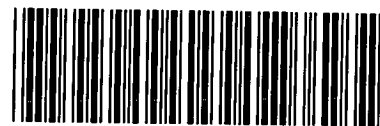


**Monotype Limited**

**Strategic Report, Directors' Report and Financial Statements**

**For the financial year ended 31 December 2021**

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Monotype Limited

Company number 02663485 for the year ended 31 December 2021

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**Directors**

Jan Christopher Kollat  
Matthew Theakstone  
Ninan Chacko

**Secretary**

S Ahmed (Terminated on 17 June 2022)  
Jan Kaestner (Appointed on 17 June 2022)

**Auditor**

Deloitte LLP  
Statutory Auditor  
Abbots House  
Abbey Street  
Reading  
RG1 3BD

**Bankers**

Lloyds Bank plc  
1-5 The Broadway  
Crawley  
West Sussex RH10 1DU

**Solicitors**

Downs Commercial  
156 High Street  
Dorking  
Surrey RH4 1BQ

**Registered Office**

141-143 Shoreditch High Street  
London  
E1 6

## Strategic report

The directors present their strategic report for the year ended 31 December 2021.

### Review of the business

The company's principal activity is the design, manufacture and marketing of typefaces and other type related products. There have been no changes in these activities during the year.

The company's turnover increased by 28.69% to £17,975,762 (2020 – £13,967,727). The gross profit increased by 28.07% to £11,399,344 (2020 – £8,900,233). The business shows sustained performance in both its Enterprise sales (ES) and Original Equipment Manufacturer (OEM) markets and had the benefit of intercompany revenue from the Mosaic. The rise in revenue is mainly related to increase in non-intercompany revenue due normalization of demand and geographical expansion. Gross margin was 63.42% in 2021 (2020 – 63.72%). The rise in gross profit is related to increase in non-intercompany revenue & product mix of fonts sold during the year. The directors are therefore satisfied with the financial position of the Company as at 31 December 2021.

### Results

The profit for the year after taxation amounted to £2,551,821 (2020 – profit of £1,901,074).

### Key performance indicators

The company's key financial indicators during the year were as follows:

	2021	2020	% Change
	000's	000's	
Turnover (£)	17,975	13,968	28.69%
Gross profit (£)	11,399	8,900	28.07%
Gross margin (%)	63.42%	63.72%	-0.005%
Operating profit (£)	3,152	1,555	102.70%
Operating margin (%)	17.53%	11.13%	57.5%

**Turnover:** Non-intercompany revenue increased by 40.46% mainly driven by Enterprise sales during the year. This is due to demand returning to pre-covid levels in recurring EXT licenses, web fonts and geographical expansion into other territories mainly APAC.

**Gross Profit:** Gross profit has increased due to an increase in revenue but the Gross margin has been maintained at about 63%. Our gross profit percentage is influenced by a number of factors including product mix, pricing and volume at any particular time. However, our cost of OEM revenue is typically lower than our cost of Enterprise sales revenue because we own a higher percentage of the fonts licensed to our OEM customers. In addition, within our Enterprise sales business the cost of our custom font design and software as a solution based service revenue is substantially higher than the cost of our other revenue. The relative cost of our Enterprise solutions revenue has decreased in recent periods, as efforts to sell licence rights to more fonts that we own have been successful.

**Operating profit:** Our operating profit is increased mainly due to increase in revenue, reduction of personnel cost, marketing and travel costs in 2021. Cost saving initiatives such as staff reduction in design team and consolidation of office space has helped in maintaining steady operating expenses.

### **Principal risks and uncertainties**

In relation to the financial risk management and policies of the company, the directors have concluded that the company will be able to continue funding its activities through its cash reserves and retained profits.

### **Strategic report (continued)**

The company's ultimate parent has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the achievement of the company's performance. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a Company level. The risks identified that could affect the Financial performance of the company include the following:

#### **Pricing risk**

We derive a substantial majority of our revenue from a limited number of licensees, and if we are unable to maintain these customer relationships or attract additional customers, our revenue will be adversely affected.

We face pressure from our customers to lower our licence fees and, to the extent we lower them in the future, our revenue may be adversely affected.

#### **Technological risk**

Our success depends on the existence of a market for products that incorporate our text imaging solutions.

#### **Competitive risk**

We face significant competition in various markets, and if we are unable to compete successfully, our ability to generate revenue from our business could suffer.

Open source software may make us more vulnerable to competition because new market entrants and existing competitors could introduce similar products quickly and cheaply.

Our business is dependent in part on technologies and fonts we license from third parties, and these licence rights may be inadequate for our business.

#### **Foreign currency risk**

We conduct a substantial portion of our business outside the United Kingdom and in several currencies including Euros and US Dollars and, as a result, we face foreign currency risks related to engaging in international business.

The directors will continue to monitor these risks.

#### **Cyber risk**

We have an internal team in the US which monitors and protects our systems against Internet related threats across the group

#### **Climate change**

The company has considered the impact to the climate change and does not foresee any significant impact on its operations.

#### **Impact of Covid-19**

The impact of Covid-19 has been minimal on Monotype on the revenue and performance of the business in 2021. Despite the circumstances, we have attained 84% of enterprise solutions revenue budget for H1 2022 and there is a strong pipeline for H2 2022 due to nature of the font business.

Monotype Limited

Company number 02663485 for the year ended 31 December 2021

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**Strategic report (continued)**

**Future developments**

Given the continuing uncertain economic conditions the directors are focusing on controlling costs while developing new products so that the business is well placed to take advantage of the rapid technological changes in the industries in which it operates.

However, we have benefited from customers being forced to expedite plans to digitise and we are able to assist on both the marketing and branding side with our products.

We also have strong agency relationships who continue to serve the enterprise during these unprecedented times. They remain optimistic about the company's longer-term prospects and growth potential and ability to win new contracts.

Approved by the Board and signed on its behalf by:

DocuSigned by:

*Christopher Kollat*

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Jan Christopher Kollat

*Director*

30 September 2022

141-143 Shoreditch high street, London, E1 6JE

## **Directors' report**

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

### **Dividends**

The company did not declare a dividend from retained earnings during the year (2020 – £nil).

### **Going concern**

The company's business activities, together with the risk factors likely to affect its future development, its financial position and its exposure to price, foreign exchange movement, technological risk and competitive risks are described in the Strategic report on page 4. The company, and the group of which it is part, has considerable financial resources, together with long-term contracts and relationships with customers and suppliers across different geographic areas. The company is in possession of a letter of financial support from its parent company for at least the 12 months from the date of signing these financial statements. Furthermore, the company has no external debt and has positive net current assets £18,862,150 and positive shareholders' funds £10,761,600 at the year-end date. The directors believe the company is well placed to manage its business risks successfully. The company Enterprise sales revenues were £8.64m at the end of Q2 2022 representing 74% attainment to budget and there is a strong pipeline identified for H2 2022. The company had a cash balance of £1.41m at the end of Q2 2022. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. They have therefore continued to prepare the accounts on a going concern basis.

### **Directors**

The directors who served the company during the year ended 31 December 2021 and up to the date of signing are as follows:

Jan Christopher Kollat  
Matthew Theakstone  
Ninan Chacko

### **Future developments**

Details of future developments can be found in the Strategic Report on page 5.

### **Financial risk management objectives**

Details of financial risk management objectives can be found in the Strategic Report on pages 3 and 4.

### **Directors' Indemnities**

The company has no policy of indemnities for the benefit of its directors.

### **Political and charitable contributions**

The company made no such contributions in either year.

### **Events after the balance sheet date**

Details of significant events since the balance sheet date are contained in note 17 to the financial statements.

### **Auditor**

Each of the persons who is the director at the date of approval of this report confirms that

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

Monotype Limited

Company number 02663485 for the year ended 31 December 2021

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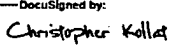
**Directors' report (continued)**

- the director has taken all the steps that they ought have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

DocuSigned by:  
  
B690D472557B41A...

Jan Christopher Kollat

*Director*

30 September 2022.

141-143 Shoreditch High Street, London, E1 6JE



### **Statement of Directors' responsibilities**

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS101 'Reduced Disclosure Framework'. 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 the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies 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 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONOTYPE LIMITED**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Monotype Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB.

#### **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 UK, including the Financial Reporting Council's (the 'FRC'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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONOTYPE LIMITED (CONTINUED)**

### **Other information**

The other information comprises the information included in the strategic report and director's report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

### **Responsibilities of directors**

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

### **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.

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

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONOTYPE LIMITED (CONTINUED)**

regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- To address our fraud risk over revenue we performed the following procedures: obtaining detailed understanding of the management process to identify revenue transactions, assessed the design and implementation of management's controls and performed operating effectiveness testing of relevant controls. Further, as part of our substantive testing we have obtained the Company's detailed accounting assessment of the transactions and supporting information including relevant contracts/agreements/supporting documentation and assess that the transaction has occurred and recorded in the correct period and has been accurately recorded.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Monotype Limited

Company number 02663485 for the year ended 31 December 2021

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONOTYPE LIMITED (CONTINUED)**

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 any material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**

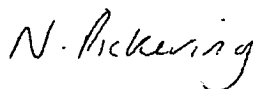
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

**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.



Nicki Pickering, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Reading, United Kingdom

30 September 2022

**Income statement****For the year ended 31 December 2021**

	<i>Notes</i>	2021 £	2020 £
Revenue	3	17,975,762	13,967,727
Cost of sales		(6,576,418)	(5,067,494)
<b>Gross profit</b>		11,399,344	8,900,233
Distribution costs		(4,853,764)	(3,944,048)
Administrative expenses		(3,393,287)	(3,401,044)
<b>Operating profit</b>	4	3,152,293	1,555,141
Finance costs	8	86,022	(437,010)
Other Income		200	1,086,218
<b>Profit before taxation</b>		3,238,514	2,204,349
Tax on loss	9	(686,694)	(303,275)
<b>Profit for the financial year attributable to the owners of the company</b>		<u>2,551,820</u>	<u>1,901,074</u>

Revenue and operating profit are all derived from continuing operations.

In the prior year, other income of £1,086,218 related to Olapic intercompany balances written off.

**Statement of comprehensive income**

**For the year ended 31 December 2021**

	2021	2020
	£	£
Profit/(Loss) for the financial year	2,551,821	1,901,074
<b>Total comprehensive Income/(Expense) attributable to the owners of the company</b>	<b>2,551,821</b>	<b>1,901,074</b>

**Statement of changes in equity****For the year ended 31 December 2021**

	<i>Share capital</i> £	<i>Capital contribution reserve</i> £	<i>Retained earnings,</i> £	<i>Total Equity</i> £
At 1 January 2020	100	9,673,244	6,308,706	15,982,050
Share option charge	-	207,353	-	207,353
Deferred tax on share-based payments	-	-	-	-
Profit for the year	-	-	1,901,074	1,901,074
Total comprehensive expense for the year	-	-	8,209,780	17,883,124
At 31 December 2020	100	9,880,597	8,209,780	18,090,477
Profit for the year	-	-	2,551,821	2,551,821
Share option charge	-	73,448	-	73,448
Total comprehensive income for the year	-	-	10,761,600	20,715,745
At 31 December 2021	100	9,954,044	10,761,601	20,715,745

Capital contribution relates to the employee share-based expense which were listed in the US stock exchange.



Company number 02663485 for the year ended 31 December 2021

**Balance sheet****As at 31 December 2021**

	Notes	2021 £	2020 £ <i>As restated*</i>
<b>Non-current assets</b>			
Intangible assets - Goodwill	10	1,595,870	1,595,870
Intangible assets - Other	11	127,593	379,180
Tangible assets	12	828,190	1,211,710
Debtors	13	2,666,754	884,708
		<u>5,218,407</u>	<u>4,071,468</u>
<b>Current assets</b>			
Cash and bank balances		1,229,477	1,267,316
Debtors	13	25,391,917	19,403,748
		<u>26,621,394</u>	<u>20,671,064</u>
<b>Current liabilities</b>			
Creditors - amounts falling due within one year	14	(10,371,642)	(5,629,211)
Provisions	14	(54,356)	(32,614)
		<u>10,425,998</u>	<u>5,661,825</u>
<b>Net current assets</b>		<u>16,195,396</u>	<u>15,009,239</u>
<b>Total assets less current liabilities</b>		<u>21,413,803</u>	<u>19,080,706</u>
<b>Non-current liabilities</b>			
Creditors: amounts falling due after more than one year	15	(698,058)	(990,228)
<b>Net Assets</b>		<u>20,715,745</u>	<u>18,090,478</u>
<b>Equity</b>			
Called up share capital		100	100
Capital contribution reserve		9,954,045	9,880,597
Retained earnings		10,761,600	8,209,780
<b>Total Equity attributable to the owners of the company</b>		<u>20,715,745</u>	<u>18,090,477</u>

\*See Note 22

These financial statements of Monotype Limited, registered number 02663485, were approved by the board of directors and authorised for issue on 30 September 2022 and signed on its behalf by:

DocuSigned by:

Christopher Kollat

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Jan Christopher Kollat

Director

## **Notes to the financial statements**

### **1. General Information**

Monotype Limited (the company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 2.

The nature of the Company's operations and its principal activities are set out in the strategic report on page 3.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in Pound Sterling which is the currency of the primary economic environment in which the Company operates.

The principal accounting policies adopted by the Company are set out in section 2.

### **2. Significant Accounting policies**

#### **2.1 Basis of Accounting**

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, impairment of assets and certain related party transactions.

Where relevant, equivalent disclosures have been given in the Group financial statements of Marvel Parent LLC. A copy of the Group financial statements can be requested from Marvel Parent LLC, 1950 University Avenue - Suite 350, Palo Alto, CA 94303.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties, financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

## 2.2 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

### Judgements

The Directors consider that there are no critical judgements impacting the financial statements.

### Estimates

- a) Impairment of non-financial, non-monetary non-current assets. Where there are indicators of impairment of individual assets, the Company performs impairment tests based on a value-in-use calculation. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the future budget and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. For there to be an impairment of non-financial assets, the discount rate would increase to 60% or forecasted growth in revenues would reduce by more than 50% over the forecast period. The Directors consider these events unlikely.

## 2.3 Significant accounting policies

### a) Foreign currency translation

The company's financial statements are presented in pound sterling, which is also the company's functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

### b) Intangible assets and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction-by-transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

Paragraph 22 of Schedule 1 to the Regulations requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. Had the company amortised goodwill a period of nine years would have been chosen as the useful life for goodwill. The profit for the year would have been £177,319 (2020: £177,319) lower had goodwill been amortised in the year.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but reviewed for impairment annually, or more frequently if events or changes in circumstances indicate the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the one relevant cash-generating unit and tested for impairment by comparing carrying value of cash-generating unit against value in use.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation, in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Amortisation is recognised on a straight-line basis over their estimated useful lives for finite intangible assets. Intangible assets with finite lives are amortised over the useful economic life (nine years unless otherwise stated) and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is de-recognised.

#### **c) Research and development costs**

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for

use. It is amortised evenly over the period of nine years. During the period of development, the asset is tested for impairment annually.

**d) Tangible fixed assets**

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of that asset.

Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis over its expected useful life as follows:

Short-term leasehold improvements	– Over the term of the lease
Office equipment, fittings and computer equipment	– Between 25% and 33% per annum

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the de-recognition of the asset is included in the income statement in the period of de-recognition.

**e) Provisions for liabilities**

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

**f) Leases**

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. This is the rate of interest that a lessee would have to pay to borrow, over a similar term and with security funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;

- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

#### **g) Financial instruments**

The Company's financial assets and liabilities include cash, trade and other receivables, trade payables and other liabilities, and intercompany loans. All financial assets and liabilities are recognised initially at fair value. A liability is generally de-recognised when the contract that gives rise to it is settled, sold, cancelled or expires.

##### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

##### *Trade and other debtors*

Trade debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is recognized based on a simplified approach using a provision matrix in the determination of lifetime expected credit losses. During this process, the probability of the non-payment of the trade debtors is assessed. This probability is then multiplied by the amount of expected loss arising from default to determine credit loss for the trade debtors.

##### *Cash at bank and in hand*

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

##### *Interest bearing loans and borrowings*

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method including the intercompany loan from the gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

#### **h) Income taxes**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

#### **i) Revenue recognition**

Under the new standard the company allocates revenue to each performance obligation in the contract and each performance obligation accounted separately; the license revenue is recognised at the time of delivery and the service revenue from creative professional is recognised over time based on their relative standalone selling prices. The application of this provision is particularly impactful on our new Mosaic product offering which was launched in the first quarter of 2018. This new offering bundles our traditional font licences as SaaS based portal, this provision resulted in some revenue from contracts signed prior to 2018 being accelerated and recorded to retained earning instead of in our operating results in 2018.

#### **Creative Professional Revenue**

Our Creative Professional revenue is derived from font licences, font related services and from custom font design services. We license fonts directly to end users through our e-commerce websites, via telephone, e-mail and indirectly through third-party resellers. We also license fonts and provide custom font design services to graphic designers, advertising agencies, media organisations and corporations. We refer to direct, indirect and custom revenue, as non-web revenue, and refer to revenue that is derived from our websites, as web revenue. Revenue from font licences to our e-commerce customers is recognised upon payment by the customer and the software embodying the font is shipped or made available. Revenue from font licenses to other customers is recognised upon shipment of the software embodying the font and when all other revenue recognition criteria have been met. Revenue from resellers is recognised upon notification from the reseller that our font product has been licensed and when all other revenue recognition criteria have been met. Custom font design services are generally recognised upon delivery. Font related service revenue is mainly subscription based and, from time to time, it may contain software as a service. The subscription revenue is recognised rateably over the subscription period. Web server and commercial rights to online fonts is recurring revenue and is recognised upon payment by the customer and proof of font delivery, and when all other revenue recognition criteria have been met.

**OEM Revenue**

Our OEM revenue is derived substantially from per-unit royalties received for printer imaging and printer driver, or printer products and display imaging products. Under our licensing arrangements we typically receive a royalty for each product unit incorporating our fonts and technology that is shipped by our OEM customers. We also receive OEM revenue from fixed fee licenses with certain of our OEM customers. Fixed fee licensing arrangements are not based on units the customer ships, but instead, customers pay us on a periodic basis for the right to embed our fonts and technology.

Although significantly less than royalties from per-unit shipments and fixed fees from OEMs, we also receive revenue from software application and operating systems vendors who include our fonts and technology in their products, and for font development. Many of our per-unit royalty licences continue for the duration that our OEM customers ship products that include our technology, unless terminated for breach. Other licenses have terms that typically range from one to five years, and usually provide for automatic or optional renewals. Revenue from per-unit royalties is recognised in the period during which we receive a royalty report from a customer, typically one quarter after royalty-bearing units are shipped, as we do not have the ability to estimate the number of units shipped by our customers. Revenue from fixed fee licenses is generally recognised when it is billed to the customer, so long as the product has been delivered, the licence fee is fixed and non-refundable and collection is probable. OEM revenue also includes project-related agreements for which contract accounting, completed contract for short-term projects and percentage-of-completion for long-term projects, may be used.

**j) Share-based payments**

The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period. Fair value is determined using an appropriate pricing model.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where a new award is designated as replacing a cancelled award, the cost based on the original award terms continues to be recognised over the original vesting period. An expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification.

**k) Pensions**

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

**3. Revenue**

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity, as stated in the strategic report.

An analysis of turnover by geographical market is given below:

	2021	2020
	£	£
UK	5,093,190	6,780,234
Europe	5,065,069	3,814,425
North America	1,488,468	1,645,013
Other	6,329,035	1,728,055
	<u>17,975,762</u>	<u>13,967,727</u>



An analysis of turnover by revenue stream is given below:

	2021	2020
	£	£
OEM revenue	533,507	744,749
Creative professional revenue	16,769,809	11,574,140
Intercompany revenue	672,446	1,648,838
	<u>17,975,762</u>	<u>13,967,727</u>

#### 4. Operating profit

This is stated after charging

	2021	2020
	£	£
Amortisation of intangibles	251,593	253,365
Loss on disposal of fixed assets	-	76,868
Depreciation	<u>429,960</u>	<u>518,254</u>

#### 5. Auditor's remuneration

Fees payable to Deloitte and their associates for the audit of the company's annual accounts were £77,700 (2020: £74,000). There were no other services provided in current year and last year.

#### 6. Directors' remuneration

	2021	2020
	£	£
Aggregate remuneration in respect of qualifying services	87,293	-
Directors' long-term incentive scheme	2,391	-
Pension contributions to defined contribution pension scheme	7,949	-
	<u>97,633</u>	<u>-</u>
	No.	No.
Number of directors who are members of defined contribution pension scheme	1	-
Number of directors who exercised share options	-	-
Number of directors who received shares in respect of qualifying services	<u>-</u>	<u>-</u>

	2021 £	2020 £
In respect of highest paid director:		
Aggregate remuneration	89,685	-
Pension contributions to defined contribution pension scheme processed through monthly payroll	7,949	-
	<u>97,633</u>	<u>-</u>

Above director compensation is also part of staff costs in note 7. In 2020, there were no directors paid from Monotype UK.

#### 7. Staff costs

	2021 £	2020 £
Wages and salaries	4,338,892	5,484,589
Social security costs	631,813	720,469
Pension costs	192,277	240,977
	<u>5,162,982</u>	<u>6,446,035</u>

Included in wages and salaries is an expense of £73,448 (2020: £207,353) arising from share-based payment transactions. Outstanding amount payable to the defined contribution scheme is £18,723 (2020: £20,623)

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

	2021 No.	2020 No.
Administration	9	10
Sales	40	63
Production and development	5	12
	<u>54</u>	<u>85</u>

#### 8. Finance costs

	2021 £	2020 £
Interest on intercompany borrowings and lease liabilities	160,374	226,185
Foreign exchange (gain)/loss	(246,396)	210,825
	<u>(86,022)</u>	<u>437,010</u>

**9. Tax****(a) Tax on profit**

The tax is made up as follows:

	2021	2020
	£	£
<b>Current tax:</b>		
UK corporation tax for the year	616,589	240,325
Adjustments in respect of prior years	(4,524)	(3,773)
Foreign tax	6,948	-
Total current tax (note 9(b))	<u>619,013</u>	<u>236,552</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	56,499	85,903
Adjustments in respect of prior years	(3)	(13,865)
Effect of tax rate change on opening balance	11,185	(5,315)
Total deferred tax	<u>67,681</u>	<u>66,723</u>
Tax (credit)/charge	<u>686,694</u>	<u>303,275</u>

**(b) Reconciliation of total tax charge**

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19 % (2020–19%). The differences are explained below:

	2021	2020
	£	£
Profit/(loss) before tax	<u>3,238,515</u>	<u>2,204,349</u>
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	615,318	418,826
<i>Effects of:</i>		
Expenses not deductible for tax purposes	43,188	-
Income not taxable for tax purposes	-	(99,725)
Adjustment in respect of prior year – Deferred tax	(3)	(13,865)
Share scheme deduction	-	-
Cash based awards deduction	1,023	7,127
Foreign tax credit	6,948	-
Impact of changes in tax rates	(6,286)	(15,658)
Deferred tax not recognised	-	10,343
Movement in deferred tax not recognised	31,030	-
Adjustment in respect of prior year	(4,524)	(3,773)
Total tax (note 9(a))	<u>686,694</u>	<u>303,275</u>

**(c) Deferred tax**

A deferred tax liability is recognised on the basis that transactions or events that give the entity an obligation to pay more tax in future. Deferred tax recognised is based on a tax rate of 25% (2020: 19%) in the financial statements.

	2021	2020
	£	£
At 1 January 2021	35,417	(31,306)
Movements through the Statement of comprehensive income	67,681	62,273
Origination and reversal of temporary differences	-	-
Adjustments in respect of prior years	3	-
Effect of changes in tax rates	-	-
At 31 December 2021	<u>103,101</u>	<u>35,417</u>

The deferred taxation liability recognised in the financial statements is as follows:

	2021	2020
	£	£
Temporary differences on unclaimed capital allowances	134,188	121,833
Short term temporary differences	(29,254)	(38,207)
Other temporary differences	(1,833)	(48,209)
	<u>103,101</u>	<u>35,417</u>

**(d) Factors that may affect future tax charges**

UK corporation tax is calculated at 19% (2020:19%) of the estimated taxable profit for the year. The UK Government previously announced that the corporation tax rate will increase to 25% in 2023. On 23 September 2022, the Chancellor of the Exchequer announced that the planned tax rate change to 25% would no longer be implemented and that the main rate would remain at 19%. Because the enacted rate at the balance sheet date was 25% this announcement does not represent an adjusting event and the company's deferred tax balances as at 31 December 2021 are still calculated at that higher rate. When recalculated at the lower 19% rate the deferred tax liability would reduce by approximately £6,286. This reduction will be recognised in 2022.

**10. Intangible assets - Goodwill**

Per FRS 101 goodwill is considered to have an indefinite life in accordance with IAS 38, and is tested annually for impairment using a discount factor of 9.25% (2020: 9.25%) to calculate value in use in accordance with IAS 36. After having carried out the impairment test as at 31 December 2020 the carrying value of Goodwill remains unchanged on 31 December 2021 at £1,595,870 (2020: £1,595,870).

**11. Intangible assets – other**

	<i>Customer lists</i>	<i>Trademarks</i>	<i>Development technology</i>	<i>Non-compete agreements</i>	<i>Sub total</i>	<i>Capitalised development</i>	<i>Other intangibles</i>	<i>Total</i>
	£	£	£	£	£	£	£	£
Cost or valuation:								
At 1 January 2021	94,267	37,292	1,179,603	96,339	1,407,501	865,023	44,671	2,317,195
Additions	-	-	-	-	-	-	-	-
At 31 December 2021	94,267	37,292	1,179,603	96,339	1,407,501	865,023	44,671	2,317,195
Amortisation:								
At 1 January 2021	94,267	-	1,042,171	96,339	1,232,777	665,406	39,831	1,938,017
Charge for the year	-	-	137,432	-	137,432	111,101	3,052	251,585
At 31 December 2021	94,267	-	1,179,603	96,339	1,370,209	776,507	42,883	2,189,602
Net book value:								
At 31 December 2021	-	37,292	-	-	37,292	88,514	1,783	127,593
At 31 December 2020	-	37,292	137,432	-	174,724	199,617	4,837	379,178

Development costs of £nil (2020: £nil) were capitalised in 2021. There are no contractual commitments related to the acquisition of intangible assets (2020: £nil).

**12. Tangible fixed assets**

	<i>Leasehold improvement</i>	<i>Office equipment and fitting</i>	<i>Computer equipment</i>	<i>Right to use of asset</i>	<i>Total</i>
	£	£	£	£	£
Cost or valuation:					
At 1 January 2021	100,114	116,109	411,034	1,589,973	2,217,230
Additions	-	-	46,438	-	46,438
Disposals					
At 31 December 2021	<u>100,114</u>	<u>116,109</u>	<u>457,473</u>	<u>1,589,973</u>	<u>2,263,670</u>
Depreciation:					
At 1 January 2021	55,601	75,065	344,862	529,992	1,005,520
Charge for the year	14,436	20,741	41,456	353,327	429,960
Disposals					
At 31 December 2021	<u>70,037</u>	<u>95,806</u>	<u>386,318</u>	<u>883,319</u>	<u>1,435,480</u>
Net book value:					
At 31 December 2021	<u>30,077</u>	<u>20,303</u>	<u>71,155</u>	<u>706,653</u>	<u>828,190</u>
At 1 January 2021	<u>44,513</u>	<u>41,044</u>	<u>66,172</u>	<u>1,059,981</u>	<u>1,211,710</u>

**13. Debtors**

	<i>2021</i>	<i>2020</i>
	£	£
<b>Amounts due in more than one year</b>		<i>As restated*</i>

Other debtors	<u>2,666,754</u>	<u>884,708</u>
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Other debtors due in more than one year include long-term unbilled receivables.

	<i>2021</i>	<i>2020</i>
	£	£
<b>Amounts due within one year</b>		<i>As restated*</i>
Trade debtors	6,616,648	5,176,598
Loss allowance	-	-
Amounts owed by immediate parent undertaking	18,432,495	13,886,030
Other debtors	276,919	275,987
Corporation tax repayable	-	-
Prepayments and accrued income	65,855	65,133
	<u>25,391,917</u>	<u>19,403,748</u>

All debtors are due within one year with the including long-term deposit of £266,986 (2020: £266,986) in favour of the landlords in the event of default by the company.

\*See Note 22

**Trade debtors**

The average credit period for customers is 30 days. No interest is charged on outstanding trade debtors.

The company review the recoverability of trade debtors and in line with IFRS 9 Financial Instruments, it estimates a credit loss provision based on the ageing of debtors together with the factors that are specific to the debtors financial position and economic conditions in which the debtors operate. For 2021, no specific provision has been created for debtors with debt aged more than 90 days. The company expects all other debts to be 100% recoverable.

**Ageing of Trade debtors**

	2021 £	2020 £
Not due-Current	5,921,732	4,646,776
Past due 0-30 days-Current	342,452	472,217
Past due 31-60 days	252,066	33,565
Past due 61-90 days	32,143	16,541
Past due more than 90 days	68,255	7,499
Total	<u>6,616,648</u>	<u>5,176,598</u>

**Movement in the Allowance for doubtful debts**

	2021 £	2020 £
Balance as of January 1	-	6,621
Provisions made during the year	4,467	-
Provision reversed for debts written off	-	-
Excess provision reversed during the year	-	(6,621)
Balance as of December 31	<u>4,467</u>	<u>-</u>

**14. Creditors: Amounts falling due within one year**

	2021 £	2020 £
Trade creditors	216,293	133,968
Amounts owed to fellow subsidiaries	5,907,237	3,228,360
Other taxes and social security costs	216,474	275,241
Corporation tax payable	337,752	57,186
Accruals and deferred income	3,274,578	1,532,902
Short term lease liability	419,308	401,554
Provision	54,356	32,614
	<u>10,425,998</u>	<u>5,661,825</u>

Provision of £54,356 (2020: £32,614) relates to office dilapidation accruals for the Tea building (to be settled in 2022).

Amounts owed to fellow subsidiaries are unsecured, interest free and repayable on demand.

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

	2021	2020
	£	£
Long term lease liability	326,604	745,908
Deferred Revenue	268,353	208,900
Deferred tax liability	103,101	35,420
	<u>698,058</u>	<u>990,228</u>

Long-term lease liability relates to property leases due to adoption of IFRS 16.

**16. Issued share capital**

	2021		2020	
<i>Allotted, called up and fully paid</i>	No.	£	No.	£
Ordinary shares of £1 each	100	100	100	100

**17. Events since the balance sheet date**

On 24 June 2022 Tea building lease was terminated, lease asset and liability will be adjusted in 2022 accounts accordingly.

On 24 June 2022 entered into new lease agreement for 141-143 Shoreditch high street, with no impact in 2021 accounts.

Refer page 4 of strategic report for the Covid -19 assessment.

**18. Share-based payments**Restricted Stock Awards

Restricted stock is granted at nil cost and vests over a four-year period. Holders of restricted stock are entitled to dividends on unvested holdings but may not dispose of stock until vesting.

The expense recognised for the Restricted Stock Award scheme in respect of employees' services received by the company during the year to 31 December 2021 was £73,448 (2020: £207,353).

The movements in restricted stock awards during the year were as follows:

	Number of shares
Outstanding at 1 January 2021	26,565
Granted	-
Vested	(5,425)
Cancelled	(18,142)
Outstanding at 31 December 2021	<u>2,998</u>



**19. Leases**

	£
Cost or valuation:	
At 1 January 2021	1,589,972
Additions	-
Disposals	-
At 31 December 2021	<u>1,589,972</u>
Depreciation:	
At 1 January 2021	529,992
Charge for the year	353,327
Disposals	-
At 31 December 2021	<u>883,319</u>
Net book value:	
At 31 December 2021	<u>706,653</u>
At 1 January 2021	<u>1,059,980</u>

The leases include 1 building used for office space in Shoreditch. The average lease term is 6 months as the lease terminated in June 2022 (2020: 3.5 years).

<u>Amounts recognised in profit and loss</u>	2021	2020
	£	£
Depreciation expense on right-of-use assets	353,327	412,671
Interest expense on lease liabilities	43,422	62,631

The maturity of lease liabilities at 31 December 2021 were as follows:

	2021
	£
2022	444,979
2023	333,730
Effect on discounting	<u>(32,797)</u>
Total discounted lease liability	<u>745,912</u>
Aged as:	
Short-term lease liability	419,308
Long-term lease liability	<u>326,604</u>
Total	<u>745,912</u>

**20. Related party transactions**

Advantage has been taken of the exemption available under IAS 24 from disclosing transactions with other members of the group since 100% of the voting rights are held by the group and consolidated accounts for the ultimate parent company are filed in the United States.

There were no related party transactions, other than transactions with other members in the group.

**21. Ultimate parent undertaking and controlling party**

The immediate parent undertaking is Monotype Imaging Inc, 600 Unicorn Park Drive - Woburn, MA 01801, a company incorporated in Delaware, USA. The ultimate parent and controlling party undertaking of the largest group including the company is Marvel Parent LLC, 1950 University Avenue - Suite 350, Palo Alto, CA 94303, incorporated in USA. The registered address is same as the address of the controlling party.

**22. Restatement of debtor balances**

In the balance sheet, £884,708 of long-term unbilled receivables were previously included within Debtors as amounts due in less than one year. The prior period has been restated to reclassify these amounts within Debtors due in more than one year and are now classified within the Non-current assets category of the balance sheet.