Registered number: 10306277

CYBEREASON LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

CYBEREASON LIMITED

COMPANY INFORMATION

Directors	Lily Wang (appointed 5 January 2023) Manish Narula (appointed 1 August 2023) Emmy Linder (resigned 7 April 2023) Roy Luria (resigned 25 November 2022)
Company secretary	Lily Wang
Registered number	10306277
Registered office	One Kingdom Street Paddington Central London W2 6BD
Independent auditors	PKF Littlejohn LLP Statutory Auditor 15 Westferry Circus Canary Wharf London E14 4HD

CYBEREASON LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The directors present their review of the Company's financial and strategic performance for the year ended 31 December 2022.

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 £25,802,628 (2021: £18,911,500). The profit for the year for the Company amounted to £532,425 (2021: £818,906).

The net assets of the Company at year end amounted to £3,874,487 (2021: £3,058,317). The directors have not recommended a dividend in respect of the year.

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.

Principal risks and uncertainties (continued)

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.

Funding risk:

The Company is under an agreement in which funding is primarily generated from the settlement of service fees from its parent company. As the year ends, the Company has a bank balance of £723,001 (2021: £526,435) and there are no foreseeable future events that are likely to result in extensive cash outflows that will detriment the Company's cash position.

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 as the Company depends on the parent company support.

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 main key performance indicators ("KPIs") of the Company are similar to those of the group, which are outlined below. The KPIs 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 12/5/2023 and signed on its behalf.

DocuSigned by:
Manish Narula
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Manish Narula
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

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 £532,425 (2021 - £818,906).

Directors

The directors who have held office at the date of this report are:

Lily Wang (appointed 5 January 2023)
Manish Narula (appointed 1 August 2023)

Other changes in directors holding office are as follows:

Emmy Linder (resigned 7 April 2023)
Roy Luria (resigned 25 November 2022)

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.

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 12/5/2023 and signed on its behalf.

Manish Narula

Manish Narula
Director

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 2022 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 2022 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.

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.

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. This description forms part of our auditors' report.

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

Zahir Khaki (Senior Statutory Auditor)

for and on behalf of
PKF Littlejohn LLP

Statutory Auditor
15 Westferry Circus
Canary Wharf
London
E14 4HD
Date: 14 December 2023

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Turnover	3	**25,802,628**	18,911,500
Gross profit		**25,802,628**	18,911,500
Administrative expenses		**(25,058,542)**	(18,012,927)
Operating profit		**744,086**	898,573
Interest receivable and similar income	7	**26**	38
Profit before tax		**744,112**	898,611
Tax on profit	8	**(211,687)**	(79,705)
Profit for the financial year		**532,425**	818,906

There was no other comprehensive income for 2022 (2021:£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 2022

	Note		2022 £		2021 £
Fixed assets					
Tangible assets	9		**64,119**		135,134
Deferred tax assets	13		**90,456**		103,781
			154,575		238,915
Current assets					
Debtors: amounts falling due within one year	10	**7,066,152**		4,783,868	
Cash at bank and in hand	11	**723,001**		526,435	
		7,789,153		5,310,303	
Creditors: amounts falling due within one year	12	**(4,045,619)**		(2,460,214)	
Net current assets			**3,743,534**		2,850,089
Total assets less current liabilities			**3,898,109**		3,089,004
Provisions for liabilities					
Deferred tax liabilities	13	**(23,622)**		(30,687)	
			(23,622)		(30,687)
Net assets			**3,874,487**		3,058,317
Capital and reserves					
Called up share capital	14		**1**		1
Other reserves	15		**867,472**		583,727
Profit and loss account			**3,007,014**		2,474,589
			3,874,487		3,058,317

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12/5/2023

DocuSigned by:
Manish Narula
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Manish Narula
Director

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2021	**1**	**356,264**	**1,655,683**	**2,011,948**
Comprehensive income for the year				
Profit for the year	-	-	**818,906**	**818,906**
Total comprehensive income for the year	-	-	**818,906**	**818,906**
Share based payments charge for the year	-	**227,463**	-	**227,463**
Total transactions with owners	-	**227,463**	-	**227,463**
At 1 January 2022	**1**	**583,727**	**2,474,589**	**3,058,317**
Comprehensive income for the year				
Profit for the year	-	-	**532,425**	**532,425**
Total comprehensive income for the year	-	-	**532,425**	**532,425**
Share based payments charge for the year	-	**283,745**	-	**283,745**
Total transactions with owners	-	**283,745**	-	**283,745**
At 31 December 2022	**1**	**867,472**	**3,007,014**	**3,874,487**

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 2022

	2022 £	2021 £
Cash flows from operating activities		
Profit for the financial year	**532,425**	818,906
Adjustments for:		
Depreciation of tangible assets	**77,031**	81,066
Interest received	**(26)**	(38)
Taxation charge	**211,687**	79,705
(Increase)/decrease in debtors	**(867,679)**	40,456
Increase in amounts owed by group undertakings	**(1,368,279)**	(352,738)
Decrease in creditors	**(572,810)**	(136,271)
Increase in amounts owed by group undertakings	**2,087,252**	26,993
Share based payments	**283,745**	227,463
Corporation tax paid	**(180,790)**	(546,234)
Net cash generated from operating activities	**202,556**	239,308
Cash flows from investing activities		
Purchase of tangible fixed assets	**(6,016)**	(124,892)
Sale of tangible fixed assets	**-**	45,567
Interest received	**26**	38
Net cash from investing activities	**(5,990)**	(79,287)
Net increase in cash and cash equivalents	**196,566**	160,021
Cash and cash equivalents at beginning of year	**526,435**	366,414
Cash and cash equivalents at the end of year	**723,001**	526,435
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**723,001**	526,435
	723,001	526,435

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

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 Paddington Central, London, United Kingdom, W2 6BD.

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 2022 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'.

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.

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.

The Company is part of a group share based payment plan and recognises and measures the share based payment expense on the basis of a reasonable allocation of the expense recognised in the group.

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.

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.

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:

	2022 £	2021 £
Intercompany revenue	**25,802,628**	18,911,500
	25,802,628	18,911,500

All turnover arose within the United Kingdom.

4. Auditors' remuneration

Fees payable to the Company's auditor for the audit of the Company's annual financial statements totalled £ *(2021 -).*

5. Employees

Staff costs were as follows:

	2022 £	2021 £
Wages and salaries	**10,213,109**	10,162,195
Social security costs	**1,665,512**	1,896,612
Cost of defined contribution scheme	**310,034**	341,744
	12,188,655	12,400,551

The average monthly number of employees, including directors, during the year was 83 (2021 - 78).

6. Directors' remuneration

The directors did not receive any remuneration for their services during the year (2021 - Nil).

No director (2021 - one director) exercised share options under the option scheme of the ultimate holding company (note 16) during the year.

7. Interest receivable

	2022 £	2021 £
Other interest receivable	**26**	38
	26	38

8. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	**215,636**	187,432
Adjustments in respect of previous periods	**(10,209)**	(11,057)
Total current tax	**205,427**	176,375
Deferred tax		
Origination and reversal of timing differences	**(3,631)**	(63,388)
Adjustments in respect of previous periods	**9,891**	(30,952)
Effect of tax rate change on opening balance	**-**	(2,330)
Total deferred tax	**6,260**	(96,670)
Taxation on profit on ordinary activities	**211,687**	79,705

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	**744,112**	898,611
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	**141,381**	170,736
Effects of:		
Expenses not deductible for tax purposes	**16,252**	37,864
Other permanent differences	**(40,449)**	(69,343)
Adjustments to tax charge in respect of prior periods	**(318)**	(42,009)
Other differences leading to an increase (decrease) in tax charge	**60,440**	(17,543)
Other tax charge on exceptional items	**34,381**	-
Total tax charge for the year	**211,687**	79,705

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 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related timing differences.

9. Tangible fixed assets

	Office equipment £
Cost or valuation	
At 1 January 2022	**349,044**
Additions	**6,016**
Disposals	**(4,189)**
At 31 December 2022	**350,871**
Depreciation	
At 1 January 2022	**213,910**
Charge for the year on owned assets	**77,031**
Disposals	**(4,189)**
At 31 December 2022	**286,752**
Net book value	
At 31 December 2022	**64,119**
At 31 December 2021	135,134

10. Debtors

	2022 £	2021 £
Due within one year		
Amounts owed by group undertakings	**5,892,152**	4,523,873
Other debtors	**802,002**	233,302
Prepayments and accrued income	**371,998**	26,693
	7,066,152	4,783,868

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

11. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	**723,001**	526,435
	723,001	526,435

12. Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	**171,191**	495,064
Amounts owed to group undertakings	**2,114,245**	26,993
Corporation tax	**75,637**	7,025
Other taxation and social security	**172,069**	510,468
Other creditors	**1,477,359**	1,409,897
Accruals and deferred income	**35,118**	10,767
	4,045,619	2,460,214

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

13. Deferred taxation

	2022 £
Deferred tax liabilities	
At beginning of year	**30,687**
Credited to profit or loss	**(7,065)**
At end of year	**23,622**

	2022 £	2021 £
The deferred tax liabilities are made up as follows:		
Accelerated capital allowances	**23,622**	30,687
	23,622	30,687

	2022 £
Deferred tax assets	
At beginning of year	**103,781**
Charged to profit or loss	**(13,325)**
At end of year	**90,456**

	2022 £	2021 £
The deferred tax assets are made up as follows:		
Pension contributions	**3,207**	6,189
Share options	**87,249**	97,592
	90,456	103,781

14. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
1 (2021 - 1) Ordinary share of £1.00	**1**	1

15. Other reserves

Other reserves represent the Company's equity-settled share based payments reserves (note 16). £283,745 (2021 - £227,463) 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 31 December 2022:

	Number of Options	Weighted Average Exercise Price Per Share	
Outstanding as of 31 December 2021	**1,973,625**	**£**	**1.48**
Granted	**692,500**	**£**	**1.82**
Exercised	**(323,912)**	**£**	**1.09**
Forfeited or expired	**(1,226,209)**	**£**	**1.62**
Outstanding as of 31 December 2022	**1,116,004**	**£**	**0.66**
Vested and expected to vest as of 31 December 2022	**1,116,004**	**£**	**0.66**
Exercisable as of 31 December 2022	**328,281**	**£**	**0.95**

Share-based compensation expense of £283,745 (2021 - £227,463) is recorded in the Statement of Comprehensive Income as an administrative expense. As of 31 December 2022 and 2021, all stock options are equity-classified and are therefore not subsequently remeasured. As of 31 December 2022, the total unrecognized compensation cost related to unvested stock options was £739,1141 (2021: £770,354), which the Company expects to be recognised over a weighted average period of 2.93 years (2021: 3.20 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 £310,034 (2021 - £341,744). As at the balance sheet date, contributions amounting to £27,779 (2021 - £49,512) had not been paid over to the fund and are included within creditors.

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.

At the balance sheet date, included within debtors are amounts of £5,029,859 (2021: £4,523,873) and £862,293 (2021: £Nil) owed by Cybereason Inc., the ultimate parent company of the Company and other group companies respectively.

At the balance sheet date, included within creditors are amounts of £1,721,091 (2021: £26,993) and £393,154 (2021: £Nil) owed to Cybereason Inc. and other group companies respectively.

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 Berkeley Street, Fl 19, Boston, MA 02116, United States of America.