

Company Registration No. 09453268 (England and Wales)

**PHRASEE LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 28 FEBRUARY 2022**  
**PAGES FOR FILING WITH REGISTRAR**

# PHRASEE LIMITED

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# PHRASEE LIMITED

## BALANCE SHEET

AS AT 28 FEBRUARY 2022

		2022		2021	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	4		23,621		7,858
Investments	5		4		4
			<u>23,625</u>		<u>7,862</u>
<b>Current assets</b>					
Debtors	7	2,958,549		1,907,692	
Cash at bank and in hand		2,269,531		2,612,816	
		<u>5,228,080</u>		<u>4,520,508</u>	
<b>Creditors: amounts falling due within one year</b>	8	<u>(3,877,228)</u>		<u>(2,570,975)</u>	
<b>Net current assets</b>			<u>1,350,852</u>		<u>1,949,533</u>
<b>Total assets less current liabilities</b>			<u>1,374,477</u>		<u>1,957,395</u>
<b>Creditors: amounts falling due after more than one year</b>	9		<u>(42,500)</u>		<u>(50,000)</u>
<b>Net assets</b>			<u><u>1,331,977</u></u>		<u><u>1,907,395</u></u>
<b>Capital and reserves</b>					
Called up share capital	11		168		168
Share premium account	12		5,512,326		5,512,326
Other reserves			1,616,379		-
Profit and loss reserves			<u>(5,796,896)</u>		<u>(3,605,099)</u>
<b>Total equity</b>			<u><u>1,331,977</u></u>		<u><u>1,907,395</u></u>

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 27 October 2022 and are signed on its behalf by:

P H Malm  
Director

Company Registration No. 09453268

# PHRASEE LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 28 FEBRUARY 2022

	Share capital	Share premium account	Other reserves	Profit and loss reserves	Total
Notes	£	£	£	£	£
<b>Balance at 29 February 2020</b>	152	3,889,439	-	(3,138,069)	751,522
<b>Year ended 28 February 2021:</b>					
Loss and total comprehensive income for the year	-	-	-	(467,030)	(467,030)
Issue of share capital	11 16	1,622,887	-	-	1,622,903
<b>Balance at 28 February 2021</b>	168	5,512,326	-	(3,605,099)	1,907,395
<b>Year ended 28 February 2022:</b>					
Loss and total comprehensive income for the year	-	-	-	(2,191,797)	(2,191,797)
Equity settled share based payments	-	-	1,616,379	-	1,616,379
<b>Balance at 28 February 2022</b>	168	5,512,326	1,616,379	(5,796,896)	1,331,977

# PHRASEE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2022

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### 1 Accounting policies

#### Company information

Phrasee Limited is a private company limited by shares incorporated in England and Wales. The registered office is 82 St John Street, London, EC1M 4JN.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 399 of the Companies Act 2006 not to prepare consolidated accounts, on the basis that the group of which this is the parent qualifies as a small group. The financial statements present information about the company as an individual entity and not about its group.

#### 1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors intend to continue to raise equity and debt funding to invest in the company's growth. Should market conditions change and funding not be available then the directors will change the company's operational strategy accordingly. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT.

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.

#### 1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

#### 1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings & equipment	100% straight line
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# PHRASEE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

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### 1 Accounting policies (Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### 1.6 Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

#### 1.7 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand and deposits held at call with banks.

#### 1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost. Financial assets classified as receivable within one year are not amortised.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

##### **Basic financial liabilities**

Basic financial liabilities, including creditors, are initially recognised at transaction price. Financial liabilities classified as payable within one year are not amortised.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price.

#### 1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### 1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

# PHRASEE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

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### 1 Accounting policies

(Continued)

#### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### *Deferred tax*

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### 1.13 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

# PHRASEE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

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### 1 Accounting policies (Continued)

#### 1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

#### 1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### **Critical judgements**

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

#### **Tangible fixed assets**

Tangible fixed assets are depreciated over their useful lives, taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

#### **Debtor recoverability**

The directors make an estimate of the recoverable value of trade and other debtors. When assessing the provision against trade and other debtors, management considers factors including the ageing profile of debtors and management's historical experience.

#### **Share based payment provisions**

The company operates an EMI share option scheme, which may create a future share based payment if certain conditions are met. With the sale of the company post balance sheet date, the conditions have been met and a share based payment expense has been recognised.

#### **Revenue recognition**

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion. The directors make judgements over the stage of completion, costs incurred and costs to complete in respect of each contract.

# PHRASEE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

### 3 Employees

The average monthly number of persons (including directors) employed by the company during the year was 55 (2021 - 44).

### 4 Tangible fixed assets

	Plant and machinery etc
	£
<b>Cost</b>	
At 1 March 2021	79,705
Additions	54,077
	<hr/>
At 28 February 2022	133,782
	<hr/>
<b>Depreciation and impairment</b>	
At 1 March 2021	71,847
Depreciation charged in the year	38,314
	<hr/>
At 28 February 2022	110,161
	<hr/>
<b>Carrying amount</b>	
At 28 February 2022	23,621
	<hr/> <hr/>
At 28 February 2021	7,858
	<hr/> <hr/>

### 5 Fixed asset investments

	2022	2021
	£	£
Shares in group undertakings and participating interests	4	4
	<hr/> <hr/>	<hr/> <hr/>

### 6 Subsidiaries

Details of the company's subsidiaries at 28 February 2022 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Phrasee USA Inc	USA	Information service activities	Ordinary shares	100.00

# PHRASEE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

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7 Debtors	2022	2021
Amounts falling due within one year:	£	£
Trade debtors	2,061,817	1,263,288
Corporation tax recoverable	622,523	365,760
Other debtors	274,209	278,644
	<u>2,958,549</u>	<u>1,907,692</u>

8 Creditors: amounts falling due within one year	2022	2021
	£	£
Trade creditors	304,135	201,347
Amounts owed to group undertakings	106,667	24,458
Taxation and social security	166,764	98,798
Other creditors	3,299,662	2,246,372
	<u>3,877,228</u>	<u>2,570,975</u>

9 Creditors: amounts falling due after more than one year	2022	2021
	£	£
Bank loans	42,500	50,000
	<u>42,500</u>	<u>50,000</u>

On 22 May 2020 the company received a government Bounce Back Loan Scheme (BBLS) loan of £50,000. The government provides a guarantee for 100% of the loan and also provides business interruption payments whereby interest payments and any fees levied by the Lender are covered for the first year.

The loan is fully repayable after 72 months, by monthly instalments of £833 plus interest commencing 13 months after the loan drawdown date, with an interest rate of 2.5% per annum charged on the outstanding balance.

Creditors which fall due after five years are as follows:	2022	2021
	£	£
Payable by instalments	-	1,667
	<u>-</u>	<u>1,667</u>

## 10 Share-based payment transactions

The company has granted options under an Enterprise Management Incentive Scheme. Share options granted from time to time are placed in the employee's hands until exercise or expiry. Options are exercisable in the event of the sale of the company. Options remaining unexercised after a period of 10 years from the date of grant expire. Share options are forfeit if the employee leaves the company before the options vest.

# PHRASEE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

### 10 Share-based payment transactions (Continued)

	Number of share options		Weighted average exercise price	
	2022 Number	2021 Number	2022 £	2021 £
Outstanding at 1 March 2021	1,330,250	980,000	-	-
Granted	358,000	424,000	-	-
Forfeited	(14,375)	(73,750)	-	-
	1,673,875	1,330,250	-	-
Outstanding at 28 February 2022	1,673,875	1,330,250	-	-
Exercisable at 28 February 2022	-	-	-	-

The options outstanding at 28 February 2022 had an exercise price of £0.00001, and an average remaining contractual life of 5.4 years.

#### Liabilities and expenses

During the year, the company recognised total share-based payment expenses of £1,616,379 (2021: £nil) which related to equity settled share based payment transactions.

### 11 Called up share capital

	2022 Number	2021 Number	2022 £	2021 £
<b>Ordinary share capital</b>				
<b>Issued and fully paid</b>				
Ordinary shares of 0.001p each	11,770,946	11,770,946	118	118
B Ordinary shares of 0.001p each	356,580	356,580	3	3
	12,127,526	12,127,526	121	121
	12,127,526	12,127,526	121	121
<b>Preferred ordinary share capital</b>				
<b>Issued and fully paid</b>				
Preferred ordinary shares of 0.001p each	1,323,000	1,323,000	13	13
A1 preferred ordinary shares of 0.001p each	1,784,379	1,784,379	18	18
A2 preferred ordinary shares of 0.001p each	314,378	314,378	3	3
A3 preferred ordinary shares of 0.001p each	1,309,707	1,309,707	13	13
	4,731,464	4,731,464	47	47
	4,731,464	4,731,464	47	47
<b>Total equity share capital</b>			168	168

# PHRASEE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

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**11 Called up share capital** **(Continued)**

The preferred ordinary shares have full voting, dividend and capital distribution rights and can be converted to ordinary shares. In the event of the winding up of the company ordinary shares will rank above preferred ordinary shares.

The B ordinary shares have no voting or dividend rights. This class of shares carries full capital distribution rights. These shares are redeemable at nominal value at the option of the holder. In the event of the winding up of the company B ordinary shares will rank below ordinary shares and preferred ordinary shares.

**12 Share premium account**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
At the beginning of the year	5,512,326	3,889,439
Issue of new shares	-	1,699,987
Share issue expenses	-	(77,100)
	<u>5,512,326</u>	<u>5,512,326</u>
At the end of the year	<u>5,512,326</u>	<u>5,512,326</u>

**13 Audit report information**

As the income statement has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

The senior statutory auditor was Matthew Burge and the auditor was Beavis Morgan Audit Limited.

**14 Events after the reporting date**

In March 2022 the entire share capital of Phrasee Limited was acquired by Monorail Bidco Limited. Monorail Bidco Limited is a holding company of funds managed by Capital D Management LLP and co-investors.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.