CultureAI Ltd

Registered Number
09671771
(England and Wales)

Unaudited Financial Statements for the Year ended 31 December 2023

CultureAI Ltd

Company Information
for the year from 1 January 2023 to 31 December 2023

Directors	R S Dighero
	K Lazurenko
	J E Moore
	J C Stokes
Registered Address	Cultureai, Bold Bauhaus, 2nd Floor
	27 Quay Street
	Manchester
	M3 3GY
Registered Number	09671771 (England and Wales)

CultureAI Ltd

Statement of Financial Position
31 December 2023

	Notes	2023		2022	
		£	£	£	£
Fixed assets					
Intangible assets	4		1,469		2,909
Tangible assets	5		122,213		52,863
			123,682		55,772
Current assets					
Debtors	6	629,887		373,705	
Cash at bank and on hand		1,739,033		1,256,138	
		2,368,920		1,629,843	
Creditors amounts falling due within one year	7	(974,504)		(533,681)	
Net current assets (liabilities)			1,394,416		1,096,162
Total assets less current liabilities			1,518,098		1,151,934
Creditors amounts falling due after one year	8		(4,015,552)		(25,683)
Net assets			(2,497,454)		1,126,251
Capital and reserves					
Called up share capital			183		183
Share premium			3,879,914		3,895,639
Other reserves			147,397		42,632
Profit and loss account			(6,524,948)		(2,812,203)
Shareholders' funds			(2,497,454)		1,126,251

The company was entitled to exemption from audit for this reporting period under section 477 of the Companies Act 2006 relating to small companies.

The members have not required the company to obtain an audit in accordance with section 476 of the Companies Act 2006.

The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The directors have chosen to not file a copy of the company's profit and loss account under section 444 (5A) Companies Act 2006.

The financial statements were approved and authorised for issue by the Board of Directors on 22 August 2024, and are signed on its behalf by:

K Lazurenko
Director
Registered Company No. 09671771

1. Accounting policies

Statutory information

The company is a private company limited by shares and registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006.

Basis of preparation

The financial statements have been prepared under the historical cost convention.

Functional and presentation currency

The financial statements are presented in pound sterling (£), which is the company's functional currency, and figures are rounded to the nearest whole pound.

Going concern

The financial statements have been prepared on a going-concern basis. The company incurred losses during the year, however, the directors believe that the company has sufficient resources available for it to be able to continue to meet its obligations, if and when they become due and they have a reasonable belief that the company can continue in operational existence for the foreseeable future. The directors are therefore of the opinion that they should continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover policy

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax, and other sales taxes.

Revenue from rendering of services

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred, and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

Defined contribution pension plan

Contributions to defined contribution plans are expensed in the period to which they relate.

Share-based payments

The company operates an equity-settled compensation plan. The fair value of the services received in exchange for the grant of the options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statement of position date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement. The credit entry is taken to reserves because the share options are equity-settled.

Foreign currency translation

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

At each reporting 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 the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Current taxation

Taxation for the year comprises current tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. Group relief of trading losses has been claimed to utilised some of the losses incurred.

Tax credits shown on the income statement represent tax credits received or receivable from HMRC as a result of claims made under HMRC's R&D tax relief schemes.

Deferred tax

Deferred tax is recognised in respect of all timing differences between the recognition of income and expenses in the financial statements and their inclusion in tax assessments. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference, except for revalued land and investment property where the tax rate that applies to the sale of the asset is used. Current and deferred tax assets and liabilities are not discounted.

Intangible assets

Intangible assets are recognised at cost and are subsequently measured cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided at the following annual rates in order to write off each intangible asset over its estimated annual life:

	Straight line (years)
Other assets	5

Research and development

Revenue expenditure on research and development is written off in the period in which it is incurred.

Tangible fixed assets and depreciation

Tangible assets are stated at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

	Straight line (years)
Fixtures and fittings	4
Office Equipment	3

Finance leases and hire purchase contracts

Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Trade and other debtors

Short term debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts. Loans and other financial assets are initially recognised at transaction price including any transaction costs and subsequently measured at amortised cost determined using the effective interest method, less any impairment losses for bad and doubtful debts.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

Trade and other creditors

Short term creditors are measured at transaction price (which is usually the invoice price). Loans and other financial liabilities are initially recognised at transaction price net of any transaction costs and subsequently measured at amortised cost determined using the effective interest method.

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

The Company only enters into basic financial instruments 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 non-puttable 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 the 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 financed at a rate of interest that is not a market rate or in case of an outright short term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position 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.

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk to changes in value.

2. Staff Costs

Share Options

The company operates an EMI qualifying share option scheme and during the year the company granted 234,342 (2022: 167,921) EMI qualifying share options to employees at an average weighted exercise price of £1.190 per share (2022: £1.190). During the year 196,254 share options vested (2022: 76,521), 167,921 lapsed (2022: 0) and 0 options were exercised (2022: 0). At the statement of financial position date, 104,854 vested share options remained exercisable (2022: 76,521) and 129,488 options had yet to vest (2022: 91,400). An amount of £139,539 has been charged to the income statement in respect of the EMI qualifying share options (2022: £42,632).

The company also operates an unapproved share option scheme and during the year the company granted 24,762 (2022: 0) unapproved share options to contractors at an average weighted exercise price of £2.902 per share (2022: £nil). During the year 7,198 share options vested (2022: 0), 0 lapsed (2022: 0) and no options were exercised (2022: 0). At the statement of financial position date, 7,198 vested share options remained exercisable (2022: 0) and 17,564 options had yet to vest (2022: 0). An amount of £7,858 has been charged to the income statement in respect of the unapproved share options (2022: £nil).

The share options generally vest over a 4 year period with a 1 year cliff and are exercisable over the company's Ordinary shares.

3. Average number of employees

	2023	2022
Average number of employees during the year	33	16

4. Intangible assets

Other intangible assets consist of Trademarks.

	Other	Total
	£	£
Cost or valuation		
At 01 January 23	7,199	7,199
At 31 December 23	7,199	7,199
Amortisation and impairment		
At 01 January 23	4,290	4,290
Charge for year	1,440	1,440
At 31 December 23	5,730	5,730
Net book value		
At 31 December 23	1,469	1,469
At 31 December 22	2,909	2,909

5. Tangible fixed assets

	Fixtures & fittings	Office Equipment	Total
	£	£	£
Cost or valuation			
At 01 January 23	15,030	82,283	97,313
Additions	85,740	35,429	121,169
At 31 December 23	100,770	117,712	218,482
Depreciation and impairment			
At 01 January 23	7,557	36,893	44,450
Charge for year	16,804	35,015	51,819
At 31 December 23	24,361	71,908	96,269
Net book value			
At 31 December 23	76,409	45,804	122,213
At 31 December 22	7,473	45,390	52,863

6. Debtors: amounts due within one year

	2023	2022
	£	£
Trade debtors / trade receivables	356,048	85,758
Other debtors	18,458	26,912
Prepayments and accrued income	255,381	261,035
Total	629,887	373,705

7. Creditors: amounts due within one year

	2023	2022
	£	£
Trade creditors / trade payables	179,427	187,223
Bank borrowings and overdrafts	9,392	9,818
Taxation and social security	126,856	51,872
Other creditors	8,734	4,712
Accrued liabilities and deferred income	650,095	280,056
Total	974,504	533,681

8. Creditors: amounts due after one year

	2023	2022
	£	£
Bank borrowings and overdrafts	15,559	25,683
Convertible loans	3,999,993	-
Total	4,015,552	25,683

The company's total bank borrowings and overdrafts amounting to £24,951 (2022: £35,501), disclosed in note 7 and 8 above, are guaranteed by the UK government under the Coronavirus Bounce Back Loan scheme. Fixed interest of 2.50% per annum is paid monthly.

The directors' of the company passed a resolution on 4 February 2023 and issued 4,000,000 £1 unsecured convertible loan notes. The loan notes are redeemable two years from the date of this instrument or such later date set out in a written notice to the Company by the Noteholder Supermajority or on an earlier qualifying event. The loan notes do not bear interest.

9. Operating lease commitments

Minimum lease payments due under non-cancellable operating leases fall due as follows:

Within one year: £236,628 (2022: £192,000)
Between 1-2 years £114,912 (2022: £nil)