
KORTEXT LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021



KORTEXT LIMITED

COMPANY INFORMATION

Directors	James Richard Gray (appointed 19 July 2013) Jeremy Dyce Duckworth (appointed 1 November 2015) Steven Allen Harris (appointed 20 July 2016) John Kasumovic (appointed 17 June 2021) Manuel Lopo De Carvalho (appointed 26 March 2019) Paul Adam Zwillenberg (appointed 17 June 2021) Andrejs Alferovs (appointed 15 May 2014, resigned 3 June 2021)
Company secretary	Katrin Gray
Registered number	08617088
Registered office	Suite B, 6th Floor, Avalon House 26-32 Oxford Road Bournemouth Dorset BH8 8EZ
Trading Address	Suite B Floor 6 Avalon House Bournemouth Dorset BH8 8EZ
Independent auditors	Francis Clark LLP Chartered Accountants & Statutory Auditors Towngate House 2-8 Parkstone Road Poole Dorset BH15 2PW

KORTEXT LIMITED

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KORTEXT LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2021

Principal Activity

The principal activity of the Group is to partner with universities and support them through the digital transformation in teaching and learning that is underway globally. We are clear in our mission of supporting students and their teachers, wherever they are in the world, with the best, digitally enhanced teaching and learning experience, delivered through the Kortext Arcturus platform.

We enable students using Kortext to access and use their required learning resources anytime, and from anywhere, in a unique, engaging way that connects them to their course, to their university, to their academics and to each other.

We have now aggregated some 2m+ learning resources from over 4,700 different publishers that support students studying any subject. The content includes all key eTextbooks from the likes of Pearson, McGraw Hill, Wiley, Cengage and other leading publishers as well as thousands of specialist content creators and publishers focused on quality educational resources. Indeed, we have become a trusted partner to these publishers and many of them use our experience and technology to help them deliver their content to their users in an enhanced digital form.

The Arcturus platform is at the centre of this activity and we continue to invest significantly in its development with a special focus on the best use of AI to better support students' different learning styles and capabilities.

Introduction

The year ended 30th June 2021 was another successful year for the Group as the Covid pandemic highlighted to many universities around the world the urgent need to invest in an engaging online learning experience in a way that used technology to better support all students, regardless of them being on campus or off campus, offering students the choice and flexibility of studying whenever they want from wherever they happened to be.

During the year Kortext was able to react positively to the ever-changing situation on the ground as our partner universities adapted to manage the impact of the pandemic on students. As was widely reported, almost all higher education teaching was moved online and there was very limited activity on campus throughout the UK and indeed, in most parts of the world. What wasn't necessarily as widely understood was the impact these changes had on students, many of whom struggled to adapt to this new environment and which highlighted a disproportionate impact on those students from disadvantaged backgrounds. The outcome was that some students just did not have access to technology, tools for study, the right learning resources, a good physical location, or set-up from where they could undertake their studies effectively.

As a result of this, universities turned to Kortext to build upon the Free Student eTextbook Programme we launched with our publishing partners, Jisc, and our technology partners Microsoft and Adobe in April 2020. They asked us to deliver these key learning resources to their students as universities started to teach again in September 2020. Not only did we accomplish this for thousands of universities, the flexibility of the Arcturus Platform enabled us to provide students with the ability to access and engage with their adopted textbooks, connect with each other, connect with their course and their course leaders and collaborate while learning. Universities also then benefited from using our leading-edge learning analytics to help prioritise student support where it was needed the most.

KORTEXT LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

Our results

Putting our student users and partner universities first has helped underpin our growth. We achieved a significant increase in revenue for the year and in June 2021 we were able to attract further investment into the Company, significantly strengthening our Balance Sheet, all of which is reflected in these financial statements.

Despite the disruption as a result of the pandemic, the Group ended up with revenue of £17.0m, (FY20 £7.4m), a year-on-year revenue increase of 129%.

Gross profit increased to £6.6m (up 239% from £2.0m in FY20). Our operating loss was significantly reduced to £(1.3)m (FY20 £(3.7)m). This loss was as a direct result of the investment in our people and platform to continue to enable the business to scale and to ensure the platform can support the millions of users we now have.

This financial performance combined with the equity investment in the Company at the end of June 2021 positioned the business with a very strong balance sheet of net assets of £20.6m and net cash of £22.2m as at 30 June 2021. This strong position will support our plans and enable us to move to achieving profitable growth in the future as we drive ever more efficiencies from our investments into our team and technology.

As we progress, Kortext's strategy continues to focus on helping our users achieve more and supporting out university partners to improve student outcomes and we are confident this customer focus will continue to underpin our growth.

Post year end developments

The Group continues to perform well in the current financial year ending 30 June 2022. New contracts continue to be signed with universities and purchasing consortia and Kortext continues to be the partner of choice for universities undertaking digital teaching and learning projects.

Principal risk and uncertainties

The general business environment remains competitive with all businesses needing to continually demonstrate value for money, excellent service and high-quality products and services that meet the needs of customers. As with other businesses we face a number of risks, including:

Covid-19

Although Covid-19 became a key risk during the year its impact on the Group was effectively managed. The Group had (and still has) robust plans in place covering all areas including staff, students, partner universities' supply chains and other stakeholders.

This has meant that the financial risks have been appropriately mitigated and the Group only took advantage of very limited government grants, principally the Bounce Back Loan scheme. Our total lending from all government grants totaled £50k in the year.

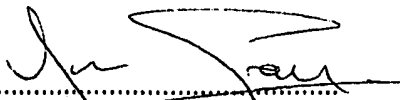
Competition

The Group's strategy has minimised the risk from the competition. Our technology and the application of that technology are unique and the continued progress with our platform, and our market understanding continues to mitigate this risk although the Board continue to keep abreast of all market developments.

KORTEXT LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021**

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



James Gray
Director

Date: 27 June 2022

KORTEXT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2021

The directors present their report and the financial statements for the year ended 30 June 2021.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group 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 the Group 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 £1,194,287 (2020 - loss £3,374,016).

Directors

The directors who served during the year were:

James Richard Gray (appointed 19 July 2013)
Jeremy Dyce Duckworth (appointed 1 November 2015)
Steven Allen Harris (appointed 20 July 2016)
John Kasumovic (appointed 17 June 2021)
Manuel Lopo De Carvalho (appointed 26 March 2019)
Paul Adam Zwillenberg (appointed 17 June 2021)
Andrejs Alferovs (appointed 15 May 2014, resigned 3 June 2021)

Principal activity of the group and company

The group's and company's principal activity continues to be that of the supply a digital learning platform and digital content to the global higher education industry.

KORTEXT LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

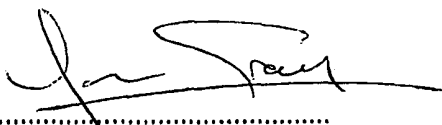
Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditors

The auditors, Francis Clark LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



.....
James Richard Gray
Director

Date: 27 June 2022

KORTEXT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KORTEXT LIMITED

Opinion

We have audited the financial statements of Kortext Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2021, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company 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 Group's and of the parent Company's affairs as at 30 June 2021 and of the Group's 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group 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 Group's or the parent 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.

KORTEXT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KORTEXT LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' 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.

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 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 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 Group 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 Group Strategic Report and the Directors' Report have 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 Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

KORTEXT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KORTEXT LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out 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 Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

KORTEXT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KORTEXT LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group 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:

During our audit planning we obtained an understanding of the entity, its business operations, internal controls and the legal and regulatory framework that is applicable to Kortext Limited. As part of this work we enquired with management, reviewed the company's website, policies and procedures. Key regulations we identified were employment law, data protection and GDPR regulations and also those laws and regulations that have a direct impact on the preparation of the financial statements, such as Financial Reporting Standard 102 and the Companies Act 2006.

Management enquiries covered any knowledge or evidence of actual and potential fraud, litigation and claims, which were followed up with corroborative audit review work. We also evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements.

Based on our understanding of the entity, we designed our audit procedures to identify non-compliance with relevant laws and regulations. Our procedures involved the following:

- The risk of management override of controls was audited, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.
- Reviewed estimates and judgements made in the accounts for any indication of bias and challenged assumptions used by management in making the estimates.
- Review of legal and professional costs to identify any possible non-compliance or legal costs in respect of non-compliance.

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. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Other matters

In the previous period the Directors of the company took advantage of the audit exemption under s477 of the Companies Act. Therefore the prior period financial statements were not subject to an audit.

KORTEXT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KORTEXT 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 Auditors' 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.



Daniel Tout FCA (Senior Statutory Auditor)

for and on behalf of
Francis Clark LLP

Chartered Accountants & Statutory Auditors

Towngate House
2-8 Parkstone Road
Poole
Dorset
BH15 2PW

27 June 2022

KORTEXT LIMITED

**CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 £	2020 £
Turnover	4	16,963,511	7,397,614
Cost of sales		(10,345,699)	(5,446,225)
Gross profit		6,617,812	1,951,389
Administrative expenses		(7,884,138)	(5,659,963)
Operating loss		(1,266,326)	(3,708,574)
Interest receivable and similar income		1	10
Interest payable and similar expenses		(72,444)	(23,377)
Loss before taxation		(1,338,769)	(3,731,941)
Tax on loss	11	144,482	357,925
Loss for the financial year		(1,194,287)	(3,374,016)
Equity related costs		416,273	62,403
Other comprehensive income for the year		416,273	62,403
Total comprehensive income for the year		(778,014)	(3,311,613)
(Loss) for the year attributable to:			
Owners of the parent Company		(1,194,287)	(3,374,016)
Total comprehensive income for the year attributable to:			
Owners of the parent Company		(778,014)	(3,311,613)
		(778,014)	(3,311,613)

The notes on pages 22 to 47 form part of these financial statements. The results above were derived from continuing operations.

KORTEXT LIMITED
REGISTERED NUMBER: 08617088

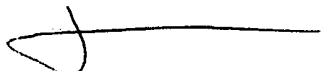
CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2021

	Note	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Intangible assets	12		4,565,620		4,029,138
Tangible assets	13		97,329		80,800
Investments	14		268,021		256,361
			<u>4,930,970</u>		<u>4,366,299</u>
Current assets					
Debtors: amounts falling due within one year	15	4,115,175		1,739,231	
Cash at bank and in hand	16	22,218,110		3,145,264	
			<u>26,333,285</u>	<u>4,884,495</u>	
Creditors: amounts falling due within one year	17	(9,507,207)		(4,630,845)	
Net current assets			<u>16,826,078</u>		<u>253,650</u>
Total assets less current liabilities			<u>21,757,048</u>		<u>4,619,949</u>
Creditors: amounts falling due after more than one year	18		(50,000)		-
Provisions for liabilities					
Deferred taxation	20	(1,095,902)		(710,902)	
			<u>(1,095,902)</u>		<u>(710,902)</u>
Net assets excluding pension asset			<u>20,611,146</u>		<u>3,909,047</u>
Net assets			<u>20,611,146</u>		<u>3,909,047</u>
Capital and reserves					
Called up share capital	21		999		789
Share premium account	22		33,089,820		15,609,917
Other reserves	22		550,527		134,254
Profit and loss account	22		(13,030,200)		(11,835,913)
Equity attributable to owners of the parent Company			<u>20,611,146</u>		<u>3,909,047</u>
			<u>20,611,146</u>		<u>3,909,047</u>

KORTEXT LIMITED
REGISTERED NUMBER: 08617088

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2021

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 June 2022.



.....
Jeremy Dyce Duckworth
Director

The notes on pages 22 to 47 form part of these financial statements.

KORTEXT LIMITED
REGISTERED NUMBER: 08617088


COMPANY BALANCE SHEET
AS AT 30 JUNE 2021

	Note	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Intangible assets	12		4,559,315		3,978,035
Tangible assets	13		70,445		60,464
Investments	14		375,969		409,154
			<u>5,005,729</u>		<u>4,447,653</u>
Current assets					
Debtors: amounts falling due within one year	15	5,139,261		2,576,426	
Cash at bank and in hand	16	22,129,241		3,112,636	
		<u>27,268,502</u>		<u>5,689,062</u>	
Creditors: amounts falling due within one year	17	(9,625,713)		(4,640,115)	
Net current assets			<u>17,642,789</u>		<u>1,048,947</u>
Total assets less current liabilities			<u>22,648,518</u>		<u>5,496,600</u>
Creditors: amounts falling due after more than one year	18		(50,000)		-
Provisions for liabilities					
Deferred taxation	20	(1,095,902)		(710,902)	
			<u>(1,095,902)</u>		<u>(710,902)</u>
Net assets excluding pension asset			<u>21,502,616</u>		<u>4,785,698</u>
Net assets			<u>21,502,616</u>		<u>4,785,698</u>
Capital and reserves					
Called up share capital	21		999		789
Share premium account	22		33,089,820		15,609,917
Other reserves	22		550,527		134,254
Profit and loss account brought forward		(10,959,262)		(7,792,134)	
Loss for the year		(1,179,468)		(3,167,128)	
Profit and loss account carried forward			<u>(12,138,730)</u>		<u>(10,959,262)</u>
			<u>21,502,616</u>		<u>4,785,698</u>

KORTEXT LIMITED
REGISTERED NUMBER: 08617088

COMPANY BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2021

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 June 2022.


.....
Jeremy Dyce Duckworth
Director

The notes on pages 22 to 47 form part of these financial statements.

KORTEXT LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 July 2020	789	15,609,917	134,254	(11,835,913)	3,909,047
Comprehensive income for the year					
Loss for the year	-	-	-	(1,194,287)	(1,194,287)
Share based payments	-	-	416,273	-	416,273
Other comprehensive income for the year	-	-	416,273	-	416,273
Total comprehensive income for the year	-	-	416,273	(1,194,287)	(778,014)
Shares issued during the year	210	18,081,622	-	-	18,081,832
Share issue expenses	-	(601,719)	-	-	(601,719)
Total transactions with owners	210	17,479,903	-	-	17,480,113
At 30 June 2021	999	33,089,820	550,527	(13,030,200)	20,611,146

The notes on pages 22 to 47 form part of these financial statements.

KORTEXT LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 July 2019	719	12,564,885	71,851	(8,461,897)	4,175,558
Comprehensive income for the year					
Loss for the year	-	-	-	(3,374,016)	(3,374,016)
Share based payments	-	-	62,403	-	62,403
Other comprehensive income for the year	-	-	62,403	-	62,403
Total comprehensive income for the year	-	-	62,403	(3,374,016)	(3,311,613)
Shares issued during the year	70	3,045,032	-	-	3,045,102
Total transactions with owners	70	3,045,032	-	-	3,045,102
At 30 June 2020	789	15,609,917	134,254	(11,835,913)	3,909,047

The notes on pages 22 to 47 form part of these financial statements.

KORTEXT LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 July 2020	789	15,609,917	134,254	(10,959,262)	4,785,698
Comprehensive income for the year					
Loss for the year	-	-	-	(1,179,468)	(1,179,468)
Share based payments	-	-	416,273	-	416,273
Other comprehensive income for the year	-	-	416,273	-	416,273
Total comprehensive income for the year	-	-	416,273	(1,179,468)	(763,195)
Contributions by and distributions to owners					
Shares issued during the year	210	18,081,622	-	-	18,081,832
Share issue expenses	-	(601,719)	-	-	(601,719)
Total transactions with owners	210	17,479,903	-	-	17,480,113
At 30 June 2021	999	33,089,820	550,527	(12,138,730)	21,502,616

The notes on pages 22 to 47 form part of these financial statements.

KORTEXT LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 July 2019	719	12,564,885	71,851	(7,792,134)	4,845,321
Comprehensive income for the year					
Loss for the year	-	-	-	(3,167,128)	(3,167,128)
Share based payments	-	-	62,403	-	62,403
Other comprehensive income for the year	-	-	62,403	-	62,403
Total comprehensive income for the year	-	-	62,403	(3,167,128)	(3,104,725)
Contributions by and distributions to owners					
Shares issued during the year	70	3,045,032	-	-	3,045,102
Total transactions with owners	70	3,045,032	-	-	3,045,102
At 30 June 2020	789	15,609,917	134,254	(10,959,262)	4,785,698

The notes on pages 22 to 47 form part of these financial statements.

KORTEXT LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

	2021 £	2020 £
Cash flows from operating activities		
Loss for the financial year	(1,194,287)	(3,374,016)
Adjustments for:		
Amortisation of intangible assets	1,872,573	1,849,397
Depreciation of tangible assets	37,957	109,038
Loss on disposal of tangible assets	-	22
Interest paid	72,444	23,377
Interest received	(1)	(10)
Taxation charge	(144,483)	(357,821)
(Increase) in debtors	(2,336,194)	(250,356)
Increase in creditors	5,962,543	1,590,083
Net fair value losses recognised in P&L	416,273	62,403
Corporation tax received	487,672	487,642
Net cash generated from operating activities	5,174,497	139,759
Cash flows from investing activities		
Purchase of intangible fixed assets	(2,409,058)	(2,299,440)
Purchase of tangible fixed assets	(53,951)	(17,663)
Sale of tangible fixed assets	(534)	329
Purchase of unlisted and other investments	(11,659)	-
Purchase of share in associates	-	(43,314)
Interest received	1	10
Net cash from investing activities	(2,475,201)	(2,360,078)
Cash flows from financing activities		
Issue of ordinary shares	18,081,832	3,045,102
Expenses paid in connection with share issue	(601,719)	-
New secured loans	50,000	-
Repayment of loans	-	(78,793)
Repayment of other loans	(84,119)	-
Interest paid	(72,444)	(23,377)
Net cash used in financing activities	17,373,550	2,942,932
Net increase in cash and cash equivalents	20,072,846	722,613
Cash and cash equivalents at beginning of year	2,145,264	1,422,651
Cash and cash equivalents at the end of year	22,218,110	2,145,264

KORTEXT LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

	2021 £	2020 £
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	22,218,110	3,145,264
Bank overdrafts	-	(1,000,000)
	<u>22,218,110</u>	<u>2,145,264</u>

The notes on pages 22 to 47 form part of these financial statements.

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1. General information

The company is a private company limited by share capital and incorporated in England and Wales.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with 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 Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of the acquired operations are included in the Consolidated Income Statement from the date on which control is obtained. They are deconsolidated from the date control ceases.

The financial statements consolidate the accounts of Kortext Limited and its subsidiary undertakings, Cloudspring Technologies Limited, Learnsmart Limited, Kortext FZCO, Kortext Australia Pty Ltd, Kortext Inc and Kortext Canada Limited.

2.3 Going concern

The directors have not identified any material uncertainties related to events or conditions that may cast significant doubt about the company's ability to continue as a going concern.

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

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

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2. Accounting policies (continued)

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of eBook Licenses

Revenue from the sale of eBook Licenses is charged on a per eBook license basis and is recognised when the significant risks and rewards of ownership have been transferred to the buyer, neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold has been retained, the amount of the revenue can be measured reliably, it is probable that the consideration due under the transaction will be received and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of Complete eBook Packages

Revenue from the Complete eBook packages is charged on a per user basis and is recognised when the significant risks and rewards of ownership have been transferred to the buyer, neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold has been retained, the amount of the revenue can be measured reliably, it is probable that the consideration due under the transaction will be received and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group has deferred revenue by raising an accrual for a percentage of the revenue invoiced to customers under its Complete content model. The percentage was determined based on content and services that had not been fully utilised but paid for by those customers and then multiplied by the total revenue invoiced to the customers during the financial year.

Sales of the Kortext Platform and the rendering of services

Revenue from the Kortext Platform is recognised in the period in which the services are provided in accordance and is evenly prorated over the period of the contracted service. Revenue from services is recognised once the services are performed or milestones under statement of works have been achieved. Revenue for both platform and services is recognised once the obligations and services to be performed under contract have been fulfilled, the amount of the revenue can be measured reliably, it is probable that the consideration due will be received and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.6 Operating leases: the Group as lessor

Rental income from operating leases is credited to profit or loss on a straight line basis over the lease term.

Amounts paid and payable as an incentive to sign an operating lease are recognised as a reduction to income over the lease term on a straight line basis, unless another systematic basis is representative of the time pattern over which the lessor's benefit from the leased asset is diminished.

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2. Accounting policies (continued)

2.7 Operating leases: the Group as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.8 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.9 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

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

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2. Accounting policies (continued)

2.10 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

2.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2. Accounting policies (continued)

2.12 Intangible assets

Intangible assets consists of goodwill and other intangible assets. Other intangible assets relates to development expenditure, which is the capitalised labour cost of our software development team related to building the Kortext Platform, trademarks, which is the cost of registering and protecting the groups brand names and intellectual property, and capitalised formation costs, which is the cost of establishing the group subsidiaries.

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

Development expenditure	-	20 %
Goodwill	-	20 %
Trademarks	-	20 %
Capitalised formation costs	-	20 %

2.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2. Accounting policies (continued)

2.13 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short-term leasehold property	-	10%
Motor vehicles	-	25%
Fixtures and fittings	-	20%
Office equipment	-	20%
Computer equipment	-	33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.16 Financial instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2. Accounting policies (continued)

2.16 Financial instruments (continued)

director in the case of a small company, or a public benefit entity concessionary loan.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Consolidated Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

The Group makes accounting assumptions and estimates about the future that may differ from the actual results. These assumptions and estimates have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period and have been described below.

Capitalisation of development costs

The Group capitalises the labour costs of employees and contractors responsible for the development of its platform. The group estimates the percentage of their time that is spent on the development of these assets and then capitalises the labour cost multiplied by the percentage of time spent on development.

Share options

The share-based payment cost requires management to make a number of estimates. These include the valuation model and inputs into that valuation model such as its own share price volatility, risk-free interest rate, vesting period and probability of vesting. The key assumptions have been included in note 23.

Platform redundancy and content archival liabilities

The Group has committed to its customers and the purchasing consortia under which it tenders to build a facility that will allow for the consumption and retrieval of content purchased from the Group in the event that the service and content the Group provides to its customers ceases. The Group has made a number of estimates to determine the cost of the liability. This includes the number and cost of engineers and the operating costs required to build and support the system. The provision for the liability will be utilised against the actual costs incurred to build the facility and which may differ from the original liability raised.

4. Turnover

An analysis of turnover by class of business is as follows:

	2021 £	2020 £
Turnover related to sale of goods	16,230,879	6,647,785
Turnover related to the rendering of services	732,632	749,829
	<u>16,963,511</u>	<u>7,397,614</u>

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

5. Operating loss

The operating loss is stated after charging:

	2021 £	2020 £
Research & development charged as an expense	44,552	21,311
Exchange differences	52,176	13,016
Other operating lease rentals	59,013	68,574
Share based payments	416,273	62,403
	<u>416,273</u>	<u>62,403</u>

6. Auditors' remuneration

	2021 £	2020 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	30,000	-
	<u>30,000</u>	<u>-</u>

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Wages and salaries	3,728,171	2,012,704	3,679,375	1,935,248
Social security costs	286,254	220,210	259,184	194,096
Cost of defined contribution scheme	73,478	51,262	71,291	44,917
	<u>4,087,903</u>	<u>2,284,176</u>	<u>4,009,850</u>	<u>2,174,261</u>

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

	Group 2021 No.	Group 2020 No.	Company 2021 No.	Company 2020 No.
Management, Technical, Sales, Administration and Distribution	86	62	63	42
	<u>86</u>	<u>62</u>	<u>63</u>	<u>42</u>

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

8. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	659,090	400,844
Company contributions to defined contribution pension schemes	5,576	2,310
	<u>664,666</u>	<u>403,154</u>

During the year retirement benefits were accruing to 2 directors (2020 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £137,983 (2020 - £122,983.00).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £0 (2020 - £0).

During the year 2 directors received shares under the long term incentive schemes (2020 -NIL)

During the year 1 director exercised 12,506 share options at an exercise price of 0.001.

9. Interest receivable

	2021 £	2020 £
Other interest receivable	1	10
	<u>1</u>	<u>10</u>

10. Interest payable and similar expenses

	2021 £	2020 £
Bank interest payable	71,081	17,365
Other loan interest payable	1,363	6,012
	<u>72,444</u>	<u>23,377</u>

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

11. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	(529,483)	(487,746)
	<u>(529,483)</u>	<u>(487,746)</u>
Total current tax	<u>(529,483)</u>	<u>(487,746)</u>
Deferred tax		
Origination and reversal of timing differences	121,984	129,821
Changes to tax rates	263,017	-
	<u>385,001</u>	<u>129,821</u>
Total deferred tax	<u>385,001</u>	<u>129,821</u>
Taxation on loss on ordinary activities	<u>(144,482)</u>	<u>(357,925)</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - *higher than*) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Loss on ordinary activities before tax	<u>(1,338,769)</u>	<u>(3,731,941)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(254,366)	(709,069)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	150,567	12,604
Other timing differences leading to an increase (decrease) in taxation	116,275	135,494
Changes to tax rates	263,017	-
Differences between capital allowances and depreciation and amortisation	121,984	180,340
Research and Development Tax Credit	(529,558)	(487,748)
Unrelieved tax losses carried forward	(12,401)	510,454
Total tax charge for the year	<u>(144,482)</u>	<u>(357,925)</u>

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

11. Taxation (continued)

Factors that may affect future tax charges

In the spring budget 2021, the UK Government announced that from 1st April 2023, the corporate tax rate would increase to 25%. Deferred tax at the balance sheet date has been measured using these enacted rates and reflected in these financial statements.

12. Intangible assets

Group

	Development expenditure £	Trademarks £	Goodwill £	Capitalised Formation Costs £	Total £
Cost					
At 1 July 2020	8,542,849	3,424	152,479	13,496	8,712,248
Additions	2,409,056	-	-	-	2,409,056
At 30 June 2021	10,951,905	3,424	152,479	13,496	11,121,304
Amortisation					
At 1 July 2020	4,521,847	687	152,479	8,098	4,683,111
Charge for the year on owned assets	1,869,258	685	-	2,630	1,872,573
At 30 June 2021	6,391,105	1,372	152,479	10,728	6,555,684
Net book value					
At 30 June 2021	4,560,800	2,052	-	2,768	4,565,620
At 30 June 2020	4,021,002	2,738	-	5,398	4,029,138

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

12. Intangible assets (continued)

Company

	Development expenditure £	Trademarks £	Total £
Cost			
At 1 July 2020	8,200,095	3,424	8,203,519
Additions	2,408,681	-	2,408,681
At 30 June 2021	10,608,776	3,424	10,612,200
Amortisation			
At 1 July 2020	4,224,797	687	4,225,484
Charge for the year	1,826,716	685	1,827,401
At 30 June 2021	6,051,513	1,372	6,052,885
Net book value			
At 30 June 2021	4,557,263	2,052	4,559,315
At 30 June 2020	3,975,297	2,738	3,978,035

KORTEXT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

13. Tangible fixed assets

Group

	Short-term leasehold property £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Computer equipment £
Cost or valuation					
At 1 July 2020	31,443	11,800	21,291	12,183	115,751
Additions	-	-	3,638	350	49,964
Disposals	-	-	-	-	534
At 30 June 2021	<u>31,443</u>	<u>11,800</u>	<u>24,929</u>	<u>12,533</u>	<u>166,249</u>
Depreciation					
At 1 July 2020	5,861	8,053	15,864	2,892	78,998
Charge for the year on owned assets	1,572	937	4,082	2,667	28,699
At 30 June 2021	<u>7,433</u>	<u>8,990</u>	<u>19,946</u>	<u>5,559</u>	<u>107,697</u>
Net book value					
At 30 June 2021	<u>24,010</u>	<u>2,810</u>	<u>4,983</u>	<u>6,974</u>	<u>58,552</u>
At 30 June 2020	<u>25,582</u>	<u>3,747</u>	<u>5,427</u>	<u>9,291</u>	<u>36,753</u>

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

13. Tangible fixed assets (continued)

	Total £
Cost or valuation	
At 1 July 2020	192,468
Additions	53,952
Disposals	534
At 30 June 2021	<u>246,954</u>
Depreciation	
At 1 July 2020	111,668
Charge for the year on owned assets	37,957
At 30 June 2021	<u>149,625</u>
Net book value	
At 30 June 2021	<u>97,329</u>
At 30 June 2020	<u>80,800</u>

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

13. Tangible fixed assets (continued)

Company

	Short-term leasehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation					
At 1 July 2020	31,443	11,800	21,291	94,549	159,083
Additions	-	-	3,638	31,891	35,529
Disposals	-	-	-	534	534
At 30 June 2021	31,443	11,800	24,929	126,974	195,146
Depreciation					
At 1 July 2020	5,861	8,053	15,864	68,841	98,619
Charge for the year on owned assets	1,572	937	4,082	19,491	26,082
At 30 June 2021	7,433	8,990	19,946	88,332	124,701
Net book value					
At 30 June 2021	24,010	2,810	4,983	38,642	70,445
At 30 June 2020	25,582	3,747	5,427	25,708	60,464

KORTEXT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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14. Fixed asset investments

Group

	Investments in associates £	Unlisted investments £	Total £
Cost or valuation			
At 1 July 2020	176,676	79,685	256,361
Additions	-	11,660	11,660
At 30 June 2021	<u>176,676</u>	<u>91,345</u>	<u>268,021</u>

Company

	Investments in subsidiary companies £	Investments in associates £	Unlisted investments £	Total £
Cost or valuation				
At 1 July 2020	152,793	176,676	79,685	409,154
Additions	-	-	11,507	11,507
Disposals	-	-	(44,691)	(44,691)
At 30 June 2021	<u>152,793</u>	<u>176,676</u>	<u>46,501</u>	<u>375,970</u>

15. Debtors

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Trade debtors	3,321,818	752,167	3,321,819	752,164
Amounts owed by group undertakings	-	-	1,043,480	870,280
Other debtors	684,192	792,884	671,852	772,107
Prepayments and accrued income	109,165	194,180	102,110	181,875
	<u>4,115,175</u>	<u>1,739,231</u>	<u>5,139,261</u>	<u>2,576,426</u>

KORTEXT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

16. Cash and cash equivalents

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Cash at bank and in hand	22,218,110	3,145,264	22,129,241	3,112,636
Less: bank overdrafts	-	(1,000,000)	-	(1,000,000)
	22,218,110	2,145,264	22,129,241	2,112,636

17. Creditors: Amounts falling due within one year

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Bank overdrafts	-	1,000,000	-	1,000,000
Other loans	-	84,120	-	-
Trade creditors	2,175,605	1,690,732	2,360,404	1,871,859
Other taxation and social security	127,628	281,074	87,646	236,778
Other creditors	74,389	42,881	74,321	38,503
Accruals and deferred income	7,129,585	1,532,038	7,103,342	1,492,975
	9,507,207	4,630,845	9,625,713	4,640,115

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

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Bank loans	50,000	-	50,000	-
	50,000	-	50,000	-

KORTEXT LIMITED

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19. Loans

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Amounts falling due within one year				
Other loans	-	84,119	-	-
	-	84,119	-	-
Amounts falling due 2-5 years				
Bank loans - Bounce Back Loan	50,000	-	50,000	-
	50,000	84,119	50,000	-

20. Deferred taxation

Group

	2021 £
At beginning of year	(710,902)
Charged to profit or loss	(385,000)
At end of year	(1,095,902)

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

20. Deferred taxation (continued)

Company

	2021 £
At beginning of year	(710,902)
Charged to profit or loss	(385,000)
At end of year	(1,095,902)

The provision for deferred taxation is made up as follows:

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Accelerated capital allowances	(832,885)	(710,902)	(832,885)	(710,902)
Change in tax rate	(263,017)	-	(263,017)	-
	(1,095,902)	(710,902)	(1,095,902)	(710,902)

21. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
802,648 (2020 - 723,000) Ordinary shares of £0.001 each	803	723
65,660 (2020 - 65,660) Series A Preference shares of £0.001 each	66	66
131,093 (2020 - 0) Series B Preference shares of £0.001 each	130	-
	999	789

The company issued 54,636 ordinary shares for £45.69 per share and 25,012 shares at £0.001 per share. The company issued 118,587 Series B preference shares for £126.49 per share and converted 12,506 ordinary shares into Series B preference shares.

Ordinary shares have full rights in regards to dividends and voting and third in priority for distribution of capital. Series A preferred shares have full rights in regards to dividends and voting and second in priority for distribution of capital. Series B preferred shares have full rights in regards to dividends and voting and priority on distribution of capital following winding up.

KORTEXT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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22. Reserves

Share premium account

The cumulative difference between the par value and the total amount received for shares issued net of expenses directly incurred in relation to the issue of the companies shares.

Other reserves

Represents the cumulative value of share options issued.

Profit and loss account

Represents cumulative profits and losses, net of dividends and other adjustments.

KORTEXT LIMITED

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23. Share based payments

The company operates a share option scheme for the benefit of certain members of staff. The scheme is an HMRC approved Enterprise Management Scheme ('EMI'), where awards can be made to employees subject to conditions. The strike price for these options is set according to the fair market share price at the time of issue as agreed with HMRC. The fair market share price was based on the price achieved in the funding round immediately preceding the issuance given the shares are not actively traded. The Company measures the cost of equity-settled options based on the fair value of the awards granted. The fair value is determined based on an appropriate valuation model (Black Scholes) given the share options are not actively traded. The use of an option valuation model to determine the fair value requires the input of highly subjective assumptions including the expected price volatility, expected life of the award and dividend yield. Changes in the subjective assumptions can materially affect the fair value estimates.

	Weighted average exercise price (pence) 2021	Number 2021	Weighted average exercise price (pence) 2020	Number 2020
Outstanding at the beginning of the year	13.78	72,279	14.34	72,279
Granted during the year	27	35,761	13.5	3,000
Forfeited during the year		-	27	(3,000)
Exercised during the year	0.01	(25,012)		-
Expired during the year	27	(12,289)		-
Outstanding at the end of the year	23.04	70,739	13.78	72,279

	2021 Black Scholes	2020 Black Scholes
Option pricing model used		
Weighted average share price (pence)	45.69	45.69
Exercise price (pence)	27	13.5
Weighted average contractual life (days)	1.91	3.67
Expected volatility	61.12	50.93
Expected dividend growth rate	0%	0%
Risk-free interest rate	0.1%	0.1%

	2021 £	2020 £
Share based payments	416,273	62,403
	416,273	62,403

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

24. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £71,291 (2020 - £44,917). Contributions totalling £22,233 (2020 - £9,410) were payable to the fund at the balance sheet date and are included in creditors.

25. Commitments under operating leases

At 30 June 2021 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £	<i>Group 2020 £</i>	Company 2021 £	<i>Company 2020 £</i>
Not later than 1 year	78,777	74,588	58,747	54,182
Later than 1 year and not later than 5 years	275,046	119,124	234,987	57,904
	<u>353,823</u>	<u>193,712</u>	<u>293,734</u>	<u>112,086</u>

The Group sub-leases a property it leases under a non-cancellable operating lease. The terms of the conditions of the sub-lease match those of the Group's lease and have therefore before offset against each other in the amounts included in this note.

26. Related party transactions

Entities with a director in common

During the year, the Company made purchases of £269,354.00 and cost recharges of £64,814.00 to entities with a director in common. £1,800.00 was outstanding at the balance sheet date. All transactions were conducted at arms length.

Entities owned by Kortext Limited

During the year, the Company made purchases of £2,172,651.00, paid licenses fees of £21,693.00 and recharged costs of £24,494.00 to entities owned by Kortext Limited. £193,229.29 was outstanding and £1,043,480.00 was due to Kortext Limited at the balance sheet date. All transactions were conducted at arms length.

KORTEXT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

27. Subsidiary undertakings**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Learnsmart Limited	Suite B, Floor 6 Avalon House, 26-32 Oxford Road, Bournemouth, BH8 8EZ, United Kingdom	Ordinary	100%
Kortext Inc	1101 Dawnwood DR Old Hickory, TN 37138-4225 USA, United States	Ordinary	100%
Cloudspring Technologies Limited	Suite B, Floor 6 Avalon House, 26-32 Oxford Road, Bournemouth, BH8 8EZ, United Kingdom	Ordinary	100%
Kortext Canada Ltd	272 Winterbury Blvd Thorold, St Catherines, Ontario, L2V 5E5, Canada	Ordinary	100%
Kortext Australia Pty Ltd	Suite 405 83 York St, Sydney, NSW, 2000, Australia	Ordinary	100%
Kortext FZCO	Dubai Silicon Oasis, DDP, Building A2, Dubai, United Arab Emirates	Ordinary	100%

The aggregate of the share capital and reserves as at 30 June 2021 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
Learnsmart Limited	1	-
Kortext Inc	(383,521)	(22,267)
Cloudspring Technologies Limited	100	-
Kortext Canada Ltd	(22,786)	(26,016)
Kortext Australia Pty Ltd	(363,283)	(38,860)
Kortext FZCO	-	-

KORTEXT LIMITED

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FOR THE YEAR ENDED 30 JUNE 2021**

27. Subsidiary undertakings (continued)**Associate**

The following was an associate of the Company:

Name	Registered office	Class of shares	Holding
NewClicks B.V	Linnaeusstraat 41, 1093 EG, Amsterdam, Nederland	Ordinary	30%