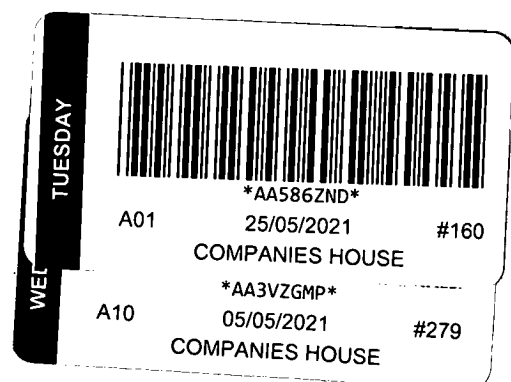


GetBusy UK Limited

Company number 03574066

Report and Financial Statements

31 December 2020



GetBusy UK Limited
Report and Financial Statements
31 December 2020

Company Information

Directors

CA Rabie
B Oliver
DA Rabie
JPC Haworth

Secretary

Oakwood Corporate Secretary Limited

Auditor

RSM UK Audit LLP
Chartered Accountants
3 Hardman street
Manchester
M3 3HF

Registered Office

Suite 8, The Works
Unity Campus
Pampisford
Cambridgeshire
CB22 3FT

Company number

03574066

Strategic report

Business review and key performance indicators

GetBusy UK Limited is the principal UK trading company for the GetBusy group. GetBusy's document management and task management software enables over 67,000 professional paying users around the world to digitise their operations and be productive while working in the office or remotely.

2020 turnover comprised £6,567k (2019: £6,358k) from the sale of software licences, subscriptions, consulting and support contracts and £856k (2019: £996k) from services provided to other GetBusy group companies. 87% (2019: 84%) of non-group turnover in 2020 was recurring in nature, that is to say from software subscriptions and support contracts. It is the Company's objective to continue to increase the proportion of recurring revenue.

In 2020, GetBusy UK Limited continued to grow its turnover from the Virtual Cabinet product, with a 2% increase compared to 2019. Recurring revenue increased by 6%. This was through a combination of new customer wins and upgrades and upsell to existing customers. The development of the Virtual Cabinet suite of products continued, with the further development of the *Virtual Cabinet Go* mobility apps, providing a cloud-like experience to users who are out of the office and need secure, convenient access to Virtual Cabinet's features. We also introduced task features into Virtual Cabinet's portal.

2020 was also the first year of significant revenue from the Group's SmartVault product in the UK, with £71k of revenue from customers in our principal partner channel. Currently only revenue from that partner channel is recognised within GetBusy UK Limited; non-partner UK revenue for SmartVault is recognised in other Group companies.

The increase in operating costs was largely the result of increased investment in our GetBusy business, as we built out the operational and go-to-market infrastructure around the newly-launched product. Offset by a reduction in the amortisation of intellectual property, which is now fully amortised. Development costs in respect of the GetBusy product are fully expensed as we do not have sufficient certainty over the commercial viability of the product to capitalise costs under IAS38. In addition, we invested more heavily in marketing for SmartVault. The loss before tax for the year of £1,409k compares to a loss before tax of £606k in 2019.

Royalty income from other group companies was a little higher than in 2019, reflecting growth in the Group, especially in SmartVault in the US. Interest expense was higher as a result of changes in the make-up of loans from other group companies.

A tax credit of £763k was recorded in 2020 (2019: credit of £836k). This relates largely to research and development tax credit claims made for 2020, and the expected tax credit, which will be received in cash. 2017 fell under the RDEC regime, prior to the restructuring of the Group, and the claim for that period was recorded in Other Income in 2019.

There are some changes to the shape of the balance sheet compared to 31 December 2019. The Company completed a lease on new offices in January, so the Right of Use asset and Tangible assets reflects the IFRS16 accounting for the lease and the fit-out of the premises. A lease liability was also created under IFRS16 for the discounted value of future lease payments. Working capital remained broadly in line with 2019 except for the lower corporation tax receivable in 2020, which reflects the fact that 2019's balance sheet contained the receivable for 3-years of research and development claims, compared to the single year in 2020's balance sheet.

Towards the beginning of 2020, the COVID-19 crisis engulfed many countries and caused widespread economic hardship. Our team transitioned to remote working in March 2020, a process that went relatively smoothly. The immediate impact on our customers has been mixed. Accountants and bookkeepers, which

comprise about 60% of our revenue base across the wider Group, have a diversity of clients and so their financial health will be reliant on the constituents of their specific client base. We have no material direct exposure to the retail, leisure or transport industries. That said, there is an increased risk of customers churning or reducing licensed user numbers as they cut staffing levels, albeit we have yet to see significant examples of this. We did, however, see some clear stretching of payment terms by customers in the UK in April and May 2020, and some customers asked to switch from our annual subscription plans to monthly-paid plans as their own cashflow has been challenged since the global lockdowns. Subsequently this situation has eased. Importantly, no single customer accounts for more than 1% of our group recurring revenue and no more than 3% of our company recurring revenue, which helps mitigate risk.

The landscape for new business was more complex. Trade shows were cancelled or postponed throughout the year, which impacted lead generation however we diverted some of the spend previously earmarked for trade shows to online lead generation. Encouragingly, the second half of the year was very strong for new business.

In September, the wider Group agreed a £2m 3-year revolving credit facility with Silicon Valley Bank. This facility provides additional working capital headroom for the Group and Company and remains completely undrawn at the date of this report.

As a result of the COVID-19 situation, the directors have carried out an in-depth scenario planning exercise that has informed their going concern conclusions, which are more fully explained in the Directors' Report.

More information about the wider Group's performance and activities can be found in the annual report of GetBusy plc, available at www.getbusy.com/investors

Principal risks and uncertainties

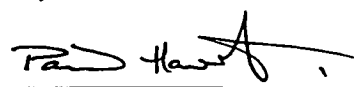
- The COVID-19 crisis has brought significant economic challenges to the UK. Whilst the impact on the Company's trading so far has been limited, the longer term impact of the associated recession may cause the Company's customers to go out of business or cease using the Company's products, which may reduce revenues that the Company may not be able to offset swiftly with cost reductions. This could accelerate the cash outflows of the wider Group.
- We operate in a technically advanced industry and the wider technological environment is changing rapidly. If we fail to employ outstanding developers, invest adequately in product development or respond quickly to technological change, our products may become less competitive and revenues may decline.
- We are dependent on the continued societal prevalence and availability of the internet and broadband internet access, as well as the continued development of the related infrastructure. Changes in the reliability, availability or price of those services may impact the ability or willingness of our customers to adopt our technology.
- As a software business, we are reliant on technology. A malfunction or interruption of our systems or those of our partners may diminish confidence in our services and products, which may have an adverse impact on revenues and results. Examples of interruption events include natural disasters, power loss, telecom failures, software failures, malicious hacking, intervention by privacy regulators and sabotage.
- The technology used by the Company includes both software and other code and content that has been developed internally. Failure to effectively restrict the use of software may result in another party copying or obtaining the software for unauthorised use or infringing the Company's intellectual property.

- The strength of the Company's brand is developed through the provision of high quality products over a sustained period. Any incident that may adversely affect customer loyalty toward the Company will consequentially affect the customer loyalty toward the Company's brand, which may adversely affect revenue and results.
- The future performance of the Company is, to some extent, dependent on its ability to recruit and retain certain key people. The Company benchmarks remuneration packages and sets incentives to motivate, retain and align key people with the objectives of the Company.
- Document management software is a competitive industry. If we fail to invest in our products they may cease to be as or more attractive than those of competitors.
- The Company is currently launching its new GetBusy product. However, there can be no guarantee that any new product will be successful in generating revenue.
- The wider Group is currently loss making on a pre-tax basis. The Group may in the future need to raise additional funds to implement its strategy. There can be no guarantee that the required funding will be available at an acceptable price or at all. Failure to raise any required funds may prevent the Group from executing its strategy.

Future prospects

The Directors are confident that the Company will see continued recurring revenue growth in 2021 and beyond from its two document management products. So far during the COVID-19 crisis, the Company and wider Group has continued to grow its revenue base. It is also hoped that GetBusy, our new product, will begin to contribute to revenues more meaningfully. The Company will continue to invest in its existing products, new products and sales and marketing channels. The Directors believe the £2 million revolving credit facility the Group entered into on 28 September 2020 with Silicon Valley Bank (as described in note 17) will be helpful in continuing these investments.

By order of the Board:


JPC Haworth.
Director
2 March 2021

Directors' report

Principal activities

GetBusy UK Limited is the principal UK trading company for the GetBusy group. GetBusy's document management and task management software enables over 67,000 professional paying users around the world to digitise their operations and be productive while working in the office or remotely.

Disclosure of information in the strategic report

In accordance with Section 414C of the Companies Act 2006 a review of the company's business and a description of the principal risks and uncertainties facing the company is included in the Strategic Report.

Going concern and COVID-19

In their assessment of the appropriateness of the going concern basis, the Directors have considered base case forecasts for the Group as a whole, since the Company trades as part of a Group for which there is central management of cash and treasury. Cash is regularly moved between the Group's subsidiaries and so modelling for liquidity and going concern purposes is carried out on this consolidated basis.

The Group is expected to be loss-making in the medium term as continued investment is made for future growth. The global economy has been significantly impacted by the COVID-19 pandemic. As a result, the Directors have applied a number of assumptions to the base case forecast, which includes revenue, profit, cashflow and covenant compliance projections, to reflect a reasonable worst case scenario for cashflow for the period to 30 June 2022. Those assumptions include:

- A significant reduction in new business revenue generated from new business;
- A significant increase in churn from existing customers, either by downgrading their plans or ceasing to use the Group's products entirely; and
- A marked increase in cash tied up in working capital as customers take longer to pay or default on payments.
- Tiers of potential mitigating actions have been identified, with increasing cost and complexity of implementation, as follows:
 - A reduction in certain variable, performance-based costs such as sales commissions and performance bonuses;
 - A reduction in the recruitment of planned new staff;
 - A reduction in certain discretionary costs, such as marketing, training and outsourced design work;
 - A reduction in workforce that would have an initial cash outlay but would reduce ongoing overhead expenditure.

Based on these forecasts, the Directors are of the opinion that the Company is able to meet its liabilities as they fall due for a period of not less than 12 months from the date of this report. For this reason, the going concern basis is considered appropriate for the preparation of these financial statements.

Subsequent Events

There have been no significant events subsequent to the balance sheet date.

Dividends

No dividends were paid in 2020 and the directors recommend no final dividend (2019: no dividend).

Directors

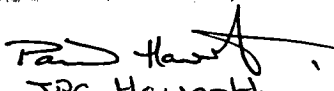
The directors, who served from 1 January 2020 to the date of this report, unless stated otherwise, were:

CA Rabie
B Oliver
DA Rabie
JPC Haworth

Auditors

RSM UK Audit LLP were appointed as auditor during the year and will be proposed for reappointment by the board in the absence of an Annual General Meeting.

By order of the Board:


JPC Haworth
Director
2 March 2021

Registered No. 03574066

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditor's report to the members of GetBusy UK Limited

Opinion

We have audited the financial statements of GetBusy UK Limited (the 'company') for the year ended 31 December 2020 which comprise the income statement, statement of financial position, statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of GetBusy UK Limited (continued)

For the year ended 31 December 2020

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed

Independent auditor's report to the members of GetBusy UK Limited (continued)

For the year ended 31 December 2020

risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 101, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and consulting with internal experts with regards to R&D tax reliefs.

There were no significant laws and regulations which had an indirect impact on the financial statements.

The audit engagement team identified revenue recognition and the risk of management override of controls as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to; testing a sample of specific contracts with customers, tests over the controls and integrity of relevant IT systems, data analytics, testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

JSM UK Audit LLP

JONATHAN LOWE (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

3 Hardman Street

Manchester

Date: 2 March 2021

Income statement

for the year ended 31 December 2020

		2020	2019
	Notes	£000	£000
Turnover	2	7,423	7,354
Cost of sales		(187)	(156)
Gross profit		7,236	7,198
Administrative expenses		(9,643)	(8,955)
Operating loss	3	(2,407)	(1,757)
Other income	6	1,112	1,150
Net interest (payable) / receivable	6	(114)	1
(Loss) on ordinary activities before taxation		(1,409)	(606)
Tax	7	763	863
Loss/(Profit) for the financial year		(646)	257

Statement of financial position

at 31 December 2020

	Notes	2020 £000	2019 £000
Fixed assets			
Intangible assets	8	714	534
Right of use assets - leases	15	618	-
Tangible assets	9	301	67
		<u>1,633</u>	<u>601</u>
Current assets			
Debtors	10	2,374	2,706
Cash at bank and in hand		214	127
		<u>2,588</u>	<u>2,833</u>
Creditors: amounts falling due within one year	11	(4,302)	(4,003)
Lease liabilities	15	(163)	(47)
		<u>(4,465)</u>	<u>(4,050)</u>
Net current liabilities		<u>(1,877)</u>	<u>(1,217)</u>
Creditors: amounts falling due after more than one year		<u>(58)</u>	<u>-</u>
Lease liabilities		<u>(575)</u>	<u>-</u>
Total liabilities		<u>(5,098)</u>	<u>(4,050)</u>
Net liabilities		<u>(877)</u>	<u>(616)</u>
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account		<u>(977)</u>	<u>(716)</u>
Total equity		<u>(877)</u>	<u>(616)</u>

The financial statements of GetBusy UK Limited (registered number 03574066) were approved by the board of directors and authorised for issue on 2 March 2021. They were signed on its behalf by:



JPC Haworth
Director

Statement of changes in equity

at 31 December 2020

	<i>Called-up share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Balance as at 1 January 2019 (restated)	100	(1,217)	(1,117)
Profit for the year	-	257	257
Share based payment transactions	-	244	244
Total comprehensive income for the year	-	501	501
Balance as at 31 December 2019	100	(716)	(616)
Effect of first-time adoption of IFRS16	-	-	-
Balance as at 1 January 2020	100	(716)	(616)
Profit for the year	-	(646)	(646)
Share based payment transactions	-	385	385
Total comprehensive income for the year	-	(261)	(261)
Balance as at 31 December 2020	100	(977)	(877)

Profit and loss account – cumulative profit and loss net of distributions to owners:

Notes to the financial statements

at 31 December 2020

1. Accounting policies

Authorisation of financial statements and statement of compliance with FRS 101.

The financial statements of GetBusy UK Limited (the “company”) for the year ended 31 December 2020 were authorised for issue by the board of directors on 2 March 2021 and the statement of financial position was signed on the board’s behalf by Paul Haworth. The company is incorporated and domiciled in England and Wales. The company’s registered office is disclosed the company information on page 1.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and under the historical cost convention. The company’s financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

In preparing these financial statements, the company applies the recognition and measurement requirements of International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The principal accounting policies adopted by the company are set out below.

Basis of preparation

The accounting policies that follow set out the policies which apply in preparing the financial statements for the year ended 31 December 2020.

The company meets the definition of a qualifying entity under Financial Reporting Standard 100 ‘Application of Financial Reporting Requirements’. Accordingly, as permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard.

The company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:

(i) paragraph 79(a) (iv) of IAS 1;

(ii) paragraph 73(e) of IAS 16 *Property, plant and equipment*;

(iii) paragraph 118(e) of IAS 38 *Intangible assets*;

(iv) paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of assets*;

(b) the requirements of IAS 7 *Statement of Cash Flows*;

(c) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member and the compensation of key management personnel.

Where required, equivalent disclosures are given in the group accounts of GetBusy plc. The group accounts of GetBusy plc are available to the public and can be obtained at www.getbusy.com/investors/financials-and-presentations.

Going concern

As further described in the Directors’ Report, in their assessment of the appropriateness of the going concern basis, the Directors have considered base case forecasts for the Group as a whole, since the Company trades as part of a Group for which there is central management of cash and treasury. Cash is regularly moved between the Group’s subsidiaries and so modelling for liquidity and going concern purposes is carried out on this consolidated basis.

Notwithstanding the current loss-making and net liabilities position of the Company, on the basis of these forecasts, the directors are satisfied that the Company is expected to have sufficient resources to continue as a going concern for a period of not less than 12 months from the date of these financial statements.

Notes to the financial statements

at 31 December 2020

These cashflow forecasts take into account reasonably possible scenarios related to the current economic disruption caused by the COVID-19 outbreak and subsequent stay-at-home requirements instigated by the UK government. The impact of this situation may be to significantly reduce new business orders and our ability to implement certain new business for Virtual Cabinet. It may also increase churn and downgrades from existing users or lead to some of the Company's customers going out of business or delaying payments to the Company as a result of cashflow challenges. To respond to such scenarios, the Company has the ability to control its expenditure, including through the curtailment of non-contracted discretionary expenditure, for example on marketing, and the reduction in planned investments in additional staff. In these scenarios the Company has sufficient cash to continue to meet its obligations as they fall due.

Consequently, the going concern basis has been used.

Revenue recognition

The Company generates income from customers in the following ways:

- **Subscriptions.** A customer pays a regular fixed amount (usually monthly or annually) in exchange for a right to access our software and the technical support that we provide.
- **Licences.** A customer pays a one-off amount for the right to use a particular version of our software for as long as they like. A licence doesn't include any future upgrades to the software nor any access to our technical support; these are purchased separately under a Support plan.
- **Support.** Licence customers pay a regular fixed amount (usually annually) to access our technical support and to obtain software updates.
- **Consulting.** To get the most from some of our software products, certain customers prefer us to manage the implementation project, including technical and training aspects. This is usually invoiced at the point of completion – "go-live". Consulting income can relate to software that is sold on both a subscription and upfront licence basis. Other ad-hoc consulting assignments, for example to assist with the migration of data between systems or training new groups of users, are usually invoiced on completion of the assignment.
- **Hardware.** Some customers ask us to source hardware, such as document scanners, for them. They pay for this equipment after it is delivered.

Virtual Cabinet requires a consulting engagement to implement and setup for individual clients' situations. IFRS 15 requires us to identify separate *performance obligations* in our contracts with customers and then to determine if those performance obligations are *distinct*. The activities listed above are our principal promises within contracts for Virtual Cabinet. We have made the critical judgement that, in the following two cases, promises need to be grouped before they form performance obligations because they are not separately identifiable:

- Software licences are invariably sold alongside a support contract for a fixed minimum period (usually three years) and a consulting engagement to manage the implementation project for a customer. In these cases, the licence, the support contract and the consulting engagement need to be grouped into a performance obligation.
- A consulting engagement to implement subscription software is grouped with the related subscription contract into a performance obligation.

Virtual Cabinet revenue is therefore recognised in the following ways:

- Subscription revenue is recognised on a straight-line basis over the duration of the contract.
- Software licence revenue is recognised on a straight-line basis over the minimum term of the related Support contract (usually 3 years).
- Support revenue is recognised on a straight-line basis over the duration of the contract.
- Consulting revenue related to a software licence implementation is recognised on a straight-line basis over the duration of the minimum term of the related Support contract (usually 3 years).

Notes to the financial statements

at 31 December 2020

Consulting revenue related to a subscription software implementation is recognised on a straight-line basis over the minimum term of the related subscription contract. All other consulting revenue is recognised on completion of the consulting engagement.

- Hardware revenue is recognised on completion of the related software implementation.

Where additional user licenses or user subscriptions are entered into part way through a license or subscription, revenue is recognised over the remaining duration of the contract.

In most cases, we invoice and receive payment from customers in advance of revenue being recognised in the income statement. Deferred revenue is the difference between amounts invoiced to customers and revenue recognised under the policy described above.

There was no revenue for SmartVault during this financial year.

Development costs

The accounting standard IAS38 Intangible Assets sets out criteria under which development costs should be capitalised. The key criteria for capitalisation are (1) technical feasibility; (2) intention to complete and then use or sell; (3) commercial viability and (4) ability to measure reliably the expenditure.

We are constantly developing our products, both existing and new. These developments range from minor enhancements and bug fixes, to integrations with new or updated third party software, to major new features and completely new products.

We use agile development techniques. Our development is based on a series of iterative steps each designed to provide value to the customer and which can each be trialled and validated. Unlike traditional waterfall methods, this technique doesn't lend itself to the recording of development costs in a fashion that suits IAS38. Consequently, we apply judgement and estimates in determining the proportion of our total development spend that meets the above criteria.

To make these judgements, we examine in detail the development activities over a period of time for each product. We make an estimate of the proportion of that time in which the development tasks that are being carried out meet the IAS38 criteria. We then apply that proportion to the entire development spend for the period to determine the amount to be capitalised.

Capitalised costs are amortised over their useful economic life, which is estimated to be 3 years.

Leases

The Company has applied IFRS 16 *Leases* on the modified retrospective basis from 1 January 2019.

For each lease, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Notes to the financial statements

at 31 December 2020

The following judgement (apart from those relating to revenue recognition, described above) has had the most significant effect on amounts recognised in the financial statements:

Development costs

Based on the methodology described in the accounting policies above, a proportion of development expenditure on existing products has been capitalised. Development expenditure on new products has been expensed as incurred as it is not possible to demonstrate commercial viability and technical feasibility with enough certainty until all high-risk development issues have been resolved through testing pre-launch versions of the product.

Expected credit losses

The Company has material trade receivables, principally arising from its Virtual Cabinet business. Judgement is required in determining the extent of any provision for expected credit losses. The specific circumstances of individual customers, and historical trends, are used in the calculation of this provision.

Notes to the financial statements

at 31 December 2020

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, and is wholly attributable to the company's continuing principal activity and is all derived from the United Kingdom.

3. Operating loss

This is stated after charging:

	2020 £000	2019 £000
Audit of the financial statements	14	23
Depreciation of owned assets	70	41
Amortisation of intangibles	392	891
Exchange rate loss	66	17
Share based payment charge	385	244

In 2020, the fee for the audit of the financial statements was recharged by the parent company, GetBusy plc.

4. Directors' remuneration

Directors remuneration in the year was £697,000k (2019: £635,000). Contributions of £17,459 (2019: £10,369) were paid into money purchase schemes in respect of 3 directors (2019: 3).

Remuneration for the highest paid director was £268,000 (2019: £194,000).

5. Staff costs

	2020 £000	2019 £000
Wages and salaries	4,779	4,174
Social security costs	583	466
Other pension costs	132	105
Share based payment costs	385	239
	5,879	4,984

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

	No.	No.
Support	12	12
Development	24	21
Delivery and operations	14	13
Sales	15	11
Administration	9	11
	74	68

Notes to the financial statements

at 31 December 2020

6. Other income and net interest receivable

<i>Other income</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Royalties received	1,112	946
RDEC above the line credit received	-	204
	<u>1,112</u>	<u>1,150</u>
 <i>Net interest (payable) / receivable</i>	 <i>2020</i>	 <i>2019</i>
	<i>£000</i>	<i>£000</i>
Interest on intercompany loans	(85)	10
Interest on lease liabilities	(29)	(9)
	<u>(114)</u>	<u>1</u>

Notes to the financial statements

at 31 December 2020

7. Tax

(a) Tax charged in the income statement

	2020 £000	2019 £000
Current tax:		
UK corporation tax at 19% (2019: 19%)	(763)	(511)
Adjustments in respect of prior years	-	(346)
Total current tax (note 7(b))	(763)	(857)
Total current tax charge	(763)	(857)
Deferred tax:		
Origination and reversal of timing differences	-	-
Adjustments in respect of prior years	-	(6)
Total deferred tax (note 7(c))	-	(6)
Tax (credit)/expense in the income statement	(763)	(863)

(b) Reconciliation of the total tax charge for the year

The tax expense in the income statement for the year is lower than the standard rate of corporation tax in the UK of 19.00% (2019 – 19%). The differences are reconciled below:

	2020 £000	2019 £000
(Loss)/Profit on ordinary activities before tax	(1,409)	(606)
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2019 – 19%)	(268)	(115)
Effects of:		
Expenses not deductible for tax purposes	76	53
Deferred tax not recognised	(73)	11
Adjustments in respect of prior years	-	(5)
R&D tax credits in respect of prior years	-	(385)
Additional deduction for qualifying R&D expenditure	(735)	(581)
Current period losses surrendered for R&D tax credit	1,000	670
R&D tax credit	(763)	(511)
Total tax (credit)/expense reported in the income statement (note 7(a))	(763)	(863)

(c) Factors affecting future tax

The standard rate of corporation tax in the United Kingdom for the year is 19% (2019: 19%). The Finance Act 2016 received Royal Assent on 15 September 2016 and enacted a reduction in the main rate of corporation tax to 17% with effect from 1 April 2020 (the statutory corporation tax rate until that date is 19%). Deferred tax has therefore been provided, where applicable, at 19% or 17% depending on the company's estimate of when timing differences are likely to reverse.

At 31 December 2020 deferred tax assets totalling £372k (2019: £417k) have not been recognised due to uncertainty over the timing of recoverability of unrelieved tax losses. The tax losses have no expiry date.

Notes to the financial statements

at 31 December 2020

8. Intangible fixed assets

	<i>Development costs £000</i>	<i>Intellectual property £000</i>	<i>Computer Software £000</i>	<i>Total £000</i>
Cost:				
At 1 January 2020	1,054	2,398	-	3,452
Additions for the year	558	-	14	572
At 31 December 2020	<u>1,612</u>	<u>2,398</u>	<u>14</u>	<u>4,024</u>
Amortisation:				
At 1 January 2020	520	2,398	-	2,918
Charge for the year	392	-	-	392
At 31 December 2020	<u>912</u>	<u>2,398</u>	<u>-</u>	<u>3,310</u>
Net book value:				
At 31 December 2020	<u>700</u>	<u>-</u>	<u>14</u>	<u>714</u>
At 31 December 2019	<u>534</u>	<u>-</u>	<u>-</u>	<u>534</u>

Notes to the financial statements

at 31 December 2020

9. Tangible fixed assets

	<i>Leasehold Improvements</i> £000	<i>Equipment</i> £000	<i>Vehicles</i> £000	<i>Total</i> £000
Cost:				
At 1 January 2020	-	294	24	318
Additions for the year	18	286	-	304
At 31 December 2020	18	580	24	622
Depreciation:				
At 1 January 2020	-	229	22	251
Charge for the year	2	66	2	70
At 31 December 2020	2	295	24	321
Net book value:				
At 31 December 2020	16	285	-	301
At 1 January 2020	-	65	2	67

10. Debtors

	2020 £000	2019 £000
Trade debtors	591	626
Amounts due from fellow group undertakings	705	836
Other debtors	133	47
Corporation tax	763	1,061
Prepayments and accrued income	182	136
	<u>2,374</u>	<u>2,706</u>

Notes to the financial statements

at 31 December 2020

11. Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Trade creditors	178	73
Amounts due to fellow group undertakings	645	375
Other taxes and social security costs	280	183
Accruals and deferred income	2,971	3,262
Corporation tax	149	-
Other creditors	79	110
	<u>4,302</u>	<u>4,003</u>

12. Creditors: amounts falling due after one year

	2020	2019
	£000	£000
Accruals and deferred income	58	-
	<u>58</u>	<u>-</u>

13. Issued share capital

	2020		2019	
<i>Allotted, called up and fully paid</i>	No.	£	No.	£
Ordinary shares of £1 each	100,000	<u>100,000</u>	100,000	<u>100,000</u>

The company's ordinary shares, which carry no right to fixed income, each carry a right to one vote at general meetings of the company. Ordinary non-voting shares rank *pari passu* for income and no such voting rights.

14. Capital commitments

There were no capital commitments at 31 December 2020 (2019: £nil).

Notes to the financial statements

at 31 December 2020

15. Leases

The Company adopted IFRS16 *Leases* with effect from 1 January 2019.

On 17 January 2020, the Company completed a lease for new office premises in the UK leading to the addition of a right of use asset and corresponding lease liability of £763k. The interest rate used to discount lease liabilities was 4%.

Interest on lease liabilities of £29k was recorded in Net interest receivable / (payable) during the year (2019: £9k).

A reconciliation of the IFRS16 right of use asset is shown below.

	<i>Right of use asset 2020 £000</i>
At 1 January 2020	-
Additions	763
Depreciation	(185)
Release of onerous provision	40
Impairment	-
	<u>618</u>

The Company's lease liabilities mature as follows:

Lease liabilities	
Within one year	163
Within 1 to 5 years	575
More than 5 years	-
	<u>738</u>

16. Related party transactions

The directors have taken advantage of the exemption under paragraph 8(k) of FRS 101 and have not disclosed related party transactions with parent and fellow subsidiary undertakings.

17. Ultimate parent undertaking controlling company

The immediate parent undertaking is GetBusy plc, which is registered in England and Wales.

GetBusy plc is the ultimate parent undertaking.

Group financial statements, incorporating GetBusy UK Limited, for year ended 31 December 2020 were drawn up by GetBusy plc, a company incorporated in the UK. The consolidated financial statements of GetBusy plc are available at www.getbusy.com/investors/financials-and-presentations.