

Registered number: 05518629

CENSORNET LIMITED

FINANCIAL STATEMENTS
INFORMATION FOR FILING WITH THE REGISTRAR
FOR THE YEAR ENDED 31 DECEMBER 2019

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CENSORNET LIMITED
REGISTERED NUMBER: 05518629

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	4	5,256	5,826
Tangible assets	5	39,608	26,033
		<u>44,864</u>	<u>31,859</u>
Current assets			
Debtors: amounts falling due within one year	6	1,203,787	745,350
Cash at bank and in hand		1,101,251	5,663,009
		<u>2,305,038</u>	<u>6,408,359</u>
Creditors: amounts falling due within one year	7	(1,993,237)	(1,559,952)
Net current assets		<u>311,801</u>	<u>4,848,407</u>
Total assets less current liabilities		<u>356,665</u>	<u>4,880,266</u>
Creditors: amounts falling due after more than one year	8	(508,170)	(480,408)
Net (liabilities)/assets		<u>(151,505)</u>	<u>4,399,858</u>
Capital and reserves			
Called up share capital		380	380
Share premium account	9	15,308,791	15,308,791
Other reserves	9	1,232,419	916,294
Profit and loss account	9	(16,693,095)	(11,825,607)
		<u>(151,505)</u>	<u>4,399,858</u>

CENSORNET LIMITED
REGISTERED NUMBER: 05518629


BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2019

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: 12/6/20

The notes on pages 4 to 13 form part of these financial statements.

CENSORNET LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2018	364	13,783,158	625,148	(10,692,076)	3,716,592
Comprehensive income for the year					
Loss for the year	-	-	-	(1,133,531)	(1,133,531)
Stock based compensation	-	-	291,148	-	291,148
Shares issued during the year	16	1,525,633	-	-	1,525,649
At 1 January 2019	380	15,308,791	916,294	(11,825,607)	4,399,858
Comprehensive income for the year					
Loss for the year	-	-	-	(4,867,488)	(4,867,488)
Stock based compensation	-	-	316,125	-	316,125
Total comprehensive income for the year	-	-	316,125	(4,867,488)	(4,551,363)
At 31 December 2019	380	15,308,791	1,232,419	(16,693,095)	(151,505)

The notes on pages 4 to 13 form part of these financial statements.

CENSORNET LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 Hightands 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, there have not been any material impacts on going concern status due to COVID-19, with the directors considering 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.

CENSORNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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 the Profit and Loss Account on a straight line basis over the lease term.

2.6 Interest Income

Interest Income is recognised in the Profit and Loss Account using the effective interest method.

2.7 Finance costs

Finance costs are charged to the Profit and Loss Account 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 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 the Profit and Loss Account 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.

CENSORNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.9 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Profit and Loss Account 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 and Loss Account over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Profit and Loss Account is charged with fair value of goods and services received.

2.10 Taxation

Tax is recognised in the Profit and Loss Account, 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.

2.11 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:

Software	-	3	years
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2.12 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.

CENSORNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.12 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	- 4 years
Fixtures and fittings	- 4 years
Office equipment	- 5 years
Computer equipment	- 4 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 the Profit and Loss Account.

2.13 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.

2.14 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.

2.15 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.

2.16 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 (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market

CENSORNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.16 Financial Instruments (continued)

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.

2.17 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.

2.18 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 37 (2018 - 33).

CENSORNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4. Intangible assets

	License £
Cost	
At 1 January 2019	171,407
Additions	4,808
At 31 December 2019	<u>176,215</u>
Amortisation	
At 1 January 2019	165,681
Charge for the year on owned assets	5,378
At 31 December 2019	<u>170,959</u>
Net book value	
At 31 December 2019	<u>5,256</u>
At 31 December 2018	<u>5,826</u>

CENSORNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

5. Tangible fixed assets

	Short-term leasehold property improvements £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation					
At 1 January 2019	-	-	8,178	52,794	60,972
Additions	8,730	5,379	9,069	14,705	37,883
Disposals	-	-	(1,820)	(2,426)	(4,246)
At 31 December 2019	<u>8,730</u>	<u>5,379</u>	<u>15,427</u>	<u>65,073</u>	<u>94,609</u>
Depreciation					
At 1 January 2019	-	-	3,843	31,096	34,939
Charge for the year on owned assets	1,407	1,514	4,636	15,101	22,658
Disposals	-	-	(1,608)	(988)	(2,596)
At 31 December 2019	<u>1,407</u>	<u>1,514</u>	<u>6,871</u>	<u>45,209</u>	<u>55,001</u>
Net book value					
At 31 December 2019	<u>7,323</u>	<u>3,865</u>	<u>8,556</u>	<u>19,864</u>	<u>39,608</u>
At 31 December 2018	<u>-</u>	<u>-</u>	<u>4,335</u>	<u>21,698</u>	<u>26,033</u>

6. Debtors

	2019 £	2018 £
Trade debtors	651,712	577,567
Other debtors	61,736	-
Prepayments and accrued income	178,649	167,783
Tax recoverable	311,690	-
	<u>1,203,787</u>	<u>745,350</u>

CENSORNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

7. Creditors: Amounts falling due within one year

	2019	2018
	£	£
Trade creditors	381,173	303,874
Other taxation and social security	132,745	71,479
Accruals	303,722	303,563
Deferred income	1,175,597	881,036
	<u>1,993,237</u>	<u>1,559,952</u>

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

	2019	2018
	£	£
Deferred income	508,170	480,408
	<u>508,170</u>	<u>480,408</u>

9. Reserves

Share premium account

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

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 2019

10. 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 continual 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 compensation 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 (£) 2019	Number 2019	Weighted average exercise price (£) 2018	Number 2018
Outstanding at the beginning of the year	5.86	409,350	5.45	283,150
Granted during the year	6.75	264,500	6.75	148,200
Forfeited during the year	6.75	(17,700)	6.64	(22,000)
Outstanding at the end of the year	6.19	656,150	5.86	409,350

	2019 Black Scholes	2018 Black Scholes
Option pricing model used		
Weighted average share price (£)	0.01	9.64
Weighted average exercise price (£)	0.01	5.86
Expected volatility	60%	50%
Risk-free interest rate	0.6%	0.6%
	2019 £	2018 £
Expense recognised in accordance with Section 26 of FRS 102 share based payments	316,125	291,148

CENSORNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

10. 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 17.

11. 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 £113,385 (2018 - £55,933). Contributions totalling £18,879 (2018 - £6,821) were payable to the fund at the balance sheet date.

12. Related party transactions

Kifama Limited (a company controlled by E O Macnair)

During the year £3,720 (2018: £640) was transferred from Censornet Limited bank accounts to Kifama Limited bank accounts. No amounts remain outstanding at year end.

Entrust Datacard (a company where T G Wilkinson is the CEO)

During the year £88,092 (2018: £nil) was transferred from Censornet Limited bank accounts to Entrust Datacard bank accounts. Also £1,089 (2018: £nil) was transferred from Entrust Datacard bank accounts to Censornet Limited bank accounts. No amounts remain outstanding at year end

13. Auditors' information

The auditors' report on the financial statements for the year ended 31 December 2019 was unqualified.

The audit report was signed on 12 June 2020 by Anthony Campbell (Senior Statutory Auditor) on behalf of Nortons Assurance Limited.