

ECONTEXT.AI LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**



ECONTEXT.AI LIMITED
Registered number: 03141037

Balance sheet
As at 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	4	4,331	6,094
		<u>4,331</u>	<u>6,094</u>
Current assets			
Stocks		1,000	1,000
Debtors: amounts falling due within one year	5	467,607	364,677
Cash at bank and in hand		243,030	872,925
		<u>711,637</u>	<u>1,238,602</u>
Preference share creditor		(2,648,054)	(2,603,054)
Other creditors		(9,134,837)	(8,244,147)
Creditors: amounts falling due within one year	6	(11,782,891)	(10,847,201)
Net current liabilities		<u>(11,071,254)</u>	<u>(9,608,599)</u>
Total assets less current liabilities		<u>(11,066,923)</u>	<u>(9,602,505)</u>
Creditors: amounts falling due after more than one year	7	-	(523,918)
Net liabilities		<u>(11,066,923)</u>	<u>(10,126,423)</u>
Capital and reserves			
Called up share capital		24,184	24,184
Share premium account		6,550,673	6,550,673
Profit and loss account		(17,641,780)	(16,701,280)
		<u>(11,066,923)</u>	<u>(10,126,423)</u>

ECONTEXT.AI LIMITED
Registered number: 03141037

Balance sheet (continued)
As at 31 December 2022

The financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

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



27 July 2023

Mr S Scarr
Director

The notes on pages 3 to 9 form part of these financial statements.

ECONTEXT.AI LIMITED

Notes to the financial statements For the Year Ended 31 December 2022

1. General information

Econtext.AI Limited is a private limited company incorporated in the United Kingdom and registered in England and Wales. The company's registered office is 167 Great Portland Street, London, W1W 5PF.

The principal activity of the company is the continued provision of services for internet users.

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 Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on a going concern basis despite an excess of liabilities over total assets at 31 December 2022.

If all the creditors of the company were to demand immediate payment the company would be unable to continue trading. In this case the going concern basis would be inappropriate.

Included in creditors are preference shareholder liabilities which, including accrued finance charges, amount to £2,648,054. These can only be repaid when the company has sufficient distributable reserves. Additionally, the holders of loans to whom the company has a total liability at the year end of £7,028,054 have confirmed that they will not seek repayment except within the terms of their loan contracts and in any event only when the company has sufficient working capital.

During 2022 the company increased the mobile traffic it processed in collaboration with a US incorporated organisation and in 2023 it has taken a majority shareholding in the company to which it has sold the Complementics operation.

Accordingly, the directors are satisfied that these financial statements are appropriately prepared on the basis applicable to a going concern.

2.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

ECONTEXT.AI LIMITED

Notes to the financial statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.4 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.

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:

Computer equipment	-	25% straight line basis
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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.

2.5 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.6 Debtors

Short-term debtors are measured at transaction price, less any impairment.

2.7 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.

ECONTEXT.AI LIMITED

Notes to the financial statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.8 Financial instruments

The Company 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.

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 Profit and loss account.

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.

2.9 Creditors

Short-term creditors are measured at the transaction price.

2.10 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*. Transactions during the year have been translated into GBP at the average rate of \$1.30. Balances at the 31 December 2022 have been converted at \$1.21.

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.

ECONTEXT.AI LIMITED

Notes to the financial statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.11 Taxation

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 operates and generates 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.12 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.

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.

3. Employees

The average monthly number of employees, including directors, during the year was 21 (2021 - 20).

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Notes to the financial statements
For the Year Ended 31 December 2022

4. Tangible fixed assets

	Computer equipment £
Cost	
At 1 January 2022	10,251
At 31 December 2022	<u>10,251</u>
Depreciation	
At 1 January 2022	4,157
Charge for the year on owned assets	1,763
At 31 December 2022	<u>5,920</u>
Net book value	
At 31 December 2022	<u>4,331</u>
At 31 December 2021	<u>6,094</u>

ECONTEXT.AI LIMITED

**Notes to the financial statements
For the Year Ended 31 December 2022**

5. Debtors

	2022 £	2021 £
Trade debtors	465,806	364,390
Other debtors	1,801	287
	<u>467,607</u>	<u>364,677</u>

6. Creditors: Amounts falling due within one year

	2022 £	2021 £
Loans payable	3,620,038	3,048,321
Trade creditors	266,934	285,905
Other creditors	1,118,196	519,006
Amounts owed to directors	2,876,654	2,554,497
Accruals and deferred income	1,253,015	1,836,418
Arrears of preference share finance charge	1,748,054	1,703,054
Preference share capital treated as debt	900,000	900,000
	<u>11,782,891</u>	<u>10,847,201</u>

The redeemable preference shares are classified as a financial liability in accordance with FRS 102 section 22. The company has the right to redeem any number of the preference shares, subject to all finance charges on the preference shares having been satisfied, by giving three months notice. The shareholders may give notice to redeem any number of their preference shares any time following the third anniversary of receipt of funds and by giving three months notice.

Holders of £900,000 of the preference shares are parties to a shareholders agreement dated 8 September 2003, under which they have agreed the finance charge shall be 9% per annum from 8 September 2003. Holders of the redeemable preference shares gave notice of redemption with effect from 27 March 2005. On 22 November 2018 the shareholders agreed to reduce the finance charge from 9% to 5%. Notwithstanding the rights of both the company and of the shareholders to give notice of redemption the company is only permitted to make such redemptions in accordance with Section 687 (2) of the Companies Act 2006, out of distributable profits or a fresh issue of shares made specifically for the purpose of such redemption. At present the company is not in a position to satisfy either of the provisions, and as a consequence thereof the holders of the preference shares are entitled to vote on all resolutions with effect from 27 June 2005 at Company Shareholder meetings with one vote for each share held.

Included in loans payable due in less than one year is £900,000 (2021: £900,000) which is secured by way of a fixed charge over the assets of the company.

Included in loans payable due in less than one year is £479,808 (2021: £Nil) which is secured by way of a fixed charge over the assets of the company.

ECONTEXT.AI LIMITED

Notes to the financial statements
For the Year Ended 31 December 2022

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

	2022 £	2021 £
Other creditors	-	523,918
	<u>-</u>	<u>523,918</u>

Included in loans payable due after more than one year is £Nil (2021: £479,808) which is secured by way of a fixed charge over the assets of the company.

8. Auditors' information

The auditors' report on the financial statements for the year ended 31 December 2022 was unqualified.

In their report, the auditors emphasised the following matter without qualifying their report:

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The audit report was signed on 27 July 2023 by Andrew Burch (Senior statutory auditor) on behalf of Sayers Butterworth LLP.