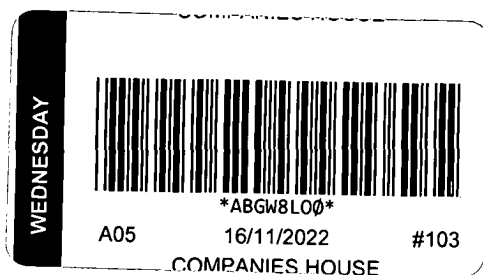


## **CYBEREASON LIMITED**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2021**



**CYBEREASON LIMITED**

**COMPANY INFORMATION**

|                             |   |
|-----------------------------|---|
| <b>Directors</b>            | Roy Luria (appointed 11 January 2021)<br>Emmy Linder (appointed 11 January 2021)<br>Lior Cohen (resigned 11 January 2021) |
| <b>Company secretary</b>    | Roy Luria   |
| <b>Registered number</b>    | 10306277  |
| <b>Registered office</b>    | 1 Burwood Place<br>London<br>Greater London<br>W2 2UT   |
| <b>Independent auditors</b> | PKF Littlejohn LLP<br>Statutory Auditor<br>15 Westferry Circus<br>Canary Wharf<br>London<br>E14 4HD                       |

**CYBEREASON LIMITED**

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## **CYBEREASON LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **Introduction**

The directors present their review of the Company's financial and strategic performance for the year ended 31 December 2021.

#### **Principal activities**

The principal activity of the Company is to provide marketing, promotion and support services, contracted by its parent company, to the UK and other European markets.

#### **Business review**

The Company was incorporated on 1 August 2016.

Revenue for the year for the Company amounted to £18,911,500 (2020: £18,450,059). The profit for the year for the Company amounted to £818,906 (2020: £553,720).

The net assets of the Company at year end amounted to £3,058,317 (2020: £2,011,948). The directors have not recommended a dividend in respect of the period.

#### **Principal risks and uncertainties**

The principal risks and uncertainties facing the Company include the following:

##### *Competitor risk:*

The Company operates in a highly competitive market with significant product innovations. The Company believes they compete well against their competitors in the current environment, however some of its competitors have longer operating histories, greater brand recognition, stronger relationships with strategic channel partners, and more established relationships with hardware vendors and/or greater financial, technical and marketing resources. These factors may provide competitors with an advantage in penetrating markets with their products. To counter this risk, the Company continues to develop and evolve its go-to-market strategy to achieve the Company's goal of becoming market leader.

##### *Technological risk:*

The Company's success depends significantly on proprietary software technology. A series of patents, trade secrets and copyrights are relied upon to establish and protect rights to the Company's software. However, these protections may be inadequate as competitors may independently develop technologies. The Company, through its parent company, continues to focus on software development through its research and development initiatives along with continually assessing the market for relevant acquisitions which would enhance its current technology.

##### *Financial risk management objectives and policies:*

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk, liquidity risk and foreign currency risk.

**CYBEREASON LIMITED**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**Principal risks and uncertainties (continued)**

*Cash flow risk:*

The Company has in place a programme of financial and non-financial performance indicators as part of its management reporting systems. Management review key financial performance indicators of sales, margin, profitability, cash flow and investment in working capital.

*Liquidity risk:*

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, surplus funds are placed at banks with short notice demand features.

*Credit risk:*

Credit risk arises from credit exposure to cash and cash equivalents including deposits with banks.

*Foreign currency risk:*

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Since a significant percentage of our costs are incurred in Euro, any negative movement in this versus the GBP could negatively impact the Company's operational results in any given financial year.


**Financial key performance indicators**

The key performance indicators of the business are turnover and working capital. As a result, the Company is continually focused on delivering operational efficiency, to reduce both costs and the working capital investment.

This report was approved by the board on

and signed on its behalf.

**Roy Luria**  
Director

DocuSigned by:  
  
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11/11/2022

## **CYBEREASON LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors present their report and the financial statements for the year ended 31 December 2021.

#### **Directors' responsibilities statement**

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

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £818,906 (2020 - £553,720).

#### **Directors**

The directors who served during the year were:

Roy Luria (appointed 11 January 2021)  
Emmy Linder (appointed 11 January 2021)  
Lior Cohen (resigned 11 January 2021)

#### **Going concern**

The financial statements have been prepared on the going concern basis because Cybereason Inc. has committed to provide continued financial support so as to enable the Company to meet its liabilities as they fall due for a period of at least twelve months from the date of signing of the financial statements. The directors have assessed the ability of the parent company to provide this support and have concluded that they have adequate funds available to do this.

#### **Future developments**

The Company continues to be contracted by its parent company to provide marketing, promotion and support services to the UK and European markets.

**CYBEREASON LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**Disclosure of information to auditors**

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's auditors are 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's auditors are aware of that information.

**Post balance sheet events**

There have been no significant events affecting the Company since the year end.


**Auditors**

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

This report was approved by the board on

and signed on its behalf.

Roy Luria  
Director

DocuSigned by:  
  
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11/11/2022

**CYBEREASON LIMITED****INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CYBEREASON LIMITED****Opinion**

We have audited the financial statements of Cybereason Limited (the 'Company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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**

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 other information comprises the information included in the annual report, other than the financial statements and our auditors' report thereon. The directors are responsible for the other information contained within the annual report. 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.



**CYBEREASON LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CYBEREASON LIMITED (CONTINUED)**

**Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic Report and 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.

**Matters on which we are required to report by exception**

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.

**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 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.

## CYBEREASON LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CYBEREASON LIMITED (CONTINUED)

**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 auditors' 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.

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:

- We obtained an understanding of the Company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, application of cumulative audit knowledge and experience of the sector etc.
- We determined the principal laws and regulations relevant to the Company in this regard to be those arising from:
  - Companies Act 2006
  - Taxation laws in the UK
  - Employment laws in the UK
  - Anti-bribery
  - General data protection regulation (GDPR)
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the Company with those laws and regulations. These procedures included, but were not limited to:
  - Enquiries of management
  - Review of board minutes and other correspondence
  - Review of the group's related party transactions and disclosures
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the potential for management bias was identified in relation to the valuation of share options and we addressed this by obtaining the relevant agreements and review of the share options valuations and ensure that all the inputs are reasonable and mathematically accurate.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

**CYBEREASON LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CYBEREASON LIMITED (CONTINUED)**

**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 auditors' 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.



Zahir Khaki (Senior Statutory Auditor)

for and on behalf of  
**PKF Littlejohn LLP**

Statutory Auditor  
15 Westferry Circus  
Canary Wharf  
London  
E14 4HD

Date: 11 November 2022

## CYBEREASON LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021

|  |   | 2021<br>£         | 2020<br>£         |
|--|---|-------------------|-------------------|
| Turnover                               | 3 | 18,911,500        | 18,450,059        |
| <b>Gross profit</b>                    |   | <b>18,911,500</b> | <b>18,450,059</b> |
| Administrative expenses                |   | (18,012,927)      | (17,621,833)      |
| <b>Operating profit</b>                |   | <b>898,573</b>    | <b>828,226</b>    |
| Interest receivable and similar income | 7 | 38                | 383               |
| <b>Profit before tax</b>               |   | <b>898,611</b>    | <b>828,609</b>    |
| Tax on profit                          | 8 | (79,705)          | (274,889)         |
| <b>Profit for the financial year</b>   |   | <b>818,906</b>    | <b>553,720</b>    |

There was no other comprehensive income for 2021 (2020:£NIL).

The notes on pages 13 to 24 form part of these financial statements.


**CYBEREASON LIMITED**  
**REGISTERED NUMBER: 10306277**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2021**

|  | Note | 2021<br>£               | 2020<br>£               |
|--|------|-------------------------|-------------------------|
| <b>Non-current assets</b>                      |      |                         |                         |
| Tangible assets                                | 9    | 135,134                 | 136,875                 |
| Deferred tax assets                            | 13   | 103,781                 | -                       |
|  |      | <u>238,915</u>          | <u>136,875</u>          |
| <b>Current assets</b>                          |      |                         |                         |
| Debtors: amounts falling due within one year   | 10   | 4,783,868               | 4,338,666               |
| Cash at bank and in hand                       | 11   | 526,435                 | 366,414                 |
|  |      | <u>5,310,303</u>        | <u>4,705,080</u>        |
| Creditors: amounts falling due within one year | 12   | (2,460,214)             | (2,806,431)             |
| <b>Net current assets</b>                      |      | <u>2,850,089</u>        | <u>1,898,649</u>        |
| <b>Total assets less current liabilities</b>   |      | <u>3,089,004</u>        | <u>2,035,524</u>        |
| <b>Non-current liabilities</b>                 |      |                         |                         |
| Deferred tax liabilities                       | 13   | (30,687)                | (23,576)                |
|  |      | <u>(30,687)</u>         | <u>(23,576)</u>         |
| <b>Net assets</b>                              |      | <u><u>3,058,317</u></u> | <u><u>2,011,948</u></u> |
| <b>Capital and reserves</b>                    |      |                         |                         |
| Called up share capital                        | 14   | 1                       | 1                       |
| Other reserves                                 | 15   | 583,727                 | 356,264                 |
| Profit and loss account                        |      | 2,474,589               | 1,655,683               |
|  |      | <u>3,058,317</u>        | <u>2,011,948</u>        |

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

Roy Luria  
 Director

DocuSigned by:  
  
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 11/11/2022

The notes on pages 13 to 24 form part of these financial statements.

## CYBEREASON LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021

|  | Called up<br>share capital<br>£ | Other<br>reserves<br>£ | Profit and<br>loss account<br>£ | Total equity<br>£ |
|--|---------------------------------|------------------------|---------------------------------|-------------------|
| <b>At 1 January 2020</b>                       | <b>1</b>                        | <b>168,150</b>         | <b>1,101,963</b>                | <b>1,270,114</b>  |
| <b>Comprehensive income for the year</b>       |                                 |                        |                                 |                   |
| Profit for the year                            | -                               | -                      | 553,720                         | 553,720           |
| <b>Total comprehensive income for the year</b> | <b>-</b>                        | <b>-</b>               | <b>553,720</b>                  | <b>553,720</b>    |
| Share based payments charge for the year       | -                               | 188,114                | -                               | 188,114           |
| <b>Total transactions with owners</b>          | <b>-</b>                        | <b>188,114</b>         | <b>-</b>                        | <b>188,114</b>    |
| <b>At 1 January 2021</b>                       | <b>1</b>                        | <b>356,264</b>         | <b>1,655,683</b>                | <b>2,011,948</b>  |
| <b>Comprehensive income for the year</b>       |                                 |                        |                                 |                   |
| Profit for the year                            | -                               | -                      | 818,906                         | 818,906           |
| <b>Total comprehensive income for the year</b> | <b>-</b>                        | <b>-</b>               | <b>818,906</b>                  | <b>818,906</b>    |
| Share based payments charge for the year       | -                               | 227,463                | -                               | 227,463           |
| <b>Total transactions with owners</b>          | <b>-</b>                        | <b>227,463</b>         | <b>-</b>                        | <b>227,463</b>    |
| <b>At 31 December 2021</b>                     | <b>1</b>                        | <b>583,727</b>         | <b>2,474,589</b>                | <b>3,058,317</b>  |

The notes on pages 13 to 24 form part of these financial statements.

## CYBEREASON LIMITED

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2021

|   | 2021<br>£       | 2020<br>£        |
|---|-----------------|------------------|
| <b>Cash flows from operating activities</b>                   |                 |                  |
| Profit for the financial year                                 | 818,906         | 553,720          |
| <b>Adjustments for:</b>                                       |                 |                  |
| Depreciation of tangible assets                               | 81,066          | 96,008           |
| Interest received   | (38)            | (383)            |
| Taxation charge   | 79,705          | 274,889          |
| Decrease in debtors   | 40,456          | 122,687          |
| Increase in amounts owed by group undertakings                | (352,738)       | (545,808)        |
| Decrease in creditors   | (136,271)       | (264,907)        |
| Increase in amounts owed by group undertakings                | 26,993          | -                |
| Share based payments  | 227,463         | 188,114          |
| Corporation tax paid  | (546,234)       | (208,506)        |
| <b>Net cash generated from operating activities</b>           | <b>239,308</b>  | <b>215,814</b>   |
| <b>Cash flows from investing activities</b>                   |                 |                  |
| Purchase of tangible fixed assets                             | (124,892)       | (120,012)        |
| Sale of tangible fixed assets                                 | 45,567          | -                |
| Interest received   | 38              | 383              |
| <b>Net cash from investing activities</b>                     | <b>(79,287)</b> | <b>(119,629)</b> |
| <b>Net increase in cash and cash equivalents</b>              | <b>160,021</b>  | <b>96,185</b>    |
| Cash and cash equivalents at beginning of year                | 366,414         | 270,229          |
| <b>Cash and cash equivalents at the end of year</b>           | <b>526,435</b>  | <b>366,414</b>   |
| <b>Cash and cash equivalents at the end of year comprise:</b> |                 |                  |
| Cash at bank and in hand                                      | 526,435         | 366,414          |
|   | <b>526,435</b>  | <b>366,414</b>   |

The notes on pages 13 to 24 form part of these financial statements.

**CYBEREASON LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021****1. General information**

Cybereason Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in United Kingdom. The address of its registered office is 1 Burwood Place, London, United Kingdom, W2 2UT.

**2. Accounting policies****2.1 Basis of preparation of financial statements**

These financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102") and the requirements of the Companies Act 2006. The financial statements were approved for issue on the date shown on the statement of financial position.

The financial statements are prepared in sterling, which is the functional currency of the Company.

**2.2 Going concern**

The financial statements have been prepared under the going concern basis as the member plans to retain the Company for the foreseeable future. The directors have received confirmation from Cybereason Inc., the sole customer and parent company, that the Group will continue to support the operations of the Company for the foreseeable future to allow it to be able to meet its own liabilities as they fall due. The consolidated Cybereason Inc. financial statements for the year ended 31 December 2021 show that the Group's total assets exceed its total liabilities and that there are sufficient cash resources to enable the Group to continue in operational existence for a period of at least 12 months from the audit report date. As such, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future.

**2.3 Foreign currency translation**

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 profit or loss 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 Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'administrative expenses'.



**CYBEREASON LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021****2. Accounting policies (continued)****2.4 Revenue**

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

The Company is contracted by its parent company to provide marketing, promotion and support services. The turnover represents intercompany revenue under the terms of the services agreement with the parent company which are on a cost-plus basis.

The following criteria must also be met before revenue is recognised:

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**2.5 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to profit or loss 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.

**2.6 Interest income**

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

**2.7 Pensions****Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid, the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

## CYBEREASON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**2. Accounting policies (continued)****2.8 Share based payments**

Where share options are awarded to employees by the parent company, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

**2.9 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**CYBEREASON LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021****2. Accounting policies (continued)****2.10 Tangible fixed assets**

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

|                  |   |     |
|------------------|---|-----|
| Office equipment | - | 33% |
|------------------|---|-----|

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

**2.11 Debtors**

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

**2.12 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 Statement of Cash Flows, cash and cash equivalents are shown and form an integral part of the Company's cash management.

**2.13 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.

**CYBEREASON LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021****2. Accounting policies (continued)****2.14 Financial instruments**

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

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

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.

**2.15 Equity**

Equity issued by the Company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity are recognised as liabilities once they are no longer at the discretion of the Company.

**3. Turnover**

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

|                      | 2021<br>£         | 2020<br>£         |
|----------------------|-------------------|-------------------|
| Intercompany revenue | 18,911,500        | 18,450,059        |
|                      | <u>18,911,500</u> | <u>18,450,059</u> |

All turnover arose within the United Kingdom.

## CYBEREASON LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

## 4. Auditors' remuneration

|   | 2021<br>£     | 2020<br>£     |
|---|---------------|---------------|
| Fees payable to the Company's auditors for the audit of the Company's annual financial statements | 15,500        | 17,500        |
|   | <u>15,500</u> | <u>17,500</u> |

## 5. Employees

Staff costs were as follows:

|                                     | 2021<br>£         | 2020<br>£         |
|-------------------------------------|-------------------|-------------------|
| Wages and salaries                  | 10,162,195        | 9,462,247         |
| Social security costs               | 1,896,612         | 1,763,980         |
| Cost of defined contribution scheme | 341,744           | 313,319           |
|                                     | <u>12,400,551</u> | <u>11,539,546</u> |

The average monthly number of employees, including directors, during the year was 78 (2020 - 69).

## 6. Directors' remuneration

The directors did not receive any remuneration for their services during the year (2020 - Nil).

The number of directors who exercised share options under the option scheme of its ultimate holding company (note 16) during the year was 1 (2020 - Nil).

## 7. Interest receivable

|                           | 2021<br>£ | 2020<br>£  |
|---------------------------|-----------|------------|
| Other interest receivable | 38        | 383        |
|                           | <u>38</u> | <u>383</u> |

## CYBEREASON LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

## 8. Taxation

|  | 2021<br>£       | 2020<br>£      |
|--|-----------------|----------------|
| <b>Corporation tax</b>                           |                 |                |
| Current tax on profits for the year              | 187,432         | 244,013        |
| Adjustments in respect of previous periods       | (11,057)        | 26,860         |
| <b>Total current tax</b>                         | <b>176,375</b>  | <b>270,873</b> |
| <b>Deferred tax</b>                              |                 |                |
| Origination and reversal of timing differences   | (63,388)        | 4,016          |
| Adjustments in respect of previous periods       | (30,952)        | -              |
| Effect of tax rate change on opening balance     | (2,330)         | -              |
| <b>Total deferred tax</b>                        | <b>(96,670)</b> | <b>4,016</b>   |
| <b>Taxation on profit on ordinary activities</b> | <b>79,705</b>   | <b>274,889</b> |

## Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

|  | 2021<br>£     | 2020<br>£      |
|--|---------------|----------------|
| Profit on ordinary activities before tax   | 898,611       | 828,609        |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%) | 170,736       | 157,436        |
| <b>Effects of:</b>   |               |                |
| Expenses not deductible for tax purposes   | 37,864        | 90,593         |
| Other permanent differences  | (69,343)      | -              |
| Adjustments to tax charge in respect of prior periods  | (42,009)      | 26,860         |
| Other differences leading to a decrease in tax charge  | (17,543)      | -              |
| <b>Total tax charge for the year</b>   | <b>79,705</b> | <b>274,889</b> |

## Factors that may affect future tax charges

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly. The deferred tax asset at 31 December 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related timing differences (2020: 19%).

## CYBEREASON LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

## 9. Tangible fixed assets

|                                     | Office<br>equipment<br>£ |
|-------------------------------------|--------------------------|
| <b>Cost or valuation</b>            |                          |
| At 1 January 2021                   | 282,105                  |
| Additions                           | 124,892                  |
| Disposals                           | (57,953)                 |
| At 31 December 2021                 | <u>349,044</u>           |
| <b>Depreciation</b>                 |                          |
| At 1 January 2021                   | 145,230                  |
| Charge for the year on owned assets | 81,066                   |
| Disposals                           | (12,386)                 |
| At 31 December 2021                 | <u>213,910</u>           |
| <b>Net book value</b>               |                          |
| At 31 December 2021                 | <u><u>135,134</u></u>    |
| At 31 December 2020                 | <u><u>136,875</u></u>    |

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

|                                    | 2021<br>£               | 2020<br>£               |
|------------------------------------|-------------------------|-------------------------|
| Amounts owed by group undertakings | 4,523,873               | 4,171,135               |
| Other debtors                      | 233,302                 | 65,374                  |
| Prepayments and accrued income     | 26,693                  | 102,157                 |
|                                    | <u><u>4,783,868</u></u> | <u><u>4,338,666</u></u> |

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

## CYBEREASON LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

## 11. Cash and cash equivalents

|                          | 2021<br>£      | 2020<br>£      |
|--------------------------|----------------|----------------|
| Cash at bank and in hand | 526,435        | 366,414        |
|                          | <u>526,435</u> | <u>366,414</u> |

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

|                                    | 2021<br>£        | 2020<br>£        |
|------------------------------------|------------------|------------------|
| Trade creditors                    | 495,064          | 380,805          |
| Amounts owed to group undertakings | 26,993           | -                |
| Corporation tax                    | 7,025            | 243,964          |
| Other taxation and social security | 460,956          | 242,769          |
| Other creditors                    | 1,459,409        | 1,909,619        |
| Accruals and deferred income       | 10,767           | 29,274           |
|                                    | <u>2,460,214</u> | <u>2,806,431</u> |

Amounts owed to group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.



## CYBEREASON LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

## 13. Deferred taxation

|                                 | 2021<br>£     |
|---------------------------------|---------------|
| <b>Deferred tax liabilities</b> |               |
| At beginning of year            | 23,576        |
| Charged to profit or loss       | 7,111         |
| <b>At end of year</b>           | <b>30,687</b> |

|  | 2021<br>£ | 2020<br>£ |
|--|-----------|-----------|
|--|-----------|-----------|

The deferred tax liabilities are made up as follows:

|                                |               |               |
|--------------------------------|---------------|---------------|
| Accelerated capital allowances | 30,687        | 23,576        |
|                                | <u>30,687</u> | <u>23,576</u> |

|                            | 2021<br>£      |
|----------------------------|----------------|
| <b>Deferred tax assets</b> |                |
| At beginning of year       | -              |
| Credited to profit or loss | 103,781        |
| <b>At end of year</b>      | <b>103,781</b> |

|  | 2021<br>£ | 2020<br>£ |
|--|-----------|-----------|
|--|-----------|-----------|

The deferred tax assets are made up as follows:

|                       |                |          |
|-----------------------|----------------|----------|
| Pension contributions | 6,189          | -        |
| Share options         | 97,592         | -        |
|                       | <u>103,781</u> | <u>-</u> |

## 14. Share capital

|   | 2021<br>£ | 2020<br>£ |
|---|-----------|-----------|
| <b>Allotted, called up and fully paid</b> |           |           |
| 1 (2020 - 1) Ordinary share of £1.00      | 1         | 1         |

## CYBEREASON LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

## 15. Other reserves

Other reserves represent the Company's equity-settled share based payments reserves (note 16). £227,463 (2020 - £188,114) was credited to other reserves in respect of the share based payments charged for the year.

## 16. Share based payments

The Company is part of a stock option plan (the "Plan") with its ultimate parent company (note 21) where the employees of the Company may be granted stock options. Stock options granted under the Plan generally expire ten years from the grant date, which is equivalent to the maximum contractual term permitted by the Plan. Stock options granted to employees generally vest over four years in 48 monthly tranches. For certain employee stock option grants, 25% cliff vests over a term of one year, and the remaining 75% vests in 36 equal monthly tranches. In accordance with the Plan, the minimum permitted exercise price is equivalent to the fair value of the underlying common stock on the grant date. The method of settlement is for the employee to pay cash and receive equity.

The Company measures and recognizes compensation expense for all stock option grants based on the estimated fair value of the awards on the date of grant. The grant-date fair value of stock options is determined using the Black-Scholes option pricing model, which involves making a number of critical estimates relating to the fair value of the Company's common stock, price volatility, future dividend yields, expected life of the options, risk-free rate and forfeiture rates.

The following table summarizes stock option activity for the year ended December 31, 2021:

|   | Number of<br>Options | Weighted<br>Average Exercise<br>Price Per Share |
|---|----------------------|---|
| Outstanding as of December 31, 2020                 | 857,527              | £ 0.70  |
| Granted   | 1,579,750            | £ 1.20  |
| Exercised   | (339,109)            | £ 0.74  |
| Forfeited or expired                                | (124,543)            | £ 0.79  |
| Outstanding as of December 31, 2021                 | <u>1,973,625</u>     | <u>£ 1.10</u>                                   |
| Vested and expected to vest as of December 31, 2021 | <u>1,973,625</u>     | <u>£ 1.10</u>                                   |
| Exercisable as of December 31, 2021                 | <u>405,887</u>       | <u>£ 0.76</u>                                   |

Share-based compensation expense of £227,463 (2020 - £188,114) is recorded in the statement of comprehensive income as an administrative expense. As of December 31, 2021 and 2020, all stock options are equity-classified and are therefore not subsequently remeasured. As of December 31, 2021, the total unrecognized compensation cost related to unvested stock options was £770,354, which the Company expects to be recognized over a weighted average period of 3.2 years.

## 17. Pension commitments

The Company operates a defined contribution pension scheme for all employees within the Company. Contributions payable by the Company during the year amounted to £341,744 (2020 - £313,319). As at the balance sheet date, contributions amounting to £49,512 (2020 - £25,964) had not been paid over to the fund and are included within creditors.

**CYBEREASON LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**18. Commitments under operating leases**

The Company had no commitments under non-cancellable operating leases at the balance sheet date.

**19. Related party transactions**

The Company has taken advantage of the exemption within FRS 102 not to disclose transactions with other wholly owned members of the group, on the basis that the Company is a wholly owned subsidiary.

**20. Post balance sheet events**

There have not been any post balance sheet events.

**21. Ultimate controlling party**

The Company's ultimate parent company and controlling party is Cybereason Inc., a company incorporated in the United States of America.

Cybereason Inc. prepares consolidated financial statements which are available from 200 Clarendon Street, 18th Floor, Boston, MA 02116, United States of America.