

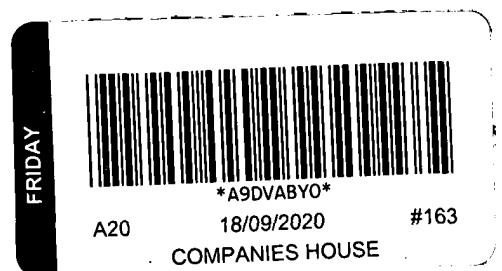
# **BullGuard Limited**

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 04392368



# BullGuard Limited

## Company Information

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<b>Directors</b>	N Adams P Lipman G Sidjimkov
<b>Registered number</b>	04392368
<b>Registered office</b>	Tower 42 25 Old Broad Street London EC2M 4YF
<b>Independent auditor</b>	BDO LLP 55 Baker Street London W1U 7EU

# BullGuard Limited

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# BullGuard Limited

## Group Strategic Report For the Year Ended 31 December 2019

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The directors present their strategic report together with the audited financial statements for the year ended 31 December 2019.

### **Principal activities**

BullGuard is an award-winning cybersecurity company focused on providing the consumer and small business markets with the confidence to use the internet in absolute safety. We make it simple for users to protect their data, identity and privacy – at home, in the office and on the go. The BullGuard product portfolio extends to PC, Mac, tablet and smartphone protection, and features a comprehensive product suite, including internet security, mobile security, identity protection, an easy-to-use VPN with military-grade encryption and BullGuard Small Office Security, a dedicated, cloud-managed endpoint service designed specifically for small offices. BullGuard released the world's first IoT vulnerability scanner, real-time Home Network Scanner and unique Game Booster delivering the most secure and optimized gaming experience for PC Gamers.

### **Business review and future prospects**

This review aims to provide a balanced summary of the activities and performance of BullGuard Limited throughout the year ended 31 December 2019, the risks and uncertainties facing the company and the business position at the year end.

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During 2019 we expanded our product portfolio with a new release of BullGuard Small Office Security, a new, powerful, cloud-managed endpoint security service for the small business market. BullGuard Small Office Security enables businesses to operate with the knowledge they are protected against identity and data theft, account takeover, malware such as ransomware, and other cyber threats.

In addition, we have seen significant growth in our VPN product.

As a result of Covid-19 restrictions with our Online business, we have seen notable increases in both new online orders for our core products and in particular our VPN product as people were required to work from home. Whilst we experienced a slow down in our channel orders in some countries as a result of Covid-19 related restrictions, as these restrictions have now eased, we have seen demand for our products via the channel, pick up again.

#### *Business environment*

The internet security and mobile security markets continue to be highly competitive, with many companies offering perceived similar solutions.

#### *Performance review*

Revenues for 2019 totalled £15,979,000 compared to £15,912,000 in 2018.

An operating loss of £4,653,000 was incurred in 2019 compared to an operating loss of £4,984,000 in 2018. BullGuard significantly increased investment in online marketing to drive new online revenue, but also to benefit from subsequent year renewals.

During the year BullGuard successfully divested the Dojo business in order to focus on its core consumer and small business endpoint security business. Further details are provided in Consolidated Statement of Comprehensive Income on Page 8 breaking out the how the Dojo business has been disclosed as a discontinued operation.

# BullGuard Limited

## Group Strategic Report (continued) For the Year Ended 31 December 2019

### Key performance indicators

	2019 £000	2018 £000
Revenue	15,979	15,912
Operating loss	(4,653)	(4,984)
Cash	<u>7,567</u>	<u>3,776</u>

### Strategy

BullGuard's strategy is to deliver first class, easy-to-use security software applications for the consumer segment, whilst focusing on partner revenue share and support, continues to be a successful strategy. BullGuard also continues the drive to be first to market with unique products and services to complement the core applications. We provide award winning products that address the most current customer needs with 24/7 in-house customer support.

We have a Global presence, with channel sales showing strength in each of our markets.

Our customer base continues to increase, with over 740,000 paying customers and industry leading renewal rates and we provide a unique revenue share programmed for our extensive network of partners.

### Principal risks, uncertainties and financial management objectives

The key performance indicators for the business are revenue, cash flow and profitability and hence the most significant risks to the business are those that directly impact on these, which are correlated with general economic activity.

#### Price risk

The business continues to offset the risk of competitive pressure through continual investment and development in all of our product offerings, providing excellent customer support and service.

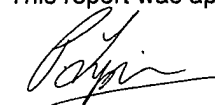
#### Brexit risk

A large proportion of our revenues are in EUR€ and USD\$ and are therefore at risk of fluctuations post the UK leaving the EU and during the current transition period. With the exception of the currency fluctuations, we have not witnessed any changes to our business and continue to grow our revenues in all our key geographies. However, we will continue to monitor the situation closely and take appropriate action if and when required.

#### Liquidity risk

The company had cash balances at the end of the year totalling £7,567,000. There are no debt facilities in place and the directors are confident that the current funding structure is appropriate to allow the company to trade profitably, invest in the business to secure greater growth and to achieve its financial targets in the future.

This report was approved by the board on July 15<sup>th</sup>, 2020 and signed on its behalf.



**P Lipman**  
Director

# BullGuard Limited

## Directors' Report For the Year Ended 31 December 2019

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The directors present their report together with the audited financial statements for the year ended 31 December 2019.

### Results and dividends

The consolidated statement of comprehensive income is set out on page 8 and shows the profit for the year.

The directors do not recommend the payment of a dividend (2018 - £Nil).

### Business review and future prospects

A business review and likely future developments in the business of the company are discussed in the strategic report.

### Directors

The directors who served during the year were:

N Adams  
P Lipman  
G Sidjimkov

### Disclosure of information to auditor

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

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

### Post balance sheet events

In the opinion of the Directors, there are no post balance sheet events to disclose.

### Auditor

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

This report was approved by the board on July 15<sup>th</sup>, 2020 and signed on its behalf.



**P Lipman**  
Director

# **BullGuard Limited**

## **Directors' Responsibilities Statement For the Year Ended 31 December 2019**

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The directors are responsible for preparing the strategic report, 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 year. Under that law the directors have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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;
- state whether the applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

# BullGuard Limited

## Independent Auditor's Report to the Members of BullGuard Limited

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### Opinion

We have audited the financial statements of BullGuard Limited ("the parent company") and its subsidiaries ("the group") for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheet, the consolidated and company statement of changes in equity, the consolidated statement of cash flows and 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 and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

# BullGuard Limited

## Independent Auditor's Report to the Members of BullGuard Limited (continued)

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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.

### Opinions 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.

# BullGuard Limited

## Independent Auditor's Report to the Members of BullGuard Limited (continued)

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### 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.

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 at 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 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 company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Tom Laird** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London  
United Kingdom

Date: 15 July 2020

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

# BullGuard Limited

## Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2019

	Note	Continuing 2019 £'000	Discontinued 2019 £'000	Total 2019 £'000	Continuing 2018 £'000	Discontinued 2018 £'000	Total 2018 £'000
Turnover	4	15,886	93	15,979	15,714	198	15,912
Cost of sales		(4,370)	(627)	(4,997)	(4,061)	(1,010)	(5,071)
<b>Gross profit / (loss)</b>		<b>11,516</b>	<b>(534)</b>	<b>10,982</b>	<b>11,653</b>	<b>(812)</b>	<b>10,841</b>
Administrative expenses		(10,954)	(4,681)	(15,635)	(11,182)	(4,643)	(15,825)
<b>Operating profit / (loss)</b>	5	<b>562</b>	<b>(5,215)</b>	<b>(4,653)</b>	<b>471</b>	<b>(5,455)</b>	<b>(4,984)</b>
Interest receivable and similar income		4	-	4	-	-	-
Profit on disposal of operations	25	-	7,715	7,715	-	-	-
Interest payable and similar charges	8	(42)	-	(42)	(36)	(4)	(40)
<b>Profit/(loss) before taxation</b>		<b>524</b>	<b>2,500</b>	<b>3,024</b>	<b>435</b>	<b>(5,459)</b>	<b>(5,024)</b>
Tax credit/(charge)	9	712	-	712	(218)	-	(218)
<b>Profit/(loss) for the financial year</b>		<b>1,236</b>	<b>2,500</b>	<b>3,736</b>	<b>217</b>	<b>(5,459)</b>	<b>(5,242)</b>
Other comprehensive income / (loss)		67	-	67	(157)	-	(157)
<b>Total comprehensive income/(loss) for the year</b>		<b>1,303</b>	<b>2,500</b>	<b>3,803</b>	<b>60</b>	<b>(5,459)</b>	<b>(5,399)</b>

The notes on pages 14 to 35 form part of these financial statements.

**BullGuard Limited**  
Registered number: 04392368

**Consolidated Balance Sheet**  
As at 31 December 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
<b>Fixed assets</b>					
Intangible assets	10		-		465
Tangible assets	11		230		586
			<u>230</u>		<u>1,051</u>
<b>Current assets</b>					
Inventory	13	158		214	
Debtors: amounts falling due within one year	14	2,567		2,200	
Cash at bank and in hand	15	7,567		3,776	
		<u>10,292</u>		<u>6,190</u>	
Creditors: amounts falling due within one year	16	<u>(14,430)</u>		<u>(14,775)</u>	
<b>Net current liabilities</b>			<b>(4,138)</b>		<b>(8,585)</b>
<b>Total assets less current liabilities</b>			<b>(3,908)</b>		<b>(7,534)</b>
Creditors: amounts falling due after more than one year	17		<u>(3,084)</u>		<u>(3,265)</u>
<b>Net liabilities</b>			<b><u>(6,992)</u></b>		<b><u>(10,799)</u></b>
<b>Capital and reserves</b>					
Called up share capital	20		1		1
Share premium account	21		15,507		15,503
Retained earnings	21		<u>(22,500)</u>		<u>(26,303)</u>
<b>Total equity</b>			<b><u>(6,992)</u></b>		<b><u>(10,799)</u></b>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on July 15<sup>th</sup>, 2020.



**P Lipman**  
Director

The notes on pages 14 to 35 form part of these financial statements.

**BullGuard Limited**  
Registered number: 04392368

**Company Balance Sheet**  
As at 31 December 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
<b>Fixed assets</b>					
Tangible assets	11		60		204
Investments	12		1,613		1,613
			<u>1,673</u>		<u>1,817</u>
<b>Current assets</b>					
Inventory	13	114		128	
Debtors: amounts falling due within one year	14	5,107		4,008	
Cash at bank and in hand	15	5,480		2,369	
			<u>10,701</u>	6,505	
Creditors: amounts falling due within one year	16	<u>(17,430)</u>		<u>(16,551)</u>	
<b>Net current liabilities</b>			<b>(6,729)</b>		<b>(10,046)</b>
<b>Total assets less current liabilities</b>			<b>(5,056)</b>		<b>(8,229)</b>
Creditors: amounts falling due after more than one year	17		<b>(3,084)</b>		<b>(3,265)</b>
<b>Net liabilities</b>			<b><u>(8,140)</u></b>		<b><u>(11,494)</u></b>
<b>Capital and reserves</b>					
Called up share capital	20		1		1
Share premium account	21		15,507		15,503
Retained earnings	21		<b>(23,648)</b>		<b>(26,998)</b>
<b>Total equity</b>			<b><u>(8,140)</u></b>		<b><u>(11,494)</u></b>

The company has taken advantage of section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in the financial statements. The profit after tax of the parent company for the year was £3,350,000 (2018 - loss of £8,994,000).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on July 15<sup>th</sup>, 2020.



**P Lipman**  
Director

The notes on pages 14 to 35 form part of these financial statements.

# BullGuard Limited

## Consolidated Statement of Changes in Equity For the Year Ended 31 December 2019

	Called up share capital £000	Share premium account £000	Retained earnings £000	Total equity £000
At 1 January 2019	1	15,503	(26,303)	(10,799)
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	3,736	3,736
Currency translation differences	-	-	67	67
<b>Total comprehensive income for the year</b>	-	-	3,803	3,803
<b>Contributions by and distributions to owners</b>				
Shares issued during the year	-	4	-	4
<b>Total transactions with owners</b>	-	4	3,803	3,807
<b>At 31 December 2019</b>	<b>1</b>	<b>15,507</b>	<b>(22,500)</b>	<b>(6,992)</b>

## Consolidated Statement of Changes in Equity For the Year Ended 31 December 2018

	Called up share capital £000	Share premium account £000	Retained earnings £000	Total equity £000
At 1 January 2018	1	15,501	(20,904)	(5,402)
<b>Comprehensive loss for the year</b>				
Loss for the year	-	-	(5,242)	(5,242)
Currency translation differences	-	-	(157)	(157)
<b>Total comprehensive loss for the year</b>	-	-	(5,399)	(5,399)
<b>Contributions by and distributions to owners</b>				
Shares issued during the year	-	2	-	2
<b>Total transactions with owners</b>	-	2	-	2
<b>At 31 December 2018</b>	<b>1</b>	<b>15,503</b>	<b>(26,303)</b>	<b>(10,799)</b>

The notes on pages 14 to 35 form part of these financial statements.

# BullGuard Limited

## Company Statement of Changes in Equity For the Year Ended 31 December 2019

	Called up share capital £000	Share premium account £000	Retained earnings £000	Total equity £000
At 1 January 2019	1	15,503	(26,998)	(11,494)
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	3,350	3,350
<b>Total comprehensive income for the year</b>	-	-	3,350	3,350
<b>Contributions by and distributions to owners</b>				
Shares issued during the year	-	4	-	4
<b>Total transactions with owners</b>	-	4	-	4
<b>At 31 December 2019</b>	<b>1</b>	<b>15,507</b>	<b>(23,648)</b>	<b>(8,140)</b>

## Company Statement of Changes in Equity For the Year Ended 31 December 2018

	Called up share capital £000	Share premium account £000	Restated Retained earnings £000	Restated Total equity £000
At 1 January 2018	1	15,501	(18,004)	(2,502)
<b>Comprehensive loss for the year</b>				
Loss for the year	-	-	(8,994)	(8,994)
<b>Total comprehensive loss for the year</b>	-	-	(8,994)	(8,994)
<b>Contributions by and distributions to owners</b>				
Shares issued during the year	-	2	-	2
<b>Total transactions with owners</b>	-	2	-	2
<b>At 31 December 2018</b>	<b>1</b>	<b>15,503</b>	<b>(26,998)</b>	<b>(11,494)</b>

The notes on pages 14 to 35 form part of these financial statements.

# BullGuard Limited

## Consolidated Statement of Cash Flows For the Year Ended 31 December 2019

	Note	2019 £000	2018 £000
<b>Cash flows from operating activities</b>			
Profit/ (loss) for the financial year		3,803	(5,399)
<b>Adjustments for:</b>			
Amortisation of intangible assets	10	217	280
Depreciation of tangible assets	11	302	566
Profit on disposal of cash generating unit	25	(7,715)	-
Interest payable and similar charges	8	42	40
Interest receivable and similar income		(4)	-
Foreign exchange		(204)	-
Taxation (credit)/charge	9	(712)	218
Decrease in stocks		56	273
Decrease in debtors		647	234
(Decrease) / increase in creditors		(634)	486
		<hr/>	<hr/>
<b>Cash from operations</b>		<b>(4,202)</b>	<b>(3,302)</b>
Corporation tax (paid) / received		(104)	66
Net interest payable	8	(42)	(40)
		<hr/>	<hr/>
<b>Net cash used in operating activities</b>		<b>(4,348)</b>	<b>(3,276)</b>
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets	11	(76)	(241)
Proceeds from sale of business operation	25	8,093	-
Interest received		4	-
		<hr/>	<hr/>
<b>Net cash from investing activities</b>		<b>8,021</b>	<b>(241)</b>
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Issue of ordinary shares		4	2
		<hr/>	<hr/>
<b>Net cash used in financing activities</b>		<b>4</b>	<b>2</b>
		<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,677</b>	<b>(3,515)</b>
Cash and cash equivalents at the beginning of the year		3,776	7,257
Foreign exchange gains and losses		114	34
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of year</b>		<b><u>7,567</u></b>	<b><u>3,776</u></b>
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of year comprise:</b>			
Cash at bank and in hand	15	<u>7,567</u>	<u>3,776</u>

The notes on pages 14 to 35 form part of these financial statements.

# BullGuard Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019

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### 1. General information

BullGuard Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the strategic report.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the group's accounting policies (see note 3).

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.

The following principal accounting policies have been applied:

#### 2.2 Basis of consolidation

The consolidated financial statements incorporate the results of BullGuard Limited and all of its subsidiary undertaking as at 31 December 2019 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition.

#### 2.3 Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole.
- No disclosure has been given of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole; and
- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical.

# BullGuard Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019 (continued)

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### 2. Accounting policies (continued)

#### 2.4 Going concern

Despite the group's net liability position of £6,992,000 the directors consider it appropriate to prepare the financial statements on a going concern basis for the following reasons.

In considering the appropriateness of the going concern assumption, the directors have taken into consideration future profit forecasts which based on management's assumptions show a profit generated for a period of eighteen months from the issue of the financial statements as well as positive cash growth. Management have sensitised these predictions by preparing a reverse stress test that indicates the business would need to suffer a reduction in revenues, across all product sales and renewals, in excess of 70%, with no reduction in overhead over the entire period, before it would encounter a shortage of liquidity. The directors do not consider this sensitivity to represent a reasonably foreseeable outcome given the continued growth experienced at the time the financial statements are authorised for issue. The group held a significant cash surplus of £7,567,000 (2018 - £3,776,000) at the year end. At the time of signing these financial statements, the group now has cash resources in excess of £8,000,000.

The directors are satisfied that the above indicates there are no reasonably foreseeable material uncertainties that would prevent the company from being able to settle its obligations, as they fall due, for the foreseeable future.

#### 2.5 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses. Cost comprises the cost of acquisition and any expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Fixtures, fittings, tools and equipment - 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

#### 2.6 Investment in subsidiaries

Investments in subsidiaries are recognised in the balance sheet at cost less any provisions for impairment.

#### 2.7 Intangible assets aside from goodwill

Intangible assets acquired in a business combination are recognised separately from goodwill and initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subject to the initial recognition, intangible assets acquired in a business combination are reported at cost less amortisation and accumulated impairment losses.

Amortisation is recognised on a straight line basis over their estimated useful lives at the following rates:

Technology - 15%

# BullGuard Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019 (continued)

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### 2. Accounting policies (continued)

#### 2.8 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group.

The group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the fair value of the identifiable assets acquired and liabilities assumed.

Costs directly related to the acquisition are capitalised as incurred.

#### 2.9 Goodwill

Goodwill arising on an acquisition of a subsidiary is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Goodwill on businesses acquired is also capitalised. All goodwill is amortised through the income statement over the directors' estimate of its useful economic life of 10 years.

#### 2.10 Foreign currency translation

##### Functional and presentation currency

The company's functional and presentational currency is GBP.

##### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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 consolidated statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'administrative expenses'.

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

# BullGuard Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019 (continued)

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### 2. Accounting policies (continued)

#### 2.11 Operating leases: the group as lessee

"Rentals paid under operating leases are charged to the consolidated statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

#### 2.12 Finance costs

"All interest bearing loans and borrowings are initially recognised at net proceeds. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by repayments made in the period. Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

#### 2.13 Trade receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

#### 2.14 Inventories

Inventory is recognised in the balance sheet at the purchase price. Provisions are made for obsolete and slow moving products.

#### 2.15 Translation policies

Transactions in foreign currencies are translated at the exchange rate at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

#### 2.16 Revenue

Revenue from the sale of software licenses is recognised in the income statement over the license period which is normally between 12 and 36 months. Revenues are recognised on a straight-line basis over the license period following activation by the end user. Revenue in connection with the sale of licenses to distributors or customers prior to activation is deferred until the start of the fixed license period.

If licence keys are not activated, then the company will recognise revenue from the purchase date, which is in line with the group's Terms of Business.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

# BullGuard Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019 (continued)

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### 2. Accounting policies (continued)

#### 2.17 Cost of sales

Cost of sales comprises revenue share, placement fees, production costs relating to retail products, credit card collection fees, third party software license fees and sales agents fees.

#### 2.18 Administrative expenses

Administrative expenses comprise costs related to management, administrative and sales staff, office expenses, marketing, depreciation etc.

#### 2.19 Tax on ordinary activities

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

#### 2.20 Contribution to pension funds

Certain companies within the group make contributions to defined contribution schemes, the assets of these schemes are held separately from the assets of the company. Pension costs are charged against profits in respect of the accounting period in which they are paid.

#### 2.21 Interest bearing loans and borrowings

All interest bearing loans and borrowings are initially recognised at net proceeds. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by repayments made in the period. Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

#### 2.22 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.

#### 2.23 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.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

# BullGuard Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019 (continued)

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### 2. Accounting policies (continued)

#### 2.24 Financial instruments

The group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

# BullGuard Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019 (continued)

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### 2. Accounting policies (continued)

#### 2.25 Deferred taxation

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax balances are not discounted.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earning or by set-off against deferred tax liabilities.

Deferred tax and liabilities are offset within the same legal tax entity.

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

The preparation of financial statements in conformity with FRS 102 requires management to make estimates and assumptions that affect the reported amounts of turnover, expenses, assets and liabilities. The estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and constitute management's best judgement at the date of the financial statements. In the future, actual experience could differ from those estimates.

In preparing these financial statements, the directors have made the following key judgements:

- Determine whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determination of the useful economic lives of the tangible and intangible assets of the business, to ensure they are appropriate and in line with comparable assets in the software sector.
- Determination of fair value of assets and liabilities acquired through business combinations, including any separately identifiable intangibles identified.
- Determination of the recognition and valuation of the deferred tax asset in relation to expected utilisation of losses in future periods.

# BullGuard Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019 (continued)

### 4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £000	2018 £000
Online revenue	13,651	13,619
Channel revenue	2,328	2,293
	<u>15,979</u>	<u>15,912</u>

Analysis of turnover by country of supply:

	2019 £000	2018 £000
United Kingdom	14,764	14,702
Rest of Europe	871	765
Rest of the world	344	445
	<u>15,979</u>	<u>15,912</u>

### 5. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2019 £000	2018 £000
Depreciation	302	566
Auditors' remuneration		
- Audit services	105	102
- Non audit services - tax	22	21
- Non audit services - accounts preparation	9	9
- Non audit services - other	10	62
Amortisation	217	280
Operating lease expenditure	464	481
Foreign exchange losses	822	294
Research and development costs	<u>5,553</u>	<u>6,298</u>

# BullGuard Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019 (continued)

### 6. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Wages and salaries	7,835	8,014	413	346
Social security costs	374	457	39	40
Cost of defined contribution scheme	335	431	4	26
	<u>8,544</u>	<u>8,902</u>	<u>456</u>	<u>412</u>

The average monthly number of employees, including the directors, during the year was as follows:

	Group 2019 No.	Group 2018 No.	Company 2019 No.	Company 2018 No.
Employees	<u>141</u>	<u>153</u>	<u>3</u>	<u>3</u>

### 7. Directors' remuneration

	2019 £000	2018 £000
Directors' emoluments (including fees)	<u>512</u>	<u>484</u>

The highest paid director received total emoluments of £491,000 (2018 - £463,000).

### 8. Interest payable and similar expenses

	2019 £000	2018 £000
Other loan interest payable	<u>42</u>	<u>40</u>

# BullGuard Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019 (continued)

### 9. Taxation

	2019 £000	2018 £000
<b>Corporation tax</b>		
Current tax on profits for the year	108	94
Adjustments in respect of previous periods	32	56
	<u>140</u>	<u>150</u>
<b>Foreign tax</b>		
Foreign tax on income for the year	95	158
	<u>235</u>	<u>308</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(975)	61
Adjustments in respect of prior periods	28	(151)
	<u>(947)</u>	<u>(90)</u>
<b>Taxation on ordinary activities</b>	<u>(712)</u>	<u>218</u>

# BullGuard Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019 (continued)

### 9. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
Profit/(loss) on ordinary activities before tax	<u>3,024</u>	<u>(5,024)</u>
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	575	(955)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	2,141	1,345
Income not taxable for tax purposes	(2,477)	(1,062)
Foreign tax	(7)	57
Adjustments in respect of prior periods	60	(95)
Adjustments due to change in tax rates	-	(34)
Unrelieved tax losses and other deductions in the period	(29)	235
Utilisation of assessed losses not previously recognised	(975)	-
Market value adjustments in respect of intra-group transfer	-	727
Total tax (credit) / charge for the year	<u>(712)</u>	<u>218</u>

#### Factors that may affect future tax charges

At 31 December 2019 the group had unrelieved tax losses of £14,088,960 (2018 - £13,887,277 (restated)) with a potential deferred tax asset of £1,545,795 (2018 - £1,709,043). At the 31 December 2019 the group has recognised a deferred tax asset of £1,000,167 (2018 - £53,000).

# BullGuard Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019 (continued)

### 10. Intangible assets

#### Group

	Technology £000	Goodwill on consolidation £000	Total £000
<b>Cost</b>			
At 1 January 2019	469	2,102	2,571
Disposals from discontinued operations – see note 25	(469)	-	(469)
At 31 December 2019	-	2,102	2,102
<b>Amortisation</b>			
At 1 January 2019	168	1,938	2,106
Charge for the year	53	164	217
Disposals from discontinued operations – see note 25	(221)	-	(221)
At 31 December 2019	-	2,102	2,102
<b>Net book value</b>			
At 31 December 2019	-	-	-
At 31 December 2018	301	164	465

On 12 September 2019 the Group disposed of its "Dojo" technology assets, intellectual property and related equipment. See note 25 for more information.

The parent company held no intangible assets during the year. Amortisation is presented within administrative expenditure within the statement of comprehensive income.

# BullGuard Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019 (continued)

### 11. Tangible fixed assets

#### Group

	<b>Fixtures, fittings, tools and equipment £000</b>
<b>Cost</b>	
At 1 January 2019	2,623
Additions	76
Disposals from discontinued operations – see note 25	(187)
Disposals	(112)
	<hr/>
At 31 December 2019	2,400
	<hr/>
<b>Depreciation</b>	
At 1 January 2019	2,037
Charge for the year	302
Disposals	(112)
Disposals from discontinued operations – see note 25	(57)
	<hr/>
At 31 December 2019	2,170
	<hr/>
<b>Net book value</b>	
At 31 December 2019	<u>230</u>
At 31 December 2018	<u>586</u>

# BullGuard Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019 (continued)

### 11. Tangible fixed assets (continued)

#### Company

	Fixtures, fittings, tools and equipment £000
<b>Cost</b>	
At 1 January 2019	1,515
Additions	6
	<hr/>
At 31 December 2019	1,521
	<hr/>
<b>Depreciation</b>	
At 1 January 2019	1,311
Charge for the year	150
	<hr/>
At 31 December 2019	1,461
	<hr/>
<b>Net book value</b>	
At 31 December 2019	<u>60</u>
At 31 December 2018	<u>204</u>

# BullGuard Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019 (continued)

### 12. Investments

#### Company

	Investments in subsidiary companies £000
<b>Cost</b>	
At 1 January 2019	2,543
At 31 December 2019	<u>2,543</u>
<b>Accumulated impairment</b>	
At 1 January 2019	930
At 31 December 2019	<u>930</u>
<b>Net book value</b>	
At 31 December 2019	<u><u>1,613</u></u>
At 31 December 2018	<u><u>1,613</u></u>

# BullGuard Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019 (continued)

### 12. Investments (continued)

#### Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Registered office	Registered address	Holding
BullGuard ApS	Denmark	c/o Mazars Erhversservice Aps Midtermolen 1, 2 TV, DK-2100 København Ø	100%
BullGuard Denmark A/S	Denmark	c/o Mazars Erhversservice Aps Midtermolen 1, 2 TV, DK-2100 København Ø	100%
BullGuard Deutschland GmbH	Germany	c/o Mazars Theodor-Stern-Kai 60596 Frankfurt, Germany	100%
BullGuard Benelux BVBA	Belgium	De Keyerserlei 58-60 box 19, 2018 Antwerp.	100%
BullGuard UK Ltd	UK	Tower 42, 25 Old Broad Street, London, England, EC2N 1HN.	100%
BullGuard Sverige AB	Sweden	c/o Mazars SET, Box 1317 111 83 Stockholm.	100%
Bullguard Software SRL	Romania	Afi Park 5 Blvd, Timisoara, Nr. 4A etaj 4, Sector 6, Bucuresti, Romania, Postal Code 061328.	100%
BullGuard Australia Pty Ltd	Australia	c/o GW Accounting Unit 8, 174 Liverpool Road, Enfield NSW 2136.	100%
BullGuard US, Inc.	US	85 Chestnut Ridge Rd, Suite 114 Montvale, NJJ 07645	100%
BullGuard Israel Ltd	Israel	Ha'Menofim 10 St Herzliya, Israel.	100%

### 13. Inventory

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Finished goods	<u>158</u>	<u>214</u>	<u>114</u>	<u>128</u>

# BullGuard Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019 (continued)

### 14. Debtors: amounts falling due within one year

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade receivables	734	1,266	450	892
Receivables from group enterprises	-	-	3,181	2,774
Other receivables	329	434	90	68
Prepayments and accrued income	300	229	253	145
Corporation tax	21	52	13	-
Deferred taxation	1,000	-	963	-
VAT receivable	183	219	157	129
	<u>2,567</u>	<u>2,200</u>	<u>5,107</u>	<u>4,008</u>

### 15. Cash and cash equivalents

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Cash at bank and in hand	<u>7,567</u>	<u>3,776</u>	<u>5,480</u>	<u>2,369</u>

### 16. Creditors: amounts falling due within one year

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade creditors	709	633	617	551
VAT payable	-	268	-	-
Payables to group enterprises	-	-	5,877	5,152
Corporation tax	305	152	-	-
Other payables and accruals	2,230	2,765	1,047	1,022
Deferred revenue	11,186	10,957	9,889	9,826
	<u>14,430</u>	<u>14,775</u>	<u>17,430</u>	<u>16,551</u>

# BullGuard Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019 (continued)

### 17. Creditors: amounts falling due after more than one year

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Deferred revenue	<u>3,084</u>	<u>3,265</u>	<u>3,084</u>	<u>3,265</u>

### 18. Financial instruments

	Group 2019 £000	Group 2018 £000
<b>Financial assets</b>		
Financial assets measured at amortised cost	<u>8,630</u>	<u>5,476</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>2,939</u>	<u>3,398</u>

Financial assets measured at amortised cost comprise cash, trade receivables and other receivables and accrued income.

Financial liabilities measured at amortised cost comprise trade payables and other payables and accruals.

### 19. Deferred taxation

#### Group

	2019 £000
At beginning of year	53
Credited to profit or loss	947
<b>At end of year</b>	<u><u>1,000</u></u>

The deferred tax asset is made up as follows:

	Group 2019 £000	Group 2018 £000
Assessed losses	<u>1,000</u>	<u>53</u>

# BullGuard Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019 (continued)

### 20. Share capital

	2019 £	2018 £
<b>Allotted, called up and fully paid</b>		
6,890,616 (2018 - 6,257,022) Ordinary shares of £0.00005 each	345	312
5,168,200 (2018 - 5,168,200) Series A Preferred shares of £0.00005 each	258	258
8,284,000 (2018 - 8,284,000) Series B Preferred shares of £0.00005 each	414	415
	<u>1,017</u>	<u>985</u>

On 16 May 2019, 40,625 ordinary shares of £0.00005 each were issued for a total consideration of £0.014 per share.

On 3 July 2019, 8,854 ordinary shares of £0.00005 each were issued for a total consideration of £0.005 per share.

On 19 November 2019, 575,365 ordinary shares of £0.00005 each were issued for a total consideration of £0.005 per share.

On 18 December 2019, 8,750 ordinary shares of £0.00005 each were issued for a total consideration of £0.005 per share.

The holders of ordinary shares, Series A preferred shares and Series B preferred shares are equally entitled to receive a dividend if any dividend is declared from the company.

On liquidation, reduction of capital, dissolution or winding up of the company the assets of the company available for distribution among the shareholders shall be applied strictly in the following order of priority:

- a) first, in payment to the holders of each Series B Preferred share an amount equal to two times the subscription price per Series B Preferred share held by them;
- b) second, in payment to the holders of each Series A Preferred share an amount equal to the subscription price per share Series B Preferred share held by them;
- c) thereafter each share shall participate in the remaining assets of the company available for distribution among the shareholders.

The Series B Preferred shares carry a preferential return on a sale. Out of the total consideration payable on a sale, the proceeds of sale shall be applied strictly in the following order of priority;

- a) first, in payment to the holders of each Series B Preferred share an amount equal to two times the subscription price per Series B Preferred share held by them;
- b) second, in payment to the holders of each Series A Preferred share an amount equal to the subscription price per share Series B Preferred share held by them;
- c) thereafter each share shall participate in the remaining assets of the company available for distribution among the shareholders.

# BullGuard Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019 (continued)

### 21. Reserves

The company's capital and reserves are as follows:

#### Called up share capital

Called up share capital represents the nominal value of the shares issued.

#### Share premium account

The share premium accounts includes the premium on issue of equity shares, net of any issue costs.

#### Retained earnings

Retained earnings represents cumulative profits or losses, net of dividends paid and other adjustments.

### 22. Share based payments

The company operates an equity-settled share based payment remuneration scheme for employees over their £0.00005 ordinary shares.

	Weighted average exercise price (pence) 2019	Number 2019	Weighted average exercise price (pence) 2018	Number 2018
Outstanding at the beginning of the year	0.84	1,552,200	0.95	1,200,600
Granted during the year	-	-	0.74	815,000
Exercised during the year	0.55	(633,999)	0.50	(257,422)
Cancelled during the year	0.65	(424,401)	0.50	(205,978)
<b>Outstanding at the end of the year</b>	<b>1.4</b>	<b>493,800</b>	<b>0.84</b>	<b>1,552,200</b>
<b>Outstanding at the end of the year</b>	<b>-</b>	<b>493,800</b>	<b>0.84</b>	<b>1,552,200</b>

# BullGuard Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019 (continued)

### 22. Share based payments (continued)

The exercise price of options outstanding at the end of the year was 1.4 (2018 - 1.4p to 0.5p) and their weighted average contractual life was 7 years (2018 - 8 years).

Of the total number of options outstanding at the end of the year 327,260 (2018 - 611,853) had vested and were exercisable at the end of the year.

	On issuance 2019 Black-Scholes	On issuance 2018 Black-Scholes
Option pricing model used		
Weighted average share price (pence)	£0.014	£0.014
Exercise price (pence)	£0.014	£0.014
Weighted average contractual life (years)	10	10
Expected volatility	20%	20%
Risk-free interest rate	<u>0.05%</u>	<u>0.5%</u>

The Black-Scholes option pricing model was used to value the share-based payment awards as it was considered that this approach would result in materially accurate estimate of the fair value of options granted. The volatility assumption was determined with reference comparable companies.

There was no share-based payment accounting charge in the current or prior year.

### 23. Pension commitments

The company operates several defined contribution pension schemes, the largest of which was in the discontinued business. The assets of the schemes are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by both the employee and the company to the funds and amounted to £335,000 (of which £329,000 was in the discontinued business) (2018 - £431,000, of which £403,000 was in the discontinued business). Employee and employer contributions totalling £2,000 (2018 - £56,000, of which £55,000 was in the discontinued business) were payable to the funds at the reporting date and are included in creditors.

# BullGuard Limited

## Notes to the Financial Statements For the Year Ended 31 December 2019 (continued)

### 24. Commitments under operating leases

At 31 December 2019 the group had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £000	2018 £000
Less than 1 year	297	517
Between 1 and 5 years	423	855
	<u>720</u>	<u>1,372</u>

### 25. Discontinued operations

On 12 September 2019 the Group disposed of its "Dojo" technology assets, intellectual property and related equipment for a total consideration of USD\$10,000,000. The profit on disposal of the Dojo operations has been calculated as follows:

	£000	£000
Net cash proceeds		8,093
Net assets disposed of:		
Tangible fixed assets	130	
Intangible assets	248	
		(378)
Profit on disposal before taxation		<u>7,715</u>

A total of 26 employees transferred to the acquirer as part of the disposal of these operations.

No working capital was transferred as part of the sale transaction.

### 26. Related party transactions

The company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the certain group companies on the grounds that 100% of the voting rights in the company are controlled by the group.

In the opinion of the Directors, the Directors are the key management personnel of the Group.

### 27. Controlling party

The ultimate controlling party is EPD Successor Holdco L.P.