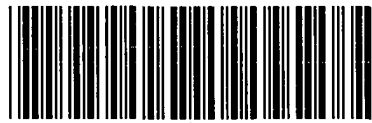


Registration number: 08172044

Busuu Limited  
Annual Report and Financial Statements  
for the Year Ended 31 December 2021

WEDNESDAY



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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 27

## **Busuu Limited**

### **Company Information**

#### **Directors**

Mr Andrew Brown (appointed 13 January 2022)

Mr Nathan Schultz (appointed 13 January 2022)

#### **Registered Office**

Broadwalk House  
5 Appold Street  
London  
EC2A 2AG

#### **Auditors**

Cooper Parry Group Limited  
Mindspace  
9 Appold Street  
London  
EC2A 2AP

#### **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 2021

#### Principal activity

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

#### Business review

During 2021, Busuu was focused on premium user growth which has driven up revenues by 27% year on year. Both consumer and B2B revenues have grown, and the company has diversified its offerings through the provision of live tutoring services.

Gross profit margins have improved, driven up by growth in higher margin revenue streams.

The company also continued to invest heavily into research and development.

#### 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:

##### *Foreign Exchange risk*

The company is exposed to Foreign Exchange risks due to remittances in multiple currencies. Exchange rate fluctuations may result in loss of profit. The company operates globally, and therefore benefits from some natural hedging around currency exchange risk.

##### *Cybersecurity risk*

The company monitors cybersecurity risk by keeping its electronic information secure and implementing IT security and access controls.

##### *Third-party risk*

The company relies on third party platforms such as Apple Appstore and Google Play to distribute the app to users.

##### *Competition risk*

The business is continually monitoring its competitive position investing significantly in R&D to enable diversification and expansion of services offered.

#### Key performance indicators

Management uses a number of financial KPI's, to assess business performance

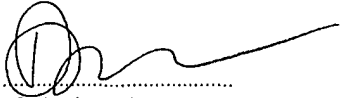
Key performance indicator	Change 2020 to 2021
Revenue	+19%
Gross Profit	+28%
Cash	-31%

The directors feel the business has performed as expected.

**Busuu Limited**

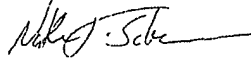
**Strategic Report for the Year Ended 31 December 2021 (*Continued*)**

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



.....  
Mr Andrew Brown  
Director

13 September 2022



.....  
Mr Nathan Schultz  
Director

13 September 2022

## **Busuu Limited**

### **Directors Report for the Year Ended 31 December 2021**

The directors present their report and the financial statements for the year ended 31 December 2021.

#### **Directors responsibilities statement**

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

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

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

#### **Results and dividends**

The loss for the year, after taxation, amounted to £7,682,912 (2020: loss of £2,854,409).

The directors do not recommend the payment of a dividend (2020: £Nil).

#### **Directors**

The current directors are noted on the company information page.

The director who served during the year is:

Mr Bernhard Niesner (resigned 13 January 2022)

#### **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.

## Busuu Limited

### Director's Report for the Year Ended 31 December 2021 (*Continued*)

#### Disclosure of information to auditor

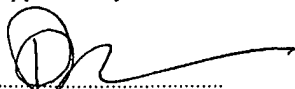
The directors have confirmed that:

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

#### Auditor

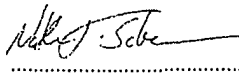
The auditor, Cooper Parry Group Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board on \_\_ September 2022 and signed on its behalf by:



Mr Andrew Brown  
Director

13 September 2022



Mr Nathan Schultz  
Director

13 September 2022

Broadwalk House  
5 Appold Street  
London  
EC2A 2AG

## **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 2021, 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 2021 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.

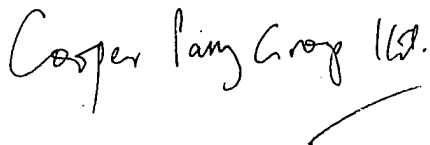
Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed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

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

Date: 13 September 2022

## Busuu Limited

### Profit and Loss Account for the Year Ended 31 December 2021

	Note	2021 £	2020 £
Turnover	2	25,063,094	20,996,990
Cost of sales		(5,934,491)	(6,001,737)
<b>Gross profit</b>		<b>19,128,603</b>	<b>14,995,253</b>
Administrative expenses		(27,958,359)	(18,335,493)
<b>Operating loss</b>		<b>(8,829,756)</b>	<b>(3,340,240)</b>
Interest payable and similar expenses	8	(394,314)	(180,456)
Foreign exchange (losses)/gains		315,387	(603,342)
Dividend income	6	59,297	115,395
Other income	7	666,474	603,856
		<b>646,844</b>	<b>(64,547)</b>
<b>Loss before tax</b>		<b>(8,182,912)</b>	<b>(3,404,787)</b>
Taxation	9	500,000	550,378
<b>Loss for the financial year</b>		<b>(7,682,912)</b>	<b>(2,854,409)</b>
<b>Other comprehensive income</b>			
Loss for the year		(7,682,912)	(2,854,409)
<b>Total comprehensive income for the year</b>		<b>(7,682,912)</b>	<b>(2,854,409)</b>

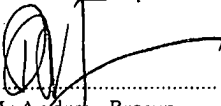
The notes on pages 13 to 27 form part of these financial statements.

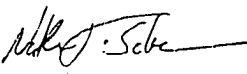
**Busuu Limited**

**Balance Sheet as at 31 December 2021**

	Note	2021	2020
		£	£
<b>Fixed assets</b>			
Intangible assets	10	137,914	261,913
Tangible assets	11	115,100	119,173
Investments		12	12
		253,026	381,098
<b>Current assets</b>			
Debtors	12	3,578,068	2,791,395
Cash at bank and in hand		1,286,677	1,867,513
		4,864,745	4,658,908
<b>Creditors: Amounts falling due within one year</b>	13	(21,677,055)	(14,632,974)
<b>Net current liabilities</b>		(16,812,310)	(9,974,066)
<b>Total assets less current liabilities</b>		(16,559,284)	(9,592,968)
<b>Creditors: Amounts falling due after more than one year</b>	13	(3,705,423)	(3,516,383)
<b>Net liabilities</b>		(20,264,707)	(13,109,351)
<b>Capital and reserves</b>			
Called up share capital	15	2	2
Share premium account	15	9,675,391	9,675,391
Retained earnings	15	(29,940,100)	(22,784,744)
<b>Total equity</b>		(20,264,707)	(13,109,351)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 13 September 2022 by

  
 .....  
 Mr Andrew Brown  
 Director

  
 .....  
 Mr Nathan Schultz  
 Director

Company registered number: 08172044

The notes on pages 13 to 27 form part of these financial statements.

**Busuu Limited**  
**Statement of Changes in Equity for the Year Ended 31 December 2021**

	Share capital	Share premium account	Retained earnings	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)

	Share capital	Share premium account	Retained earnings	Total equity
	£	£	£	£
At 1 January 2021	2	9,675,391	(22,784,744)	(13,109,351)
Loss for the year	-	-	(7,682,912)	(7,682,912)
Share-based payment charge	-	-	527,556	527,556
Total comprehensive income	-	-	(7,155,356)	(7,155,356)
At 31 December 2021	2	9,675,391	(29,940,100)	(20,764,707)

The notes on pages 13 to 27 form part of these financial statements.

## **Busuu Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **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: Broadwalk House, 5 Appold Street, London EC2A 2AG, 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 judgement 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.

## **Notes** *(continued)*

### **1.3 Going concern**

The financial statements have been prepared on a going concern basis. The company's parent Busuu Online S.L. was acquired by Chegg, Inc, a US listed corporation following the year end, and is reliant on funds provided to it by Chegg, Inc. The ultimate 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. The directors consider 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 directors have requested management to produce forecasts for the business until 31 December 2023. The ultimate parent company has approved the company's strategic plan for the next 12 months and has approved the funding needed based on the budgets and forecasts provided by the directors. 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)

### 1.7 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 licences to consumers and businesses is recognised in the accounting period in which the licences 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 Share based payments

The company operates a share based payment scheme which allows employees to acquire shares in the parent company.

The grant date fair value of share-based payment awards granted is recognised as an employee expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards.

The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted.

The fair value will be charged as an expense in the profit and loss account over the vesting period and the charge is adjusted each year to reflect the expected and actual level of vesting

## Notes (continued)

### 1.13 Critical accounting judgements and estimates

The directors 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.

#### 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.

#### Fair value calculations

Management believes the estimates used to establish a fair value for share based payments instruments using the Black Scholes pricing model are a key source of estimation uncertainty. The inputs to the fair value model reflect managements best estimate.

2 Turnover	2021	2020
	£	£
Sales of Services	25,063,094	20,996,990
	2021	2020
	£	£
By Activity		
Business to Consumer	21,307,393	19,017,702
Business to Business	3,755,701	1,979,288
	25,063,094	20,996,990

## Notes (continued)

<b>3 Auditor's remuneration</b>	<b>2021</b>	<b>2020</b>
	£	£
Audit of these financial statements	26,000	23,000
Fees in relation to other assurance services	10,500	12,500
	<u>36,500</u>	<u>35,500</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:

	<b>2021</b>	<b>2020</b>
Number of employees	<u>112</u>	<u>93</u>

	<b>2021</b>	<b>2020</b>
	£	£
Wages and salaries	7,016,903	5,593,859
Social security costs	837,400	668,191
Contributions to defined contribution plans	160,125	127,894
Equity-settled share based payment	527,556	-
	<u>8,541,983</u>	<u>6,389,944</u>

## 5 Directors remuneration

	<b>2021</b>	<b>2020</b>
	£	£
Wages and salaries	202,645	201,314
Contributions to defined contribution plans	6,000	6,000
	<u>208,645</u>	<u>207,314</u>

<b>6 Dividend income</b>	<b>2021</b>	<b>2020</b>
	£	£
Dividend income	<u>59,297</u>	<u>115,395</u>

<b>7 Other income</b>	<b>2021</b>	<b>2020</b>
	£	£
Intercompany services	<u>666,474</u>	<u>603,856</u>
	<u>666,474</u>	<u>603,856</u>

Notes (continued)

8 Interest payable and similar expenses

	2021	2020
	£	£
Interest payable on loans from group undertakings	108,076	115,700
Interest payable on other loans	286,238	64,756
	<u>394,314</u>	<u>180,456</u>

9 Taxation

Analysis of tax recognised in profit and loss

	2021	2020
Tax credited in the profit and loss account		
<b>Current taxation</b>		
UK corporation tax	(500,000)	(550,378)
<b>Tax credit in the profit and loss account</b>	<u>(500,000)</u>	<u>(550,378)</u>

The tax on profit before tax for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%).

The differences are reconciled below:

Loss before tax	(8,182,912)	(3,404,787)
Corporation tax at standard rate 19%	(1,554,753)	(646,910)
<b>Effects of</b>		
Expenses not deductible in determining taxable profits	380	22,941
Effect of Dividend income already taxed	(11,266)	(21,925)
(Decrease)/increase for capital allowances	(3,750)	(9,939)
Tax decrease from effect of adjustment in research and development expenditure	(870,172)	(958,004)
Effect of tax losses	1,827,921	1,051,155
Loss not arising from loan relationships	11,405	12,304
Share based payment charge	100,235	-
Current tax credit	<u>(500,000)</u>	<u>(550,378)</u>

## Notes (continued)

### 9 Taxation (continued)

#### 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 £21,330,199 (2020: £15,038,509).

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.

### 10 Intangible Assets

	Intellectual property rights	Trademarks	Total
	£	£	£
<b>Cost or valuation</b>			
At 1 January 2021	1,221,332	18,655	1,239,987
Additions	-	-	-
At 31 December 2021	1,221,332	18,655	1,239,987
<b>Amortisation</b>			
At 1 January 2021	977,065	1,009	978,074
Charge for the year	122,133	1,866	123,999
At 31 December 2021	1,099,198	2,875	1,102,073
<b>Net book value</b>			
At 31 December 2020	244,267	17,646	261,913
At 31 December 2021	122,134	15,780	137,914

Notes (continued)

11 Tangible Assets

	Leasehold Improvements	Furniture, fixtures and fittings	Computer and other office equipment	Total
	£	£	£	£
<b>Cost or valuation</b>				
At 1 January 2021	-	10,457	176,271	186,728
Additions	-	-	67,019	67,019
Disposals	-	-	-	-
At 31 December 2021	-	10,457	243,290	253,747
<b>Depreciation</b>				
At 1 January 2021	-	10,369	57,186	67,555
Charge for the year	-	88	71,004	71,092
On disposals	-	-	-	-
At 31 December 2021	-	10,457	128,190	138,647
<b>Net book value</b>				
At 31 December 2020	-	88	119,085	119,173
At 31 December 2021	-	-	115,100	115,100

12 Debtors

	2021	2020
	£	£
Trade debtors	1,523,467	1,049,180
Other debtors	941,143	967,673
Accrued income	380,791	118,122
Prepayments	717,215	531,319
Amounts owed by group undertakings	15,452	125,101
	<u>3,578,068</u>	<u>2,791,395</u>

An impairment charge of £47,884 (2020: £120,594) was recognised in administrative expenses against debtors during the year due to overdue trade debtors.

## Notes (continued)

### 13 Creditors

	2021	2020
	£	£
<b>Amounts falling due within one year</b>		
Trade creditors	1,808,445	1,206,969
Taxation and social security	187,418	199,171
Other creditors	34,133	26,682
Accruals	1,723,771	1,257,197
Deferred income	10,487,595	9,402,753
Bank loans	1,397,567	-
Amounts owed to group companies	2,868,921	2,540,202
Amounts owed to related parties	3,169,205	-
	<u>21,677,055</u>	<u>14,632,974</u>
 <b>Amounts falling due after more than one year</b>		
Deferred income	206,998	196,552
Bank loans	2,795,146	-
Amounts owed to group companies	703,280	-
Amounts owed to related parties	-	3,319,831
	<u>3,705,423</u>	<u>3,516,383</u>

### 14 Interest-bearing loans and borrowings

	2021	2020
	£	£
<b>Non-current loans and borrowings payable within 1 year</b>		
Bank loans	1,397,567	-
Loans from group companies	1,926,266	2,477,529
Loans from related parties	3,169,205	-
	<u>6,493,038</u>	<u>2,477,529</u>
 <b>Non-current loans and borrowings payable within 2-5 years</b>		
Bank loans	2,795,146	-
Loans from group companies	703,280	-
Loans from related parties	-	3,319,831
	<u>3,498,425</u>	<u>3,319,831</u>

## Notes (continued)

### 14 Interest-bearing loans and borrowings (continued)

	Currency	Nominal Interest Rate	Year of Maturity	Repayment Schedule	2021 £	2020 £
<i>Terms and debt repayment schedule</i>						
Loan from Related Parties	EUR	2%	2022	Balance due on 31 August 2022	3,169,205	3,095,514
Loan from Group Company	EUR	10%	2021	Balance due on 30 June 2021	-	673,364
Loan from Group Company	EUR	5%	2021	Balance due on 1 May 2023	825,096	885,694
Loan from Group Company	EUR	4%	2021	Balance due on 31 December 2021	1,804,450	-
Bank Loan	EUR	8.75%	2024	Quarterly from 30 June 2022	4,192,713	-
					<u>9,991,464</u>	<u>4,654,572</u>

### 15 Capital and reserves

	2021	2020
	£	£
<b>Allotted, called up and fully paid</b>		
2 ordinary shares of £1	<u>2</u>	<u>2</u>

#### Retained earnings

Retained earnings 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.

## Notes (continued)

### 16 Share based payments

Busuu Ltd operates an equity-settled share based remuneration scheme for employees. The share options issued can only be exercised on an exit event of its parent company. Details of the options issued are shown below:

	Weighted average exercise price (€ cents)	Number	Weighted average exercise price (€ cents)	Number
	2021	2021	2020	2020
Outstanding at the beginning of the year	7,108	56,713	7,117	32,390
Granted during the year	17,554	7,750	13,561	32,200
Expired during the year	14,493	(6,558)	14,473	(7,877)
Outstanding at the end of the year	<b>10,278</b>	<b>57,905</b>	<b>7,108</b>	<b>56,713</b>

	2021
Option pricing model used	Black Scholes
Weighted average share price (€ cents)	37,126
Exercise price (€ cents)	10,278
Weighted average contractual life (years)	0.5
Expected volatility	40%
Risk-free interest rate	0.5%

## Notes (continued)

### 16 Share based payments (continued)

The Black Scholes option pricing model was used to value the share based payment awards as it was considered that this would result in a materially accurate estimate of the fair value of options granted.

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years of comparable publicly quoted companies.

The share based remuneration expense for the period was £527,556 (2020: £nil).

The company did not enter into any share based payment transactions with parties other than employees during the current or any prior periods.

### 17 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 (2020: £93,441). At the year end a balance of £26,682 (2020: £17,096) remains outstanding and is included within other creditors.

18 Operating Lease	2021	2020
	£	£
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	333,240	823,890
Between one and five years	1,666,200	-
	<u>1,999,440</u>	<u>823,890</u>

### 19 Financial Instruments

	2021	2020
	£	£
<b>Financial assets</b>		
Cash and cash equivalents	1,286,678	1,867,513
Financial assets measured at amortised cost	<u>3,578,068</u>	<u>2,791,395</u>
	<u>4,864,746</u>	<u>4,658,908</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>14,687,885</u>	<u>8,550,052</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.

## **20 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

On 13 January 2022 the Busuu group was purchased by Chegg, Inc., a US listed entity, at which point Chegg, Inc. became the ultimate parent company of Busuu limited.

## **21 Post balance sheet events**

On 13 January 2022, the company's parent company and its subsidiaries were acquired by Chegg, Inc., a US listed corporation.