

Safetonet Limited
Annual Report and Unaudited Financial Statements
for the Year Ended 31 October 2020

Safetonet Limited

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Safetonet Limited

(Registration number: 08733316)
Balance Sheet as at 31 October 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	<u>4</u>	28,036	39,294
Investments	<u>5</u>	327,716	327,708
		<u>355,752</u>	<u>367,002</u>
Current assets			
Debtors	<u>6</u>	4,798,595	813,845
Cash at bank and in hand		1,626,093	2,182,738
		6,424,688	2,996,583
Creditors: Amounts falling due within one year	<u>7</u>	(3,345,133)	(531,737)
Net current assets		<u>3,079,555</u>	<u>2,464,846</u>
Net assets		<u>3,435,307</u>	<u>2,831,848</u>
Capital and reserves			
Called up share capital		22,532	20,606
Share premium reserve		23,903,531	18,342,925
Other reserves		2,206,105	2,223,863
Profit and loss account		(22,696,861)	(17,755,546)
Shareholders' funds		<u>3,435,307</u>	<u>2,831,848</u>

Safetonet Limited

**(Registration number: 08733316)
Balance Sheet as at 31 October 2020**

For the financial year ending 31 October 2020 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

These financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime and the option not to file the Profit and Loss Account has been taken.

Approved and authorised by the Board on 18 December 2020 and signed on its behalf by:

.....

R M Pursey
Director

Safetonet Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 October 2020

1 General information

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

The address of its registered office is:

40 Caversham Road
Reading
Berkshire
RG1 7BT
England

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

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

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Presentational currency is sterling, £, and the financial statements are in round pounds except for some notes which are in greater detail.

Going concern

The financial statements have been prepared on a going concern basis. The company is reliant on external investors providing additional funds in order to continue. Without such funding the company would not be able to continue operating as a going concern. The directors are confident that funds will be forthcoming and enable the company to continue operating through to profitability. On that basis the financial statements have been prepared on a going concern basis.

In common with the rest of the UK, the Company complied with the UK Government lockdown requirements of 23rd March and this resulted in reduced activity. Despite the recent roll-out of vaccines in several of our markets, the impact of Coronavirus continues to be felt and in particular in Germany. However, the Directors are confident that the Company has adequate resources and markets to continue to trade successfully for the foreseeable future.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts. Monthly sales are recognised in turnover in full on the date of receipt. Subscriptions for a longer period are recognised over the life of the subscription.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate on the date when the fair value is re-measured.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Safetonet Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 October 2020

Tax

The tax expense for the period comprises current tax payable.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Office equipment	33% straight line basis

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	Straight line over 7 years

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

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Notes to the Unaudited Financial Statements for the Year Ended 31 October 2020

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call 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 of change in value.

Debtors

Debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Share based payments

The company operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the entity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Safetonet Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 October 2020

3 Staff numbers

The average number of persons employed by the company (including directors) during the year, was 28 (2019 - 34).

Safetonet Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 October 2020

4 Tangible assets

	Office equipment £	Total £
Cost or valuation		
At 1 November 2019	84,813	84,813
Additions	52,624	52,624
At 31 October 2020	<u>137,437</u>	<u>137,437</u>
Depreciation		
At 1 November 2019	45,519	45,519
Charge for the year	63,882	63,882
At 31 October 2020	<u>109,401</u>	<u>109,401</u>
Carrying amount		
At 31 October 2020	<u>28,036</u>	<u>28,036</u>
At 31 October 2019	<u>39,294</u>	<u>39,294</u>

5 Investments

	2020 £	2019 £
Investments in subsidiaries	<u>327,716</u>	<u>327,708</u>
Subsidiaries		
		£
Cost or valuation		
At 1 November 2019		327,708
Additions		<u>8</u>
At 31 October 2020		<u>327,716</u>
Provision		
Carrying amount		
At 31 October 2020		<u>327,716</u>
At 31 October 2019		<u>327,708</u>

Safetonet Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 October 2020

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2020	2019
Subsidiary undertakings				
Safetonet Deutschland GmbH	Hohenzollernring 72, 50672 Köln, Germany.	Ordinary share	100%	100%
Avanatta Limited	2 Old Bath Road, Newbury, Berkshire, England, RG14 1QL	Ordinary shares	100%	100%
Safetonet UK Limited	2 Old Bath Road, Newbury, Berkshire, England, RG14 1QL	Ordinary shares	100%	100%
Safetonet NA Holdings Inc	Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, BC, V6C 2B5, Canada	Common shares	100%	100%
VISR Inc	51 Breithaupt Street, Kitchener, Ontario N2H 5G5 Canada	Common shares and class seed preferred shares	100%	100%
Safetonet US Inc	1209 Orange Street, Wilmington, New Castle County, Delaware 19801, USA	Common stock	100%	100%
Safetonet Americas Inc	1209 Orange Street, Wilmington, New Castle County, Delaware 19801, USA	Common stock	100%	0%

The principal activity of all subsidiary undertakings is keeping children safe online. Safetonet Americas Inc was incorporated on 24 August 2020 and all the share capital owned by Safetonet Limited from incorporation and so there are no comparatives.

6 Debtors

Safetonet Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 October 2020

	2020 £	2019 £
Debtors	3,531,233	-
Prepayments	209,466	225,949
Other debtors	1,057,896	640,298
	4,798,595	866,247

7 Creditors

Creditors: amounts falling due within one year

	2020 £	2019 £
Due within one year		
Loans and borrowings	-	11,770
Creditors	364,550	150,768
Amounts owed to group undertakings and undertakings in which the company has a participating interest	232,076	121,646
Taxation and social security	307,175	82,794
Other creditors	314,428	164,759
Deferred income	2,126,904	-
	3,345,133	531,737

8 Loans and borrowings

	2020 £	2019 £
Current loans and borrowings		
Other borrowings	-	11,770
	-	11,770

9 Financial commitments, guarantees and contingencies

Amounts not provided for in the balance sheet

The total amount of financial commitments not included in the balance sheet is £210,000 (2019 - £654,317). Financial commitments relate to non-cancellable operating lease commitment of property.

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Notes to the Unaudited Financial Statements for the Year Ended 31 October 2020

10 Non adjusting events after the financial period

On 11th December 2020, the Company signed a contract to acquire the entire issued share capital of Content Watch Holdings inc., a US company.

For details of the effect of the Covid-19 pandemic on the company, please see note 2 accounting policies.

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.