

Smoothwall Limited

Annual Report and Financial Statements Year Ended 30 June 2023



Smoothwall Limited
Annual Report And Financial Statements
For the year ended 30 June 2023

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Smoothwall Limited Officers And Professional Advisers

Directors

James Gavin Logan
Crispin Marcel Swan (appointed 31 October 2022)
Timothy David Levy (resigned 31 October 2022)
Georg Mischa Ell (resigned 31 October 2022)

Registered office

2nd Floor 2 Whitehall Quay
Leeds, United Kingdom
LS1 4HR

Independent Auditors

BDO LLP
Central Square
29 Wellington Street
Leeds
LS1 4DL

Incorporated on 3 October 2001

Domiciled and registered in the United Kingdom.

Smoothwall Limited

Strategic Report

The directors present their annual report and audited financial statements of Smoothwall Limited ("the Company") for the year ended 30 June 2023.

Principal activities

The principal activity of the Company is the development and sale of software for internet security.

Review of the business and key performance indicators

The Company reported a total revenue for the year ended 30 June 2023 of £13,188,031 (2022: £15,461,365).

The net loss attributable for the company for the year ended 30 June 2023 amounted to £2,846,770 (2022: £6,085,434).

Developments during the period

Following the acquisition of the eSafe Group by the Smoothwall group on 12 June 2021 and the subsequent acquisition of the Smoothwall group by the Ultimate Parent on 16 August 2021 a number of operational changes implemented. As a result, some costs were distributed across the wider group, contributing to an increase in the Company's profitability.

Principal Risks and uncertainties

The Company faces a number of risks associated with day-to-day operations, technology and the execution of its strategy. The principal risks are identified below with appropriate mitigation.

Technology risks

Long-term revenue growth requires us to deal with a wider range of customer segments. Whilst these products share many basic requirements such as ease of use and reliability, there are also some substantive differences. Our customers' demands for safeguarding students are becoming more sophisticated and Smoothwall must continue to enhance its product set to properly address these needs.

Smoothwall has been early or first to market with technology responding to changes in the market, such as being one of the first to support the use of encrypted web traffic. With more new web and internet technologies on the horizon, our R&D team must deliver the innovation that will ensure that present and new customers continue to regard Smoothwall as the best choice for their security and web filtering needs.

Financial Risks

The Company's operations expose it to a variety of financial risks, including foreign exchange rate risk, credit risk and liquidity risk. The Company has controls in place that seek to minimise any potential adverse effects of such risks on the Company's financial performance. These controls are as follows:

Currency Risk/Foreign Exchange risk

Part of our currency risk is minimised by having a direct operation in our major market in the USA, therefore matching liabilities and assets in the local currency.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the Company's local currency. Cash balances in the bank are monitored in line with future liabilities and exchange movements.

Credit risk

As a large proportion of the customer base is public sector, the risk of customers failing to pay their debts is low, as evidenced by our relatively low provision for bad debtors and limited experience of bad debts.

Liquidity risk

Being largely a software and services business it is not capital intensive. We continue to address liquidity risks through a careful focus on the control of overheads, cash management, debtor and creditor control. The Company has maintained positive bank balances for many years.

Strategy execution risks

With differing needs across the various market segments that we serve, coupled with dynamic market conditions, the primary risk to strategy execution is for focus to be drawn from core products in an effort to try and deliver improvements for everyone. What is clear, however, is that as we continue to improve the ease of installation, usability and supportability of our products, this provides an excellent foundation for growth.

Human Resources Risks

The skills, knowledge and experience of our people are the underpinning of our success. As a growing business it is unavoidable for this knowledge to be concentrated in a number of key individuals both on the technical and

commercial sides of the organisation.

Mitigation of these risks falls into two key areas. Firstly, by offering professional development to all members of the team, both to develop the management capabilities of more senior people and to share knowledge with junior members of the team. Secondly, by maintaining our monitoring of market salary and benefits packages, informing us of what we need to do in order to keep pace with movements as labour markets become more competitive.

Looking Ahead

With the continued integration of Smoothwall Limited and the Smoothwall group with the Ultimate Parent, it is expected that synergies in operations and economies of scale continue to decrease costs.

Post reporting date events

There have been no significant events since the reporting date.

Approved by the Board of Directors
and signed on behalf of the Board



James Gavin Logan
Director

14 December 2023

Smoothwall Limited

Directors' Report

The directors present their annual report and audited financial statements of the Company for the year ended 30 June 2023.

Results and dividends

The loss for the year, after taxation, amounted to £2,846,770 (2022: loss of £6,085,434).

There were no dividends paid or declared or recommended since the start of the financial year (2022: £0).

Going concern

The financial statements have been prepared on a going concern basis. See Note 2.3 for further details.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

James Gavin Logan
Crispin Marcel Swan (appointed 31 October 2022)
Timothy David Levy (resigned 31 October 2022)
Georg Mischa Ell (resigned 31 October 2022)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report (comprising the Strategic report and 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 prepared the Company and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), comprising FRS101.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Matters covered in the Strategic Report

In accordance with section 414C(11) of the Companies Act, certain matters required to be detailed in the Directors' Report are detailed in the Strategic Report where the Directors consider them to be of strategic importance to the Company.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and BDO LLP will therefore continue in office.

Smoothwall Limited Directors' Report

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's and company's auditors are aware of that information.

On behalf of the board



James Gavin Logan
Director
14 December 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SMOOTHWALL LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2023 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Smoothwall Limited ("the Company") for the year ended 30 June 2023 which comprise the Statement of profit and loss and other comprehensive income, the Statement of financial position, the Statement of changes in equity 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 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

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

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

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

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, 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 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 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be the applicable accounting framework (FRS101), the Companies Act 2006 and UK tax legislation.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be health and safety legislation and employment law.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be:-

- Unexpected journals to revenue in the year;
- Management override of controls
- VAT treatment on invoices
- Payroll segregation of duties
- Fictitious contracts/Invoices in the year

Our procedures in respect of the above included:

- Reviewing the process flows of journal entries posted to revenue to understand if such flows are in line with our understanding of the business. Any process flows impacting revenue outside of this expectation were agreed to supporting evidence;
- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias, including deferred revenue, deferred tax assets, expected credit losses, review for impairment of non-current assets and intercompany balances ECL impairment consideration;
- Obtained a listing of purchase invoices included within each VAT return and select a sample to trace back to original purchase invoice to ensure the date had not been changed;
- Obtained a listing of all starters and leavers testing during the year. Select a sample from this to verify to supporting documentation that the employee actually exists and is within the business; and
- Obtained a listing of new sales contracts in the year to ensure the existence and accurate recognition of revenues.

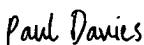
We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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 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.

DocuSigned by:

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Paul Davies (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Leeds, UK

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

15 December 2023

Smoothwall Limited
Statement of profit and loss and other comprehensive income
For year ended 30 June 2023

	Note	For the year ended 30 June 2023	For the year ended 30 June 2022
		£	£
Revenue	4	13,188,031	15,461,365
Cost of sales		(1,799,793)	(3,814,506)
Gross profit		<u>11,388,238</u>	<u>11,646,859</u>
Other income		62,102	326,685
Administrative expenses		(12,130,077)	(12,219,312)
Impairment expense		-	(3,635,716)
Share based payments		(2,333,639)	(1,865,340)
Operating loss	5	<u>(3,013,376)</u>	<u>(5,746,824)</u>
Interest payable and similar expenses	6	(33,126)	(342,695)
Loss before tax		<u>(3,046,502)</u>	<u>(6,089,519)</u>
Tax on loss	9	199,732	4,085
Loss for the financial period		<u>(2,846,770)</u>	<u>(6,085,434)</u>
Total comprehensive loss for the period		<u>(2,846,770)</u>	<u>(6,085,434)</u>

All activities of the Company are from continuing operations.

The notes on pages 13 to 31 form part of these financial statements.

Smoothwall Limited
Registration number: 04298247
Statement of financial position
As at 30 June 2023

		As at 30 June 2023	As restated at 30 June 2022
	Note	£	£
Non-current assets			
Intangible assets		-	-
Property, plant and equipment	11	1,006,320	181,469
Investments	12	131,283	131,283
Trade and other receivables: more than one year	13	971,456	275,289
Deferred tax asset	9	210,987	-
		2,320,046	588,041
Current assets			
Inventory		-	14,159
Trade and other receivables: less than one year	13	5,149,382	4,073,909
Cash at bank and in hand		191,291	511,505
		5,340,673	4,599,573
Trade and other payables: amounts falling due within one year	14	(16,330,141)	(12,629,403)
Net current liabilities		(10,989,468)	(8,029,830)
Total assets less current liabilities		(8,669,422)	(7,441,789)
Trade and other payables: amounts falling due after more than one year	14	(3,896,053)	(4,610,555)
Net liabilities		(12,565,475)	(12,052,344)
Capital and reserves			
Called up share capital	19	99	99
Share premium account		977,225	977,225
Capital redemption reserve		24	24
Share-based payments reserve	20	4,198,979	1,865,340
Profit and loss account		(17,741,802)	(14,372,720)
Total equity		(12,565,475)	(11,530,032)

The financial statements on pages 10 to 31 were approved by the Board of Directors on 14 December 2023 and signed on its behalf by:



James Gavin Logan
Director

The notes on pages 13 to 31 form part of these financial statements.

Smoothwall Limited
Statement of changes of equity
For the year ended 30 June 2023

	Note	Called up share capital	Share premium account	Capital redemption reserve	Share-based payments reserve	Profit and loss account	Total Equity
		£	£	£	£	£	£
At 1 July 2021		99	977,225	24	-	(8,809,598)	(7,832,250)
Issue of share capital		-	-	-	-	-	-
Loss for the financial period		-	-	-	-	(6,085,434)	(6,085,434)
At 30 June 2022 (as previously reported)		99	977,225	24	-	(14,895,032)	(13,917,684)
Issue of performance rights (prior year adjustment)	21	-	-	-	1,865,340	-	1,865,340
At 30 June 2022 (as restated)		99	977,225	24	1,865,340	(14,895,032)	(12,052,344)

	Note	Called up share capital	Share premium account	Capital redemption reserve	Share-based payments reserve	Profit and loss account	Total Equity
		£	£	£	£	£	£
At 1 July 2022		99	977,225	24	1,865,340	(14,895,032)	(12,052,344)
Issue of share capital		-	-	-	-	-	-
Loss for the financial period		-	-	-	-	(2,846,770)	(2,846,770)
Issue of performance rights	21	-	-	-	2,333,639	-	2,333,639
At 30 June 2023		99	977,225	24	4,198,979	(17,741,802)	(12,565,475)

The notes on pages 13 to 31 form part of these financial statements

Smoothwall Limited
Notes to the financial statements
For the year ended 30 June 2023

1. General information

The company is private, limited by shares and is incorporated and domiciled in the UK. The address of its registered office is 2nd Floor 2 Whitehall Quay, Leeds, United Kingdom, LS14HR. The nature of the company's operations and its principal activities are set out in the director's report.

2. Summary of significant 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 101 'Reduced Disclosure Framework' and the Companies Act 2006. The comparative period for these financial statements is the year ended 30 June 2022.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. Although these estimates are based on the Director's best knowledge of the amounts, events and actions, actual results ultimately may differ from those estimates. The areas where significant judgement and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3.

The financial statements are presented in GBP which is the Company's functional currency.

2.2 Financial reporting standard 101 – reduced disclosure exemptions

In preparing these financial statements the Company has taken advantage of certain disclosure exemptions conferred by FRS 101 and has not provided:

- Additional comparative information as per IAS 1 Presentation of Financial Statements paragraph 38 in respect of: a reconciliation of the number of shares outstanding at the start and end of the prior period and reconciliations of the carrying amounts of property, plant and equipment, intangibles assets and investment property at the start and the end of the prior period.
- A Statement of Cash Flows and related disclosures for cash flows from discontinued activities;
- A statement of compliance with IFRS (a statement of compliance with FRS 101 is provided instead);
- Additional comparative information for narrative disclosures and information, beyond IFRS requirements;
- Disclosures in relation to the objectives, policies and process for managing capital;
- Disclosure of the effect of future accounting standards not yet adopted;
- The remuneration of key management personnel;
- Related party transactions with two or more wholly owned members of the Company;
- Certain disclosures required under IFRS 15 Revenue from Contracts with Customers, including disaggregation of revenue, details of changes in contract assets and liabilities, and details of incomplete performance obligations;
- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- The amount of lease income recognised on operating leases as lessor; and,

In addition, and in accordance with FRS 101, further disclosure exemptions have been applied because equivalent disclosures are included in the consolidated financial statements of Qoria Limited as at 30 June 2023 and these financial statements may be obtained from qoria.com/investors.

These financial statements do not include certain disclosures in respect of:

- Financial Instrument disclosures as required by IFRS 7 Financial Instruments: Disclosures; and,
- IFRS 2 Share Based Payments in respect of group settled share based payments.

2.3 Going concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. The Company's business activities, together with factors likely to affect its future development, performance and position, are set out in the strategic report. The directors report further describes the financial position of the company; its financial risk management objectives; and its exposure to credit risk and liquidity risk.

The Company's ability to continue as a going concern is dependent upon its ability to generate its own cash inflows and is also dependent on their ultimate Group (Qoria Limited - formerly known as Family Zone Cyber Safety Limited) continuing to provide ongoing committed and contractual support to the Company in respect of access to any future funding requirements where required. A letter of support has been received which indicates that the intercompany

Smoothwall Limited
Notes to the financial statements
For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

2.3 Going concern (continued)

balance positions will not be called upon until the Company has the ability to do so for a period of at least 12 months from the approval of these financial statements.

The Group is listed on the Australian Securities Exchange (ASX) and has access to sufficient capital to fund the group's requirements.

Having considered the forecasts of the company, and the availability of further support from the Parent Company, including the disclosures made in the Parent's latest full annual financial report for the year ended 30 June 2023, the Directors consider it appropriate to prepare these financial statements on a going concern basis.

2.4 Impact of new international reporting standards, amendments and interpretations

New standards, interpretations and amendments

There were a number of amendments to existing standards which were effective in the period ended 30 June 2023, none of which were relevant to the company.

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

In January 2020, the IASB issued amendments to IAS 1, which clarified the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

In response to feedback and enquiries from stakeholders, in December 2020, the IFRS Interpretation Committee (IFRIC) issued a Tentative Agenda Decision, analysing the applicability of the amendments to three scenarios. However, given the comments received and concerns raised on some aspects of the amendments, in April 2021, IFRIC decided not to finalise the agenda decision and referred the matter to the IASB. In its June 2021 meeting, the IASB tentatively decided to amend the requirements of IAS 1 with respect to the classification of liabilities subject to conditions and disclosure of information about such conditions and to defer the effective date of the 2020 amendment by at least one year.

The Directors are currently assessing the impact of these new accounting standards and amendments. The Directors for no expect any standards issued by the IASB, but not yet effective, to have a material impact on the Company.

Smoothwall Limited
Notes to the financial statements
For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

2.5 Revenue recognition from contracts with customers

The principal activities of the Company are the sale and distribution, marketing and customer support of its suite of cyber safety products and services.

The Company is required to apportion revenue earned from customers to performance obligations and determine the appropriate timing method of revenue recognition using the 5 step model. Under IFRS 15 revenue is recognised once control of the promised service is transferred to the customer and when the performance obligations have been satisfied.

Revenue, which excludes value added tax and is shown net of any discounts allowed, represents the value of services provided by the Company.

Subscription revenues

Subscription service revenue is recognised over time over the life of the service contract as and when the Company's service obligations under the contract are satisfied.

Bundle revenues

Revenues from the provision of subscription services which are bundled with interrelated hardware are recognised over time over the life of the contract as and when the Company's service obligations under the contract are satisfied. Services are considered to be bundled with hardware when the entity would not be able to fulfil its contractual obligations by transferring each of the goods or services independently. A portion of revenue is recognised at the time that any costs to commence a contract are incurred, in line with the value of those costs, without recognising any profit margin in line with the requirements of IFRS 15.

Sales of Hardware

Revenue from the sale of standalone equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of equipment, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Contract balances

Contract Assets:

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company transfers goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets under *Financial Assets and Financial Liabilities* above.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performed the relevant performance obligations under the contract.

Capitalised Contract Cost

Incremental costs of obtaining a contract and certain costs to fulfil a contract are recognised as an asset if the following criteria are met:

- the costs relate directly to a customer contract
- the costs generate or enhance resources of the entity that will be used in satisfying performance obligations attaching to the customer contracts; and
- the costs are recoverable from the customer.

Smoothwall Limited
Notes to the financial statements
For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

2.5 Revenue recognition from contracts with customers (continued)

Any capitalised contract costs assets are amortised on a systematic basis that is consistent with the Company's transfer of the related goods or services to the customer.

Prepaid Commissions

Commissions owing to resellers are paid at the inception of the contract and recognised as a contract asset, amortised to direct costs in the statement of profit or loss and other comprehensive income over the term of the contract.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives on a straight-line basis.

Depreciation is provided on the following basis:

- | | |
|---------------------------------|-----------------------------------|
| • Right-of-use assets | Over the lease term |
| • Leasehold improvements | Straight line method over 3 years |
| • Fixtures and fittings | Straight line method over 3 years |
| • Office and computer equipment | Straight line method over 3 years |

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

2.7 Investments

Fixed asset investments are stated at historical cost less provision for any impairment in value.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

2.9 Leases

Identifying Leases

The Company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- There is an identified asset;
- The Company obtains substantially all the economic benefits from use of the asset; and
- The Company has the right to direct use of the asset.

The Company considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Company obtains substantially all the economic benefits from use of the asset, the company considers only the economic benefits that arise from use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Company has the right to direct use of the asset, the Company considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Company considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Company applies other applicable IFRSs rather than IFRS 16.

Smoothwall Limited
Notes to the financial statements
For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

2.9 Leases (continued)

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease Measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. When the Company revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss. When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Smoothwall Limited
Notes to the financial statements
For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

2.10 Share based payments

Certain employees of Smoothwall Limited participate in an equity settled share based remuneration scheme operated by its ultimate parent company Qoria Limited (formerly Family Zone Cyber Safety Limited).

Employees are issued performance rights biannually in line with their employment contracts which vest equally over a period of 1 to 3 years. The performance rights are subject to a vesting condition of continuous employment.

The share-based remuneration expense in the year of £2,333,639 comprises the allocation to the company of the share based payments as determined by the group.

Where share based payments are awarded to employees, the fair value of the share based payments at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of share based payments that eventually vest. No market vesting conditions are considered to exist in the share based payments granted to employees.

Where share based payments are issued by one group entity settlement in its own shares, and these share based payments are granted to employees of a subsidiary entity, the issuing entity recognises the charge as an increase in cost of investment, while the subsidiary recognises this as a capital contribution in the Statement of Changes in Equity.

2.11 Research and development

Intangible assets are recognised from the development phase of a project if and only if the Company can demonstrate the following conditions:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- and its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, being the period over which the Company expects to benefit from selling the products developed, which is estimated to be 3 years.

The amortisation expense is included within the operating costs line in the Statement of Profit and Loss and Other Comprehensive Income.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only. The Directors' consider this to be a cautious approach.

In the research phase of an internal project, it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense in the Statement of Profit and Loss and Other Comprehensive Income when it is incurred.

Smoothwall Limited
Notes to the financial statements
For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

2.12 Taxation

Current tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2.13 Defined contribution pension scheme

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

2.15 Financial instruments

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets include the following items:

- Trade receivables, amounts owed by group undertakings and other short-term receivables, which are initially recognised at fair value and subsequently carried at amortised cost.
- Cash and cash equivalents.

Initial measurement

A financial asset is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs directly attributable to its acquisition or issue. Trade receivables without a significant financing component are initially recognised at their transaction amount.

Subsequent measurement

Assets classified as at amortised cost are subsequently measured using the effective interest method. The effective interest rate is the rate that exactly discounts the future cash receipts through the life of the instrument to the net carrying amount on initial recognition. Interest income is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL) for trade receivables, with ECL being losses that arise from possible default events over the expected life of the financial instrument. ECLs are a probability weighted estimate of credit losses, measured as the present value of cash shortfalls, discounted at the effective interest rate of the financial asset.

Lifetime ECLs are the ECLs from all possible default events over the expected life of the financial instrument and are based on quantitative and qualitative information, based on historical experience and forward-looking information. ECL losses are recognised through profit or loss within the Statement of Profit or Loss and Other Comprehensive Income.

Smoothwall Limited
Notes to the financial statements
For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

2.16 Financial instruments (continued)

Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership are transferred, or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that accurately discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

2.17 Borrowing costs

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

2.18 Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company. They are items that are material either because of their size or their nature, or that are nonrecurring are considered as exceptional items and are presented within the line items to which they best relate.

2.19 Provisions and contingencies

i. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small. In particular restructuring provisions are recognised when the Company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and a provision is not made for future operating losses.

Smoothwall Limited
Notes to the financial statements
For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

2.19 Provisions and contingencies (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

ii. Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

3. Critical accounting estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. The outcome may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis.

i. Deferred revenue

The Company considers contracts for the provision of services which are bundled with hardware or other goods and judges whether or not these contain separately identifiable performance obligations. Where hardware and software are interdependent on one another and cannot be separated, they are bundled together to form one bundled performance obligation.

In determining the transaction price for contracts with customers the Company considers the existence of significant financing components for long term contracts. Where a significant discount is provided for upfront payment of the contract value, the value of the contract is adjusted to account for any financing expenses which may be implicit within the contract. The Company also considers whether it is a principal or an agent with regard to any contracts in which it deals with third parties in order to determine the contract value. In doing so, it makes an assessment surrounding the control of goods as well as the risks and responsibilities associated with the contract.

The Company considers the treatment of costs associated with obtaining contracts, as well as costs incurred at the commencement of a contract. The costs of obtaining a contract are then recognised in line with the pattern of revenue recognition for that contract. A portion of revenue is recognised at the time that any costs to commence a contract are incurred, in line with the value of those costs, without recognising any profit margin in line with the requirements of IFRS 15.

The Company has judged whether any contracts with customers are excluded, or partially excluded, from the scope of IFRS 15 and applied other standards where applicable.

ii. Impairment of non-financial assets other than goodwill

The company assesses impairment of non-financial assets other than goodwill at each reporting date by evaluating conditions specific to the entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

iii. Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in Note 13, is calculated based on the information available at balance date. The actual credit losses in future years may be higher or lower.

Smoothwall Limited
Notes to the financial statements
For the year ended 30 June 2023

3. Critical accounting estimates and judgements (continued)

iv. Estimation of useful lives of assets

The entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

In the opinion of the directors there are no other critical judgements taken in applying the company's accounting policies.

v. Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Determining whether it is probable that future taxable amounts will be available requires a degree of judgement regarding relevant tax legislation and estimation in forecasting future taxable profits.

vi. Recoverability of intercompany receivables

The company assesses the recoverability of intercompany receivables at each reporting date by evaluating conditions specific to the entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Smoothwall Limited
Notes to the financial statements
For the year ended 30 June 2023

4. Revenue

	For the year ended 30 June 2023	For the year ended 30 June 2022
	£	£
Analysis of revenue by geography:		
United Kingdom	12,641,847	14,791,022
USA	5,298	145,814
Rest of world	540,886	524,529
	13,188,031	15,461,365

	For the year ended 30 June 2023	For the year ended 30 June 2022
	£	£
Analysis of revenue by category:		
Service revenue	13,188,031	15,461,365
	13,188,031	15,461,365

a) Reconciliation of movements in contract liabilities

Contract Liabilities	£
Balance at 1 July 2021	15,171,778
Additions	10,032,566
Recognised within service revenue	(14,014,928)
Balance at 30 June 2022	11,189,416
Additions	(12,552,255)
Recognised within service revenue	13,188,031
Balance at 30 June 2023	11,825,192

5. Operating loss

	For the year ended 30 June 2023	For the year ended 30 June 2022
	£	£
Operating loss is stated after charging:		
Amortisation of intangible assets	-	18,878
Depreciation of owned tangible fixed assets	257,477	50,414
Directors' remuneration (see Note 8)	718,355	2,124,383
Services provided by the Company's auditors:		
Fees payable for the audit of the Company	150,000	138,761

Smoothwall Limited
Notes to the financial statements
For the year ended 30 June 2023

6. Interest payable and similar expenses

	For the year ended 30 June 2023	For the year ended 30 June 2022
	£	£
Interest expense on bank loan	40	342,695
Interest expense on lease liabilities	33,086	-
	33,126	342,695

7. Staff costs

The average monthly number of employees (including executive directors) was:

	For the year ended 30 June 2023	For the year ended 30 June 2022
	Number	Number
Average number of employees	168	132

Their aggregate remuneration comprised:

	For the year ended 30 June 2023	For the year ended 30 June 2022
	£	£
Wages and salaries	7,388,004	6,040,301
Other pension costs	303,053	237,097
Employee health care	42,685	45,348
	7,733,742	6,322,746

8. Directors' remuneration

The directors' aggregate emoluments in respect of qualifying services for the period were as follows:

	For the year ended 30 June 2023	For the year ended 30 June 2022
	£	£
Aggregate emoluments ¹	709,096	2,102,902
Pension contributions	8,780	20,729
Medical	479	752
	718,355	2,124,383
Highest paid director:		
Aggregate emoluments	525,183	1,241,466
Pension contributions	8,280	13,000
Medical	350	393
	533,813	1,254,859

¹ During the year ended 30 June 2022, 2,095,210 and 2,058,365 performance rights were awarded to Georg Ell and James Logan respectively, which continued to vest in the current year. In addition, 783,648 performance rights were awarded to James Logan during the year ended 30 June 2023. Included in the aggregate emoluments is the expense for share based payments vesting during the year.

Smoothwall Limited
Notes to the financial statements
For the year ended 30 June 2023

8. Directors' remuneration (continued)

On 31 October 2022, Georg Ell resigned from his position as statutory director. During the year retirement benefits were accruing to 2 Directors for part of the year with one resigning as statutory director on 31 October 2022 (2022: 2) in respect of defined contribution pension schemes.

9. Tax credit on loss

a) Tax credit included in profit or loss

	For the year ended 30 June 2023 £	For the year ended 30 June 2022 £
Current tax:		
UK Corporation Tax charge on loss for the period	-	-
Adjustment in respect of previous periods	11,255	4,085
Total current tax credit	11,255	4,085
Deferred Tax:		
Adjustments in respect of prior periods	-	-
Current year	(172,974)	-
Impact of change in tax rates	(38,013)	-
Total deferred tax	(210,987)	-
Tax credit on ordinary activities	(199,732)	4,085

b) Reconciliation of tax credit

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 19% (2022: 19%). The actual tax credit for the period is lower than the standard rate for the reasons set out in the following reconciliation:

	For the year ended 30 June 2023 £	For the period ended 30 June 2022 £
Loss on ordinary activities before tax	(3,046,502)	(6,089,519)
Tax on loss on ordinary activities at the standard rate 20.5% (2022: 19%)	(624,407)	(1,157,009)
Effects of:		
Expenses not deductible for tax purposes	498,239	1,092,180
Adoption of IFRS	-	(147,178)
Adjustment from previous period	11,255	4,085
Deferred tax not provided	-	212,007
Tax rate changes	(38,013)	-
Group relief/ other reliefs	26	-
Utilisation of carried forward losses	(46,832)	-
Tax credit for the period	(199,732)	4,085

Smoothwall Limited
Notes to the financial statements
For the year ended 30 June 2023

9. Tax credit on loss (continued)

The company has unrecognised deferred tax assets of £1,524,000 (2022: £1,551,521). Forecasts consistent with those used for impairment and going concern assessments indicate that future taxable profits are probable in future periods. The look forward period of assessing future taxable profits has been limited to one year, based upon a Board approved budget for FY2024, to reflect the level of uncertainty given the historic losses by the Company in line with IAS12. As a result, the carried forward tax losses of £1,391,447 have been recognised in the current financial year.

c) Factors that may affect future tax charges

The Finance Act 2021 was substantially enacted in May 2021 and has increased the main corporation tax rate from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

10. Intangible assets

	Trademarks	Computer Software	Total
Cost	£	£	£
At 1 July 2021	9,476	285,421	294,897
Disposals	-	(155,047)	(155,047)
At 30 June 2022	9,476	130,374	139,850
 Additions			
Disposal	-	-	-
At 30 June 2023	9,476	130,374	139,850
 Accumulated depreciation and impairment			
At 1 July 2021	(8,913)	(267,106)	(276,019)
Amortisation charged for the period	(563)	(18,315)	(18,878)
Disposal	-	155,047	155,047
At 30 June 2022	(9,476)	(130,374)	(139,850)
 Amortisation charged for the period	-	-	-
Disposals	-	-	-
At 30 June 2023	(9,476)	(130,374)	(139,850)
 Carrying amount			
At 30 June 2023	-	-	-
At 30 June 2022	-	-	-

Smoothwall Limited
Notes to the financial statements
For the year ended 30 June 2023

11. Property, plant and equipment

	Short-term leasehold property	Office equipment	Computer equipment	Network Devices	Right-of-use asset	Total
Cost	£	£	£	£	£	£
At 1 July 2021	108,550	314,844	946,209	-	-	1,369,603
Additions	-	46,405	90,186	41,208	-	177,799
Disposals	(13,164)	(291,767)	(731,404)	-	-	(1,036,335)
At 30 June 2022	95,386	69,482	304,991	41,208	-	511,067
Additions	-	104,202	68,254	373,573	536,299	1,082,328
Disposals	-	-	-	-	-	-
At 30 June 2023	95,386	173,684	373,245	414,781	536,299	1,593,395
Accumulated depreciation and impairment						
At 1 July 2021	(108,550)	(306,229)	(895,274)	-	-	(1,310,053)
Depreciation charged in the period	-	(3,371)	(45,978)	(1,065)	-	(50,414)
Depreciation on disposals	13,164	287,091	730,614	-	-	1,030,869
At 30 June 2022	(95,386)	(22,509)	(210,638)	(1,065)	-	(329,598)
Depreciation charged in the period	-	(32,712)	(56,042)	(61,463)	(107,260)	(257,477)
Depreciation on disposals	-	-	-	-	-	-
At 30 June 2023	(95,386)	(55,221)	(266,680)	(62,528)	(107,260)	(587,075)
Carrying amount						
At 30 June 2023	-	118,463	106,565	352,253	429,039	1,006,320
At 31 June 2022	-	46,973	94,353	40,143	-	181,469

12. Investments

The list of subsidiaries and other related undertakings is as follows:

Name	Address of the registered office	Nature of business	Interest
Smoothwall Inc	1435 W Morehead St Ste 125, Charlotte North Carolina, 28208-5200, US	Software services	100%
Safeguard Software Limited	2nd Floor 2 Whitehall Quay, Leeds, United Kingdom, LS1 4HR	Non-trading entity	100%
Linewize Limited	2nd Floor 2 Whitehall Quay, Leeds, United Kingdom, LS1 4HR	Non-trading entity	100%
Ensko 1227 Limited	2nd Floor 2 Whitehall Quay, Leeds, United Kingdom, LS1 4HR	Non-trading entity	100%
eSafe Global Limited	2nd Floor 2 Whitehall Quay, Leeds, United Kingdom, LS1 4HR	Software services	100%

Smoothwall Limited
Notes to the financial statements
For the year ended 30 June 2023

12. Investments (continued)

	Investment in subsidiary companies £
At 1 July 2021	703,888
Additions	
Impairment expense	(572,605)
At 30 June 2022	131,283
Additions	-
Impairment expense	-
At 30 June 2023	131,283

13. Trade and other receivables

Trade receivables are stated after provision for impairment of £2,811 (2022: £2,117).

	As at 30 June 2023 £	As at 30 June 2022 £
Trade and other receivables: less than one year		
Trade receivables	3,665,955	2,174,022
Contract assets	890,500	1,007,126
Prepayments and accrued income	394,863	370,449
Corporation tax receivable	47,982	-
Amounts owed from group undertakings ¹	150,082	522,312
	5,149,382	4,073,909
Trade and other receivables: more than one year		
	As at 30 June 2023 £	As at 30 June 2022 £
Amounts owed from group undertakings ¹	544,663	-
Contract assets	426,793	275,289
	971,456	275,289

¹At 30 June 2022, it was the intention of the Directors to realise some of the intercompany balances within 12 months of the reporting period by either issuing share capital or a capital contribution. As time has progressed and at 30 June 2023, this intention has altered and therefore there is now no expectation these balances will be realised within 12 months. Therefore, as these financial statements are prepared in line with the Companies Act 2006 Adapted Format, relevant intercompany balances have moved to be presented as non-current as at 30 June 2023.

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) using a lifetime ECL provision for trade and other receivables. The expected loss rates are based on the Company's historical credit losses. The historic loss rates are then adjusted for current and forward looking information on macroeconomic factors affecting the Company's customers.

Trade receivables have been reviewed under the ECL impairment model. As at 30 June 2023, the Company's ECL provision for trade receivables was £2,811 (2022: £2,117).

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14. Trade and other payables

	As at 30 June 2023	As restated at 30 June 2022
	£	£
Trade and other payables: amounts falling due within one year		
Trade and other payables	1,134,603	1,129,933
Accrued expenses	774,232	905,623
Contract liabilities	8,367,916	6,578,861
Amounts owed to group undertakings	4,889,419	3,452,962
Pension payable	50,919	39,992
Other payables	26,539	9,065
Lease liabilities	50,343	-
Income and other tax payable	1,036,170	512,967
	16,330,141	12,629,403

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

	As at 30 June 2023	As at 30 June 2022
	£	£
Trade and other payables: amounts falling due after more than one year		
Contract liabilities	3,457,276	4,610,555
Lease liabilities	438,777	-
	3,896,053	4,610,555

15. Leases

	As at 30 June 2023	As at 30 June 2022
	£	£
Within one year	50,343	-
Between 1-5 years	438,777	-
	489,120	-

Lease liabilities are presented in the statement of financial position as follows:

	£
At 1 July 2022	-
Additions	536,299
Interest expense	33,086
Lease payments	(80,265)
At 30 June 2023	489,120

The expense charged to the statement of profit or loss in relation to low value assets is £nil (2022: £nil). The expense relation to variable lease payment not included in the measurement of lease liabilities is £nil (2022: £nil).

No income is made by directly subleasing right-of-use assets. There are no residual value guarantees, sale and leaseback arrangements, restrictions imposed by leases or uncommenced leases to which the Company is committed.

Where practicable, the Company seeks to include extension options in new leases to provide operation flexibility. There are no leases within the Company where any extension options have not been included within the lease liability at inception.

Smoothwall Limited
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15. Leases (continued)

The maturity of the Company's lease liabilities is as follows:

	2023 Discounted	2023 Undiscounted
Up to 3 months	12,281	20,066
Between 3 and 12 months	38,062	60,199
Total due within 1 year	50,343	80,265
Between 1 and 2 years	136,873	160,530
Between 2 and 5 years	301,904	321,060
Over 5 years	-	-
Total due after 1 year	438,777	481,590
Total	489,120	561,855

The undiscounted amounts above represent the undiscounted cash flows gross of interest. The weighted average incremental borrowing rate applied to new lease liabilities was 6.51%.

16. Pensions

The Company provides defined contribution schemes for its employees. The amount recognised as an expense for the defined contribution schemes was £303,053 (2022: £237,097). Pension contributions of £50,919 (2022: £39,992) relating to the year ended 30 June 2023 were unpaid at the year end.

17. Contingent liabilities

At the period end the company had no contingent liabilities (2022: £0).

18. Capital commitments

At the period end the company had no capital commitments (2022: £0).

19. Called up share capital

	As at 30 June 2023 £	As at 30 June 2022 £
9,900 (2022: 9,900) ordinary shares of £0.01 each	99	99
	99	99

The Company's capital and reserves are as follows:

Share premium account

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

Called up share capital

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

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

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20. Share-based payments reserve

During the year ended 31 December 2023 the Group issued 13,324,686 performance rights in Qoria Limited to employees of the Company. The performance rights are convertible into ordinary shares of Qoria Limited once fully vested. As the Company does not have an obligation to settle the transaction with its employees, the performance rights are treated as equity settled and a corresponding capital contribution for the Parent Company is recorded.

The valuation of the performance rights was determined using the share price on grant date and the charge is spread over the vesting period.

Reconciliation of movement in share-based payments reserve:

	Number of Performance Rights	Value \$
Opening Balance - 1 July 2021		
Performance rights granted during the year	8,767,577	1,868,982
Reversal of share-based payment expense as vesting conditions are not met	(11,453)	(3,642)
Closing Balance - 30 June 2022	8,756,124	1,865,340
Performance rights granted during the year	13,324,686	1,521,200
Performance rights expense recognised for the current year	-	895,757
Performance rights exercised during the year	(1,566,002)	-
Reversal of share-based payment expense as vesting conditions are not met	(884,544)	(83,318)
Closing Balance - 30 June 2023	19,630,264	4,198,979

21. Related party transactions

The company has taken advantage of the disclosure exemption under FRS 101 paragraph 8(k) not to disclose information about transactions entered into between two or more members of the Company where any subsidiary which is a party to the transaction is wholly owned by such a member.

22. Ultimate controlling party

The ultimate controlling party is Qoria Limited, through its ownership of Family Zone UK Cyber Safety Limited. The smallest and largest group in which the results of the Company are consolidated is that headed by the ultimate parent Qoria Limited. Copies of these financial statements are available from the registered office 945 Wellington Street, West Perth, Western Australia, 6005.

23. Prior year restatement

A prior year adjustment has been made to reclassify the credit entry of share based payments from intercompany payables to a share based payments reserve. As documented in Note 20, the Qoria group issued performance rights over the shares of Qoria Limited to the employees of the Company (Smoothwall Limited). Issuance of such performance rights commenced during the prior year, following the acquisition of the Company by Qoria group in August 2021.

In line with the requirements of IFRS2, as the obligation to settle the transaction with employees sits with the Qoria Group, and not Smoothwall Limited, the performance rights should be treated as equity settled and a corresponding capital contribution within reserves from the Ultimate parent company should be recorded. This treatment was incorrectly applied in the prior year, and therefore this adjustment amends the accounting treatment to align with settlement obligations of the issued performance rights.

There is no impact on comparative opening reserves, profit or loss or cash flow movements. Based on this, there is no requirement to present a third balance sheet.

24. Events after the reporting period

There have been no significant events since the reporting date.