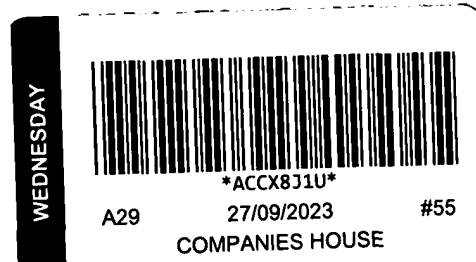


REGISTERED NUMBER: 10161957 (England and Wales)

**ANNUAL REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
FOR
TOTAL SECURITY LIMITED
(FORMERLY PROTECTED.NET GROUP LIMITED)**



TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)

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FOR THE YEAR ENDED 31 DECEMBER 2022**

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TOTAL SECURITY LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022

DIRECTORS:

Mr C S Phillips
Mr M L Blend
Mr N G Baker
Mr T D Kidambi

SECRETARY:

Gibson Whitter Secretaries Limited

REGISTERED OFFICE:

Larch House
Parklands Business Park
Denmead
Hampshire
PO7 6XP

REGISTERED NUMBER:

10161957 (England and Wales)

AUDITORS:

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Savannah House
3 Ocean Way
Southampton
SO14 3TJ

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their strategic report for the year ended 31 December 2022.

The Total Security Limited Group provides online security and software services through three main trading entities; Total Security Limited, Host Plus Limited and We Optimize Limited. Total Security Limited Group was formed in 2016 and provides online security software as well as an ad blocking software to its customers. This company provides the vast majority of the group activities. The remainder of the group is made up of Host Plus Limited, a web hosting business which was acquired in March 2021 and We Optimize Limited, a company which was incorporated in 2022 and has started to provide a mobile optimisation tool to its customers. The group also includes Network Protect Limited, which offered a standalone VPN, through to the sale of its assets in August 2020. Network Protect Limited results are included in these financial statements as discontinued operations and is in the process of being closed down.

The core products offered by Total Security Limited consist of an Antivirus software, an Adblock browser extension and a Web Hosting software. These products allow the customer to add on a variety of different services to tailor the packages to their needs. The products offered by the group are constantly reviewed to ensure that they reflect customer trends and potential gaps in the market ensuring that they provide value to customers. The software packages sold by the Group are sold in either a monthly or annual subscription through the brands: Total AV, TotalAdblock, Host Grid, PC Protect and Scanguard. In 2022, the group also launched SpeedyClean which looks to speed up the customer's mobile phone by deleting unnecessary items.

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

REVIEW OF BUSINESS

The directors are pleased to report on an exciting year for the group, following the merger with System1 LLC in January 2022, and the subsequent business System1 Inc being listed on the New York Stock Exchange under the "SST" ticker. The Total Security Limited Group did report a loss in the year of \$17.0m, which is predominantly down to the accrual of potential bonuses linked to post-acquisition performance.

In 2022, the majority of performance within the group came from the TotalAV flagship brand, with an increased contribution from the TotalAdblock brand. In June 2022 the group incorporated the business We Optimize Limited, which developed a SpeedyClean mobile app, that can be used to speed up your mobile device by deleting unnecessary items to create storage. Network Protect Limited continued to have little activity, which is to be expected following the sale of the company's assets in 2020 and the group has taken the decision in late 2022 to start closure proceedings for this company. All group products are sold and delivered electronically to customers across the world, transacting with customers in five currencies GBP, EUR, USD, AUD and CAD. All business operations within the Group continue to be carried out from our only offices in the UK, utilising outsourced support teams based in different countries to best service the needs of our customers.

In 2022, the Group recorded a turnover of \$173.7m, up from \$144.5m (20.2%) from 2021. This continues to increase as a result of the increasing renewing customer base of the group. The customer base continued to grow in 2022, growing by 9.5%. This was down from 15.9% in 2021. The group continues to look at ways of growing the customer base through new products and services, as well as implementing new customer flows for retention in late 2022 which should benefit the group moving forwards.

Cost of Sales increased to \$113.7m in 2022, up from \$99.3m in 2021. The main driver of this was marketing spend, which increased by \$15.9m in the year. A large portion of this is due to increased competition and therefore increased cost to acquire that we were finding in the marketplace versus 2021, which peaked in Q2 2022 and started to reduce in the second half of the year.

Administrative expenses increased by \$60.8m, from \$17.6m to \$78.4m in the year to December 2022. The main driver of this increase related to the potential bonuses linked to performance following the merger with System1, this expense totalled \$60.2m in 2022. The business saw a decrease in staff costs in the year from \$7.3m in 2021 to \$5.6m in 2022. The driver behind this was predominantly due to directors' base salary which was reduced following the successful merger with System1.

As a result of the merger with System1, the business incurred further expenses relating to this transaction totalling \$106k.

Interest income decreased by \$739k to \$370k in the year to December 2022. This difference relates to interest earned on an intercompany loan to a parent entity in the year to December 2021 attracting a strong interest rate. Following the merger, a new intercompany facility was created with its parent entity which accrued interest at a lower rate, which was consistent with the IRS Federal Applicable Rate.

Interest payable decreased by \$353k in the year to December 2022, from \$583k to \$230k. This predominantly related to the company settling its loan with its banking partner in January 2022. The repayment of this loan incurred an early repayment fee of \$194k.

The financial statements also include a tax on loss of \$9.1m, down from a tax benefit on profit of \$15.2m in 2021. In 2022, the corporation tax payable equates to \$3.7m. The deferred tax charge for the year was \$5.4m, this charge arose from utilising available trading tax losses in the period and are offset in part by the change in corporation tax rate from 19% to 25% as announced by HMRC, from April 2023.

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

As a result of the above the Group recorded a loss after tax of \$16.3m, down \$59.9m from the \$43.6m recorded in 2021. The main driver behind this is the inclusion of the performance-linked reward accrual relating to amounts structured around the System1 merger, this totalled \$62.6m. In addition to this the business also recorded \$17.4m in deferred tax assets 2021, which led to a large increase in profits after tax.

At the end of 2022, the Group had cash of \$15.7m, down from \$35.1m in 2021. A focus was made following the merger with System1 LLC to send spare funds up to the Group, this also helps demonstrate the increase in Debtors in the year.

As the Group moves into 2023, the group is forecasting strong EBITDA and is expecting to build on the customer growth we have seen in the year to December 2022. The group is also in discussions with potential partners to discuss new product offerings in the year.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that face the company are detailed below.

Financial risks:

Foreign exchange

The Total Security Limited Group transacts with its customers across the world, but settles these transactions in one of five currencies: USD, GBP, EUR, AUD and CAD, with USD being its functional currency. Due to this any settlements in currencies other than USD are open to exchange rate risks which would have an impact on the group's financial performance. This risk is managed internally by performing weekly cash flows and understanding our upcoming liabilities to minimise our potential exposure.

Competition

Competition remains a key risk for the group due to the number of alternative products available to our customers. The group looks to manage this risk through regular reviews of new products and potential upsell opportunities to ensure that the packages we can offer our customers are competitive and represent value for money. In addition to this we regularly submit our product for external testing to ensure that our products remain up to date and provide as much security as possible to our customers. The company continues to review its business vital metrics on a daily basis, namely: cost to acquire (CTA), lifetime value (LTV) and retention rates.

Rising cost of living and financial risk

Given the recent cost of living increases, there is a risk that as disposable income reduces, less customers will want to purchase our products. Through daily monitoring of business metrics such as: sales counts, success rates and refund rates, we are in a position to highlight issues early and investigate the drivers behind this. We are pleased to report that to date we have not seen negative trends relating to this. The main financial risks to the business relate to future cash flows and liquidity, and to combat this risk the company prepares a weekly cash flow forecast to reflect current trends we are seeing in the business. The group also prepares a forecast through to December 2030, to ensure the long term profitability of the group and then stress tests this accordingly to perform worst case scenarios. These forecasts show that even should the business struggle to attract new customers we would be in a position to monetise the existing customer base over the rest of their expected lifetime with the Group.

Employee retention risk

The risk to Total Security Limited is that skilled and experienced members of the team decide to move on from the business and the business struggles to replace them. To manage this risk we strive to provide a dynamic workplace that is comfortable and encourages the development and happiness of the team. In addition to this we offer a wide range of benefits such as company bonuses, private medical insurance, and several lifestyle benefits. The company, through its parent entity, also provides a stock-based compensation scheme. Staff retention rates continue to be monitored, and abnormalities are investigated.

Merchant processing relationships

Due to the number of customers that we are transacting with and the locations of those customers, it is vital that we have strong merchant relationships to allow us to charge our customers. As a group we are reviewing customer success rates on a regular basis to ensure that these merchants are meeting the needs of our customers as our business grows.

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

SECTION 172(1) STATEMENT

The board of directors believe that they have acted in good faith to promote the success of the company for the benefit of its members as a whole.

Key decisions are the responsibility of the board and include decisions with a significant financial impact in addition to fundamental changes to the way the business operates as a whole. All decisions are taken with a forward looking approach with a key focus being the growth and strengthening of the business as well as the future profitability of the group.

The Group has to date not performed any research and development activities but remain open to the possibilities offered by this in future periods.

The Board regularly reviews the company's strategy in the interests of its members and other key stakeholders to ensure that all key decisions and policies are in line with this and the ongoing success of the Group. The board of directors continue to maintain strong relationships with some of the Group's key suppliers which have been developed over a number of years, both in these businesses and through prior experiences. Maintaining these relationships is a key focus of the board of directors. Customer privacy is of vital importance to the Group and is continually managed by the management team and board of directors. Details on our privacy policy can be found at <https://www.totalav.com/privacy>.

The Group is committed to providing all employees with a great working environment, as well as providing growth opportunities throughout the business. The group has a number of robust policies for all employees designed to give employees the freedom to perform well in their role as well as providing them the support they need and the opportunity to improve through external training at both a technical and personal level. In addition to monitoring the above, policies are regularly reviewed by both the Board and HR to ensure that company-wide updates are reflected, and that all employees are being treated fairly and paid competitively.

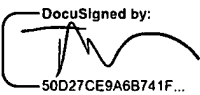
Non-financial and sustainability statement

The Group has an anti-bribery and corruption policy, and all staff are required to undertake compulsory training on this when they join the company. Following on from this, staff are required to take refresher courses yearly thereafter.

As discussed in the above strategic report, the business uses different metrics to help aid the business and its staff. The directors also believe that the key risks of the business are fairly reflected in the above strategic report.

The directors believe that the climate related financial disclosure is not necessary for an understanding of the business and have therefore not included this in these financial statements. The business operates from one site in the UK with under 100 employees. All products are sold and distributed online through our web pages and therefore we feel our carbon footprint is minimal.

ON BEHALF OF THE BOARD:

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Mr T D Kidambi - Director

9/22/2023

Date:

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their report with the audited financial statements of the company and the group for the year ended 31 December 2022.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2022.

RESEARCH AND DEVELOPMENT

The company has performed no taxable reclaims in the areas of research and development to date. The business does continue to explore these avenues should this change in the future.

DIRECTORS

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Mr C S Phillips
Mr M L Blend
Mr N G Baker
Mr T D Kidambi

FINANCIAL INSTRUMENTS

The Group has not historically engaged in any hedging transaction, forex risk is managed internally by the senior management team whereby funds are moved between currency as needed, or should the relevant exchange rate be deemed advantageous.

GOING CONCERN

The Group do not foresee any ongoing liquidity or cash flow risks and s such intends to continue operating as a going concern for the foreseeable future. This assumption has been arrived at following review of the existing contracts with key suppliers. In addition to this, the group is now beginning to see the benefits of its renewing customer base and is cash generative. The group has forecasted through to 2025, which continues to show significant growth in both EBITDA and cash reserves.

POST BALANCE SHEET EVENTS

Information relating to events since the end of the year is provided in note 25 to the financial statements. The impact of COVID-19 has been considered in the strategic report.

DIRECTORS' INDEMNITY INSURANCE

There are no directors' indemnification arrangements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the group strategic report, report of the directors and consolidated financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2022**

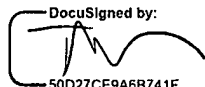
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

The auditors, PricewaterhouseCoopers LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

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Mr T D Kidambi - Director

9/22/2023
Date:

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
TOTAL SECURITY LIMITED

Independent auditors' report to the directors of Total Security Limited

Report on the audit of the financial statements

Opinion

In our opinion, Total Security Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements, which comprise: Consolidated Balance Sheet and Company Balance Sheet as at 31 December 2022; Consolidated Income Statement; Consolidated Statement of Comprehensive Income; Consolidated Statement of Changes in Equity; Company Statement of Changes in Equity; and Consolidated Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 group's and 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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF TOTAL SECURITY LIMITED

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
TOTAL SECURITY LIMITED

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.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of employment law, data protection and anti-bribery and corruption legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and Directors, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; As required by ISA 240, incorporating an element of unpredictability into our audit testing; and
- Assessing accounting estimates for potential bias.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's directors as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

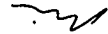
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Christopher Solomides (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
TOTAL SECURITY LIMITED**

Chartered Accountants and Statutory Auditors
Southampton
25 September 2023

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)**CONSOLIDATED
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	31.12.22 Continuing \$	31.12.22 Discontinued \$	31.12.22 Total \$
TURNOVER	3	173,553,602	-	173,553,602
Cost of sales		<u>(113,574,058)</u>	<u>-</u>	<u>(113,574,058)</u>
GROSS PROFIT		59,979,544	-	59,979,544
Administrative expenses		<u>(78,412,942)</u>	<u>-</u>	<u>(78,412,942)</u>
		(18,433,398)	-	(18,433,398)
Other operating income		17,891	-	17,891
		<u> </u>	<u> </u>	<u> </u>
OPERATING LOSS	5	(18,415,507)	-	(18,415,507)
Interest receivable and similar income	7	370,467	-	370,467
Interest payable and similar expenses	8	<u>(230,195)</u>	<u>-</u>	<u>(230,195)</u>
LOSS BEFORE TAXATION		(18,275,235)	-	(18,275,235)
Tax on loss	9	<u>(9,082,469)</u>	<u>-</u>	<u>(9,082,469)</u>
LOSS FOR THE FINANCIAL YEAR		<u>(27,357,704)</u>	<u>-</u>	<u>(27,357,704)</u>
Loss attributable to: Owners of the parent				<u>(27,357,704)</u>

The notes form part of these financial statements

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)**CONSOLIDATED
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	31.12.21 Continuing \$	31.12.21 Discontinued \$	31.12.21 Total as restated \$
TURNOVER	3	144,532,212	-	144,532,212
Cost of sales		<u>(99,267,952)</u>	<u>30,727</u>	<u>(99,237,225)</u>
GROSS PROFIT		45,264,260	30,727	45,294,987
Administrative expenses		<u>(17,563,291)</u>	<u>(158,577)</u>	<u>(17,721,868)</u>
		27,700,969	(127,850)	27,573,119
Other operating income		302,515	47,076	349,591
		<u> </u>	<u> </u>	<u> </u>
OPERATING PROFIT/(LOSS)	5	28,003,484	(80,774)	27,922,710
Interest receivable and similar income	7	1,109,294	-	1,109,294
Interest payable and similar expenses	8	<u>(583,428)</u>	<u>-</u>	<u>(583,428)</u>
PROFIT/(LOSS) BEFORE TAXATION		28,529,350	(80,774)	28,448,576
Tax on profit/(loss)	9	<u>15,172,928</u>	<u>-</u>	<u>15,172,928</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>43,702,278</u>	<u>(80,774)</u>	<u>43,621,504</u>
Profit/(loss) attributable to: Owners of the parent				<u>43,621,504</u>

The notes form part of these financial statements

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)

**CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	31.12.22	31.12.21 as restated
	\$	\$
(LOSS)/PROFIT FOR THE YEAR	(27,357,704)	43,621,504
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE (EXPENSE) / INCOME FOR THE YEAR	<u>(27,357,704)</u>	<u>43,621,504</u>
Prior year adjustment	-	1,552,940
TOTAL COMPREHENSIVE INCOME SINCE LAST ANNUAL REPORT	<u>(27,357,704)</u>	<u>45,174,444</u>
Total comprehensive (expense) / income attributable to: Owners of the parent	<u>(27,357,704)</u>	<u>45,174,444</u>

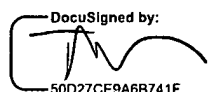
The notes form part of these financial statements

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)

CONSOLIDATED BALANCE SHEET
31 DECEMBER 2022

	Notes	31.12.22 \$	31.12.21 \$
FIXED ASSETS			
Intangible assets	14	475,628	571,123
Tangible assets	15	878,491	664,256
Investments	16	-	-
		<u>1,354,119</u>	<u>1,235,379</u>
CURRENT ASSETS			
Debtors	17	83,323,230	52,379,543
Cash at bank and in hand		<u>15,659,111</u>	<u>35,067,304</u>
		98,982,341	87,446,847
CREDITORS			
Amounts falling due within one year	18	<u>(105,356,957)</u>	<u>(82,795,920)</u>
NET CURRENT ASSETS		<u>(6,374,616)</u>	<u>4,650,927</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(5,020,497)</u>	<u>5,886,306</u>
CREDITORS			
Amounts falling due after more than one year	19	-	<u>(10,687,500)</u>
NET ASSETS/(LIABILITIES)		<u>(5,020,497)</u>	<u>(4,801,194)</u>
CAPITAL AND RESERVES			
Called up share capital	23	21,073	21,073
Share premium account	24	40,953,853	40,953,853
Other reserves	24	27,138,401	-
Profit and loss account	24	<u>(73,133,824)</u>	<u>(45,776,120)</u>
TOTAL SHAREHOLDERS' FUNDS / (DEFICIT)		<u>(5,020,497)</u>	<u>(4,801,194)</u>

The financial statements on pages 12 to 42 were approved by the Board of Directors and authorised for issue on 9/22/2023 and were signed on its behalf by:

DocuSigned by:

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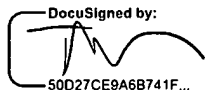
Mr T D Kidambi - Director

The notes form part of these financial statements

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)**COMPANY BALANCE SHEET
31 DECEMBER 2022**

	Notes	31.12.22 \$	31.12.21 \$
FIXED ASSETS			
Intangible assets	14	-	-
Tangible assets	15	878,491	664,256
Investments	16	<u>794</u>	<u>794</u>
		879,285	665,050
CURRENT ASSETS			
Debtors	17	86,084,570	53,521,150
Cash at bank and in hand		<u>14,484,485</u>	<u>34,963,475</u>
		100,569,055	88,484,625
CREDITORS			
Amounts falling due within one year	18	<u>(105,272,348)</u>	<u>(82,600,936)</u>
NET CURRENT ASSETS		<u>(4,703,293)</u>	<u>5,883,689</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(3,824,008)	6,548,739
CREDITORS			
Amounts falling due after more than one year	19	<u>-</u>	<u>(10,687,500)</u>
NET ASSETS/(LIABILITIES)		<u>(3,824,008)</u>	<u>(4,138,761)</u>
CAPITAL AND RESERVES			
Called up share capital	23	21,073	21,073
Share premium account	24	40,953,853	40,953,853
Other reserves	24	27,138,401	-
Profit and loss account	24	<u>(71,937,335)</u>	<u>(45,113,687)</u>
TOTAL SHAREHOLDERS' FUNDS / (DEFICIT)		<u>(3,824,008)</u>	<u>(4,138,761)</u>
Company's (loss)/profit for the financial year		<u>(26,823,648)</u>	<u>44,415,571</u>

The financial statements on pages 12 to 42 were approved by the Board of Directors and authorised for issue on 9/22/2023 and were signed on its behalf by:

DocuSigned by:

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Mr T D Kidambi - Director

The notes form part of these financial statements

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital \$	Profit and loss account \$	Share premium account \$	Other reserves \$	Total equity \$
Balance at 1 January 2021	21,073	(90,950,564)	40,953,853	-	(49,975,638)
Prior year adjustment	-	1,552,940	-	-	1,552,940
As restated	21,073	(89,397,624)	40,953,853	-	(48,422,698)
Changes in equity					
Total comprehensive income	-	43,621,504	-	-	43,621,504
Balance at 31 December 2021	21,073	(45,776,120)	40,953,853	-	(4,801,194)
Changes in equity					
Total comprehensive income	-	(27,357,704)	-	-	(27,357,704)
Share based compensation	-	-	-	27,138,401	27,138,401
Balance at 31 December 2022	21,073	(73,133,824)	40,953,853	27,138,401	(5,020,497)

The notes form part of these financial statements

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital \$	Profit and loss account \$	Share premium account \$	Other reserves \$	Total equity \$
Balance at 1 January 2021	21,073	(91,082,198)	40,953,853	-	(50,107,272)
Prior year adjustment	-	<u>1,552,940</u>	-	-	<u>1,552,940</u>
As restated	<u>21,073</u>	<u>(89,529,258)</u>	<u>40,953,853</u>	-	<u>(48,554,332)</u>
Changes in equity					
Total comprehensive income	-	<u>44,415,571</u>	-	-	<u>44,415,571</u>
Balance at 31 December 2021	<u>21,073</u>	<u>(45,113,687)</u>	<u>40,953,853</u>	-	<u>(4,138,761)</u>
Changes in equity					
Total comprehensive income	-	(26,823,648)	-	-	(26,823,648)
Share based compensation	-	-	-	<u>27,138,401</u>	<u>27,138,401</u>
Balance at 31 December 2022	<u>21,073</u>	<u>(71,937,335)</u>	<u>40,953,853</u>	<u>27,138,401</u>	<u>(3,824,008)</u>

The notes form part of these financial statements

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	31.12.22 \$	31.12.21 \$
Cash flows from operating activities			
Cash generated from operations	28	29,934,600	47,576,487
Net interest paid		(230,195)	(508,428)
Tax paid		<u>(2,273,863)</u>	<u>-</u>
Net cash from operating activities		<u>27,430,542</u>	<u>47,068,059</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(555,158)	(535,478)
Sale of intangible fixed assets		-	100,000
Sale of tangible fixed assets		1,130	-
Cash received in acquisition - Host Plus Limited		-	13,393
Intercompany loan movements		(33,155,174)	(21,908,640)
Loan advanced to Just Develop It Limited		-	(29,634,886)
Repayment of loan by Just Develop It Limited		-	29,634,886
Loan advanced to company director		-	(2,216,341)
Repayment of loan by company director		-	2,216,341
Net interest received		<u>370,467</u>	<u>1,109,294</u>
Net cash used in investing activities		<u>(33,338,735)</u>	<u>(21,221,431)</u>
Cash flows from financing activities			
New bank loans		-	5,000,000
Bank loan repayments		(13,500,000)	(1,500,000)
Repayment of related party loan		-	(448,530)
Repayment of financing costs		<u>-</u>	<u>(75,000)</u>
Net cash used in financing activities		<u>(13,500,000)</u>	<u>2,976,470</u>
(Decrease)/increase in cash and cash equivalents		<u>(19,408,193)</u>	<u>28,823,098</u>
Cash and cash equivalents at beginning of year	29	<u>35,067,304</u>	<u>6,244,206</u>
Cash and cash equivalents at end of year	29	<u>15,659,111</u>	<u>35,067,304</u>

The notes form part of these financial statements

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. STATUTORY INFORMATION

Total Security Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The group intends to continue operating as a going concern for the foreseeable future. This assumption has been arrived at following review of the existing contracts with key suppliers, in addition to the fact that the business continues to forecast strong EBITDA over the coming years.

The accounting policies have been applied consistently, other than where new policies have been adopted.

The group has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of paragraphs 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all of its subsidiary undertakings.

The financial statements of the subsidiary undertakings included within the consolidated figures are adjusted, where appropriate, to conform to Group accounting policies.

The consolidated financial statements include the following subsidiaries which have claimed exemption from audit under Section 479A of the Companies Act 2006:

Company Name	Registered Number
Host Plus Limited	12823147
We Optimize Limited	14162466

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. ACCOUNTING POLICIES - continued

Turnover

We generate revenue predominantly from selling subscriptions to our Anti-Virus software package. The subscriptions that we offer are similar across all of our brands and are provided under our terms and conditions which can be found online. These subscriptions are sold in two available terms, monthly or annual. Revenue is calculated and recognised to the income statement on a daily basis, which deducts from deferred revenue. Deferred revenue represents the liability to our subscribers for software services billed in advance and not yet provided.

We have included a refund reserve of \$0.7m at 31 December 2022 (\$0.5m at 31 December 2021). Based on refund history, approximately 91% of refunds are processed within 30 days of a customer's contract starting or renewing, and approximately 99% of refunds happen within 90 days of the transaction date.

Other income

Other income is made up of a credit card rebate in 2022 and of Coronavirus Job Retention Scheme grants in 2021. Other income is recognised on a receivable basis.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2021, is being amortised evenly over its estimated useful life of ten years derived from a valuation exercise conducted by external advisors.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Domain names are being amortised evenly over their estimated useful life of fifteen years.

Software are being amortised evenly over their estimated useful life of five years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Improvements to property	- 25% on cost
Fixtures and fittings	- 25% on cost
Motor vehicles	- 25% on cost
Computer equipment	- 33% on cost

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (after deducting transaction costs) and subsequently held at amortised cost.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. ACCOUNTING POLICIES - continued

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Pension costs and other post-retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to profit or loss in the period to which they relate.

Shareholders loans

Loans given to or by group are included in the financial statements at cost less provision for bad or doubtful debts.

Interest payable and similar expenses

Interest payable is recognised as expenditure in the income statement over the term of these borrowings.

Investments

Fixed asset investments are stated at cost less provision for impairment.

Debtors

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

Cash at bank

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Called up share capital

Ordinary shares are classified as equity.

Accrued revenue

Income is recognised in the year that it relates to, not when the cash payments are received.

Creditors and deferred revenue

Deferred revenue represents the liability to subscribers for software services billed in advance and not yet provided.

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022****2. ACCOUNTING POLICIES – continued****Liability Awards**

In connection with the Business Combination and merger with System1 Inc., System1 effected an incentive plan for eligible recipients which is payable in a fixed value of fully-vested shares of System1' Class A common stock upon the satisfaction of certain performance and service conditions (the "Total Security Incentive Plan").

The Company recognizes compensation cost for these liability awards with performance and service conditions if and when it is deemed probable that the performance condition will be achieved. The probability of vesting is evaluated at each reporting period taking into consideration actual results to-date and forecasts and compensation cost adjusted to reflect the completed portion of the service period with a graded vesting attribution. These costs in full have been allocated by System1 to Total Security.

Originally, the awards amounted to \$50m based on 2023 performance and \$50m based on 2024 performance. As these awards were to be given in the form of System1 stock, there were accounted for as equity-settled schemes.

In August 2022, System1, Inc., Total Security Limited and Just Develop It Limited agreed to waive its right to the 2023 Stock Bonus Pool in exchange for \$40,000,000 in cash payable to JDI (a related party by virtue of shared directorship) in four quarterly instalments of \$10,000,000 each, commencing on August 30, 2022 and on each three month anniversary thereafter. As a result of this modification, the scheme became cash-settled, although in line with FRS 102 the amount that was originally expected to be charged to the income statement will continue to be recorded, with the difference recorded in equity. In the year to December 2022, \$44.3m, of which \$35.4m was recorded as a liability and \$8.9m in equity. In the year to December 2022, \$20,000,000 has been paid to JDI.

The 2024 award remains in effect, and \$15.8m has currently been included in equity in the year to December 2022.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In respect of revenue recognition management have considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 102 Section 23 Revenue and, in particular, the degree of involvement the company has over the subscription term. In respect of the software services offered (including the sale of add-ons), the directors are satisfied that the company is involved in the provision of the service over the life of the subscription term and therefore revenue is recognised ratably over the service period.

A provision is made for refunds. The business is able to accurately forecast how many of its customers will request a refund in the post year end period. As a result of this, the percentage has been applied to revenues collected in December to give a fair view.

A liability has been included for sales tax on sales outside the United Kingdom. This has been estimated using sales data by territory and applying a sales tax rate for each territory which is publicly available information.

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022****3. TURNOVER**

The turnover and loss (2021 - profit) before taxation are attributable to the one principal activity of the group.

An analysis of turnover by geographical market is given below:

	31.12.22	31.12.21
	\$	\$
United Kingdom	24,591,278	22,162,283
Germany	17,196,389	14,862,815
Rest of Europe	27,138,012	23,860,130
United States of America	74,256,758	62,174,194
Rest of North America	11,015,413	7,862,060
Other	<u>19,355,752</u>	<u>13,610,730</u>
	<u>173,553,602</u>	<u>144,532,212</u>

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022****4. EMPLOYEES AND DIRECTORS**

	31.12.22	31.12.21
	\$	\$
Wages and salaries	4,816,392	6,358,210
Social security costs	570,774	784,317
Other pension costs	<u>251,653</u>	<u>205,248</u>
	<u>5,638,819</u>	<u>7,347,775</u>

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

	31.12.22	31.12.21
Direct	53	66
Administration	<u>38</u>	<u>14</u>
	<u>91</u>	<u>80</u>

	31.12.22	31.12.21
	\$	\$
Directors' remuneration	206,501	2,522,865
Directors' pension contributions to money purchase schemes	<u>37,932</u>	<u>75,194</u>

Information regarding the highest paid director is as follows:

	31.12.22	31.12.21
	\$	\$
Emoluments etc	105,074	1,255,713
Pension contributions to money purchase schemes	<u>37,932</u>	<u>75,194</u>

During the year, a total of key management personnel compensation of \$244,433 (2021 - \$2,850,818) was paid.

5. OPERATING (LOSS)/PROFIT

The operating loss (2021 - operating profit) is stated after charging:

	31.12.22	31.12.21
	\$	\$
Depreciation - owned assets	339,793	194,949
Goodwill amortisation	28,362	28,362
Technology amortisation	62,400	62,400
Domain names amortisation	4,733	4,733
Foreign exchange differences	<u>905,499</u>	<u>1,340,651</u>

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022****6. AUDITORS' REMUNERATION**

	31.12.22	31.12.21
	\$	\$
Fees payable to the company's auditors for the audit of the company's financial statements	<u>300,000</u>	<u>1,005,531</u>
	31.12.22	31.12.21
	\$	\$
Fees payable to the company's auditors and associates:		
For audit services		
Audit of the financial statements of the group and company	300,000	65,606
SPAC costs payable to company auditors	<u>-</u>	<u>939,925</u>
	<u>300,000</u>	<u>1,005,531</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	31.12.22	31.12.21
	\$	\$
Loan interest received	<u>370,467</u>	<u>1,109,294</u>

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	31.12.22	31.12.21
	\$	\$
Other interest payable	<u>230,195</u>	<u>583,428</u>

9. TAXATION**Analysis of the tax credit**

The tax credit on the loss for the year was as follows:

	31.12.22	31.12.21
	\$	\$
Current tax:		
UK corporation tax	3,701,889	2,273,863
Deferred tax	<u>5,380,580</u>	<u>(17,446,791)</u>
Tax on (loss)/profit	<u>9,082,469</u>	<u>(15,172,928)</u>

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022****9. TAXATION - continued****Reconciliation of total tax credit included in profit and loss**

The tax assessed for the year is higher (2021: lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.22	31.12.21
	\$	\$
(Loss)/profit before tax	<u>(18,275,235)</u>	<u>28,448,576</u>
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	(3,472,295)	5,405,229
Effects of:		
Expenses not deductible for tax purposes	12,005,585	(69,122)
Capital allowances in excess of depreciation	(37,045)	(28,372)
Utilisation of tax losses	-	(3,581,802)
Deferred tax not recognised on losses	-	252,871
Prior year adjustment	-	295,059
Deferred tax movement	5,380,580	(17,446,791)
Tax losses arising in year	80,127	-
Utilisation of tax losses	<u>(4,874,483)</u>	<u>-</u>
Total tax credit / (charge)	<u>9,082,469</u>	<u>(15,172,928)</u>

Deferred tax

The balance comprises temporary differences attributable to:

	31.12.22
	\$
Tax losses	11,365,200
Temporary timing differences	<u>701,011</u>
Deferred tax asset	<u>12,066,211</u>

The group reviewed previously unrecognised tax losses and determined that it was now probable that taxable profits will be available against which the tax losses can be utilised. As a result, a deferred tax asset of \$11,365,200 was recognised for these losses in 2022.

Deferred tax of \$87,151 is attributable to temporary timing differences of fixed assets and provisions of \$613,860.

The deferred tax asset can be carried forward indefinitely and have no expiry date.

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.

10. INDIVIDUAL INCOME STATEMENT

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. PRIOR YEAR ADJUSTMENT

Following the review of some of our key marketing suppliers in the year we have reclassified marketing costs in 2021 of \$78,644,222 from administrative expenses to cost of sales.

This restatement is a result of the company identifying that these contracts relate directly to the acquisition of customers and align with our new parent company's accounting policy for classification of marketing expenses. This adjustment has not resulted in any change to previously stated profit / loss or shareholders funds.

12. DISCONTINUED OPERATIONS

On 13 August 2020 a subsidiary, Network Protect Limited, sold its business and assets for \$1,600,000. The assets disposed of represented intangible fixed assets which at the date of disposal had a net book value of \$20,000. The profit in disposal was \$1,580,000 and was included within other operating income.

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022****13. ACQUISITION OF HOST PLUS LIMITED**

On 31 March 2021, the Company entered into a Share Purchase Agreement (the "Host Plus Agreement") with Boxer Investment Group LLC, Christopher Philips, and Nicholas Baker (collectively, the "Sellers") to purchase Host Plus Limited ("Host Plus"). Host Plus has developed a web hosting product for release to the public market, which has not yet been released as of the acquisition date (the "Host Plus Transaction"). The purpose of the acquisition for Total Security is to enter a new business line in which it can leverage its marketing expertise and cross-sell the web hosting services to its antivirus solutions customer base. Pursuant to the Host Plus Agreement, the total purchase price was \$448,668, which consisted of a payment of \$138 in cash (the "Closing Payment") to the Sellers as well as the assumption of Host Plus outstanding debt totalling \$448,530. The outstanding debt assumed by the Buyer was due to Just Develop It Limited ("JDI"), who is the parent company of the Buyer and a related party. The Closing Payment was paid to the Sellers on 31 March 2021 (the "Closing Date").

The fair value of the identifiable net assets acquired was less than the aggregate purchase consideration paid, and accordingly the Company recorded goodwill of \$283,618, which will be amortised evenly over its estimated useful life of 10 years and evaluated for impairment annually. The Company evaluated whether the goodwill balance shall be impaired as of 31 December 2021. Given that no impairment indicators were found in Host Plus Limited, which is not a separate reporting unit, there was no impairment required for goodwill as of 31 December 2021.

	\$
Cash	138
Host Plus debt assumed at closing	<u>448,530</u>
Total consideration	<u>448,668</u>

The following table summarizes the preliminary purchase price allocations relating to the Host Plus acquisition:

Consolidated Fair Value	
	\$
Cash consideration	138
Host Plus debt assumed at acquisition	<u>448,530</u>
Total purchase price	<u>448,668</u>
Current Assets Acquired	
	\$
Net working capital (including cash)	<u>(217,950)</u>
Total current identifiable assets	<u>(217,950)</u>
Non-Current Assets Acquired	
	\$
Technology	312,000
Domain names	<u>71,000</u>
Total non-current identifiable assets	<u>383,000</u>
Goodwill	<u>283,618</u>

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

14. INTANGIBLE FIXED ASSETS

Group

	Goodwill \$	Technology \$	Domain names \$	Totals \$
COST				
At 1 January 2022 and 31 December 2022	<u>283,618</u>	<u>312,000</u>	<u>71,000</u>	<u>666,618</u>
ACCUMULATED AMORTISATION				
At 1 January 2022	28,362	62,400	4,733	95,495
Amortisation for year	<u>28,362</u>	<u>62,400</u>	<u>4,733</u>	<u>95,495</u>
At 31 December 2022	<u>56,724</u>	<u>124,800</u>	<u>9,466</u>	<u>190,990</u>
NET BOOK VALUE				
At 31 December 2022	<u>226,894</u>	<u>187,200</u>	<u>61,534</u>	<u>475,628</u>
At 31 December 2021	<u>255,256</u>	<u>249,600</u>	<u>66,267</u>	<u>571,123</u>

15. TANGIBLE FIXED ASSETS

Group

	Improvements to property \$	Fixtures and fittings \$	Motor vehicles \$	Computer equipment \$	Totals \$
COST					
At 1 January 2022	299,206	142,764	179,585	570,268	1,191,823
Additions	104,980	317,714	60,973	71,491	555,158
Disposals	<u>-</u>	<u>(16,106)</u>	<u>-</u>	<u>-</u>	<u>(16,106)</u>
At 31 December 2022	<u>404,186</u>	<u>444,372</u>	<u>240,558</u>	<u>641,759</u>	<u>1,730,875</u>
ACCUMULATED DEPRECIATION					
At 1 January 2022	117,270	44,108	3,741	362,448	527,567
Charge for year	93,940	81,995	57,934	105,924	339,793
Eliminated on disposal	<u>-</u>	<u>(14,976)</u>	<u>-</u>	<u>-</u>	<u>(14,976)</u>
At 31 December 2022	<u>211,210</u>	<u>111,127</u>	<u>61,675</u>	<u>468,372</u>	<u>852,384</u>
NET BOOK VALUE					
At 31 December 2022	<u>192,976</u>	<u>333,245</u>	<u>178,883</u>	<u>173,387</u>	<u>878,491</u>
At 31 December 2021	<u>181,936</u>	<u>98,656</u>	<u>175,844</u>	<u>207,820</u>	<u>664,256</u>

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022****15. TANGIBLE FIXED ASSETS - continued**

Company	Improvements to property \$	Fixtures and fittings \$	Motor vehicles \$	Computer equipment \$	Totals \$
COST					
At 1 January 2022	299,206	142,764	179,585	570,268	1,191,823
Additions	104,980	317,714	60,973	71,491	555,158
Disposals	-	(16,106)	-	-	(16,106)
At 31 December 2022	<u>404,186</u>	<u>444,372</u>	<u>240,558</u>	<u>641,759</u>	<u>1,730,875</u>
ACCUMULATED DEPRECIATION					
At 1 January 2022	117,270	44,108	3,741	362,448	527,567
Charge for year	93,940	81,995	57,934	105,924	339,793
Eliminated on disposal	-	(14,976)	-	-	(14,976)
At 31 December 2022	<u>211,210</u>	<u>111,127</u>	<u>61,675</u>	<u>468,372</u>	<u>852,384</u>
NET BOOK VALUE					
At 31 December 2022	<u>192,976</u>	<u>333,245</u>	<u>178,883</u>	<u>173,387</u>	<u>878,491</u>
At 31 December 2021	<u>181,936</u>	<u>98,656</u>	<u>175,844</u>	<u>207,820</u>	<u>664,256</u>

16. INVESTMENTS

Company	Shares in group undertakings \$
COST	
At 1 January 2022 and 31 December 2022	<u>794</u>
NET BOOK VALUE	
At 31 December 2022	<u>794</u>
At 31 December 2021	<u>794</u>

All investments in subsidiaries are direct shareholdings.

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

Subsidiaries**PC Protect Antivirus Limited**

Registered office: Larch House, Parklands Business Park, Denmead, Hampshire, PO7 6XP

Nature of business: Dormant

Class of shares:	%
Ordinary	holding 100.00

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022****16. INVESTMENTS - continued****Scanguard Antivirus Limited**

Registered office: Larch House, Parklands Business Park, Denmead, Hampshire, PO7 6XP

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

Protected Antivirus Limited

Registered office: Larch House, Parklands Business Park, Denmead, Hampshire, PO7 6XP

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

TotalAV Antivirus Limited

Registered office: Larch House, Parklands Business Park, Denmead, Hampshire, PO7 6XP

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

Protected.net LLC

Registered office: 16-18 Barnes Wallis Road, Segensworth, Fareham, Hampshire, PO15 5TT.

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

This entity is registered in Delaware in the United States.

Network Protect Limited

Registered office: Larch House, Parklands Business Park, Denmead, Hampshire, PO7 6XP

Nature of business: Online retail of VPN service

	%
Class of shares:	holding
Ordinary	100.00

	31.12.22	31.12.21
	\$	\$
Aggregate capital and reserves	-	16,838
Loss for the year	<u>-</u>	<u>(80,774)</u>

Cyber Security Service LLC

Registered office: 16-18 Barnes Wallis Road, Segensworth, Fareham, Hampshire, PO15 5TT

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

This entity is registered in Delaware in the United States.

Network Protect LLC

Registered office: Registered office: 16-18 Barnes Wallis Road, Segensworth, Fareham, Hampshire, PO15 5TT

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022****16. INVESTMENTS - continued****Host Plus Limited**

Registered office: Larch House, Parklands Business Park, Denmead, Hampshire, PO7 6XP

Nature of business: Information technology services

	% holding	31.12.22	31.12.21
Class of shares:			
Ordinary	100.00	\$	\$
Aggregate capital and reserves		(1,671,848)	(1,250,041)
Loss for the year		<u>(421,722)</u>	<u>(1,250,178)</u>

We Optimize Limited

Registered office: Larch House, Parklands Business Park, Denmead, Hampshire, PO7 6XP

Nature of business: Information technology services

	% holding
Class of shares:	
Ordinary	100.00

17. DEBTORS

	Group		Company	
	31.12.22	31.12.21	31.12.22	31.12.21
	\$	\$	\$	\$
Amounts falling due within one year:				
Amounts owed by group undertakings	66,671,005	31,968,359	68,332,050	33,146,559
Other debtors	3,362,271	1,138,410	4,472,651	1,125,623
Accrued income	489,272	1,304,332	489,272	1,304,282
Prepayments	464,525	506,286	454,440	482,530
Deposits	<u>269,946</u>	<u>15,365</u>	<u>269,946</u>	<u>15,365</u>
	<u>71,257,019</u>	<u>34,932,752</u>	<u>74,018,359</u>	<u>36,074,359</u>
Amounts falling due after more than one year:				
Deferred tax asset	<u>12,066,211</u>	<u>17,446,791</u>	<u>12,066,211</u>	<u>17,446,791</u>
Aggregate amounts	<u>83,323,230</u>	<u>52,379,543</u>	<u>86,084,570</u>	<u>53,521,150</u>

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022****18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	31.12.22	31.12.21	31.12.22	31.12.21
	\$	\$	\$	\$
Bank loans and overdrafts (see note 20)	-	2,812,500	-	2,812,500
Trade creditors	5,358,748	215,758	5,358,747	142,655
Tax	3,701,889	2,273,863	3,701,889	2,273,863
Social security and other taxes	158,071	297,913	158,071	295,378
VAT	4,337,009	11,401,643	4,338,984	11,397,996
Other creditors	17,668,872	626,470	17,668,983	623,170
Deferred income	68,611,308	57,407,550	68,562,265	57,370,746
Accrued expenses	<u>5,521,060</u>	<u>7,760,223</u>	<u>5,483,409</u>	<u>7,684,628</u>
	<u>105,356,957</u>	<u>82,795,920</u>	<u>105,272,348</u>	<u>82,600,936</u>

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	31.12.22	31.12.21	31.12.22	31.12.21
	\$	\$	\$	\$
Bank loans (see note 20)	<u>-</u>	<u>10,687,500</u>	<u>-</u>	<u>10,687,500</u>

20. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	31.12.22	31.12.21	31.12.22	31.12.21
	\$	\$	\$	\$
Amounts falling due within one year or on demand:				
Bank loans	<u>-</u>	<u>2,812,500</u>	<u>-</u>	<u>2,812,500</u>
Amounts falling due between two and five years:				
Bank loans	<u>-</u>	<u>10,687,500</u>	<u>-</u>	<u>10,687,500</u>

The company's bank loan is repayable by instalments over three years. The loan terminates on the third anniversary of the agreement - 17 December 2023. Interest is payable based LIBOR plus a margin of between 3.5% and 7.5% depending on cash EBITDA. The loan is secured over the company's assets and other group entities.

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022****21. SECURED DEBTS**

The following secured debts are included within creditors:

	Group and Company	
	31.12.22	31.12.21
	\$	\$
Bank loans	<u>-</u>	<u>13,500,000</u>

22. FINANCIAL INSTRUMENTS

The group's financial instruments may be analysed as follows:

	Group	
	31.12.22	31.12.21
	\$	\$
Financial assets		
Financial assets measured at amortised cost	<u>86,181,657</u>	<u>69,478,405</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>28,548,677</u>	<u>22,102,451</u>

Financial assets measured at amortised costs comprise cash, trade debtors, amounts owed by group undertakings, other debtors and accrued income.

Financial liabilities measured at amortised costs comprise trade creditors, other creditors, bank loans and accrued expenses.

The company's financial instruments may be analysed as follows:

	Company	
	31.12.22	31.12.21
	\$	\$
Financial assets		
Financial assets measured at amortised cost	<u>88,048,401</u>	<u>71,255,306</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>28,511,139</u>	<u>22,533,788</u>

Financial assets measured at amortised costs comprise cash, trade debtors, amounts owed by group undertakings, other debtors and accrued income.

Financial liabilities measured at amortised costs comprise trade creditors, other creditors, bank loans and accrued expenses.

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022****23. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:		Nominal	31.12.22	31.12.21
Number:	Class:			
			\$	\$
7,992,009	Class A preference	£0.00 1	10,558	10,558
7,960,105	Class B ordinary	£0.00 1	<u>10,515</u>	<u>10,515</u>
			<u>21,073</u>	<u>21,073</u>

The A Preference Shares and B Ordinary Shares have the following voting rights and restrictions:

On a show of hands and on a poll, each holder out of A Preference Shares and B Ordinary Shares who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorized representative or by proxy shall have one vote for each A Preference Share or B Ordinary Share held by them.

The A Preference Shares and B Ordinary Shares have the following dividend rights and restrictions:

Subject to the Board recommending payment of a distribution required to meet the tax liabilities of a shareholder, certain profits of the company available for distribution shall be distributed among the holders of the A Preference Shares and the B Ordinary Shares, on a pari passu basis pro rata to the number of A Preference Shares and B Ordinary Shares held by them as if they constituted the same class of share in order to cover such tax liabilities;

Subject to the Board recommending payment of the same any profits of the company available for distribution which the company may determine to distribute in respect of any financial year shall be distributed among the holders of the A Preference Shares and the B Ordinary Shares, on a pari passu basis pro rata to the number of A Preference Shares and B Ordinary Shares held by them as if they constituted the same class of share (an "Ordinary Dividend") and

The A Preference Shares shall confer upon the holders of such shares the right to receive, pro rata to the number of A Preference Shares held by them, a fixed cumulative preferred dividend at the rate of seven per cent (7%) per annum (excluding any associated tax credit) on the Original Value of such A Preference Shares and any accrued but unpaid dividend amounts from time to time (the "Preference Dividend"). The Preference Dividend shall accrue and shall be due from day to day but shall only be paid as set out in article 4.2(f). Any accrued but unpaid Preference Dividend shall compound annually on 31 December in each year and a reference in these articles to an unpaid Preference Dividend is deemed to include the amount representing compounded dividend on the accrued and unpaid Preference Dividend.

Subject to the Board recommending payment of the same, any profits of the company available for distribution which the company may determine to distribute in respect of any financial year shall be distributed among the holders of the A Preference Shares (in respect of the Preference Dividend) and the B Ordinary Shares, on a pari passu basis pro rata to the number of A Preference Shares and B Ordinary Shares held by them as if they constituted the same class of share.

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022****24. RESERVES****Group**

	Profit and loss account \$	Share premium account \$	Other reserves \$	Totals \$
At 1 January 2022	(45,776,120)	40,953,853	-	(4,822,267)
Deficit for the year	(27,357,704)	-	-	(27,357,704)
Share based compensation	-	-	27,138,401	27,138,401
At 31 December 2022	<u>(73,133,824)</u>	<u>40,953,853</u>	<u>27,138,401</u>	<u>(5,041,570)</u>

Company

	Profit and loss account \$	Share premium account \$	Other reserves \$	Totals \$
At 1 January 2022	(45,113,687)	40,953,853	-	(4,159,834)
Deficit for the year	(26,823,648)	-	-	(26,823,648)
Share based compensation	-	-	27,138,401	27,138,401
At 31 December 2022	<u>(71,937,335)</u>	<u>40,953,853</u>	<u>27,138,401</u>	<u>(3,845,081)</u>

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022****25. SHARE BASED COMPENSATION****Post-Combination Awards**

For awards granted subsequent to the Business Combination, the fair value of the related restricted stock units was derived from the market price of System1's Class A common stock, which is traded on the NYSE. As these awards are subject only to time-based service conditions, System1 recognizes compensation expense for these awards on a straight-line basis over the requisite service period for each award, and recognised forfeitures as they occur. This cost related to Total Security issuances is then allocated from the group to Total Security and recorded in the Total Security financials accordingly. The awards that have been issued to Total Security staff following the business combination with System1 are equity settled and have a three year vesting cycle. The charge for the year is \$2.6m.

Share Option	Outstanding at the beginning of the period	Granted during period	Forfeited during the period	Exercised during the period	Expired during the period	Outstanding at the end of the period	Exercisable at the end of the period
System1 (SST:NYSE) RSU	Nil	877,784	89,450	Nil	Nil	788,334	Nil

Liability Awards

In connection with the Business Combination and merger with System1 Inc., System1 effected an incentive plan for eligible recipients which is payable in a fixed value of fully-vested shares of System1's Class A common stock upon the satisfaction of certain performance and service conditions (the "Total Security Incentive Plan").

The Company recognizes compensation cost for these liability awards with performance and service conditions if and when it is deemed probable that the performance condition will be achieved. The probability of vesting is evaluated at each reporting period taking into consideration actual results to-date and forecasts and compensation cost adjusted to reflect the completed portion of the service period with a graded vesting attribution. These costs in full have been allocated by System1 to Total Security.

Originally, the awards amounted to \$50m based on 2023 performance and \$50m based on 2024 performance. As these awards were to be given in the form of System1 stock, there were accounted for as equity-settled schemes.

In August 2022, System1, Inc., Total Security Limited and Just Develop It Limited agreed to waive its right to the 2023 Stock Bonus Pool in exchange for \$40m in cash payable to JDI (a related party by virtue of shared directorship) in four quarterly instalments of \$10m each, commencing on August 30, 2022 and on each three month anniversary thereafter. As a result of this modification, the scheme became cash-settled, although in line with FRS 102 the original fair value \$50m amount that was originally expected to be charged to the income statement will continue to be recorded, with the difference recorded in equity. In the year to December 2022, \$44.3m has been charged to the income statement, of which \$35.4m was recorded as a liability and \$8.9m in equity after taking into account the \$20m has been paid to JDI in the period.

The 2024 award remains in effect, and remains expected to be equity settled as it accrues over the service period to 31 December 2021. In line with FRS102, FRS \$15.8m is expensed with an equal amount included in equity in the year to December 2022.

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022****26. RELATED PARTY DISCLOSURES****Group**

The Group has an agreement with JDI Property Holdings Limited ("JDI") which allows for the Group to occupy desks at JDI's property in such a place as JDI specifies from time to time in exchange for £41,500 per month. This is split over two agreements which expire on the 7th January 2024 and 16th November 2027 respectively. The Group was also charged management fees and other staff costs by Just Develop It Limited and its subsidiaries (JDI and Skylark Golf & Country Club Limited), a group with common directors. The total of these expenses was \$1,051,122 and \$1,142,912 for the years ended 31 December 2022 and 2021 respectively. Of these amounts, \$772,489 and \$664,697 related to rent expense, respectively.

In the year to 31 December 2022, the Group continued to maintain a business relationship with Paysafe, a merchant processing company listed on the NYSE. Paysafe became a related party for Total Security by virtue of a shared directorship between Paysafe and Total Security's parent company System1 Inc following the successful merger in January 2022. In the year to 31 December 2022, the group incurred \$3,131,199 in processing fees paid to Paysafe. The amount due from Paysafe was \$1,586,120 as of December 31, 2022.

Company

On 17 December 2020, the Company entered into an intercompany loan receivable with System1 SS Protect Holdings, Inc. Under this agreement, the Company agreed to provide System1 SS Protect Holdings, Inc. with a line of credit with a maximum amount of \$30,000,000. The line of credit has an interest rate of 0% from 17 December 2020 to 31 December 2020, 5% from 1 January 2021 to 31 March 2021, and 3.5% from 1 April 2021 until the agreement is terminated. The loan has a maturity date of 1 January 2023. On 17 December 2020, System1 S1 SS Protect Holdings, Inc. drew a total of \$10,059,719 from the line of credit. As part of this loan, the Company charged S1 SS Protect Holdings a set-up fee of \$170,000.

During the year ended 31 December 2021, S1 SS Protect Holdings drew an additional \$21,908,640 from the line of credit provided by the Company as part of the loan agreement. The loan draw will accrue interest at an interest rate of 3.5% from the time of the loan draw until funds are paid back to the Company. The loan has a maturity date of 1 January 2023. As part of this loan, the Company charged S1 SS Protect Holdings a set-up fee of \$75,000.

As of 31 December 2022 and 2021, the total outstanding balance of the loan with System1 S1 SS Protect Holdings, Inc. was \$0 and \$32,832,653, respectively. The Company recognized \$82,767 and \$941,416 of interest income related to this loan during the years ended 31 December 2022 and 2021, respectively.

On 31 March 2021, the Company entered into a Share Purchase Agreement to purchase Host Plus Limited (as described in Note 12). Each Seller of Host Plus Limited is a minority shareholder of the Company. In addition, the Company assumed the debt of Host Plus Limited as part of the acquisition, which was payable to JDI. As noted above, JDI is the parent company of Total Security. On 1 April 2021, the Company provided an intercompany loan to Host Plus Limited who then repaid the outstanding loan in full on the same day in the amount of \$448,530. The loan between Host Plus Limited and JDI did not have a stated maturity date and carried an interest rate of 0%. The total outstanding loan balance was \$1,661,044.82 and \$1,178,200.15 for the years ended 31 December 2022 and 2021, respectively.

During the year ended 31 December 2021, the Company entered into a short term loan agreement with Just Develop It Limited, which carried an interest rate of 0%. These loans allowed multiple drawdowns which totalled \$29,634,886 and were fully repaid by the end of the period. In addition to this, as a part of the Host Plus Share Purchase Agreement, the Company assumed a debt payable to Just Develop It Limited which was repaid in full on 1 April 2021.

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022****26. RELATED PARTY DISCLOSURES - continued**

On 19 May 2021, the Company entered into a loan receivable with a director of the Company. Under this agreement, the Company agreed to provide the director with a loan facility of up to \$2,000,000 which carried an interest rate of 0%. The loan did not specify a stated maturity date. The director of the Company drew multiple amounts in accordance with the facility during the year ended 31 December 2021. The loan was repaid in full to the Company on 24 December 2021.

On June 28, 2021, the Company entered into a Business Combination Agreement (as amended on November 30, 2021, January 10, 2022 and January 25, 2022), (the "Business Combination Agreement") by and among Trebia Acquisition Corporation ("Trebia") and Total Security (together with System1 and Trebia, collectively, the "Companies"). On January 27, 2022 (the "Closing Date"), the Company consummated the merger (the "Merger") pursuant to the Business Combination Agreement. Following the consummation of the Merger, the combined company ("Post Closing Company") is organized in an "Up-C" structure, in which substantially all of the assets and business operations of System1 are held by S1 Holdco. The combined Companies' business continues to operate through the subsidiaries of S1 Holdco and Total Security. Additionally, Trebia's ordinary shares, warrants and units ceased trading on the New York Stock Exchange ("NYSE"), and System1 Inc.'s Class A Common Stock began trading on the NYSE on January 28, 2022 under the symbols "SST" and "SST.WS," respectively.

The consideration paid to the existing Securityholders of System1 and Total Security in connection with the Merger was a combination of cash and equity.

The Business Combination Agreement also included two EBITDA based bonus pools, the first of which if, on or prior to December 31, 2023, Total Security LTM Cash EBITDA (the "2023 Earnout Threshold") has equalled or exceeded pre-determined targets, as reasonably determined by the Trebia Board, acting in good faith, Trebia will promptly make available a bonus pool of a number of shares of Trebia Class A Common Stock equal to \$50,000,000 divided by the relevant Trebia Stock Price (the "Year 3 Stock Bonus Pool"). The Year 3 Stock Bonus Pool shall be paid to Year 3 Eligible Recipients, in fully-vested shares of Trebia Class A Common Stock, subject to applicable tax withholding, no later than thirty (30) days following December 31, 2023, and shall be allocated among Year 3 Eligible Recipients as determined by Chris Phillips in his sole discretion (or, if Chris Phillips is not a Trebia Service Provider as of December 31, 2023 (other than as a result of a non-Cause termination by Trebia or its Subsidiaries), by the Trebia Board). This agreement was waived and replaced at August 30, 2022.

The second of which if, on or prior to December 31, 2024, Total Security LTM Cash EBITDA (the "2024 Earnout Threshold") has equalled or exceeded pre-determined targets, as reasonably determined by the Trebia Board, acting in good faith, Trebia will promptly make available a bonus pool of a number of shares of Trebia Class A Common Stock equal to \$50,000,000 divided by the relevant Trebia Stock Price (the "Year 4 Stock Bonus Pool"). The Year 4 Stock Bonus Pool shall be paid to Year 4 Eligible Recipients, in fully-vested shares of Trebia Class A Common Stock, subject to applicable tax withholding, no later than thirty (30) days following December 31, 2024, and shall be allocated among Year 4 Eligible Recipients as determined by Chris Phillips in his sole discretion (or, if Chris Phillips is not a Trebia Service Provider as of December 31, 2024 (other than as a result of a non-Cause termination by Trebia or its Subsidiaries), by the Trebia Board). In the year to December 2022 \$15,823,970 has been charged to the income statement of Total Security.

On August 30, 2022, System1, Inc. ("System1" or the "Company"), Total Security Limited ("Total Security UK") and Just Develop It Limited ("JDI") entered into a Conditional Consent, Waiver and Acknowledgement (the "Waiver") pursuant to which JDI agreed to waive its right to the Year 3 Stock Bonus Pool (as such term is defined in the BCA, as defined below), consisting of \$50,000,000 worth of System1 Class A Common Stock, par value \$0.0001 ("System1 Class A Stock") payable in January 2024 and as set forth in Section 12.11(a) of the Business Combination Agreement dated June 28, 2021 (as amended), by and among S1 Holdco, LLC, a Delaware limited liability company ("S1 Holdco"), System1 SS Protect Holdings, Inc., a Delaware corporation ("Protected") and the other parties signatory thereto (collectively, the "BCA") in exchange for \$40,000,000 in cash payable to JDI (a related party by virtue of shared directorship) in four (4) quarterly instalments of \$10,000,000 each, commencing on August 30, 2022 and on each three (3) month anniversary thereafter. In the year to December 2022, \$44,294,944 cost has been included in Total Security's income statement. In the year to December 2022, \$20,000,000 has been paid.

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

26. RELATED PARTY DISCLOSURES – continued

On January 27, 2022, the Company repaid its outstanding principal and interest owed to Silicon Valley Bank as part of the Facilities Agreement (as described in Note 7). The total amount paid back to Silicon Valley Bank was \$13,167,694, which included a principal amount of \$12,937,500 accrued interest of \$36,132, and a prepayment charge of \$194,063.

On January 27, 2022, the Company entered into a loan agreement with System1 LLC, a related party. This loan enables System1 LLC to draw up to \$50,000,000 at an interest rate of 0.44% per annum on the drawn balance. The drawn balance to date is \$23,426,422.

On January 27, 2022, the company entered in to a loan agreement with Orchid Merger Sub II LLC, a related party. This loan agreement allows the company to borrow up to \$30,842,909.72 with interest accruing at a rate of 0.44% per annum on the drawn balance. The drawn balance to date is \$20,862,590.

Total Security entered into a loan agreement with We Optimize Limited, a 100% owned subsidiary. This loan attracted an interest rate of 0% and the drawn balance at December 2022 was \$17,268.

Subsequent Events

On January 27, 2023, the Company entered into a loan amendment with System1 LLC, a related party. This loan enables System1 LLC to draw up to \$50,000,000 at an interest rate of 4.5% per annum on the drawn balance. The drawn balance to date is \$23,426,422.

On January 27, 2023, the company entered in to a loan amendment with Orchid Merger Sub II LLC, a related party. This loan agreement allows the company to borrow up to \$30,842,909.72 with interest accruing at a rate of 4.5% per annum on the drawn balance. The drawn balance to date is \$17,349,463.

On 1 June 2023, System 1 Inc and Just Develop It Limited entered into a first amendment to the conditional consent, waiver and acknowledgement dated 30 August 2022. This amendment details changes to the "Amended Fourth Bonus Pool" increasing the amount payable from \$10m to \$20m provided that certain conditions are met.

During the year, a total of key management personnel compensation of \$401,133 (2021 - \$2,850,818) was paid.

27. ULTIMATE CONTROLLING PARTY

The controlling party is System1 Inc, a company incorporated in the USA.

The smallest group in which the results of the Company and its group are consolidated is that of Total Security Limited (Larch House, Parklands Business Park, Forest Road, Denmead, Hampshire, England, PO7 6XP). The consolidated financial statements may be obtained from Larch House, Parklands Business Park, Forest Road, Denmead, Hampshire, England, PO7 6XP.

The largest group in which the results of the Company and its group are consolidated is that of System 1 Inc. (4235 Redwood Avenue, Marina Del Rey, California, United States, 90066). The consolidated financial statements may be obtained from 4235 Redwood Avenue, Marina Del Rey, California, United States, 90066.

TOTAL SECURITY LIMITED (REGISTERED NUMBER: 10161957)**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022****28. RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	31.12.22	31.12.21
	\$	\$
(Loss)/profit before taxation	(18,275,235)	28,448,576
Depreciation charges	435,288	290,444
Share based compensation	27,138,401	-
Finance costs	230,195	583,428
Finance income	<u>(370,467)</u>	<u>(1,109,294)</u>
	9,158,182	28,213,154
(Increase)/decrease in trade and other debtors	(3,169,093)	5,907,213
Increase in trade and other creditors	<u>23,945,511</u>	<u>13,456,120</u>
Cash generated from operations	<u>29,934,600</u>	<u>47,576,487</u>

29. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

	31.12.22	1.12.21
	\$	\$
Cash and cash equivalents	13,029,555	33,539,641
Cash held with merchants	<u>2,629,556</u>	<u>1,527,663</u>
Cash and cash equivalents per cash flow statement	<u>15,659,111</u>	<u>35,067,304</u>

In addition to the above the group has restricted merchant balances, included within other debtors, at the balance sheet date totalling \$3,349,618 (31.12.21: \$1,333,456).

30. ANALYSIS OF CHANGES IN NET FUNDS

	At 31.12.22	Cash flow	At 31.12.22
	\$	\$	\$
Net cash			
Cash at bank	<u>35,067,304</u>	<u>(19,408,193)</u>	<u>15,659,111</u>
	<u>35,067,304</u>	<u>(19,408,193)</u>	<u>15,659,111</u>
Debt			
Debts falling due within 1 year	(2,812,500)	2,812,500	-
Debts falling due after 1 year	<u>(10,687,500)</u>	<u>10,687,500</u>	<u>-</u>
	<u>(13,500,000)</u>	<u>13,500,000</u>	<u>-</u>
Total	<u>21,567,304</u>	<u>(5,908,193)</u>	<u>15,659,111</u>