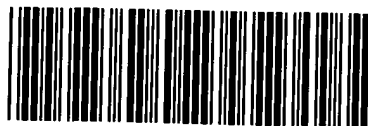


KORTEXT LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2023

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KORTEXT LIMITED

COMPANY INFORMATION

Directors

J D Duckworth
J R Gray
S A Harris
J Kasumovic (resigned 22 September 2023)
M Lopo De Carvalho
T Collier (appointed 1 October 2023)
M S Edmondson (appointed 1 October 2023)

Company secretary

K Gray

Registered number

08617088

Registered office

26-32 Oxford Road
Suite B, 6th Floor
Avalon House
Bournemouth
Dorset
BH8 8EZ

Independent auditor

Cooper Parry Group Limited
Chartered Accountants & Statutory Auditor
1 Finsbury Ave
Broadgate
London
EC2M 2PF

KORTEXT LIMITED

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KORTEXT LIMITED**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2023****Introduction**

The Directors present their Strategic Report for the year ended 30 June 2023, and in preparing the Strategic Report have complied with s414c of the Companies Act 2006.

Principal activity

Our mission is to "Enable and Enrich Higher Education of tomorrow and help all students fulfil their potential". We do this by partnering with universities to help them improve the digital learning experience for students and academics alike, through our best-in-class digital content and engagement platform, Arcturus. Through Arcturus, students are able to access and use all their key learning resources on their first day of class, and academics and students have access to powerful, AI driven, tooling that facilitates both collaborative as well as personal research led learning. Our platform and reader technology is now used and accessed by students in over 6,000 universities around the world highlighting the shift to more online / hybrid learning that is occurring in HE globally.

The year ended 30th June 2023 was another successful year for the Group as universities around the world continue to invest in delivering an enhanced, engaged, online learning experience, offering students the choice and flexibility of studying anytime, anywhere. Additionally, during the year we completed the acquisition of Solutionpath, a learning analytics company whose principal product, StREAM is an engagement analytics product used by some 30 UK universities and colleges to deliver engagement insights to academic tutors and wellbeing teams to better support students and reduce withdrawal and by identifying 'at risk' students, get ahead of a problem through both automated and direct interventions. We will integrate the StREAM product into our broader Kortext offering to continue to ensure universities are as equipped as they can be to support student success.

From a content perspective, we have now aggregated over 4 million learning resources from over 4,700 different publishers that support students studying any subject. The content includes important educational video content, as well as all key digital textbooks from the likes of Pearson, McGraw Hill, Wiley, Cengage, OUP and other leading publishers along with thousands of specialist content creators focused on quality educational resources. Indeed, we have become a trusted partner to these publishers and many of them now use our technology to help them deliver their content directly to their end users in an enhanced, interactive, digital form.

Our innovation around products and services continues at pace and is largely developed by assessing feedback from students and our university partners as well as understanding market & policy trends. We continue to invest to better support students' different learning styles and capabilities: the recent launch of Chat GPT highlighting the whole area of student use of study tools that can help support better digital engagement and study in the context of their course and we will continue to invest to enhance our capability to offer students the best engagement and study experience possible.

Our goal is to continue to develop these capabilities and services to ensure that Kortext remains at the forefront of supporting universities as they undertake digital transformation in the delivery of teaching and learning and at the same time, that we deliver to students the best, most seamless digital study experience there is to help them engage with their learning content anytime, from anywhere and on any device so they can learn whenever and wherever works for them.

Post year end developments

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

KORTEXT LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

Principal risk and uncertainties

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

General economic conditions

Our primary market is the UK Higher Education sector. It is facing a number of challenges from the impact of global inflation through to static tuition fees for UK students and academic staff unrest in relation to salaries and ongoing pension provision concerns.

As a consequence, we are continuing to demonstrate our support for the sector through our ongoing investment in workflow solutions for academics, libraries, university leadership and most importantly, students through our study and engagement tools.

Competition

The Group's strategy, especially the strong focus on student outcomes, is helping to minimise the risk from the competition. Our technology, and the application of that technology, are unique and while other providers can supply digital content, Kortext remains the only provider having the depth and breadth of capabilities to really help drive student success and institution efficiency.

This continued focus, and our market understanding, positioning and thought leadership will help us limit the risk of competition, but the Board continues to closely monitor the market dynamics on an ongoing basis.

Employees

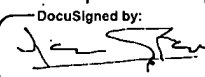
The Group's performance is dependent on its employees and a failure to recruit and appropriately develop staff could therefore impact on this. Over the last 12 months we have therefore invested in our HR team as well as in both our recruitment processes and our staff training programme. We also ensure that our Compensation and Benefits are competitive, including the granting of share options to staff who become eligible to participate in the Company's share option scheme.

Financial risks

The financial risk that the Board consider most applicable to the Group is liquidity risk. The Group's principal financial assets are bank balances and cash and trade receivables. Given the nature of our customers in the UK we believe that we therefore have low credit risk. In other parts of the world where we both trade and look to trade more, we do have some credit risk. We monitor this closely with information being supplied into management on a timely basis and appropriate mitigating actions taken where necessary. We monitor exchange rates to ensure the risk of adverse exchange rate fluctuations are minimised.

As at 30 June 2023, the Group had net cash of £10.1m. The Board therefore believes that the Group has more than adequate funding for its day to day operations, but it continues to monitor its working capital position and is always looking to make improvements.

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

DocuSigned by:

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J R Gray
Director

Date: 25 March 2024

KORTEXT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2023

The directors present their report and the financial statements for the year ended 30 June 2023.

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 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 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 £5,156,296 (2022: loss £329,859).

The directors have not declared the payment of a dividend during the year.

Directors

The directors who served during the year were:

J D Duckworth
J R Gray
S A Harris
J Kasumovic (resigned 22 September 2023)
M Lopo De Carvalho

Future developments

Future developments have been disclosed in the Strategic Report.

KORTEXT LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2023**

Disclosure of information to auditor

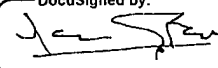
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

Auditor

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

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

DocuSigned by:

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J R Gray
Director

Date: 25 March 2024

KORTEXT LIMITED

INDEPENDENT AUDITOR'S 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 2023, which comprise the Consolidated statement of comprehensive income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the 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 2023 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 Auditor's 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 AUDITOR'S 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 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.

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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 3, 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 AUDITOR'S REPORT TO THE MEMBERS OF KORTEXT LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgments and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.
- reading the minutes of meetings of those charged with governance; enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators including the Health and Safety Executive, and the company's legal advisors.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion

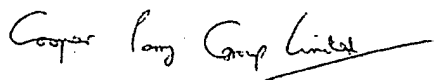
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

KORTEXT LIMITED

INDEPENDENT AUDITOR'S 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 Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'Steven Leith', with a horizontal line drawn underneath it.

Steven Leith (Senior statutory auditor)

for and on behalf of

Cooper Parry Group Limited

Chartered Accountants

Statutory Auditor

1 Finsbury Ave

Broadgate

London

EC2M 2PF

Date: 25 March 2024

KORTEXT LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	2023 £	2022 £
Turnover	3	21,037,208	21,283,310
Cost of sales		(10,210,293)	(12,868,170)
Gross profit		<u>10,826,915</u>	<u>8,415,140</u>
Administrative expenses		(16,795,835)	(10,965,080)
Other operating income	4	1,434	-
Operating loss	5	<u>(5,967,486)</u>	<u>(2,549,940)</u>
Interest payable and similar expenses	9	(187,250)	(20,677)
Loss before taxation		<u>(6,154,736)</u>	<u>(2,570,617)</u>
Tax on loss	10	998,440	2,240,758
Loss for the financial year		<u>(5,156,296)</u>	<u>(329,859)</u>
Currency translation differences		46,355	1,868
Other comprehensive income for the year		<u>46,355</u>	<u>1,868</u>
Total comprehensive income for the year		<u>(5,109,941)</u>	<u>(327,991)</u>

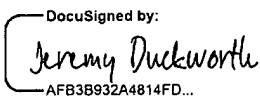
The notes on pages 16 to 42 form part of these financial statements.

KORTEXT LIMITED
REGISTERED NUMBER: 08617088

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2023

	Note	2023 £	2022 £
Fixed assets			
Intangible assets	11	14,835,944	6,281,642
Tangible assets	12	151,163	143,960
Investments	13	90,902	269,107
		<u>15,078,009</u>	<u>6,694,709</u>
Current assets			
Debtors: amounts falling due within one year	14	5,981,156	4,264,208
Cash at bank and in hand	15	10,108,066	19,929,331
		<u>16,089,222</u>	<u>24,193,539</u>
Creditors: amounts falling due within one year	16	<u>(10,898,537)</u>	<u>(10,040,350)</u>
Net current assets		<u>5,190,685</u>	<u>14,153,189</u>
Total assets less current liabilities		<u>20,268,694</u>	<u>20,847,898</u>
Creditors: amounts falling due after more than one year	17	(4,755,869)	(41,270)
Provisions for liabilities			
Deferred taxation	19	<u>(7,084)</u>	-
		<u>(7,084)</u>	-
Net assets excluding pension asset		<u>15,505,741</u>	<u>20,806,628</u>
Net assets		<u><u>15,505,741</u></u>	<u><u>20,806,628</u></u>
Capital and reserves			
Called up share capital	20	999	999
Share premium account	21	33,076,320	33,076,320
Foreign exchange reserve	21	48,223	1,868
Share based payment reserve	21	896,554	1,087,500
Profit and loss account	21	(18,516,355)	(13,360,059)
Equity attributable to owners of the parent Company		<u>15,505,741</u>	<u>20,806,628</u>
		<u><u>15,505,741</u></u>	<u><u>20,806,628</u></u>

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

DocuSigned by:

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J D Duckworth
 Director

Date: 25 March 2024

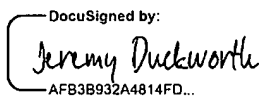
The notes on pages 16 to 42 form part of these financial statements.

KORTEXT LIMITED
REGISTERED NUMBER: 08617088

COMPANY BALANCE SHEET
AS AT 30 JUNE 2023

	Note	2023 £	2022 £
Fixed assets			
Intangible assets	11	8,314,147	6,281,642
Tangible assets	12	90,377	96,619
Investments	13	7,045,698	375,969
		<u>15,450,222</u>	<u>6,754,230</u>
Current assets			
Debtors: amounts falling due within one year	14	6,861,996	5,520,628
Cash at bank and in hand	15	9,274,698	19,490,969
		<u>16,136,694</u>	<u>25,011,597</u>
Creditors: amounts falling due within one year	16	<u>(8,982,412)</u>	<u>(9,968,693)</u>
Net current assets		<u>7,154,282</u>	<u>15,042,904</u>
Total assets less current liabilities		<u>22,604,504</u>	<u>21,797,134</u>
Creditors: amounts falling due after more than one year	17	<u>(4,755,869)</u>	<u>(41,270)</u>
Net assets excluding pension asset		<u>17,848,635</u>	<u>21,755,864</u>
Net assets		<u><u>17,848,635</u></u>	<u><u>21,755,864</u></u>
Capital and reserves			
Called up share capital	20	999	999
Share premium account	21	33,076,320	33,076,320
Share based payment reserve	21	896,554	1,087,500
Profit and loss account carried forward		<u>(16,125,238)</u>	<u>(12,408,955)</u>
		<u><u>17,848,635</u></u>	<u><u>21,755,864</u></u>

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

DocuSigned by:

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J D Duckworth
 Director

Date: 25 March 2024

The notes on pages 16 to 42 form part of these financial statements.

KORTEXT LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Called up share capital	Share premium account	Foreign exchange reserve	Share based payment reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 July 2021	999	33,089,820	-	550,527	(13,030,200)	20,611,146
Comprehensive income for the year						
Loss for the year	-	-	-	-	(329,859)	(329,859)
Currency translation differences	-	-	1,868	-	-	1,868
Contributions by and distributions to owners						
Shares issued during the year	-	(13,500)	-	-	-	(13,500)
Share-based payment charge	-	-	-	536,973	-	536,973
At 1 July 2022	999	33,076,320	1,868	1,087,500	(13,360,059)	20,806,628
Comprehensive income for the year						
Loss for the year	-	-	-	-	(5,156,296)	(5,156,296)
Currency translation differences	-	-	46,355	-	-	46,355
Contributions by and distributions to owners						
Share-based payment credit	-	-	-	(190,946)	-	(190,946)
At 30 June 2023	999	33,076,320	48,223	896,554	(18,516,355)	15,505,741

The notes on pages 16 to 42 form part of these financial statements.

KORTEXT LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Called up share capital £	Share premium account £	Share based payment reserve £	Profit and loss account £	Total equity £
At 1 July 2021	999	33,089,820	550,527	(12,138,730)	21,502,616
Comprehensive income for the year					
Loss for the year	-	-	-	(270,225)	(270,225)
Contributions by and distributions to owners					
Shares issued during the year	-	(13,500)	-	-	(13,500)
Share-based payment charge	-	-	536,973	-	536,973
At 1 July 2022	999	33,076,320	1,087,500	(12,408,955)	21,755,864
Comprehensive income for the year					
Loss for the year	-	-	-	(3,716,283)	(3,716,283)
Share-based payment credit	-	-	(190,946)	-	(190,946)
At 30 June 2023	999	33,076,320	896,554	(16,125,238)	17,848,635

The notes on pages 16 to 42 form part of these financial statements.

KORTEXT LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	2023 £	2022 £
Cash flows from operating activities		
Loss for the financial year	(5,156,296)	(329,859)
Adjustments for:		
Amortisation of intangible assets	3,953,003	1,940,454
Depreciation of tangible assets	94,817	49,672
Loss on disposal of tangible assets	22,043	-
Interest paid	187,250	20,677
(Increase)/decrease in debtors	(320,010)	995,823
(Decrease)/increase in creditors	(1,790,317)	522,790
Foreign exchange movement in held assets	1,529	-
Corporation tax received	229,483	-
Share-based payment charge	(190,946)	536,973
Foreign exchange reserve movements	46,355	-
Corporation tax for the year	(998,440)	(2,240,758)
Net cash generated from operating activities	<u>(3,921,529)</u>	<u>1,495,772</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	(4,750,111)	(3,660,135)
Purchase of tangible fixed assets	(92,339)	(92,182)
Net Cashflows on acquisitions	(3,033,011)	-
Net Non-cash movements on acquisitions	(666,022)	-
Net cash from investing activities	<u>(8,541,483)</u>	<u>(3,752,317)</u>
Cash flows from financing activities		
Expenses paid in connection with share issue	-	(13,500)
New secured loans	2,867,409	-
Repayment of loans	(41,270)	(8,730)
Interest paid	(187,250)	(20,677)
Net cash used in financing activities	<u>2,638,889</u>	<u>(42,907)</u>
Net (decrease) in cash and cash equivalents	<u>(9,824,123)</u>	<u>(2,299,452)</u>
Cash and cash equivalents at beginning of year	19,894,647	22,194,099
Cash and cash equivalents at the end of year	<u>10,070,524</u>	<u>19,894,647</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	10,108,066	19,929,331
Bank overdrafts	(37,542)	(34,684)
	<u>10,070,524</u>	<u>19,894,647</u>

KORTEXT LIMITED**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 30 JUNE 2023**

	At 1 July 2022 £	Cash flows £	Acquisition and disposal of subsidiaries £	New Bank Loan £	At 30 June 2023 £
Cash at bank and in hand	19,929,331	(6,791,001)	(3,033,011)	-	10,105,319
Bank overdrafts	(34,684)	(111)	-	-	(34,795)
Debt due after 1 year	(41,270)	173,861	(1,888,460)	(3,000,000)	(4,755,869)
Debt due within 1 year	-	(137,487)	(944,230)	-	(1,081,717)
	<u>19,853,377</u>	<u>(6,754,738)</u>	<u>(5,865,701)</u>	<u>(3,000,000)</u>	<u>4,232,938</u>

The notes on pages 16 to 42 form part of these financial statements.

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1. Accounting policies

1.1 Basis of preparation of financial statements

Kortext Limited ("the Company") is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is disclosed on the company information page.

The financial statements are prepared in Sterling (£), which is the functional currency of the company. The financial statements are for the year ended 30 June 2023 (2022: year ended 30 June 2022).

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 judgement in applying the Group's accounting policies (see note 2).

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:

1.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own 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 acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the Group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2015.

1.3 Going concern

The financial statements have been prepared on the going concern basis.

The directors have prepared projected cash flow information in excess of 12 months from the date of their approval of these financial statements. The detailed projections demonstrate the Company is forecast to remain cash positive and accordingly the directors believe the Company has adequate resources to continue in operational existence for the period of at least 12 months from the date of the approval of these financial statements.

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1. Accounting policies (continued)

1.4 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 2023****1. Accounting policies (continued)****1.5 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 eBooks

Revenue from the sale of eBooks is charged on a per user 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 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.

1.6 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.

1.7 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 5 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.

1.8 Finance costs

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

KORTEXT LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023****1. Accounting policies (continued)****1.9 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.

1.10 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.

1.11 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 2023****1. Accounting policies (continued)****1.12 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:

Capitalised Formation Costs	-	20 %
Development expenditure	-	20 %
Goodwill	-	20 %
Trademarks	-	20 %

1.13 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 Group 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 2023****1. Accounting policies (continued)****1.13 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.

1.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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

1.15 Debtors

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

1.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

1.17 Creditors

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

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**1. Accounting policies (continued)****1.18 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.

1.19 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 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 profit and loss account 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 profit and loss account.

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 2023

2. 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.

Fair values assigned to acquired assets and liabilities

The determination of the fair values attributed to acquired assets and liabilities requires estimates to be made about the outcome of future events, including the condition of acquired assets, the ongoing value to the business of intangible assets and the recoverability of other assets. For liabilities, an assessment is required to identify any unrecorded liabilities or disputed amounts to determine whether liabilities should be recognised at the point of acquisition.

Impairment of investments and Goodwill

Investments are reviewed annually for impairment based on future forecast profitability of the Group. Where this highlights indicators of impairment a suitable impairment charge will be recorded in the financial statements.

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. At each reporting date the Group assesses whether there is any indication of impairment of capitalised development costs. 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.

Impairment of Development costs

The annual amortisation charge for intangible assets is sensitive to changes in estimated useful economic life of the assets. The useful economic life and residual value of an asset is reassessed for impairment annually. There is no indication that the Group's business will not continue to trade profitably and hence the life may differ or be longer than the estimated useful economic life of intangible assets

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 21.

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.

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**3. Turnover**

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

	2023 £	2022 £
Turnover related to the sale of goods	18,382,300	20,659,600
Turnover related to the rendering of services	2,654,908	623,710
	<u>21,037,208</u>	<u>21,283,310</u>

4. Other operating income

	2023 £	2022 £
Profit on disposal of tangible assets	1,434	-
	<u>1,434</u>	<u>-</u>

5. Operating loss

The operating loss is stated after charging:

	2023 £	2022 £
Exchange differences	167,450	(205,473)
Other operating lease rentals	90,741	69,727
Amortisation	3,558,796	1,940,454
Depreciation	68,087	49,672
	<u></u>	<u></u>

6. Auditor's remuneration

During the year, the Group obtained the following services from the Company's auditor:

	2023 £	2022 £
Fees payable to the Group's auditor for the audit of the consolidated and parent Group's financial statements	40,500	37,000
Fees payable to the Group's auditor in respect of:		
The auditing of accounts of subsidiaries of the Company	9,000	-
Taxation compliance services	12,000	7,000
Other services relating to taxation	38,500	30,000
All non-audit services not included above	5,000	-
	<u></u>	<u></u>

KORTEXT LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023****7. Employees**

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

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Wages and salaries	9,193,345	5,360,346	4,654,371	5,323,441
Social security costs	669,441	431,504	477,211	426,067
Cost of defined contribution scheme	103,939	127,902	67,233	127,902
	<u>9,966,725</u>	<u>5,919,752</u>	<u>5,198,815</u>	<u>5,877,410</u>

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

	2023 No.	2022 No.
Employees	<u>197</u>	<u>133</u>

8. Directors' remuneration

	2023 £	2022 £
Directors' emoluments	596,803	736,390
Group contributions to defined contribution pension schemes	<u>7,955</u>	<u>90,526</u>
	<u>604,758</u>	<u>826,916</u>

During the year retirement benefits were accruing to no directors (2022: 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £201,268 (2022: £221,257).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £7,955 (2022: £1,125).

The total accrued pension provision of the highest paid director at 30 June 2023 amounted to £NIL (2022: £NIL).

The amount of the accrued lump sum in respect of the highest paid director at 30 June 2023 amounted to £NIL (2022: £NIL).

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

9. Interest payable and similar expenses

	2023 £	2022 £
Bank interest payable	187,250	20,677
	<u>187,250</u>	<u>20,677</u>

10. Taxation

	2023 £	2022 £
Corporation tax		
Current tax on profits for the year	(1,006,961)	(1,144,856)
Adjustments in respect of previous periods	8,725	-
	<u>(998,236)</u>	<u>(1,144,856)</u>
Foreign tax		
Foreign tax on income for the year	(204)	-
	<u>(204)</u>	<u>-</u>
Total current tax	<u>(998,440)</u>	<u>(1,144,856)</u>
Deferred tax		
Origination and reversal of timing differences	-	(1,095,902)
Total deferred tax	<u>-</u>	<u>(1,095,902)</u>
Taxation on loss on ordinary activities	<u>(998,440)</u>	<u>(2,240,758)</u>

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year and 2021 were lower than (2022: lower than) the standard rate of corporation tax in the UK of 20.5% (2022: 19%). The differences are explained below:

	2023 £	2022 £
Loss on ordinary activities before tax	(6,154,736)	(2,570,617)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.5% (2022: 19%)	(1,262,323)	(488,417)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	329,311	115,969
Higher rate taxes on overseas earnings	-	2,439
Other timing differences leading to an increase (decrease) in taxation	-	(1,371,940)
Non-taxable income	(68,643)	(3,895)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(338,455)	(492,615)
Adjustment in respect of prior periods	258	-
Movement in deferred tax not recognised	392,598	-
Remeasurment of deferred tax for changes in tax rates	(77,480)	-
Other permanent differences	17,222	(2,299)
Difference in tax rate	9,072	-
Total tax charge for the year	(998,440)	(2,240,758)

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

11. Intangible assets

Group

	Capitalised Formation Costs £	Development expenditure £	Trademarks £	Goodwill £	Total £
Cost					
At 1 July 2022	13,787	14,618,016	3,424	152,478	14,787,705
Additions	-	3,996,041	-	7,323,907	11,319,948
On acquisition of subsidiaries	-	1,187,357	-	-	1,187,357
Foreign exchange movement	-	(14,672)	-	-	(14,672)
At 30 June 2023	13,787	19,786,742	3,424	7,476,385	27,280,338
Amortisation					
At 1 July 2022	13,787	8,337,742	2,056	152,478	8,506,063
Charge for the year	-	2,073,126	685	1,125,122	3,198,933
On acquired assets	-	754,070	-	-	754,070
Foreign exchange movement	-	(14,672)	-	-	(14,672)
At 30 June 2023	13,787	11,150,266	2,741	1,277,600	12,444,394
Net book value					
At 30 June 2023	-	8,636,476	683	6,198,785	14,835,944
At 30 June 2022	-	6,280,274	1,368	-	6,281,642

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

11. Intangible assets (continued)

Company

	Development expenditure £	Trademarks £	Total £
Cost			
At 1 July 2022	14,268,911	3,424	14,272,335
Additions	3,966,711	-	3,966,711
At 30 June 2023	18,235,622	3,424	18,239,046
Amortisation			
At 1 July 2022	7,988,637	2,056	7,990,693
Charge for the year	1,933,521	685	1,934,206
At 30 June 2023	9,922,158	2,741	9,924,899
Net book value			
At 30 June 2023	8,313,464	683	8,314,147
At 30 June 2022	6,280,274	1,368	6,281,642

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

12. Tangible fixed assets

Group

	Short-term leasehold property £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation						
At 1 July 2022	31,443	11,800	25,147	14,673	259,694	342,757
Additions	6,658	-	805	4,726	34,944	47,133
Acquisition of subsidiary	-	-	-	-	76,930	76,930
Disposals	-	(11,800)	-	-	(52,500)	(64,300)
At 30 June 2023	38,101	-	25,952	19,399	319,068	402,520
Depreciation						
At 1 July 2022	9,005	9,692	21,805	9,664	148,631	198,797
Charge for the year	1,740	-	972	2,348	44,551	49,611
Disposals	-	(9,692)	-	-	(32,565)	(42,257)
On acquired assets	-	-	-	-	45,206	45,206
At 30 June 2023	10,745	-	22,777	12,012	205,823	251,357
Net book value						
At 30 June 2023	27,356	-	3,175	7,387	113,245	151,163
At 30 June 2022	22,438	2,108	3,342	5,009	111,063	143,960

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

12. Tangible fixed assets (continued)

Company

	Short-term leasehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation					
At 1 July 2022	31,443	11,800	25,147	184,797	253,187
Additions	-	-	805	33,273	34,078
Disposals	-	(11,800)	-	-	(11,800)
At 30 June 2023	31,443	-	25,952	218,070	275,465
Depreciation					
At 1 July 2022	9,005	9,692	21,805	116,066	156,568
Charge for the year	1,574	-	972	35,666	38,212
Disposals	-	(9,692)	-	-	(9,692)
At 30 June 2023	10,579	-	22,777	151,732	185,088
Net book value					
At 30 June 2023	20,864	-	3,175	66,338	90,377
At 30 June 2022	22,438	2,108	3,342	68,731	96,619

13. Fixed asset investments

Group

	Investments in associates £	Unlisted investments £	Total £
Cost or valuation			
At 1 July 2022	176,676	92,431	269,107
Foreign exchange movement	-	(1,529)	(1,529)
Aquisition of associate	(176,676)	-	(176,676)
At 30 June 2023	-	90,902	90,902

KORTEXT LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023****13. Fixed asset investments (continued)****Company**

	Investments in subsidiary companies £	Investments in associates £	Unlisted investments £	Total £
Cost or valuation				
At 1 July 2022	152,793	176,676	46,500	375,969
Additions	6,669,729	-	-	6,669,729
Aquisition of associate	176,676	(176,676)	-	-
At 30 June 2023	<u>6,999,198</u>	<u>-</u>	<u>46,500</u>	<u>7,045,698</u>

On 15th July 2022 the Company acquired 70% of the share capital of NewClicks B.V., having previously owned 30%. This resulted in the entity transitioning from an associate to a fully owned subsidiary of the Group.

KORTEXT LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023****13. Fixed asset investments (continued)****Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Cloudspring Technologies Limited	26-32 Suite B, Avalon House, 26-32 Oxford Road, Bournemouth, Dorset, England, BH8 8EZ	Ordinary	100%
Kortext Australia Pty Ltd	Suite 405, 83 York St, Sydney, NSW, 2000, Australia	Ordinary	100%
Kortext Canada Ltd	272 Winterbury Blvd, Thorold, St Catherines, Ontario, L2V 5E5, Canada	Ordinary	100%
Kortext FZCO	Dubai Silicon Oasis, DDP, Building A2, Dubai, United Arab Emirates	Ordinary	100%
Kortext Inc	1101 Dawnwood Dr, Old Hickory, TN 37138-4225, United States of America	Ordinary	100%
Learnsmart Limited	Suite B, Floor 6, Avalon House, Oxford Road, Bournemouth, United Kingdom, BH8 8EZ	Ordinary	100%
Solutionpath Limited	26-32 Oxford Road, Suite B, 6th Floor, Avalon House, Bournemouth, Dorset, England, BH8 8EZ	Ordinary	100%
NewClicks B.V.	Linnaeusstraat 41H, 1093 EG Amsterdam, the Netherlands	Ordinary	100%

KORTEXT LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023****13. Fixed asset investments (continued)****Subsidiary undertakings (continued)**

The aggregate of the share capital and reserves as at 30 June 2023 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) £
Cloudspring Technologies Limited	100	-
Kortext Australia Pty Ltd	(363,296)	(5,199)
Kortext Canada Ltd	(50,910)	(51,170)
Kortext FZCO	-	-
Kortext Inc	(368,034)	23,249
Learnsmart Limited	1	-
Solutionpath Limited	(1,054,431)	(587,428)
NewClicks B.V.	225,699	93,581

14. Debtors

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Trade debtors	1,980,505	1,932,333	895,265	1,931,895
Amounts owed by group undertakings	-	-	2,138,439	1,279,225
Other debtors	1,167,598	493,594	1,449,602	484,523
Prepayments and accrued income	381,236	163,942	368,181	150,646
Tax recoverable	2,451,817	1,674,339	2,010,509	1,674,339
	<u>5,981,156</u>	<u>4,264,208</u>	<u>6,861,996</u>	<u>5,520,628</u>

15. Cash and cash equivalents

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Cash at bank and in hand	10,108,066	19,929,331	9,274,698	19,490,969
Less: bank overdrafts	(37,542)	(34,684)	(30,570)	(31,810)
	<u>10,070,524</u>	<u>19,894,647</u>	<u>9,244,128</u>	<u>19,459,159</u>

KORTEXT LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023****16. Creditors: Amounts falling due within one year**

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Bank overdrafts	37,542	34,684	30,570	31,810
Other loans	1,068,907	-	1,068,907	-
Trade creditors	3,516,075	4,344,069	3,744,722	4,328,002
Other taxation and social security	488,616	192,710	150,210	145,145
Other creditors	103,896	66,174	90,213	66,174
Accruals and deferred income	5,683,501	5,402,713	3,897,790	5,397,562
	<u>10,898,537</u>	<u>10,040,350</u>	<u>8,982,412</u>	<u>9,968,693</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Included in Accruals and deferred income is an amount of £1,106,163 (2022: £2,398,471) which relates to the platform redundancy and content archival provision. See Note 2 for further details.

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

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Bank loans	2,867,409	41,270	2,867,409	41,270
Other loans	1,888,460	-	1,888,460	-
	<u>4,755,869</u>	<u>41,270</u>	<u>4,755,869</u>	<u>41,270</u>

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

18. Loans

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Amounts falling due within one year				
Other loans	1,068,907	-	1,068,907	-
Amounts falling due 1-2 years				
Other loans	1,888,460	-	1,888,460	-
Amounts falling due 2-5 years				
Bank loans	2,867,409	41,270	2,867,409	41,270
	<u>5,824,776</u>	<u>41,270</u>	<u>5,824,776</u>	<u>41,270</u>

The Bank loan represents a loan from HSBC secured against the assets of the company with interest charged at 5% above the Bank of England base rate.

Other loans represents the Loan notes issued on the purchase of Solutionpath Ltd, with interest paid annually at 2% above the Bank of England base rate.

19. Deferred taxation

Group

	2023 £
Arising on business combinations	(7,084)
At end of year	<u>(7,084)</u>

	Group 2023 £	Company 2022 £
Accelerated capital allowances	(7,084)	-
	<u>(7,084)</u>	<u>-</u>

KORTEXT LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023****20. Share capital**

	2023	2022
	£	£
Allotted, called up and fully paid		
802,448 (2022: 802,648) Ordinary shares shares of £0.001 each	802	802
65,660 (2022: 65,600) Series A preferred shares of £0.001 each	66	66
131,093 (2022: 131,093) Series B preferred shares of £0.001 each	131	131
	<hr/>	<hr/>
	999	999
	<hr/>	<hr/>

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.

21. Reserves**Share premium account**

This represents 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 company's shares.

Foreign exchange reserve

This represents all resulting exchange differences from translating foreign subsidiaries balances into the group's presentation currency.

Other reserves

This represents the charge for the share options issued by the company.

Profit and loss account

This represents the accumulated profits and losses for the current period and prior periods less dividends paid.

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

22. 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 proceeding. The Company measures the cost of equity-settled options based on the fair value of the awards granted along with the estimated number of options which will convert. 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.

In calculating the share option charge, the latest forecasts were used in estimating the likelihood of share options to convert based on their vesting conditions. Based on the change in the forecasts for the current year vs the prior year the total number of shares expected to vest has decreased and as such there is a credit in the profit and loss in the year.

	Weighted average exercise price (£) 2023	Number 2023	Weighted average exercise price (£) 2022	Number 2022
Outstanding at the beginning of the year	12.63	68,739	12.99	70,739
Granted during the year	95.78	14,200	27	3,550
Forfeited during the year	-	-	27	(3,000)
Exercised during the year	-	-	-	-
Expired during the year	-	-	27	(2,550)
Outstanding at the end of the year	26.87	82,939	12.63	68,739

	2023	2022
Option pricing model used	Black Scholes	Black Scholes
Weighted average share price (£)	126.50	69.95
Weighted average exercise price (£)	95.78	27
Weighted average contractual life (years)	3.33	1.33
Expected volatility	40%	61.12%
Expected dividend growth rate	0%	0%
Risk-free interest rate	4.25%	0.79%

	2023 £	2022 £
Equity-settled schemes	(190,946)	536,973
	<u>(190,946)</u>	<u>536,973</u>

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

23. Business combinations

On the 22 September 2022 Kortext Limited acquired 100% of the shares in Solutionpath Limited.
On the 1 July 2022 Kortext Ltd acquired 70% of the share in Newclicks B.V. (previously held 30%) to give a total shareholding of 100%.

Acquisition of Solutionpath Limited

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £	Fair value £
Fixed Assets		
Tangible	31,724	31,724
Intangible	370,740	370,740
	<u>402,464</u>	<u>402,464</u>
Current Assets		
Debtors	627,980	627,980
Cash at bank and in hand	723,699	723,699
	<u>1,754,143</u>	<u>1,754,143</u>
Total Assets		
Creditors		
Due within one year	(1,576,740)	(1,576,740)
Due after more than one year	(781,250)	(781,250)
Deferred taxation	(7,084)	(7,084)
	<u>(610,931)</u>	<u>(610,931)</u>
Total Identifiable net liabilities		
		<u>6,793,381</u>
Total purchase consideration		<u>6,182,450</u>
Consideration		
		£
Cash		3,120,882
Debt instruments		2,832,690
Directly attributable costs		228,878
Total purchase consideration		<u>6,182,450</u>

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

23. Business combinations (continued)

Cash outflow on acquisition

	£
Purchase consideration settled in cash, as above	3,120,882
Directly attributable costs	229,178
	<u>3,350,060</u>
Less: Cash and cash equivalents acquired	(723,699)
Net cash outflow on acquisition	<u><u>2,626,361</u></u>

The goodwill arising on acquisition is attributable to expected future revenue streams made accessible through the acquisition of Solutionpath Ltd.

The results of Solutionpath Limited since acquisition are as follows:

	Current period since acquisition £
Turnover	1,774,344
(Loss) for the period since acquisition	<u><u>(443,490)</u></u>

Acquisition of Newclicks B.V.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £	Fair value adjustments £	Fair value £
Fixed Assets			
Intangible	62,547	-	62,547
	<u>62,547</u>	<u>-</u>	<u>62,547</u>
Current Assets			
Debtors	22,278	-	22,278
Cash at bank and in hand	80,329	-	80,329
Total Assets	<u>165,154</u>	<u>-</u>	<u>165,154</u>
Creditors			
Due within one year	(34,203)	-	(34,203)
Total identifiable net assets	<u>130,951</u>	<u>-</u>	<u>130,951</u>
Goodwill			532,704
Total purchase consideration			<u><u>663,655</u></u>

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**23. Business combinations (continued)****Consideration**

	£
Cash	477,537
Previous holdings	176,676
Directly attributable costs	9,442
Total purchase consideration	663,655

Cash outflow on acquisition

	£
Purchase consideration settled in cash, as above	477,537
Directly attributable costs	9,442
	486,979
Less: Cash and cash equivalents acquired	(80,329)
Net cash outflow on acquisition	406,650

The goodwill arising on acquisition is attributable to expected future revenue streams made accessible through the acquisition of Newclicks B.V.

The results of Newclicks B.V. since acquisition are as follows:

	Current period since acquisition £
Turnover	288,740
Profit for the period since acquisition	94,087

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 £190,046 (2022: £127,902). Contributions totalling £84,932 (2022: £65,155) were payable to the fund at the balance sheet date and are included in creditors.

KORTEXT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

25. Commitments under operating leases

At 30 June 2023 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Not later than 1 year	139,367	155,936	119,282	134,510
Later than 1 year and not later than 5 years	355,579	403,938	355,579	380,727
	<u>494,946</u>	<u>559,874</u>	<u>474,861</u>	<u>515,237</u>

26. Related party transactions

Entities with a director in common

During the year, the Company made purchases of £125,000 (2022: £94,556) and cost recharges of £29,317 (2022: £44,792) to entities with a director in common. £Nil (2022: £Nil) was outstanding at the balance sheet date. All transactions were conducted at arms length.

Entities owned by Kortext Limited

The group has taken advantage of the exemption, under the terms of FRS102 Paragraph 33.1A not to disclose related party transactions with wholly owned subsidiaries within the group.

27. Controlling party

There is no ultimate controlling party.