

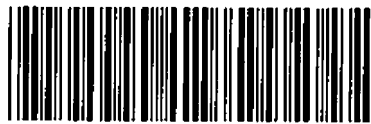
Registered number: 09098199

PANASEER LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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PANASEER LIMITED

COMPANY INFORMATION

Directors	N Whitfield A Plattner R Seewald S Chandler
Registered number	09098199
Registered office	Ashcombe Court Woolsack Way Godalming Surrey GU7 1LQ
Independent auditor	Crowe U.K. LLP Riverside House 40 - 46 High Street Maidstone Kent ME14 1JH

PANASEER LIMITED

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PANASEER LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

The directors present their report and the financial statements for the year ended 30 June 2020.

Directors

The directors who served during the year were:

N Whitfield
A Plattner
R Seewald
S Chandler

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

PANASEER LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020**

Going concern

The group attracted an additional £3.5m of investment during the year - in the form of a convertible loan note - and expects to have enough cash resources for the next 12 months. The convertible loan note redeems on the 31 December 2021. The loan note holders have the option to convert the loan note into shares before that date or alternatively, redeem the loan value on the redemption date. The group remains a loss making entity and with the additional investment raised as a loan is now in a net liability position requiring ongoing prudence in managing its operational costs and discretionary spending.

In their assessment of going concern the directors have considered the current and developing impact on the business as a result of the COVID 19 virus. This has had a significant impact on the group's operations and significant cost savings have been made through scaling back future expenditure most notably on offices and marketing. While COVID-19 has increased revenue uncertainty in many parts of the economy, at Panaseer they have held up to forecast, reaching significant growth in annualised revenues over the 2020 fiscal year. At the present time, it is not clear how long the current circumstances are likely to last and what the long term impact will be.

The directors believe that, despite the group continuing to accrue yearly losses, its financial statements should continue to be prepared on the going concern basis on the grounds that it is growing its customer base and average customer value whilst the investors remain committed to the business plan and growth prospects of the company. The actions taken by management in response to COVID 19 have strengthened the business - increasing its cash runway, forcing increased agility and control over internal spend and fostering a collective spirit across the business to allow cultural preservation.

Auditor

The auditor, Crowe U.K. LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 24/11/2020 and signed on its behalf.



A Plattner
Director

PANASEER LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PANASEER LIMITED

Opinion

We have audited the financial statements of Panaseer Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2020, which comprise the Group Profit and loss account, the Group and Company Balance sheets, the Group and Company Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2020 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

PANASEER LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PANASEER LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Group strategic report.

PANASEER LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PANASEER LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Other matters

The corresponding 2019 comparative figures are unaudited.

Use of our report

This report is made solely to the Company's members in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP

Ian Weekes (Senior statutory auditor)

for and on behalf of
Crowe U.K. LLP

Statutory Auditor

Riverside House
40 - 46 High Street
Maidstone
Kent
ME14 1JH

Date: 25/11/20

PANASEER LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 £	Unaudited 2019 £
Turnover	5	2,385,541	802,223
Gross profit		2,385,541	802,223
Administrative expenses		(7,179,580)	(5,723,686)
Other operating income	6	80,276	28,729
Operating loss		(4,713,763)	(4,892,734)
Interest receivable and similar income		8,434	24,889
Interest payable and similar expenses		(4,762)	(5,951)
Loss before tax		(4,710,091)	(4,873,796)
Tax on loss	7	465,520	688,801
Loss for the financial year		(4,244,571)	(4,184,995)
Loss for the year attributable to:			
Owners of the parent		(4,244,571)	(4,184,995)
		(4,244,571)	(4,184,995)

There were no recognised gains and losses for 2020 or 2019 other than those included in the consolidated profit and loss account.

The notes on pages 12 to 26 form part of these financial statements.

PANASEER LIMITED
REGISTERED NUMBER: 09098199

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2020

	Note	2020 £	Unaudited 2019 £
Fixed assets			
Tangible assets	8	30,594	107,376
		30,594	107,376
Current assets			
Debtors: amounts falling due within one year	10	2,521,356	1,338,306
Cash at bank and in hand	11	1,964,744	2,480,186
		4,486,100	3,818,492
Creditors: amounts falling due within one year	12	(1,940,784)	(732,749)
Net current assets		2,545,316	3,085,743
Total assets less current liabilities		2,575,910	3,193,119
Creditors: amounts falling due after more than one year	13	(3,377,112)	(33,245)
Provisions for liabilities			
Net (liabilities)/assets		(801,202)	3,159,874
Capital and reserves			
Called up share capital	15	352	351
Share premium account	16	11,856,112	11,851,951
Foreign exchange reserve	16	(19,068)	14,999
Other reserves	16	313,400	-
Profit and loss account	16	(12,951,998)	(8,707,427)
		(801,202)	3,159,874

The Company's financial statements have been prepared in accordance with the 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


A Plattner
Director

24/11/2020

The notes on pages 12 to 26 form part of these financial statements.

PANASEER LIMITED
REGISTERED NUMBER: 09098199

COMPANY BALANCE SHEET
AS AT 30 JUNE 2020


	Note	2020 £	2019 £
Fixed assets			
Tangible assets	8	20,502	96,941
Investments	9	138,513	138,513
		<u>159,015</u>	<u>235,454</u>
Current assets			
Debtors: amounts falling due within one year	10	3,916,502	2,310,322
Cash at bank and in hand	11	1,581,368	2,451,632
		<u>5,497,870</u>	<u>4,761,954</u>
Creditors: amounts falling due within one year	12	(1,083,716)	(593,648)
Net current assets		<u>4,414,154</u>	<u>4,168,306</u>
Total assets less current liabilities		<u>4,573,169</u>	<u>4,403,760</u>
Creditors: amounts falling due after more than one year	13	(3,377,112)	(33,245)
Net assets		<u><u>1,196,057</u></u>	<u><u>4,370,515</u></u>
Capital and reserves			
Called up share capital	15	352	351
Share premium account	16	11,856,112	11,851,951
Other reserves	16	313,400	-
Profit and loss account brought forward	16	(7,481,787)	(4,269,824)
Loss for the year		(3,492,020)	(3,211,963)
Profit and loss account carried forward	16	(10,973,807)	(7,481,787)
		<u><u>1,196,057</u></u>	<u><u>4,370,515</u></u>

PANASEER LIMITED
REGISTERED NUMBER: 09098199

COMPANY BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2020

The Company's financial statements have been prepared in accordance with the 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



A Plattner
Director

24/11/2020

The notes on pages 12 to 26 form part of these financial statements.

PANASEER LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

	Called up share capital	Share premium account	Foreign exchange reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 July 2019	351	11,851,951	14,999	-	(8,707,427)	3,159,874
Comprehensive Income for the year						
Loss for the year	-	-	-	-	(4,244,571)	(4,244,571)
Foreign exchange movement	-	-	(34,067)	-	-	(34,067)
Total comprehensive income for the year	-	-	(34,067)	-	(4,244,571)	(4,278,638)
Shares issued during the year	1	4,161	-	-	-	4,162
Share reserve	-	-	-	313,400	-	313,400
Total transactions with owners	1	4,161	-	313,400	-	317,562
At 30 June 2020	352	11,856,112	(19,068)	313,400	(12,951,998)	(801,202)

The notes on pages 12 to 26 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

	Called up share capital	Share premium account	Foreign exchange reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 July 2018	351	11,851,951	-	(4,522,432)	7,329,870
Comprehensive Income for the year					
Loss for the year	-	-	-	(4,184,995)	(4,184,995)
Foreign exchange movement	-	-	14,999	-	14,999
Total comprehensive income for the year	-	-	14,999	(4,184,995)	(4,169,996)
At 30 June 2019	351	11,851,951	14,999	(8,707,427)	3,159,874

The notes on pages 12 to 26 form part of these financial statements.

PANASEER LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

	Called up share capital £	Share premium account £	Other reserves £	Profit and loss account £	Total equity £
At 1 July 2019	351	11,851,951	-	(7,481,787)	4,370,515
Comprehensive income for the year					
Loss for the year	-	-	-	(3,492,020)	(3,492,020)
Contributions by and distributions to owners					
Shares issued during the year	1	4,161	-	-	4,162
Share reserve	-	-	313,400	-	313,400
Total transactions with owners	1	4,161	313,400	-	317,562
At 30 June 2020	352	11,856,112	313,400	(10,973,807)	1,196,057

The notes on pages 12 to 26 form part of these financial statements.

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 July 2018	351	11,851,951	(4,269,824)	7,582,478
Comprehensive income for the year				
Loss for the year	-	-	(3,211,963)	(3,211,963)
At 30 June 2019	351	11,851,951	(7,481,787)	4,370,515

The notes on pages 12 to 26 form part of these financial statements.

PANASEER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. General Information

Panaseer Group Limited is a private company limited by shares (company number: 09098199), registered and domiciled in England and Wales.

The principal activity of the group is the licensing of security software and the provision of maintenance and support.

The group's registered address is:

Ashcombe Court
Woolsack Way
Godalming
Surrey
GU7 1LQ

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 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 Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and loss account in these financial statements.

The directors have considered the going concern assessment in the preparation of the financial statements.

The group attracted an additional £3.5m of investment during the year - in the form of a convertible loan note - and expects to have enough cash resources for the next 12 months. The convertible loan note redeems on the 31 December 2021. The loan note holders have the option to convert the loan note into shares before that date or alternatively, redeem the loan value on the redemption date. The group remains a loss making entity and with the additional investment raised as a loan is now in a net liability position requiring ongoing prudence in managing its operational costs and discretionary spending.

In their assessment of going concern the directors have considered the current and developing impact on the business as a result of the COVID 19 virus. This has had a significant impact on the group's operations and significant cost savings have been made through scaling back future expenditure most notably on offices and marketing. While COVID-19 has increased revenue uncertainty in many parts of the economy, at Panaseer they have held up to forecast, reaching significant growth in annualised revenues over the 2020 fiscal year. At the present time, it is not clear how long the current circumstances are likely to last and what the long term impact will be.

PANASEER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2. Accounting policies (continued)

2.1 Basis of preparation of financial statements (continued)

The directors believe that, despite the group continuing to accrue yearly losses, its financial statements should continue to be prepared on the going concern basis on the grounds that it is growing its customer base and average customer value whilst the investors remain committed to the business plan and growth prospects of the company. The actions taken by management in response to COVID 19 have strengthened the business - increasing its cash runway, forcing increased agility and control over internal spend and fostering a collective spirit across the business to allow cultural preservation.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated profit and loss account from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 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.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

PANASEER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

2. Accounting policies (continued)

2.4 Revenue

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

The Group earns revenue from a number of service lines:

1) Revenue from licenses and subscriptions

Where a perpetual license is granted to a customer and no further obligation required from the company, revenue is recognised in full in the year the license was granted.

Where a license is granted for a specified period of time, revenue is recognised on a milestone completion basis or a time basis specified in the related Statement of Works.

2) Revenue from maintenance and support

Revenue from maintenance and support is initially deferred and recognised over the term of the maintenance agreement.

3) Revenue from the development of customised software

Income from the development of customised software is recognised by reference to the stage of completion of the development.

2.5 Operating leases: the Group as lessee

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

2.6 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. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

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.

As stated in note 3, the directors have decided to expense all development expenditure incurred.

PANASEER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2. Accounting policies (continued)

2.7 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated profit and loss account in the same period as the related expenditure.

2.8 Interest income

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

2.9 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.

2.10 Pensions

Defined contribution pension plan

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

2.11 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.

2.12 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 and the Group operate and generate income.

PANASEER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

2. Accounting policies (continued)

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.

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	- Over 3 years
Fixtures and fittings	- Over 3 years
Office equipment	- Over 3 years
Computer equipment	- Over 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 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.15 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.16 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.

2.17 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.18 Financial Instruments

The Group 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.

PANASEER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

2. Accounting policies (continued)

2.19 Convertible debt

The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components and presented separately in the Balance sheet.

The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert.

The difference between the net proceeds of the convertible debt and the amount allocated to the debt component is credited direct to equity and is not subsequently remeasured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate.

Transaction costs that relate to the issue of the instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparation of the financial statements management must apply a number of accounting policies and judgements. Significant accounting policies and judgements are considered to be:

Going concern: This has been discussed in note 2.3.

Share options: This is reviewed annually by directors for changes in non-market events. As the share option charge is not material, no charge has been recognised in the financial statements.

Development expenditure on internally generated intangible assets: The directors have decided to expense all development expenditure incurred.

4. Employees

The average monthly number of employees, including the directors, during the year was 53 (2019 - 42).

5. Turnover

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	1,879,441	714,369
Rest of the world	506,100	87,853
	<u>2,385,541</u>	<u>802,222</u>

PANASEER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

6. Other operating income

	2020 £	2019 £
Other income	28,318	25,174
Government grant	28,348	-
Foreign exchange gain	23,610	3,555
	<u>80,276</u>	<u>28,729</u>

The government grant relates to amounts received in respect of the UK government's Coronavirus Job Retention Scheme.

7. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	(465,520)	(688,801)
	<u>(465,520)</u>	<u>(688,801)</u>
Total current tax	<u>(465,520)</u>	<u>(688,801)</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on loss on ordinary activities	<u>(465,520)</u>	<u>(688,801)</u>

PANASEER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Loss on ordinary activities before tax	(4,710,092)	(4,873,796)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(894,917)	(925,919)
Effects of:		
Expenses not deductible for tax purposes	2,652	1,679
Adjustments to tax charge in respect of previous periods	-	(312,258)
Additional deduction for R&D expenditure	(465,529)	(376,543)
Movement on unrecognised deferred tax asset	824,439	661,086
Unrelieved loss on foreign subsidiaries	177,366	185,315
Adjust deferred tax to standard CT rate	(109,531)	77,839
Total tax charge for the year	(465,520)	(688,801)

PANASEER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

8. Tangible fixed assets

Group

	Short-term leasehold property £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation					
At 1 July 2019	21,493	753	40,656	173,216	236,118
Additions	-	-	-	1,629	1,629
Disposals	-	-	-	(47,213)	(47,213)
At 30 June 2020	<u>21,493</u>	<u>753</u>	<u>40,656</u>	<u>127,632</u>	<u>190,534</u>
Depreciation					
At 1 July 2019	8,275	753	19,406	100,308	128,742
Charge for the year on owned assets	7,093	-	13,416	35,896	56,405
Disposals	-	-	-	(25,207)	(25,207)
At 30 June 2020	<u>15,368</u>	<u>753</u>	<u>32,822</u>	<u>110,997</u>	<u>159,940</u>
Net book value					
At 30 June 2020	<u>6,125</u>	<u>-</u>	<u>7,834</u>	<u>16,635</u>	<u>30,594</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2020 £	2019 £
Computer equipment	<u>-</u>	<u>22,006</u>

PANASEER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

8. Tangible fixed assets (continued)

Company

	Short-term leasehold property £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation					
At 1 July 2019	21,493	753	40,656	154,092	216,994
Additions	-	-	-	1,629	1,629
Disposals	-	-	-	(47,213)	(47,213)
At 30 June 2020	<u>21,493</u>	<u>753</u>	<u>40,656</u>	<u>108,508</u>	<u>171,410</u>
Depreciation					
At 1 July 2019	8,275	753	19,406	91,619	120,053
Charge for the year on owned assets	7,093	-	13,416	35,553	56,062
Disposals	-	-	-	(25,207)	(25,207)
At 30 June 2020	<u>15,368</u>	<u>753</u>	<u>32,822</u>	<u>101,965</u>	<u>150,908</u>
Net book value					
At 30 June 2020	<u><u>6,125</u></u>	<u><u>-</u></u>	<u><u>7,834</u></u>	<u><u>6,543</u></u>	<u><u>20,502</u></u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2020 £	2019 £
Computer equipment	<u><u>-</u></u>	<u><u>22,006</u></u>

PANASEER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

9. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 July 2019	138,513
At 30 June 2020	<u>138,513</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Panaseer Inc.	WeWork 315 W 36th Street 6th Floor NY 10018 New York, USA	Ordinary	100%

The principal activity of the company is the licensing of security software and the provision of maintenance and support.

The aggregate of the share capital and reserves as at 30 June 2020 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

Name	Aggregate of share capital and reserves	Profit/(Loss)
Panaseer Inc.	(2,149,006)	(974,605)

PANASEER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

10. Debtors

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade debtors	1,478,047	257,256	885,646	257,256
Amounts owed by group undertakings	-	-	1,998,485	995,194
Other debtors	891,340	949,637	881,869	927,409
Prepayments and accrued income	151,969	131,413	150,502	130,463
	<u>2,521,356</u>	<u>1,338,306</u>	<u>3,916,502</u>	<u>2,310,322</u>

11. Cash and cash equivalents

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Cash at bank and in hand	1,964,744	2,480,186	1,581,368	2,451,632
	<u>1,964,744</u>	<u>2,480,186</u>	<u>1,581,368</u>	<u>2,451,632</u>

12. Creditors: Amounts falling due within one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade creditors	101,529	128,837	101,480	99,983
Other taxation and social security	219,390	90,823	174,375	89,288
Obligations under finance lease and hire purchase contracts	7,680	39,533	7,680	39,533
Other creditors	39,736	11,617	7,574	11,617
Accruals and deferred income	1,572,449	461,939	792,607	353,227
	<u>1,940,784</u>	<u>732,749</u>	<u>1,083,716</u>	<u>593,648</u>

PANASEER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

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

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Other loans	3,136,487	-	3,136,487	-
Net obligations under finance leases and hire purchase contracts	-	33,245	-	33,245
Accruals and deferred income	240,625	-	240,625	-
	<u>3,377,112</u>	<u>33,245</u>	<u>3,377,112</u>	<u>33,245</u>

Net obligations under hire purchase contracts are secured over the assets to which they relate.

In December 2019 the company issued a £3.5m convertible loan note. £708k of the loan note redeems on 31 December 2024 and £2,791,928 on 31 December 2021. The full convertible loan note has been discounted at a market rate of interest of 10% leading to £313,400 being recognised in an equity reserve.

Notes shall convert into fully paid senior shares at the conversion price on the following events:

- 1.1.1. all the notes then in issue shall convert automatically on then next relevant fundraising;
- 1.1.2. if a noteholder so elects, if no relevant fundraising has taken place by 01 October 2020; and
- 1.1.3. if a noteholder so elects, the noteholder's notes shall convert on a change of control.

14. Loans

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Amounts falling due 1-2 years				
Other loans	2,502,264	-	2,502,264	-
Amounts falling due 2-5 years				
Other loans	634,223	-	634,223	-
	<u>3,136,487</u>	<u>-</u>	<u>3,136,487</u>	<u>-</u>

PANASEER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

15. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
3,516,657 (2019 - 3,507,409) Ordinary shares of - £0.0001 each	243	242
1,090,116 (2019 - 1,090,116) Series A Preferred shares of -£0.0001 each	109	109
	<hr/>	<hr/>
	352	351
	<hr/>	<hr/>

During the year, 9,248 ordinary shares were issued at a value of £0.45 per share.

Ordinary Shares and Series A Preferred Shares rank equally in full voting, dividend and capital distribution rights except as provided below.

On a return of assets on liquidation, capital reduction or any other distribution of capital, and after payment of the company's liabilities, Ordinary shareholders are entitled to receive £0.0001 per share. Series A Preferred shareholders are entitled to the equivalent of the greater of the Series A round price per share and an amount that would have been received if the shares had been converted to Ordinary shares immediately prior to the return of capital, less £0.0001 per share.

Any surplus assets are distributed pro rate to the number of shares held with Series A Preferred Share holders entitled to £100 in aggregate.

16. Reserves

Share premium account

Represents the excess paid for shares over and above the nominal value.

Foreign exchange reserve

Represents the foreign exchange differences on translation of the subsidiary.

Other reserves

Represents shares which may be issued under a convertible loan note agreement.

Profit and loss account

Represents the accumulated profits and losses since inception.

17. Pension commitments

Pension contributions are held in a fund administered by an independent third party. At the balance sheet date pension contributions totalling £7,115 (2019 - £11,407) were payable to the fund.

PANASEER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

18. Commitments under operating leases

At 30 June 2020 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Not later than 1 year	18,160	296,152	-	277,017
	18,160	296,152	-	277,017

19. Related party transactions

The group has taken advantage of the disclosure exemptions under FRS 102 Section 33 not to disclose related party transactions between group companies on the grounds that all group companies are included in the consolidated financial statements.