 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.

Independent Auditor's Report to the members of Busuu Limited (*Continued*)

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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; or

Responsibilities of the director

As explained more fully in the directors' responsibilities statement on page 4, 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.

Independent Auditor's Report to the members of Busuu 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 focussed on key laws and regulations the entity has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice and relevant tax legislation.

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

- obtaining an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework;
- obtaining an understanding of the entity's policies and procedures and how the entity has complied with these, through discussions and walkthrough testing;
- obtaining an understanding of the entity's risk assessment process, including the risk of fraud;
- enquiring of management as to actual and potential fraud, litigation and claims;
- designing our audit procedures to respond to our risk assessment;
- performing audit testing over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness and evaluating the business rationale of significant transactions outside the normal course of business;
- assessing whether judgements and assumptions made in determining the accounting estimates set out in note 1.12 were indicative of potential bias;
- performing analytical procedures to identify any large, unusual or unexpected relationships; and
- reviewing the minutes of meetings of management and those charged with governance.

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.

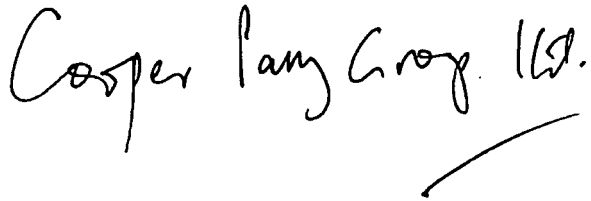
Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed 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.

Independent Auditor's Report to the members of Busuu 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.

A handwritten signature in black ink that reads "Steven Leith" followed by a flourish.

Steven Leith (Senior Statutory Auditor)
for and on behalf of
Cooper Parry Group Limited
Chartered Accountants
Statutory Auditor

London

Date: 17 May 2021

Busuu Limited

Profit and Loss Account for the Year Ended 31 December 2020

	Note	2020 £	2019 £
Turnover	2	20,996,990	16,588,534
Cost of sales		(6,001,737)	(5,381,354)
Gross profit		14,995,253	11,207,180
Administrative expenses		(18,335,493)	(15,441,544)
Operating loss		(3,340,240)	(4,234,364)
Interest payable and similar expenses	8	(180,456)	(157,513)
Foreign exchange (losses)/gains		(603,342)	151,878
Dividend income	6	115,395	121,939
Other income	7	603,856	142,055
		(64,547)	258,359
Loss before tax		(3,404,787)	(3,976,005)
Taxation	9	550,378	552,974
Loss for the financial year		(2,854,409)	(3,423,031)
Other comprehensive income			
Loss for the year		(2,854,409)	(3,423,031)
Total comprehensive income for the year		(2,854,409)	(3,423,031)


The notes on pages 13 to 24 form part of these financial statements.

Busuu Limited

Balance Sheet as at 31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	10	261,913	366,400
Tangible assets	11	119,173	117,176
Investments		12	12
		381,098	483,588
Current assets			
Debtors	12	2,791,395	2,365,885
Cash at bank and in hand		1,867,513	980,156
		4,658,908	3,346,041
Creditors: Amounts falling due within one year	13	(14,632,974)	(12,665,676)
Net current liabilities		(9,974,066)	(9,319,635)
Total assets less current liabilities		(9,592,968)	(8,836,047)
Creditors: Amounts falling due after more than one year	13	(3,516,383)	(1,418,895)
Net liabilities		(13,109,351)	(10,254,942)
Capital and reserves			
Called up share capital	15	2	2
Share premium account	15	9,675,391	9,675,391
Profit and loss account	15	(22,784,744)	(19,930,335)
Total equity		(13,109,351)	(10,254,942)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 May 2021 by

DocuSigned by:

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Mr Bernhard Niesner, Director

Company registered number: 08172044

The notes on pages 13 to 24 form part of these financial statements.

Busuu Limited
Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2019	2	9,675,391	(16,507,304)	(6,831,911)
Loss for the year	-	-	(3,423,031)	(3,423,031)
Total comprehensive income	-	-	(3,423,031)	(3,423,031)
At 31 December 2019	2	9,675,391	(19,930,335)	(10,254,942)

	Share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2020	2	9,675,391	(19,930,335)	(10,254,942)
Loss for the year	-	-	(2,854,409)	(2,854,409)
Total comprehensive income	-	-	(2,854,409)	(2,854,409)
At 31 December 2020	2	9,675,391	(22,784,744)	(13,109,351)

The notes on pages 13 to 24 form part of these financial statements.

Busuu Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1 Accounting Policies

Busuu Limited (the "company") is a private company incorporated, domiciled and registered in the UK. The registered number is 08172044 and the registered address is: City Place House, 55 Basinghall Street, London EC2V 5DX, United Kingdom.

The presentation currency of these financial statements is Pound Sterling. All amounts in the financial statements have been rounded to the nearest pound.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

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

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 applying the company's accounting policies (see note 1.12).

The following principal accounting policies have been applied:

1.1 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis except that as disclosed in the accounting policies certain items are shown at fair value.

1.3 Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the loss for the period of £2,854,409 and net current liabilities of £9,974,066 at the balance sheet date. Of the company's net current liabilities at the balance sheet date £9.4m relates to deferred income which is not a cash liability and is revenue that will be recognised in subsequent periods. Additionally, £2.5m of current liabilities are with group companies. Accordingly, the company was in a position to repay its debts as they fall due at the balance sheet date, and continues to be so at the date of approval of the financial statements.

Notes (continued)

1.3 Going concern (continued)

The company is reliant on funds provided to it by its parent company, Busuu Online S.L. a company registered in Spain. The parent company has indicated that for at least 12 months from the date of approval of these financial statements it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. The director considers that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

The director has considered the effect of the ongoing Coronavirus pandemic on the going concern position. The company has seen sustained growth in demand for its services since Coronavirus became prevalent, including throughout lockdown conditions in the UK, Spain and other relevant markets. The director has requested management to produce forecasts for the business until 31 December 2022 which take into account the effects of the pandemic as best estimated by management. These forecasts indicate that no additional funds are required beyond those currently negotiated by the company with ongoing parental support. The director acknowledges that the impact of the Coronavirus outbreak on the business is difficult to predict, but given the business's performance to date, it does not represent a significant risk to the business's ability to trade for a period of at least 12 months from the date of signing these accounts.

As with any company placing reliance on another group company for financial support, the director acknowledges that there can be no certainty that this support will continue, although at the date of approval of these financial statements they have no reason to believe that it will not do so. On this basis the director believes that it remains appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

1.4 Foreign currency

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Notes (continued)

1.5 Basic financial instruments (continued)

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- | | |
|---------------------------------------|-----------------------------------|
| • Leasehold improvements | Over the course of the lease term |
| • Furniture, fixtures and fittings | 5 years |
| • Computer and other office equipment | 3 years |

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.7 Intangible assets

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development.

Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Notes (continued)

1.7 Intangible assets (continued)

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Intellectual property rights 10 years
- Trademarks 10 years

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

1.8 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.9 Turnover

Turnover comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Company's activities. Turnover is shown net of sales/value added tax, rebates and discounts.

Revenue from providing licenses to consumers and businesses is recognised in the accounting period in which the licenses are valid. Revenues from businesses are initially recognised on contract signage and invoices being issued. In both cases revenue is then deferred and recognised evenly over the period to which it relates and in which the customer has access. Revenue from consumer live lesson bookings is recognised on completion of the lesson.

1.10 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation, in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Notes (continued)

1.10 Expenses (continued)

Dividend Income

Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established.

1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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.

1.12 Critical accounting judgements and estimates

The director makes 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.

These include estimates relating to the useful life of tangible and intangible assets, the carrying value of certain accruals and any impairment of trade receivables or accrued income.

Depreciation 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.

Notes (continued)**1.12 Critical accounting judgements and estimates (continued)****Recoverability of trade and other debtors**

Trade and other debtors are recognised to the extent that they are judged recoverable. Provisions are made specifically against invoices where recoverability is uncertain. Allowances are applied to debtors where events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Provisions

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Non recognition of deferred tax asset

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

2 Turnover	2020	2019
	£	£
Sales of Services	20,996,990	16,588,534

By Activity	2020	2019
	£	£
Business to Consumer	19,017,702	15,599,554
Business to Business	1,979,288	988,980
	<u>20,996,990</u>	<u>16,588,534</u>

3 Auditor's remuneration	2020	2019
	£	£
Audit of these financial statements	23,000	22,000
Fees in relation to other assurance services	12,500	2,000
	<u>35,500</u>	<u>24,000</u>

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2020	2019
Number of employees	93	82

Notes (continued)**4 Staff numbers and costs (continued)**

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£	£
Wages and salaries	5,593,859	4,665,119
Social security costs	668,191	544,734
Contributions to defined contribution plans	127,894	93,441
	<u>6,389,944</u>	<u>5,303,294</u>

5 Directors remuneration

	2020	2019
	£	£
Wages and salaries	201,314	190,870
Contributions to defined contribution plans	6,000	5,227
	<u>207,314</u>	<u>196,097</u>

6 Dividend income

	2020	2019
	£	£
Dividend income	115,395	121,939

7 Other income

	2020	2019
	£	£
Intercompany services	603,856	141,650
Interest receivable	-	405
	<u>603,856</u>	<u>142,055</u>

8 Interest payable and similar expenses

	2020	2019
	£	£
Interest payable on loans from group undertakings	115,700	96,227
Interest payable on other loans	64,756	61,286
	<u>180,456</u>	<u>157,513</u>

Notes (continued)**9 Taxation****Analysis of tax recognised in profit and loss**

	2020	2019
Tax credited in the profit and loss account		
Current taxation		
UK corporation tax	(550,378)	(552,974)
Tax credit in the profit and loss account	<u>(550,378)</u>	<u>(552,974)</u>

The tax on profit before tax for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%).

The differences are reconciled below:

Loss before tax	(3,404,787)	(3,976,005)
Corporation tax at standard rate 19%	(646,910)	(755,441)
Effects of		
Expenses not deductible in determining taxable profits	1,016	(10,652)
(Decrease)/increase for capital allowances	(9,939)	4,498
Tax decrease from effect of adjustment in research and development expenditure	(958,004)	(962,523)
Effect of tax losses	1,051,155	1,159,500
Loss not arising from loan relationships	12,304	11,644
Current tax credit	<u>(550,378)</u>	<u>(552,974)</u>

Factors that may affect future tax changes

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.

The company has tax losses carried forward of £15,038,511 (2019: £13,197,436).

No deferred tax asset has been recognised at the current time given the lack of a historical profitable trading position and uncertainty on the timing of future utilisation of these losses.

Notes (continued)**10 Intangible Assets**

	Intellectual property rights	Trademarks	Total
	£	£	£
Cost or valuation			
At 1 January 2020	1,221,332	-	1,221,332
Additions	-	18,655	18,655
At 31 December 2020	1,221,332	18,655	1,239,987
Amortisation			
At 1 January 2020	854,932	-	854,932
Charge for the year	122,133	1,009	123,142
At 31 December 2020	977,065	1,009	978,074
Net book value			
At 31 December 2019	366,400	-	366,400
At 31 December 2020	244,267	17,646	261,913

11 Tangible Assets

	Leasehold Improvements	Furniture, fixtures and fittings	Computer and other office equipment	Total
	£	£	£	£
Cost or valuation				
At 1 January 2020	103,238	133,568	142,206	379,012
Additions	-	-	120,141	120,141
Disposals	(103,238)	(123,111)	(86,076)	(312,425)
At 31 December 2020	-	10,457	176,271	186,728
Depreciation				
At 1 January 2020	78,962	77,674	105,200	261,836
Charge for the year	24,276	7,502	38,062	69,840
On disposals	(103,238)	(74,807)	(86,076)	(264,121)
At 31 December 2020	-	10,369	57,186	67,555
Net book value				
At 31 December 2019	24,276	55,894	37,006	117,176
At 31 December 2020	-	88	119,085	119,173

Notes (continued)**12 Debtors**

	2020	2019
	£	£
Trade debtors	1,049,180	914,185
Other debtors	967,673	1,062,941
Accrued income	118,122	139,332
Prepayments	531,319	248,527
Amounts owed by group undertakings	125,101	900
	<u>2,791,395</u>	<u>2,365,885</u>

An impairment charge of £120,594 (2019: £Nil) was recognised in administrative expenses against debtors during the year due to overdue trade debtors.

13 Creditors

	2020	2019
	£	£
Amounts falling due within one year		
Trade creditors	1,206,969	1,076,743
Taxation and social security	199,171	94,718
Other creditors	26,682	26,156
Accruals	1,257,197	728,984
Deferred income	9,402,753	7,503,398
Amounts owed to group companies	2,540,202	140,163
Amounts owed to related parties	-	3,095,514
	<u>14,632,974</u>	<u>12,665,676</u>

Amounts falling due after more than one year

Deferred income	196,552	-
Amounts owed to group companies	-	1,418,895
Amounts owed to related parties	3,319,831	-
	<u>3,516,383</u>	<u>1,418,895</u>

14 Interest-bearing loans and borrowings

	2020	2019
	£	£
Non-current loans and borrowings payable within 1 year		
Loans from group companies	2,477,529	140,163
Loans from related parties	-	3,095,514
	<u>2,477,529</u>	<u>3,235,677</u>

Notes (continued)**14 Interest-bearing loans and borrowings (continued)**

	2020	2019
	£	£
Non-current loans and borrowings payable within 2-5 years		
Loans from group companies	-	1,418,895
Loans from related parties	3,319,831	-
	<u>3,319,831</u>	<u>1,418,895</u>

	Currency	Nominal Interest Rate	Year of Maturity	Repayment Schedule	2020 £	2019 £
<i>Terms and debt repayment schedule</i>						
Loan from Related Parties	EUR	2%	2022	Balance due on 31 August 2022	3,319,831	3,095,514
Loan from Group Company	EUR	10%	2021	Balance due on 30 June 2021	156,862	673,364
Loan from Group Company	EUR	5%	2021	Balance due on 1 November 2021	1,027,955	885,694
Loan from Group Company	EUR	4%	2021	Balance due on 31 December 2021	1,292,712	-
					<u>5,797,360</u>	<u>4,654,572</u>

15 Capital and reserves

	2020	2019
	£	£
Allotted, called up and fully paid		
2 ordinary shares of £1	2	2
	<u>2</u>	<u>2</u>

Profit and loss account

Profit and loss account represents all current and prior periods' retained profit and losses after the payment of dividends.

Share premium account

The share premium account includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

16 Pension commitment

The company operates a defined contribution 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 £127,894 (2019: £93,441). At the year end a balance of £26,682 (2019: £17,096) remains outstanding and is included within other creditors.

Notes (continued)

17 Operating Lease	2020	2019
	£	£
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	823,890	-
	<u>823,890</u>	<u>-</u>

18 Financial Instruments

	2020	2019
	£	£
Financial assets		
Cash and cash equivalents	1,867,513	980,156
Financial assets measured at amortised cost	2,791,395	2,365,885
	<u>4,658,908</u>	<u>3,346,041</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>8,550,052</u>	<u>6,581,173</u>

Financial assets measured at amortised cost comprise trade and other debtors, prepayments and accrued income and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade and other creditors, taxation and social security creditors, amounts owed to group undertakings, accruals and deferred income.

19 Parent and ultimate controlling party

There is no ultimate controlling party. The parent of the smallest group in which these financial statements are consolidated is Busuu Online S.L., incorporated in Spain.

The address of Busuu Online S.L. is:

Calle Velázquez, nº 94, 3º (left D)
 Madrid 28006
 Spain

Busuu Limited

Detailed Profit and Loss Account for the Year Ended 31 December 2020

	2020	2019
	£	£
Turnover	20,996,990	16,588,534
Cost of sales	(6,001,737)	(5,381,354)
Gross profit	14,995,253	11,207,180
Administrative expenses		
Employment costs	(6,798,525)	(5,645,465)
Establishment costs	(814,344)	(744,264)
General administrative expenses	(10,722,624)	(9,051,814)
	(18,335,493)	(15,441,543)
Operating loss	(3,340,240)	(4,234,364)
Interest payable and similar expenses	(180,456)	(157,513)
Foreign exchange losses	(603,342)	151,878
Income from other fixed asset investments	115,395	121,939
Other income	603,856	142,055
Loss before tax	(3,404,787)	(3,976,005)

This page does not form part of the statutory financial statements.