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**PRIVITAR LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**



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**PRIVITAR LIMITED**

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**COMPANY INFORMATION**

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**DIRECTORS**

Mr G Buggy  
Mr C Davis  
Mr A J Du Preez  
Mr J-M Patouillaud  
Mr S L Pierrepont  
Mr J G Taysom

**REGISTERED NUMBER**

09305666

**REGISTERED OFFICE**

Salisbury House  
Station Road  
Cambridge  
CB1 2LA

**INDEPENDENT AUDITOR**

BDO LLP  
Chartered Accountants & Statutory Auditors  
55 Baker Street  
London  
W1U 7EU

**ACCOUNTANTS**

Peters Elworthy & Moore  
Chartered Accountants & Statutory Auditors  
Salisbury House  
Station Road  
Cambridge  
CB1 2LA

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**PRIVITAR LIMITED**

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**CONTENTS**

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	<b>Page</b>
<b>Strategic Report</b>	1 - 2
<b>Directors' Report</b>	3 - 4
<b>Independent Auditor's Report</b>	5 - 7
<b>Consolidated Statement of Comprehensive Income</b>	8
<b>Consolidated Statement of Financial Position</b>	9
<b>Company Statement of Financial Position</b>	10
<b>Consolidated Statement of Changes in Equity</b>	11 - 12
<b>Company Statement of Changes in Equity</b>	13 - 14
<b>Consolidated Statement of Cash Flows</b>	15
<b>Company Statement of Cash Flows</b>	16
<b>Notes to the Financial Statements</b>	17 - 41

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## PRIVITAR LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 JANUARY 2020

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The directors present their strategic report together with the audited financial statements of Privitar Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 January 2020. The reader should note that the comparative figures are for the period from 1 December 2017 to 31 January 2019 and are unaudited.

#### PRINCIPAL ACTIVITY

The principal activity of the Group and Company during the year was that of the provision of software services.

#### BUSINESS REVIEW

The Group continues to grow its revenue through the acquisition of new customers and the retention of existing customers thereby increasing reported revenue from £2.0m in the prior fourteen-month reporting period to £6.2m in the current reporting year.

The Group has grown its workforce during the year, hiring employees in all its operating territories with the average monthly number of employees increasing from 50 during the prior fourteen-month reporting period to 91 in the current reporting year.

The Group continues to invest in the Privitar Data Privacy Platform to provide users with leading technology to minimise privacy risk.

During the year the Group raised £31.6m in an equity Series B funding round.

#### PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Group's strategic plans are subject to a number of risks. The directors have policies and procedures which are reviewed on a regular basis to manage currency risk, credit risk and liquidity risk.

Currency risk is the risk that changes in foreign exchange rates will cause fluctuations to the fair values of the Group's financial instrument holdings that are denominated in a currency other than the functional currency in which they are measured. The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the US Dollar and Singapore Dollar. The Group does not hedge anticipated cash flows. As the Group's international exposure increases the Directors will continue to monitor any change in its exposure to foreign currencies and will consider implementing further risk management strategies.

Credit risk is the risk of financial loss to the Group if the counterparty fails to meet its obligation. Credit risk arises from the Group's operating activities from trade and other receivables, financing activities from cash and cash equivalents and deposits with banks and financial institutions. Credit risk from trade and other receivables is minimised by establishing credit policies such as determining and monitoring customer credit limits, requiring credit approvals, and the monitoring of customer credit risks by grouping customers according to their credit characteristics. Other monitoring procedures are in place to recover overdue customer accounts and to assess impairment. Credit risk from financing activities is minimised by establishing investment policies in liquid securities with high credit ratings and maintaining accounts in reputable financial institutions with high quality credit ratings.

The Group constantly reviews its future cash requirements with accurate forward forecasting, and securing of sufficient investment, to ensure the Group meets its medium-term liquidity needs.

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**PRIVITAR LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020**

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**PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)**

In addition, operational risks arising from dependence on key personnel and competition risk are regularly monitored.

**KEY PERFORMANCE INDICATORS**

The Group reports on a small number of key performance indicators (KPIs).

During the year performance against its main financial KPIs, was as follows:

- Software licence sales grew from £1.8m in the prior fourteen-month reporting period to £5.3m in the current reporting year.
- The Group spent £6.0m on research and development activities during the year, of which £1.7m has been capitalised within intangible assets. In the prior fourteen-month period £3.7m was spent on research and development activities of which £1.1m was capitalised within intangible assets.
- At 31 January 2020 the Group held cash and cash equivalents of £24.3m compared with £3.1m at 31 January 2019.

The Group also uses certain non-financial indicators. During the year performance against its most important non-financial KPIs, was as follows:

- The average monthly number of employees grew from 50 during the prior fourteen-month reporting period to 91 in the current reporting year.

This report was approved by the board and signed on its behalf by:



**Mr A J Du Preez**  
Director

Date: 22 July 2020

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## PRIVITAR LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2020

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The directors present their report and the financial statements for the year ended 31 January 2020.

The financial statements were unaudited for the period ended 31 January 2019 as the Group and Company were eligible for small company audit exemption. Accordingly the comparative information has not been subject to audit.

#### RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £13,458,000 (2019 - loss £10,322,000).

No dividends were paid or recommended in the current year (2019 - £NIL).

#### DIRECTORS

The directors who served during the year were:

Mr M P Bowcock (resigned 10 June 2019)  
Mr G Buggy  
Mr A J Du Preez  
Mr J-M Patouillaud  
Mr S L Pierrepont (appointed 10 June 2019)  
Mr J Robson (resigned 10 June 2019)  
Mr J G Taysom  
Mr M Whitcroft (resigned 10 June 2019)  
IQ Capital Directors Nominees Limited (resigned 10 June 2019)

On 3 April 2020 Mr C Davis was appointed as a director.

The Company maintains director and officers' indemnity insurance for the benefit of the directors of the Group.

#### DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Group and the Company 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 and then apply them consistently;
- make judgements 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.

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**PRIVITAR LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020**

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**DIRECTORS' RESPONSIBILITIES STATEMENT (CONTINUED)**

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

**POST BALANCE SHEET EVENTS**

Subsequent to the year end a global health crisis caused by COVID-19 emerged which has had a significant impact on all businesses. The directors have assessed the potential impact of this uncertain situation on the Group with the information available and do not consider that it will lead to any subsequent impairment of the carrying amount of reported assets or impact on the Group's ability to continue as a going concern.

Subsequent to the year end the Company completed its Series C financing round, with £46.2m raised through the issue of new equity.

**DISCLOSURE OF INFORMATION TO AUDITORS**

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

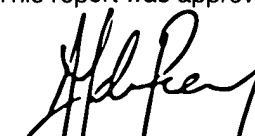
- as far as the director is aware, all relevant information has been disclosed to the Company and Group's auditors, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

**AUDITORS**

BDO LLP were appointed as auditor on 6 May 2020.

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:



Mr A J Du Preez  
Director

Date: 22 July 2020

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## PRIVITAR LIMITED

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### INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 JANUARY 2020

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#### OPINION

We have audited the financial statements of Privitar Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 January 2020 which comprise the consolidated Statement of Comprehensive Income, the consolidated Statement of Financial Position, the company Statement of Financial Position, the consolidated Statement of Changes in Equity, the company Statement of Changes in Equity, the consolidated Statement of Cash Flows and the company Statement of Cash Flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 31 January 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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 or 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.

#### OTHER MATTER

The corresponding figures are unaudited.

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## PRIVITAR LIMITED

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### INDEPENDENT AUDITOR'S REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2020

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#### 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 Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have 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 Strategic report and 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.

#### RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement, 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.

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**PRIVITAR LIMITED**

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**INDEPENDENT AUDITOR'S REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020**

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**RESPONSIBILITIES OF DIRECTORS (CONTINUED)**

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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**USE OF OUR REPORT**

This report is made solely to the Parent Company's members, as a body, 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*3rd LLP*

Leighton Thomas (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK

Date: *24 July 2020*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**PRIVITAR LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 JANUARY 2020**

	Note	12 months ended 31 January 2020 £'000	Unaudited 14 months ended 31 January 2019 £'000
<b>REVENUE</b>	3	6,194	1,957
Cost of sales		(1,503)	(644)
<b>GROSS PROFIT</b>		<u>4,691</u>	<u>1,313</u>
Research & development expenditure		(4,341)	(2,625)
Administrative expenses		(15,615)	(9,655)
<b>OPERATING LOSS</b>		<u>(15,265)</u>	<u>(10,967)</u>
<b>ADJUSTED OPERATING LOSS</b>		<u>(12,849)</u>	<u>(9,915)</u>
Amortisation of intangible assets	11	(654)	(209)
Share based payment expense	19	(1,762)	(843)
<b>OPERATING LOSS</b>		<u>(15,265)</u>	<u>(10,967)</u>
Finance income	8	23	25
<b>LOSS BEFORE TAX</b>		<u>(15,242)</u>	<u>(10,942)</u>
Taxation	9	1,784	620
<b>LOSS FOR THE YEAR/PERIOD</b>		<u>(13,458)</u>	<u>(10,322)</u>
<b>OTHER COMPREHENSIVE LOSS</b>			
Foreign currency translation gain/(loss) - foreign operations		11	(25)
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR/PERIOD</b>		<u>11</u>	<u>(25)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD</b>		<u>(13,447)</u>	<u>(10,347)</u>
<b>ATTRIBUTABLE TO:</b>			
Owners of the parent		<u>(13,447)</u>	<u>(10,347)</u>

All amounts relate to continuing operations.

The accompanying notes form part of these financial statements.

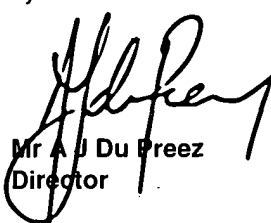
**PRIVITAR LIMITED**  
**REGISTERED NUMBER: 09305666**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 JANUARY 2020**

	Note	31 January 2020 £'000	Unaudited 31 January 2019 £'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	4,049	181
Intangible assets	11	1,949	871
Other non-current assets	13	576	-
<b>TOTAL NON-CURRENT ASSETS</b>		<u>6,574</u>	<u>1,052</u>
<b>CURRENT ASSETS</b>			
Current tax receivable		1,045	622
Trade and other receivables	13	4,668	1,157
Cash and cash equivalents	14	24,332	3,147
<b>TOTAL CURRENT ASSETS</b>		<u>30,045</u>	<u>4,926</u>
<b>TOTAL ASSETS</b>		<u>36,619</u>	<u>5,978</u>
<b>EQUITY</b>			
Share capital	15	1	1
Share premium		49,919	18,313
Translation reserve		(14)	(25)
Accumulated losses		(26,333)	(15,290)
<b>TOTAL EQUITY</b>		<u>23,573</u>	<u>2,999</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease obligation	16	1,762	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>1,762</u>	<u>-</u>
<b>CURRENT LIABILITIES</b>			
Lease obligation	16	1,886	-
Trade and other payables	17	9,398	2,979
<b>TOTAL CURRENT LIABILITIES</b>		<u>11,284</u>	<u>2,979</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>36,619</u>	<u>5,978</u>

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
**Mr A J Du Preez**  
**Director**

Date: 22 July 2020

The accompanying notes form part of these financial statements.

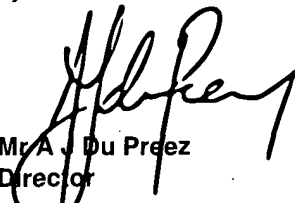
**PRIVITAR LIMITED**  
**REGISTERED NUMBER: 09305666**

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 JANUARY 2020**

	Note	31 January 2020 £'000	Unaudited 31 January 2019 £'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	3,993	177
Intangible assets	11	1,949	871
Investments	12	-	-
Other non-current assets	13	260	-
<b>TOTAL NON-CURRENT ASSETS</b>		<u>6,202</u>	<u>1,048</u>
<b>CURRENT ASSETS</b>			
Current tax receivable		1,045	622
Trade and other receivables	13	4,366	1,257
Cash and cash equivalents	14	23,692	3,034
<b>TOTAL CURRENT ASSETS</b>		<u>29,103</u>	<u>4,913</u>
<b>TOTAL ASSETS</b>		<u>35,305</u>	<u>5,961</u>
<b>EQUITY</b>			
Share capital	15	1	1
Share premium		49,919	18,313
Accumulated losses		(27,301)	(15,322)
<b>TOTAL EQUITY</b>		<u>22,619</u>	<u>2,992</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease obligation	16	1,762	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>1,762</u>	<u>-</u>
<b>CURRENT LIABILITIES</b>			
Lease obligation	16	1,886	-
Trade and other payables	17	9,038	2,969
<b>TOTAL CURRENT LIABILITIES</b>		<u>10,924</u>	<u>2,969</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>35,305</u>	<u>5,961</u>

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
 Mr A J Du Preez  
 Director

Date: 22 July 2020

The accompanying notes form part of these financial statements.

PRIVITAR LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JANUARY 2020

	Note	Share capital £'000	Share premium £'000	Translation reserve £'000	Accumulated losses £'000	Total equity £'000
<b>BALANCE AT 1 FEBRUARY 2019</b>		1	18,313	(25)	(15,290)	2,999
Adjustment from the adoption of IFRS 15	2.3	-	-	-	653	653
<b>ADJUSTED BALANCE AT 1 FEBRUARY 2019</b>		1	18,313	(25)	(14,637)	3,652
<b>COMPREHENSIVE LOSS FOR THE YEAR</b>						
Loss for the year		-	-	-	(13,458)	(13,458)
Other comprehensive income for the year		-	-	11	-	11
<b>TOTAL COMPREHENSIVE LOSS</b>		-	-	11	(13,458)	(13,447)
<b>TRANSACTIONS WITH OWNERS</b>						
Issue of shares	15	-	31,606	-	-	31,606
Share based payment expense	19	-	-	-	1,762	1,762
<b>TOTAL TRANSACTIONS WITH OWNERS</b>		-	31,606	-	1,762	33,368
<b>BALANCE AT 31 JANUARY 2020</b>		1	49,919	(14)	(26,333)	23,573

The accompanying notes form part of these financial statements.

PRIVITAR LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 JANUARY 2019  
(UNAUDITED)

	Note	Share capital £'000	Share premium £'000	Translation reserve £'000	Accumulated losses £'000	Total equity £'000
<b>BALANCE AT 1 DECEMBER 2017</b>		-	16,518	-	(5,811)	10,707
<b>COMPREHENSIVE LOSS FOR THE PERIOD</b>						
Loss for the period		-	-	-	(10,322)	(10,322)
Other comprehensive loss for the period		-	-	(25)	-	(25)
<b>TOTAL COMPREHENSIVE LOSS</b>		-	-	(25)	(10,322)	(10,347)
<b>TRANSACTIONS WITH OWNERS</b>						
Issue of shares	15	1	1,795	-	-	1,796
Share based payment expense	19	-	-	-	843	843
<b>TOTAL TRANSACTIONS WITH OWNERS</b>		1	1,795	-	843	2,639
<b>BALANCE AT 31 JANUARY 2019</b>		1	18,313	(25)	(15,290)	2,999

The accompanying notes form part of these financial statements.

PRIVITAR LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JANUARY 2020

	Note	Share capital £'000	Share premium £'000	Accumulated losses £'000	Total equity £'000
<b>BALANCE AT 1 FEBRUARY 2019</b>		1	18,313	(15,322)	2,992
Adjustment from the adoption of IFRS 15	2.3	-	-	653	653
<b>ADJUSTED BALANCE AT 1 FEBRUARY 2019</b>		1	18,313	(14,669)	3,645
<b>COMPREHENSIVE LOSS FOR THE YEAR</b>					
Loss for the year		-	-	(14,394)	(14,394)
<b>TOTAL COMPREHENSIVE LOSS</b>		-	-	(14,394)	(14,394)
<b>TRANSACTIONS WITH OWNERS</b>					
Issue of shares	15	-	31,606	-	31,606
Share based payment expense	19	-	-	1,762	1,762
<b>TOTAL TRANSACTIONS WITH OWNERS</b>		-	31,606	1,762	33,368
<b>BALANCE AT 31 JANUARY 2020</b>		1	49,919	(27,301)	22,619

The accompanying notes form part of these financial statements.

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PRIVITAR LIMITED

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COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 JANUARY 2019  
(UNAUDITED)

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	Note	Share capital £'000	Share premium £'000	Accumulated losses £'000	Total equity £'000
<b>BALANCE AT 1 DECEMBER 2017</b>		-	16,518	(5,811)	10,707
<b>COMPREHENSIVE LOSS FOR THE PERIOD</b>					
Loss for the period		-	-	(10,354)	(10,354)
<b>TOTAL COMPREHENSIVE LOSS</b>		-	-	(10,354)	(10,354)
<b>TRANSACTIONS WITH OWNERS</b>					
Issue of shares	15	1	1,795	-	1,796
Share based payment expense	19	-	-	843	843
<b>TOTAL TRANSACTIONS WITH OWNERS</b>		1	1,795	843	2,639
<b>BALANCE AT 31 JANUARY 2019</b>		1	18,313	(15,322)	2,992

The accompanying notes form part of these financial statements.

**PRIVITAR LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 JANUARY 2020**

	12 months ended 31 January 2020	Unaudited 14 months ended 31 January 2019
Note	£'000	£'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	(15,242)	(10,942)
<b>ADJUSTMENTS FOR:</b>		
Depreciation of property, plant and equipment	10      100	62
Amortisation of intangible assets	11      654	209
Profit on disposal of property, plant and equipment	(4)	-
Impairment losses on trade receivables	13      166	-
Net foreign exchange differences	16	(25)
Finance income	8      (23)	(25)
Share based payment expense	19      1,762	843
Increase in trade and other receivables*	(3,600)	(530)
Increase in trade and other payables	6,383	1,968
Corporate taxes received	1,397	-
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(8,391)</u>	<u>(8,440)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	10      (161)	(148)
Sale of property, plant and equipment	5	-
Capitalisation of development costs	11      (1,732)	(1,080)
Interest received	23	25
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(1,865)</u>	<u>(1,203)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital	15      31,606	1,796
Payment of lease obligations	16      (162)	-
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<u>31,444</u>	<u>1,796</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>21,188</b>	<b>(7,847)</b>
Exchange difference on cash and cash equivalents	(3)	-
Cash and cash equivalents at beginning of year/period	3,147	10,994
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD</b>	<u><u>24,332</u></u>	<u><u>3,147</u></u>

\*The Group has applied IFRS 15 using the modified retrospective method with prior period comparatives not restated for the transition. Increase in trade and other receivables includes the adjustment to opening reserves on adoption of IFRS 15 of £653,000 relating to prepaid commissions.

The accompanying notes form part of these financial statements.

**PRIVITAR LIMITED**

**COMPANY STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 JANUARY 2020**

	12 months ended 31 January 2020 £'000	Unaudited 14 months ended 31 January 2019 £'000
Note		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	(16,220)	(10,976)
<b>ADJUSTMENTS FOR:</b>		
Depreciation of property, plant and equipment	10            93	61
Amortisation of intangible assets	11            654	209
Impairment of investments	12            167	-
Profit on disposal of property, plant and equipment	(4)	-
Impairment losses on trade and other receivables	13            1,113	-
Net foreign exchange differences	2	-
Finance income	8            (23)	(25)
Share based payment expense	19            1,624	843
Increase in trade and other receivables*	(3,829)	(630)
Increase in trade and other payables	6,069	1,960
Corporate taxes received	1,403	-
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(8,951)</u>	<u>(8,558)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	10            (100)	(143)
Sale of property, plant and equipment	5	-
Capitalisation of development costs	11            (1,732)	(1,080)
Acquisition of investments	12            (29)	-
Interest received	23	25
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(1,833)</u>	<u>(1,198)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital	15            31,606	1,796
Payment of lease obligations	16            (162)	-
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<u>31,444</u>	<u>1,796</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>20,660</b>	<b>(7,960)</b>
Exchange difference on cash and cash equivalents	(2)	-
Cash and cash equivalents at beginning of year/period	3,034	10,994
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD</b>	<u><u>23,692</u></u>	<u><u>3,034</u></u>

\*The Company has applied IFRS 15 using the modified retrospective method with prior period comparatives not restated for the transition. Increase in trade and other receivables includes the adjustment to opening reserves on adoption of IFRS 15 of £653,000 relating to prepaid commissions.

The accompanying notes form part of these financial statements.

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## PRIVITAR LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

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#### 1. GENERAL INFORMATION

Privitar Limited is a private company limited by shares and incorporated in England and Wales. The address of its registered office is given on the company information page. The nature of the Group and Company's operations and principal activities are set out in the Strategic Report on pages 1 to 2.

The financial statements were unaudited for the period ended 31 January 2019 as the Group and Company were eligible for small company audit exemption. Accordingly the comparative information has not been subject to audit.

These financial statements are presented in pounds sterling (£) because that is the currency of the primary economic environment in which the Group operates and rounded to the nearest thousand (£'000) except when otherwise stated.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below.

##### 2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), IFRS Interpretations Committee (IFRIC) interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The consolidated financial statements include the results of Privitar Limited and all its subsidiary undertakings made up to the same accounting date. All intra-Group balances, transactions, income and expenses are eliminated in full on consolidation. The results of subsidiary undertakings acquired or disposed of during the year are included or excluded from the income statement from date of acquisition or disposal.

The Company has taken advantage of the exemption contained within 408 of the Companies Act 2006 not to present its own Profit and Loss Account.

The loss for the year/period dealt with in the accounts of the Company was £14,394,000 (2019 - £10,354,000).

##### 2.2 GOING CONCERN

The financial statements have been prepared on a going concern basis. The Group had cash resources of £24.3m at the Statement of Financial Position date following the completion of its Series B funding round in June 2019, and in April 2020 secured £46.2m of further equity investment to support the Group's continued product development and growth. Based on budgets and cash flow forecasts prepared the directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for a period of at least 12 months following the approval of these financial statements. Due to the nature of the Privitar platform, the business model is not significantly impacted by the COVID-19 outbreak, however the Group continues to monitor and respond to the uncertainties arising from the pandemic.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The following new and revised Standards and Interpretations have been adopted in the current year.

**IFRS 9 - Financial Instruments**

IFRS 9, which is effective for the year beginning 1 February 2019, contains new requirements on the classification and measurement of financial instruments and replaces IAS 39. The Group does not enter into hedging arrangements or hold bonds, debentures, or other complex financial assets. The Group has therefore applied the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and provision made where there is a reasonable risk of non-collectability as assessed by management.

In adopting IFRS 9 no material differences in respect of the measurement and impairment of financial instruments have been identified and therefore the Group has not restated the 2019 figures upon adoption of the new accounting policies. The adoption of IFRS 9 has not impacted the classification of financial instruments.

**IFRS 15 - Revenue from Contracts with Customers**

The Group adopted IFRS 15, which replaces IAS 18, on 1 February 2019. The new standard introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. All of the Group's revenue is within the scope of IFRS 15.

Whilst under IFRS 15 the timing of revenue recognition is unchanged, the new standard requires that costs incurred in obtaining customer contracts be deferred on the Statement of Financial Position and amortised over the period in which the revenue is recognised. The Group pays variable compensation to a number of staff who perform sales, or supporting, roles. For many the commissions received cannot be directly attributed to obtaining a specific contract and these costs continue to be expensed as incurred. However for staff who receive a percentage of the first year revenue on new contracts at a percentage linked to their performance against an annual quota, as required by the new standard, this cost is now capitalised and expensed rateably over the life of the contract.

The Group has applied IFRS 15 using the modified retrospective method, with the requirements of IFRS 15 applied only to the current period, and the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated losses at 1 February 2019. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 February 2019.

In assessing the impact of IFRS 15 on contracts which were incomplete at each reporting date management have applied the practical expedient permitted under IFRS 15 to not capitalise commission payments where these costs would be amortised over a period of one year or less.

The total adjustment to the opening balance of accumulated losses arising from the initial application of IFRS 15 in relation to commission costs is £653,000.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP (CONTINUED)**

**IFRS 16 - Leases**

IFRS 16 was adopted on 1 February 2019 and the Group has applied the full retrospective method on adoption which has had no impact on brought forward reserves. The lease for the Group's premises that was occupied during the year expired on 31 January 2020. A lease was signed prior to the year end for a new premises which became available for use on 31 January 2020. As a result a right-of-use asset and corresponding lease liability has been recognised in these financial statements.

**2.4 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY BY THE GROUP**

At the date of authorisation of these financial statements the following standards, amendments and interpretations to existing standards were in issue but not yet effective and have not been applied to these financial statements:

Definition of Material – Amendments to IAS 1 and IAS 8 (effective for the year beginning 1 February 2020)

This amendment is not expected to have a material impact on the entity in future reporting periods.

**2.5 REVENUE RECOGNITION**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable in the normal course of business, net of discounts, VAT and other sales related taxes.

The Group generates its revenue principally through the supply of: licence subscription fees, support and maintenance fees, and training and installation services.

Revenue in respect of licence subscription fees is recognised in accordance with IFRS 15 evenly over the contract period from the date the customer can benefit from using the software. Revenue is recognised on a straight line basis since the customer benefits from Privitar's software services evenly throughout the contract term, most notably from critical updates delivered over time.

Support and maintenance fees, which can include core product upgrades and enhancements, are recognised over the period of the licence contract on a straight line basis.

Revenue from training and installation services is recognised as the work is performed by reference to the costs incurred as a proportion of the total estimated costs of the project. This is considered to reflect when control is transferred as the customer receives and consumes the benefit of the service as it is performed, and the Group has an enforceable right to payment for work completed to date.

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**PRIVITAR LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020**

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.5 REVENUE RECOGNITION (CONTINUED)**

The Group incurs commission fees in connection with obtaining licence sales contracts. The majority of contracts which the Group enters into with customers are 12 months in length and the Group has chosen to use the practical expedient under IFRS 15 to expense these commissions as an expense when incurred. For contracts with a term in excess of 12 months, when the Group expects that these incremental costs will be recovered, it capitalises these and amortises them over the customer life. The expected relationship period with the customer is estimated based on historical and forecast contract renewals data. Commissions to be released in more than 12 months at the balance sheet date are included in other non-current assets.

Income for out-of-pocket expenses incurred by the Group in fulfilling its performance obligations is recognised on completion of the activity, in line with when it is contractually earned and recorded separately as Other income. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

**2.6 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment is stated at cost. Expenditure on repairs and maintenance is charged to the statement of comprehensive income as incurred. Additions and improvements are capitalised. The cost and related accumulated depreciation on property, plant and equipment sold or otherwise disposed of are removed from the accounts and any gain or loss is reported within administrative expenses.

Depreciation is charged so as to write off the cost of the assets over their estimated useful economic lives, using the straight-line method, on the following basis:

Office equipment	•	33% straight line
Computer equipment	•	33% straight line

**2.7 INVESTMENTS**

Investments in subsidiaries are valued at cost less provision for impairment.

**2.8 IMPAIRMENT OF NON-CURRENT ASSETS**

At the date of the statement of financial position, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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**PRIVITAR LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020**

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.9 TRADE AND OTHER RECEIVABLES**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Trade and other receivables are initially recognised at fair value and subsequently held at amortised cost, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in profit and loss. The Group applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

**2.10 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprises cash in hand and other short-term and highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**2.11 EQUITY**

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related tax benefits.

Foreign exchange reserve includes foreign exchange differences on consolidation of subsidiaries whose accounts are reported under a different functional currency.

Accumulated losses includes all current and previous period retained profits and accumulated losses.

**2.12 PROVISIONS**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

**2.13 TRADE AND OTHER PAYABLES**

Trade and other payables are stated at cost, which approximates fair value due to the short term nature of these liabilities. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

**2.14 FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognised on the Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.15 FOREIGN CURRENCY TRANSLATION**

Foreign currency transactions are translated at the rates of exchange in effect at the dates of the transaction. Resulting foreign currency denominated monetary assets and liabilities are translated at the rates of exchange in effect at the balance sheet date. Any exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognised in the Statement of Comprehensive Income in the period in which they arise.

**2.16 RESEARCH AND DEVELOPMENT**

Expenditure on research activities is charged to the Statement of Comprehensive Income in the period in which it is incurred. In the event that an internally generated intangible asset arises from the Group's development activities then it will be recognised only if all of the following conditions are met:

- Completion of the asset is technically feasible;
- The Group intends to complete the intangible asset and use or sell it;
- The Group has the ability to use the asset or sell it;
- The intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset, or, if it is to be used internally, the asset will be used in generating such benefits;
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Internally generated intangible assets are amortised on a straight line basis over their estimated useful life, which has been assessed as three years. Amortisation commences when the asset is available for use. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

**2.17 LEASES**

Where the Group has substantially all of the economic benefits from use of a leased asset, leases are recognised on the statement of financial position in the form of a right-of-use asset and a lease liability.

Leases are recognised at their commencement date, being the date on which the underlying asset is available for use by the lessee. If the Group negotiates a lease before the underlying asset is available for use costs relating to the construction or design are accounted for under IFRS 16 and payments for the right-of-use asset are recognised as an asset until such time as the right-of-use asset and lease liability are recognised, unless the terms of the contract are considered onerous.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.17 LEASES (CONTINUED)**

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred and an estimate of costs to restore the underlying asset to its previous condition less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful lives of right-to-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the Group's incremental borrowing rate.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options, or periods after termination options, are only included in the lease term if the lease is reasonably certain to be extended, or not terminated.

The lease liability is subsequently measured at amortised cost, using the effective interest method by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

Interest expenses on the lease liabilities are presented separately from the depreciation charge for the right-of-use asset. Interest expenses on the lease liabilities are components of finance costs, which is presented separately in the statement of comprehensive income.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases with a duration of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight -line basis.

**2.18 SHORT-TERM EMPLOYEE BENEFITS**

Short term employee benefits, including holiday entitlement, are current liabilities measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

**2.19 POST-EMPLOYMENT BENEFITS**

The Group provides post-employment benefits through a defined contribution pension scheme.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The Group contributes to several schemes for individual employees that are defined contribution plans. Contributions to the plans are recognised as an expense in the period that relevant employee services are received.

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**PRIVITAR LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020**

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.20 SHARE BASED PAYMENTS**

The Group has a share option plan under which it makes equity settled share based payments to certain employees. The plan does not feature any options for a cash settlement. Share options granted under the share option plan are accounted for using the fair value method.

Where employees are rewarded using share based payments, the fair values of employees' services are determined by reference to the fair value at the grant date of equity instruments issued by the Group. The fair value of these instruments (share options) is determined using the Black Scholes valuation model. The share based payment is recognised as an expense in the Statement of Comprehensive Income, together with a corresponding credit to equity. This expense is recognised on a straight-line basis based on the Group's estimate of the number of shares that will vest.

**2.21 TAXATION**

The tax credit or charge represents the sum of the tax currently receivable or payable and deferred tax.

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

Any tax credit receivable under the small company R&D tax scheme is included against the tax charge when there is reasonable probability of receipt.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty relating to these financial statements are:

**Revenue recognition**

Management judgement is applied in determining the allocation and timing of the recognition of revenue on contracts. Contracts can include both the provision of software as a service and professional services. In applying the five-step model set out in IFRS 15 management assess whether the services to be performed under the contract are distinct, and therefore separate performance obligations, or non-distinct with the contract accounted for as a single performance obligation.

Management consider recognition of the separable components of revenue is appropriate based on the analysis of individual contracts, as this indicates the substance of the transaction as viewed by the customer. The point at which performance obligations are completed is dependent on the contractual terms and an analysis is made of each revenue component.

In respect of software sold as a service, the performance obligation is considered to be satisfied over the life of the contract as critical updates are delivered. Revenue for professional services is subject to user acceptance testing with revenue recognised on the basis of work done.

**Fair value of share options**

Management uses valuation techniques to determine the fair value of share based payments. This involves developing estimates and assumptions consistent with how third parties would price the instruments. Given the early stage profile of the business, observable third party equivalent data is not always available and management have therefore used estimates based on best information available. The fair value of share-based payments has been estimated using the Black-Scholes model with the criteria used stated in note 19.

**Capitalisation of development costs**

The point at which development costs meet the criteria for capitalisation is critically dependent on management's judgement of the probability and measurability of the future economic benefits. Development costs have been capitalised since 1 December 2018 following strong technological developments in privacy engineering combined with momentum in revenue generation; equity investment secured during the year has enabled the business to continue building its product roadmap with management confident as to the future economic benefits the developed assets will deliver.

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PRIVITAR LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS (CONTINUED)

**Leases**

Measurement of the Group's lease, reported in note 16 below, requires the discounting of future cash outflows to arrive at an assessment of the net present value of the lease at inception. The incremental borrowing rate applied has a significant impact on the valuation of the right of use assets and corresponding lease liabilities.

In determining the net present value of the leases, management have exercised judgement in deriving the relevant interest rate, which is based on best estimates as the Group has no borrowings. Increasing the discount rate applied to leases by 1% would reduce the carrying value of right of use assets by approximately £36k with a comparable impact reducing the corresponding lease liability.

3. REVENUE

Analysis of revenue by type:

	12 months ended 31 January 2020 £'000	14 months ended 31 January 2019 £'000
Software licence sales (including support and updates)	5,272	1,786
Services	849	152
Other income	73	19
	<u>6,194</u>	<u>1,957</u>

Analysis of revenue by country of destination:

	12 months ended 31 January 2020 £'000	14 months ended 31 January 2019 £'000
United Kingdom	2,951	1,431
European Union	263	275
Rest of the World	2,980	251
	<u>6,194</u>	<u>1,957</u>

**PRIVITAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020**

**4. OPERATING LOSS**

	<b>12 months ended 31 January 2020 £'000</b>	<b>14 months ended 31 January 2019 £'000</b>
<b>THIS IS STATED AFTER CHARGING:</b>		
Depreciation of property, plant and equipment	100	62
Amortisation of intangible assets	654	209
Research and development expenditure	4,341	2,625
Short term lease rentals	1,047	782
Profit on disposal of fixed assets	(4)	-
Net foreign exchange differences	458	11
Auditor's remuneration	34	-
	<b>6,630</b>	<b>3,689</b>

**5. EMPLOYEE EXPENSE**

	<b>12 months ended 31 January 2020 £'000</b>	<b>14 months ended 31 January 2019 £'000</b>
Wages, salaries and benefits	10,092	6,825
Social security costs	1,108	870
Pension costs	288	215
Share based payment expense	1,762	843
	<b>13,250</b>	<b>8,753</b>

The average monthly number of employees during the year/period was as follows:

	<b>12 months ended 31 January 2020 No</b>	<b>14 months ended 31 January 2019 No</b>
Services	8	3
Sales and marketing	37	20
Research and development	38	21
General and administration	8	6
	<b>91</b>	<b>50</b>

**PRIVITAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020**

**6. DIRECTORS' REMUNERATION**

	<b>12 months ended 31 January 2020 £'000</b>	<b>14 months ended 31 January 2019 £'000</b>
Aggregate emoluments	354	436
Company pension contributions to defined contribution schemes	-	10
	<b>354</b>	<b>446</b>

During the year/period retirement benefits were accruing to no (2019 - 1) director in respect of defined contribution pension schemes.

The directors hold share options over shares in Privitar Limited. No directors exercised share options in the period (2019 - NIL).

The highest paid director received the following remuneration:

	<b>12 months ended 31 January 2020 £'000</b>	<b>14 months ended 31 January 2019 £'000</b>
Aggregate emoluments	354	436
Company pension contributions to defined contribution schemes	-	10
	<b>354</b>	<b>446</b>

**7. KEY MANAGEMENT REMUNERATION**

	<b>12 months ended 31 January 2020 £'000</b>	<b>14 months ended 31 January 2019 £'000</b>
Short-term employee benefits	1,898	1,588
Post-employment benefits	43	49
Share based payments	1,277	327
	<b>3,218</b>	<b>1,964</b>

Key management includes directors and members of the management team who have the responsibility for planning, directing and controlling, directly or indirectly, the activities of the Group.

**PRIVITAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020**

**8. FINANCE INCOME**

	<b>12 months ended 31 January 2020 £'000</b>	<b>14 months ended 31 January 2019 £'000</b>
Bank interest received	<u>23</u>	<u>25</u>

**9. TAXATION**

	<b>12 months ended 31 January 2020 £'000</b>	<b>14 months ended 31 January 2019 £'000</b>
UK corporation tax credit	(1,045)	-
UK corporation tax credit - prior period	(781)	(622)
Foreign tax charge	39	2
Foreign tax charge - prior period	3	-
<b>TOTAL TAX CREDIT FOR THE YEAR/PERIOD</b>	<u><b>(1,784)</b></u>	<u><b>(620)</b></u>

**FACTORS EFFECTING TAX CREDIT FOR THE YEAR/PERIOD**

The expected tax credit for the period based on the average UK tax rate for the period of 19.00% (2019 - 19.00%) and the reported tax credit for the period can be reconciled as shown below:

	<b>12 months ended 31 January 2020 £'000</b>	<b>14 months ended 31 January 2019 £'000</b>
Loss before tax	<u>(15,242)</u>	<u>(10,942)</u>
Tax on loss at standard UK tax rate of 19.00% (2019 - 19.00%)	(2,896)	(2,079)
<b>EFFECTS OF:</b>		
Expenses not deductible for tax purposes	44	13
R&D expenditure credit	(1,045)	-
Adjustment to tax credit in respect of prior periods	(778)	(622)
Difference in foreign tax rates	1	-
Deferred tax not recognised	2,890	2,068
<b>TOTAL TAX CREDIT FOR THE YEAR/PERIOD</b>	<u><b>(1,784)</b></u>	<u><b>(620)</b></u>

The Group takes advantage of the enhanced tax deductions under the UK research and development tax legislation and expects to continue to be able to do so. The tax credit recognised relates to a claim for the prior period. No deferred tax asset is recognised in respect of the tax losses carried forward, estimated at £18.2 million (2019 - £6.7 million) due to uncertainty regarding timing of taxable profits to utilise these carried forward losses.

**PRIVITAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020**

**10. PROPERTY, PLANT AND EQUIPMENT**

	Office equipment £'000	Computer equipment £'000	Right-of-use assets £'000	Total £'000
<b>GROUP COST</b>				
At 1 December 2017	4	121	-	125
Additions	38	110	-	148
Disposals	-	(1)	-	(1)
<b>At 31 January 2019</b>	<b>42</b>	<b>230</b>	<b>-</b>	<b>272</b>
Additions	8	153	3,810	3,971
Disposals	-	(19)	-	(19)
Foreign exchange movement	-	(2)	-	(2)
<b>At 31 January 2020</b>	<b>50</b>	<b>362</b>	<b>3,810</b>	<b>4,222</b>
<b>DEPRECIATION</b>				
At 1 December 2017	1	29	-	30
Charge for the period	2	60	-	62
On disposals	-	(1)	-	(1)
<b>At 31 January 2019</b>	<b>3</b>	<b>88</b>	<b>-</b>	<b>91</b>
Charge for the year	14	86	-	100
On disposals	-	(18)	-	(18)
<b>At 31 January 20120</b>	<b>17</b>	<b>156</b>	<b>-</b>	<b>173</b>
<b>NET BOOK VALUE</b>				
<b>At 31 January 2020</b>	<b>33</b>	<b>206</b>	<b>3,810</b>	<b>4,049</b>
At 31 January 2019	39	142	-	181

As at 31 January 2020, there were no contractual commitments for the acquisition of property, plant and equipment.

**PRIVITAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020**

**10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Office equipment £'000	Computer equipment £'000	Right-of-use assets £'000	Total £'000
<b>COMPANY COST</b>				
At 1 December 2017	4	121	-	125
Additions	38	105	-	143
Disposals	-	(1)	-	(1)
<b>At 31 January 2019</b>	<b>42</b>	<b>225</b>	<b>-</b>	<b>267</b>
Additions	8	92	3,810	3,910
Disposals	-	(19)	-	(19)
<b>At 31 January 2020</b>	<b>50</b>	<b>298</b>	<b>3,810</b>	<b>4,158</b>
<b>DEPRECIATION</b>				
At 1 December 2017	1	29	-	30
Charge for the period	2	59	-	61
On disposals	-	(1)	-	(1)
<b>At 31 January 2019</b>	<b>3</b>	<b>87</b>	<b>-</b>	<b>90</b>
Charge for the year	14	79	-	93
On disposals	-	(18)	-	(18)
<b>At 31 January 2020</b>	<b>17</b>	<b>148</b>	<b>-</b>	<b>165</b>
<b>NET BOOK VALUE</b>				
<b>At 31 January 2020</b>	<b>33</b>	<b>150</b>	<b>3,810</b>	<b>3,993</b>
At 31 January 2019	39	138	-	177

As at 31 January 2020, there were no contractual commitments for the acquisition of property, plant and equipment.

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PRIVITAR LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020

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11. INTANGIBLE ASSETS

	Development costs £'000
<b>GROUP AND COMPANY COST</b>	
At 1 December 2017	-
Additions	1,080
<b>At 31 January 2019</b>	<u>1,080</u>
Additions	1,732
<b>At 31 January 2020</b>	<u>2,812</u>
<b>AMORTISATION</b>	
At 1 December 2017	-
Charge for the period	209
<b>At 31 January 2019</b>	<u>209</u>
Charge for the year	654
<b>At 31 January 2020</b>	<u>863</u>
<b>NET BOOK VALUE</b>	
<b>At 31 January 2020</b>	<u>1,949</u>
At 31 January 2019	<u>871</u>

**PRIVITAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020**

**12. INVESTMENTS**

	<b>Investments in subsidiary companies £'000</b>
<b>COMPANY COST</b>	
At 1 December 2017	322
Additions	-
Disposals	(322)
<b>At 31 January 2019</b>	<b>-</b>
Additions	167
<b>At 31 January 2020</b>	<b>167</b>
<b>IMPAIRMENT</b>	
At 1 December 2017	322
On disposals	(322)
<b>At 31 January 2019</b>	<b>-</b>
Impairment charge for the year	167
<b>At January 2019 and 31 January 2020</b>	<b>167</b>
<b>NET BOOK VALUE</b>	
<b>At 31 January 2020</b>	<b>-</b>
At 31 January 2019	-

The subsidiaries held directly by Privitar Limited and consolidated into these financial statements are as follows:

Subsidiary name	Country of incorporation	Percentage shareholding	Principal activity
Privitar Inc.	USA	100%	Provision of software services

On 16 January 2018 the Company purchased 1,000 shares of US\$0.01 each in Privitar Inc for total consideration of US\$10.

Privitar Singapore PTE. Ltd.	Singapore	100%	Provision of software services
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On 23 August 2019 the Company purchased 1 share of S\$1.00 each in Privitar Singapore PTE. Ltd. On 29 October 2019 the Company purchased a further 49,999 shares of S\$1.00 each for total consideration of S\$49,999.

Subsidiaries previously held by Privitar Limited and dissolved in the prior period are as follows:

Subsidiary name	Country of incorporation	Percentage shareholding	Principal activity	Date dissolved
Privitar RVC IP Limited	UK	-	Dormant	25 Sep 18

**PRIVITAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020**

**13. TRADE AND OTHER RECEIVABLES**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>31 January 2020 £'000</b>	<b>31 January 2019 £'000</b>	<b>31 January 2020 £'000</b>	<b>31 January 2019 £'000</b>
Trade receivables	3,169	585	3,169	585
Amounts owed by group undertakings	-	-	-	115
Other receivables	569	384	535	374
Prepayments and accrued income	930	188	662	183
	<b>4,668</b>	<b>1,157</b>	<b>4,366</b>	<b>1,257</b>

The net carrying value of trade and other receivables is considered to be a reasonable approximation of their fair value. As at 31 January 2020, the Group and Company recognised an allowance in respect of expected credit losses on trade receivables totalling £166,000 (2019 - £NIL), which has been recognised in administrative expenses. As at 31 January 2020, the Company recognised a provision against amounts owed by group undertakings totalling £947,000 (2019 - £NIL), which has been recognised in administrative expenses.

The expected credit loss for trade receivables as at 31 January 2020 was determined as follows:

<b>Days past due</b>	<b>Expected credit loss rate %</b>	<b>GROUP</b>		<b>COMPANY</b>	
		<b>Gross carrying amount £'000</b>	<b>Lifetime expected credit loss £'000</b>	<b>Gross carrying amount £'000</b>	<b>Lifetime expected credit loss £'000</b>
0-30 days	0.10%	3,147	3	3,147	3
31-60 days	5%	26	1	26	1
61-90 days	7.5%	-	-	-	-
over 90 days	10%	-	-	-	-
Specific provision	100%	162	162	162	162
		<b>3,335</b>	<b>166</b>	<b>3,335</b>	<b>166</b>

The carrying amount of trade and other receivables (excluding prepayments and accrued income) is denominated in the following currencies:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>31 January 2020 £'000</b>	<b>31 January 2019 £'000</b>	<b>31 January 2020 £'000</b>	<b>31 January 2019 £'000</b>
Great Britain Pound	1,892	637	1,892	752
Euro	-	218	-	218
United States Dollar	1,845	114	1,812	104
Singapore Dollar	1	-	-	-
	<b>3,738</b>	<b>969</b>	<b>3,704</b>	<b>1,074</b>

**PRIVITAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020**

**13. TRADE AND OTHER RECEIVABLES (CONTINUED)**

Prepayments and other non-current assets contain contract costs capitalised under IFRS 15. An analysis of the balances is as follows:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>31 January 2020 £'000</b>	<b>31 January 2019 £'000</b>	<b>31 January 2020 £'000</b>	<b>31 January 2019 £'000</b>
<b>Included in other non-current assets:</b>				
Prepaid commission costs*	<u>576</u>	-	<u>260</u>	-
<b>Included in prepayments and accrued income above:</b>				
Prepaid commission costs*	<u>610</u>	-	<u>374</u>	-

\*The Group has applied IFRS 15 using the modified retrospective method with prior period comparatives not restated for the transition. Prepaid commissions included in other non-current assets for the Group and Company at 31 January 2019 would have been £371,000. Similarly prepaid commissions included in trade and other receivables for the Group and Company at 31 January 2019 would have been £282,000.

**14. CASH AND CASH EQUIVALENTS**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>31 January 2020 £'000</b>	<b>31 January 2019 £'000</b>	<b>31 January 2020 £'000</b>	<b>31 January 2019 £'000</b>
Cash at banks and on hand	<u>24,332</u>	3,147	<u>23,692</u>	3,034

The net carrying value of cash and cash equivalents is considered to be a reasonable approximation of their fair value.

The carrying amount of cash and cash equivalents is denominated in the following currencies:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>31 January 2020 £'000</b>	<b>31 January 2019 £'000</b>	<b>31 January 2020 £'000</b>	<b>31 January 2019 £'000</b>
Great Britain Pound	14,971	2,915	14,971	2,915
Euro	53	16	53	16
United States Dollar	9,101	216	8,635	103
Singapore Dollar	207	-	33	-
	<u>24,332</u>	3,147	<u>23,692</u>	3,034

**PRIVITAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020**

**15. SHARE CAPITAL**

	<b>31 January 2020 £'000</b>	<b>31 January 2019 £'000</b>
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		
34,262,563 (2019 - 35,266,160) Ordinary shares of £0.00001 each	<b>0.343</b>	0.353
13,740,034 (2019 - 14,424,979) Series A shares of £0.00001 each	<b>0.137</b>	0.144
1,436,784 (2019 - 1,436,784) Series A2 shares of £0.00001 each	<b>0.014</b>	0.014
22,139,926 (2019 - NIL) Series B shares of \$0.00001 each	<b>0.181</b>	-
	<b>0.675</b>	0.511

Ranking of share classes with regard to the Company's residual assets is as follows; Series B, Series A2, Series A, Ordinary. The holders of all shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

On 10 June 2019 the company changed the share class designation of 2,337,111 Ordinary shares and 684,945 Series A shares to 3,022,056 Series B shares. On this date the Company also issued and allotted a total of 19,117,870 Series B shares with an aggregate nominal amount value of £181. Consideration of £31,605,705 was received in respect of the issue of these shares.

During the year a total of 1,333,514 share options were exercised resulting in the issue and allotment of 1,333,514 Ordinary shares with an aggregate nominal value of £13. Consideration of £1,249 was received in respect of the issue of these shares.

**16. LEASE OBLIGATION**

	<b>GROUP</b>	<b>COMPANY</b>
	<b>31 January 2020 £'000</b>	<b>31 January 2020 £'000</b>
New leases	<b>3,810</b>	<b>3,810</b>
Payments made during the year	<b>(162)</b>	<b>(162)</b>
<b>At 31 January 2020</b>	<b>3,648</b>	<b>3,648</b>
<b>Presented as:</b>		
Lease liability payable within one year	<b>1,886</b>	<b>1,886</b>
Lease liability payable in more than one year	<b>1,762</b>	<b>1,762</b>
<b>At 31 January 2020</b>	<b>3,648</b>	<b>3,648</b>

**PRIVITAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020**

**17. TRADE AND OTHER PAYABLES**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>31 January 2020 £'000</b>	<b>31 January 2019 £'000</b>	<b>31 January 2020 £'000</b>	<b>31 January 2019 £'000</b>
Trade payables	92	145	62	140
Corporation tax	38	2	-	-
Other taxation and social security	682	247	682	247
Other payables	119	109	107	106
Accruals	2,175	1,093	1,895	1,093
Deferred income	6,292	1,383	6,292	1,383
	<b>9,398</b>	<b>2,979</b>	<b>9,038</b>	<b>2,969</b>

The net carrying value of trade and other payables is considered to be a reasonable approximation of their fair values and comprise amounts outstanding for trade purchases and ongoing costs. Normal credit terms for most suppliers are 30 days and the Group tries to adhere to these terms where possible. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frames.

The carrying amount of the trade and other payables (excluding tax and social security costs and deferred income) is denominated in the following currencies:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>31 January 2020 £'000</b>	<b>31 January 2019 £'000</b>	<b>31 January 2020 £'000</b>	<b>31 January 2019 £'000</b>
Great Britain Pound	2,064	1,339	2,064	1,339
Euro	-	-	-	-
United States Dollar	275	8	-	-
Singapore Dollar	47	-	-	-
	<b>2,386</b>	<b>1,347</b>	<b>2,064</b>	<b>1,339</b>

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**PRIVITAR LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020**

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**18. FINANCIAL RISK MANAGEMENT**

**18.1 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY**

The carrying amounts of the financial assets and liabilities as recognised at the balance sheet date of the periods under review may also be categorised as follows:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>31 January 2020 £'000</b>	<b>31 January 2019 £'000</b>	<b>31 January 2020 £'000</b>	<b>31 January 2019 £'000</b>
<b>Loans and receivables:</b>				
Trade and other receivables	3,738	969	3,704	1,074
Cash and cash equivalents	24,332	3,147	23,692	3,034
	<b>28,070</b>	<b>4,116</b>	<b>27,396</b>	<b>4,108</b>
<b>Financial liabilities measured at amortised cost:</b>				
Lease obligation	3,648	-	3,648	-
Trade and other payables	2,386	1,347	2,064	1,339
	<b>6,034</b>	<b>1,347</b>	<b>5,712</b>	<b>1,339</b>

There are no financial instruments that have been measured subsequent to initial recognition at fair value.

**18.2 FINANCIAL RISK FACTORS**

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, currency risk and credit risk.

**18.2.1 LIQUIDITY RISK**

Liquidity risk is the risk that the Group will encounter difficulty in meeting its short term obligations associated with financial liabilities.

Liquidity needs are monitored by the Group to ensure it has sufficient funds to meet its liabilities when due, under normal and unexpected conditions, without incurring unacceptable losses.

**18.2.2 INTEREST RATE RISK**

Interest rate risk is the risk that changes in market interest rates will cause fluctuations to the fair values and cash flows of the Group's financial instruments.

The Group is exposed to changes in market interest rates through its funds held in bank accounts, which are subject to variable interest rates. The Group does not have any external borrowings.

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**PRIVITAR LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020**

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**18. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**18.2 FINANCIAL RISK FACTORS (CONTINUED)**

**18.2.2 INTEREST RATE RISK (CONTINUED)**

The following table illustrates the sensitivity of the net result for the period and the equity to a reasonably possible change in interest rates of +0.5%, with effect from the beginning of the period. These changes are considered to be reasonably possible based on observations of current market conditions. The calculations are based on the Group's financial instruments held at the statement of financial position date. All other variables are held constant.

	<b>12 months ended 31 January 2020 £'000 +0.5%</b>	<b>14 months ended 31 January 2019 £'000 +0.5%</b>
Net result for the year/period	<b>54</b>	<b>26</b>
Equity	<b>54</b>	<b>26</b>

**18.2.3 CURRENCY RISK**

Currency risk is the risk that changes in foreign exchange rates will cause fluctuations to the fair values of the Group's financial instrument holdings that are denominated in a currency other than the functional currency in which they are measured. The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the US Dollar and Singapore Dollar. The Group does not hedge anticipated cash flows. As the Group's international exposure increases the Directors will continue to monitor any change in its exposure to foreign currencies and will consider implementing further risk management strategies.

**18.2.4 CREDIT RISK**

Credit risk is the risk of financial loss to the Group if the counterparty fails to meet its obligation. Credit risk arises from the Group's operating activities from trade and other receivables, financing activities from cash and cash equivalents and deposits with banks and financial institutions.

Credit risk from trade and other receivables is minimised by establishing credit policies such as determining and monitoring customer credit limits, requiring credit approvals, and the monitoring of customer credit risks by grouping customers according to their credit characteristics. Other monitoring procedures are in place to recover overdue customer accounts and to assess impairment.

Credit risk from financing activities is minimised by establishing investment policies in liquid securities with high credit ratings and maintaining accounts in reputable financial institutions with high quality credit ratings.

**PRIVITAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020**

**18. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**18.3 CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide adequate return to shareholders by balancing its trading performance with continuing investment to fund its activities and product development.

The Group considers capital to be shareholders' equity as shown in the Statement of Financial Position, as the Group is primarily funded by equity finance. To maintain or adjust the capital structure the Group may return capital to shareholders and issue new shares.

**19. SHARE-BASED PAYMENTS**

The Group has established a share option plan under which options may be granted to directors, officers, employees and consultants. Options granted have an exercise price of not less than the market price of the shares as agreed with HMRC.

The number of ordinary shares for which the Group employees hold options and the period for which the options are exercisable, and their weighted average exercise prices are as follows:

	As at 31 January 2020		As at 31 January 2019	
	Options No '000's	Weighted average exercise price per share £	Options No '000's	Weighted average exercise price per share £
Outstanding brought forward	5,580	0.03342	3,917	0.09604
Options granted	8,464	0.20661	3,807	0.02674
Options lapsed / surrendered	(1,368)	0.03320	(2,144)	0.13598
Options exercised	(1,334)	0.00094	-	-
Outstanding carried forward	<b>11,342</b>	<b>0.16651</b>	<b>5,580</b>	<b>0.03342</b>
Exercisable at the balance sheet date	-	-	719	0.00001

The inputs into the Black-Scholes model are as follows:

	2020	2019
Share price, £	0.62	0.55
Exercise price, £	0.00001-0.62000	0.00001-0.25800
Expected volatility	57%	40%
Expected option life, years	4.00-5.00	4.00
Expected dividend yield	0%	0%
Risk free interest rate	0.44% - 1.12%	0.72% - 1.12%

As the Company's shares are not traded, the expected volatility has been estimated with reference to comparable companies.

The Group recognised total expenses in the period of £1,762,000 (2019 - £843,000) in respect of equity-settled share based payment transactions.

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**PRIVITAR LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020**

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**20. POST EMPLOYMENT BENEFIT PLANS**

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost represents contributions payable by the Group to the fund and amounted to £288,000 (2019 - £215,000). Contributions of £78,000 (2019 - £50,000) were payable to the fund at the balance sheet date.

**21. RELATED PARTY TRANSACTIONS**

During the period G Buggy provided the Group with consultancy services of £30,000 (2019 - £70,000). As at 31 January 2020 the balance outstanding was £NIL (2019 - £6,000).

As at 31 January 2020 Privitar Limited was owed £665,000 (2019 - £115,000) by Privitar Inc. A provision of £665,000 (2019 - £NIL) has been recognised against this balance.

As at 31 January 2020 Privitar Limited was owed £282,000 (2019 - £NIL) by Privitar Singapore PTE. Ltd. A provision of £282,000 (2019 - £NIL) has been recognised against this balance.

**22. POST BALANCE SHEET EVENTS**

Subsequent to the year end a global health crisis caused by COVID-19 emerged which has had a significant impact on all businesses. The directors have assessed the potential impact of this uncertain situation on the Group with the information available and do not consider that it will lead to any subsequent impairment of the carrying amount of reported assets or impact on the Group's ability to continue as a going concern.

Subsequent to the year end the Company completed its Series C financing round, with £46.2m raised through the issue of new equity.

**23. IMMEDIATE AND ULTIMATE CONTROLLING PARTY**

The Company is under the control of its shareholders and no single shareholder exercises overall control.