

Registered number: 05518629

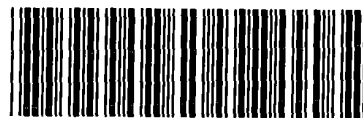
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**CENSORNET LIMITED**

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**FINANCIAL STATEMENTS**  
**INFORMATION FOR FILING WITH THE REGISTRAR**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**CENSORNET LIMITED**  
**REGISTERED NUMBER: 05518629**

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**BALANCE SHEET**  
**AS AT 31 DECEMBER 2021**

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	Note	2021 £	2020 £
<b>Fixed assets</b>			
Intangible assets	4	28,558	45,225
Tangible assets	5	32,266	30,911
		<u>60,824</u>	<u>76,136</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	6	1,089,946	684,854
Cash at bank and in hand		1,540,148	1,136,432
		<u>2,630,094</u>	<u>1,821,286</u>
Creditors: amounts falling due within one year	7	(3,485,318)	(2,437,345)
<b>Net current liabilities</b>		<u>(835,224)</u>	<u>(616,059)</u>
<b>Total assets less current liabilities</b>		<u>(774,400)</u>	<u>(539,923)</u>
Creditors: amounts falling due after more than one year	8	(4,617,362)	(2,726,022)
<b>Net liabilities</b>		<u><u>(5,391,762)</u></u>	<u><u>(3,265,945)</u></u>

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**CENSORNET LIMITED**  
**REGISTERED NUMBER: 05518629**

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**BALANCE SHEET (CONTINUED)**  
**AS AT 31 DECEMBER 2021**

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	Note	2021 £	2020 £
<b>Capital and reserves</b>			
Called up share capital		381	381
Share premium account	10	15,335,403	15,335,403
Equity reserve	10	906,437	477,608
Other reserves	10	1,962,270	1,602,987
Profit and loss account	10	(23,596,253)	(20,682,324)
		<u>(5,391,762)</u>	<u>(3,265,945)</u>

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

The Company has opted not to file the profit and loss account 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 by:

  
.....  
L. J. Davis  
Director

Date: 30/5/22

The notes on pages 4 to 16 form part of these financial statements.

**CENSORNET LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital	Share premium account	Equity reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
<b>At 1 January 2020</b>	<b>380</b>	<b>15,308,791</b>	<b>-</b>	<b>1,232,419</b>	<b>(16,693,095)</b>	<b>(151,505)</b>
<b>Comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(3,989,229)	(3,989,229)
<b>Contributions by and distributions to owners</b>						
Shares issued during the year	1	26,612	-	-	-	26,613
Share based payments	-	-	-	370,568	-	370,568
Recognition of equity component of convertible loan notes	-	-	477,608	-	-	477,608
<b>At 1 January 2021</b>	<b>381</b>	<b>15,335,403</b>	<b>477,608</b>	<b>1,602,987</b>	<b>(20,682,324)</b>	<b>(3,265,945)</b>
<b>Comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(2,913,929)	(2,913,929)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,913,929)</b>	<b>(2,913,929)</b>
<b>Contributions by and distributions to owners</b>						
Share based payments	-	-	-	359,283	-	359,283
Recognition of equity component of convertible loan notes	-	-	428,829	-	-	428,829
<b>At 31 December 2021</b>	<b>381</b>	<b>15,335,403</b>	<b>906,437</b>	<b>1,962,270</b>	<b>(23,596,253)</b>	<b>(5,391,762)</b>

The notes on pages 4 to 16 form part of these financial statements.

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CENSORNET LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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**1. General information**

Censornet Limited (the "Company") is a company incorporated in the United Kingdom under the Companies Act.

The Company is a private company limited by shares and is registered in England and Wales. The Company's registered office is Highlands House, Basingstoke Road, Spencers Wood, Reading, Berkshire, England, RG7 1NT.

The principal activity of the Company in the year under review was the development and sale of IT security products.

**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 following principal accounting policies have been applied:

**2.2 Going concern**

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future based on forecasts and receiving future funding. They continue to adopt the going concern basis in preparing the annual financial statements.

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries.

The uncertainty as to the future impact on the Company of the recent COVID-19 outbreak has been considered as part of the Company's adoption of the going concern basis. Thus far, they have not observed any material impact on going concern status due to COVID-19, with the directors consideration that the revenue is steady and in place for the foreseeable future.

**2.3 Foreign currency translation**

The Company's functional and presentational currency is GBP, rounded to the nearest whole £.

Fixed exchange rates are set at the beginning of the year for all foreign currency transactions. These rates are reviewed every quarter and updated where necessary. No adjustment was made at year end.

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 the Profit and Loss Account.

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CENSORNET LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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**2. Accounting policies (continued)**

**2.4 Revenue**

Revenue represents sales to external customers at invoiced amounts less value added tax.

Turnover represents sales to external customers at invoiced amounts less value added tax and is adjusted for deferred revenue which is recognised in later periods.

The principle of recognised revenue is the accounting guideline that revenue shown on the profit and loss are in the period in which they are earned, not in the period in which the cash is collected.

Subscription licenses and Software support are invoiced at the start of the period and taken to revenue rateably over the period covered. Implementation and other work is recognised as the work is performed.

**2.5 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

**2.6 Interest income**

Interest income is recognised in profit or loss using the effective interest method.

**2.7 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.

**2.8 Borrowing costs**

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

**2.9 Pensions**

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company 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 Company in independently administered funds.

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CENSORNET LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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2. Accounting policies (continued)

2.10 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.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

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.

2.12 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.

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.

The estimated useful lives range as follows:

License	-	3	years
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2.13 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.

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CENSORNET LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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2. Accounting policies (continued)

2.13 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 improvements	- 5 years
Fixtures and fittings	- 3 years
Office equipment	- 3 years
Computer equipment	- 3 years

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.

2.14 Debtors

Short term debtors are measured at transaction price.

2.15 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.

2.16 Creditors

Short term creditors are measured at the transaction price.

2.17 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 non-puttable ordinary shares.

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 the case of an out-right 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.

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CENSORNET LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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2. Accounting policies (continued)

2.18 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet date.

2.19 Research and development

In the research and development 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 and development shall be recognised as an expense when it is incurred.

3. Employees

The average monthly number of employees, including directors, during the year was 39 (2020 - 40).

4. Intangible assets

	License £
<b>Cost</b>	
At 1 January 2021	226,215
At 31 December 2021	<u>226,215</u>
<b>Amortisation</b>	
At 1 January 2021	180,990
Charge for the year on owned assets	16,667
At 31 December 2021	<u>197,657</u>
<b>Net book value</b>	
At 31 December 2021	<u>28,558</u>
At 31 December 2020	<u>45,225</u>

CENSORNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

5. Tangible fixed assets

	Short-term leasehold property improvements £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
<b>Cost or valuation</b>					
At 1 January 2021	8,730	5,379	15,427	77,589	107,125
Additions	-	-	-	22,052	22,052
Disposals	-	-	-	(4,786)	(4,786)
At 31 December 2021	<u>8,730</u>	<u>5,379</u>	<u>15,427</u>	<u>94,855</u>	<u>124,391</u>
<b>Depreciation</b>					
At 1 January 2021	3,163	3,307	11,522	58,232	76,214
Charge for the year on owned assets	1,746	1,793	3,023	14,135	20,697
Disposals	-	-	-	(4,786)	(4,786)
At 31 December 2021	<u>4,899</u>	<u>5,100</u>	<u>14,545</u>	<u>67,681</u>	<u>92,125</u>
<b>Net book value</b>					
At 31 December 2021	<u>3,831</u>	<u>279</u>	<u>882</u>	<u>27,274</u>	<u>32,266</u>
At 31 December 2020	<u>5,577</u>	<u>2,072</u>	<u>3,905</u>	<u>19,357</u>	<u>30,911</u>

6. Debtors

	2021 £	2020 £
Trade debtors	737,670	484,317
Other debtors	68,037	45,924
Prepayments and accrued income	284,239	154,613
	<u>1,089,946</u>	<u>684,854</u>

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CENSORNET LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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7. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	549,133	222,937
Other taxation and social security	133,066	156,841
Proceeds of factored debts	615,124	315,038
Accruals and deferred income	2,168,005	1,742,529
	<u>3,465,318</u>	<u>2,437,345</u>

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

	2021 £	2020 £
Other loans	3,575,230	1,927,392
Accruals and deferred income	1,042,132	798,630
	<u>4,617,362</u>	<u>2,726,022</u>

The following liabilities were secured:

	2021 £	2020 £
Other loans	<u>3,528,563</u>	<u>1,877,392</u>

Details of security provided:

Included within creditors is convertible loan notes with a carrying value of £3,528,563 at 31 December 2021 (£1,877,392 at 31 December 2020).

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CENSORNET LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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9. Loans

Analysis of the maturity of loans is given below:

	2021 £	2020 £
<b>Amounts falling due 1-2 years</b>		
Other loans	3,528,563	1,877,392
<b>Amounts falling due after more than 5 years</b>		
Other loans	46,667	50,000
	<u>3,575,230</u>	<u>1,927,392</u>

10. Reserves

**Share premium account**

Proceeds received in addition to the nominal value of the shares issued have been included in share premium.

**Equity reserve**

An equity reserve has been recognised in relation to the equity portion of the convertible loan notes issued on 26 March 2020 and 29 March 2021. The amount recognised in the equity reserve is the difference between the value of the loan notes at issue and the fair value of the loan notes discounted using the companies cost of capital.

**Other reserves**

An other reserve has been recognised in relation to the cumulative share option expense.

**Profit and loss account**

Includes all current and prior period retained profits and losses.

CENSORNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

11. Share based payments

The Company operates an approved incentive share option plan for certain officers and employees of the group known as the 2015 EMI Option agreement (the '2015 Plan'). Options granted under the plan expire and become exercisable upon an "exit" (sale) of the Company under conditions of continuing employment. Under FRS 102 a suitable vesting period must be applied where the conditions for exercising options are upon exit.

Effective 1 January 2015, the Company adopted FRS 102 Section 26 to record a share compensation expense. Under the provisions of FRS 102 Section 26, the share based payment expense is estimated at the grant date based on the awards fair value as calculated by the Black-Scholes option pricing model and is ratably recognised over the vesting period. The model is considered to be the most appropriate generally accepted valuation method of measuring fair value. The model requires judgemental assumptions including volatility, forfeiture rates and expected option life. If any of the assumptions used in the model change significantly, the share based compensation expense may differ materially in the future from that recorded in the current period.

The weighted average fair value of stock options granted was calculated using the Black-Scholes option pricing model with assumptions listed below.

	Weighted average exercise price (pence) 2021	Number 2021	Weighted average exercise price (pence) 2020	Number 2020
Outstanding at the beginning of the year	0.01	671,150	0.01	656,550
Granted during the year	0.01	42,930	0.01	23,000
Forfeited during the year	0.01	(96,916)	0.01	(8,400)
<b>Outstanding at the end of the year</b>	<b>0.01</b>	<b>617,164</b>	<b>0.01</b>	<b>671,150</b>

	2021 Black Scholes	2020 Black Scholes
Option pricing model used		
Weighted average share price (pence)	0.01	0.01
Exercise price (pence)	0.01	0.01
Expected volatility	50%	50%
Risk-free interest rate	0.6%	0.6%
	2021 £	2020 £
Expense recognised in accordance with Section 26 of FRS 102 share based payments	<b>359,283</b>	<b>370,568</b>

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CENSORNET LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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11. Share based payments (continued)

In September 2019, the Company agreed and filed a new market value and cost price for all EMI options with HMRC. The agreement was to revalue the Actual Market Value of all EMI options to £2.40 and an Unrestricted Market Value of £2.64 with an exercise price of £0.0001.

The Company granted 52,992 warrants in previous years in addition to the EMI plan documented above. A charge has been recognised within the share based payment expense disclosed on page 20.

12. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £94,468 (2020 - £102,975). Contributions totalling £15,403 (2020 - £17,652) were payable to the fund at the balance sheet date.

13. Commitments under operating leases

At 31 December 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	80,350	80,350
Later than 1 year and not later than 5 years	95,539	175,889
	<u>175,889</u>	<u>256,239</u>

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CENSORNET LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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14. Related party transactions

**Kifama Limited (a company controlled by E O Macnair)**

During the year £678 (2020: £935) was transferred from Censornet Limited bank accounts to Kifama Limited bank accounts for accounting services. No amounts remain outstanding at year end (2020: £nil).

**E O Macnair (Director)**

E O Macnair made a loan to the Company for an amount totalling £nil (2020: £500,000) and earned interest of £60,000 (2020: £9,534). A value of £500,000 remains outstanding at the year end (2020: £500,000).

**T W Cagle (Director)**

T W Cagle made a loan to the Company for an amount totalling £250,000 (2020: £1,000,000) and earned interest of £135,233 (2020: £51,945). A value of £1,250,000 remains outstanding at the year end (2020: £1,000,000).

**S Garnett (Director - resigned on 1 December 2021)**

E O Macnair made a loan to the Company for an amount totalling £350,000 (2020: £nil) and earned interest of £21,326 (2020: £nil). A value of £350,000 remains outstanding at the year end (2020: £nil).

As detailed in the post balance sheet events note all loans held were converted into equity in January 2022. Please see note 15 for further details.

**CENSORNET LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**15. Post balance sheet events**

The Company completed the first stage of an investment round on 31 January 2022 for £2,750,000. As part of this Funding Round £2,355,000 Shareholder Loans were converted to equity and £2,080,000 of Future Fund Loans were converted to equity. This had a material impact on the Balance sheet of the Company and therefore the decision was made to include a second balance sheet in the accounts as at 31 January 2022.

Please see below the proforma balance sheet as at 31 January 2022:

	31 January 2022	31 December 2021
	£	£
<b>Fixed Assets</b>		
Intangible assets	27,169	28,558
Tangible assets	<u>32,198</u>	<u>32,266</u>
	59,367	60,824
 <b>Current assets</b>		
Debtors: amounts falling due within one year	1,076,282	1,089,946
Cash at bank and in hand	<u>3,594,748</u>	<u>1,540,148</u>
	4,671,030	2,630,094
 Creditors: amounts falling due within one year	<u>(3,303,357)</u>	<u>(3,465,318)</u>
<b>Net current assets / (liabilities)</b>	<u>1,367,673</u>	<u>(835,224)</u>
<b>Total assets less current liabilities</b>	1,427,040	(774,400)
 Creditors: amounts falling due after more than one year	<u>(1,029,344)</u>	<u>(4,617,362)</u>
<b>Net assets / (liabilities)</b>	<u>397,696</u>	<u>(5,391,762)</u>
 <b>Capital and reserves</b>		
Called up share capital	496	381
Share premium account	22,661,157	15,335,403
Equity reserves	-	906,437
Other reserves	1,962,270	1,962,270
Profit and loss account	<u>(24,226,227)</u>	<u>(23,596,253)</u>
	<u>397,696</u>	<u>(5,391,762)</u>

It should also be noted that in March 2022 a further £1,743,000 investment was received by the Company.

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CENSORNET LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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**16. Auditor's information**

The auditor's report on the financial statements for the year ended 31 December 2021 was unqualified.

The audit report was signed on *31 May 2022* by Anthony Campbell (Senior Statutory Auditor) on behalf of Nortons Assurance Limited.