28 July 2021

GetBusy plc

2021 Half-year Results

Strong growth driven by accelerated SmartVault investment

GetBusy plc ("GetBusy", the "Company" or the "Group") (AIM: GETB), a leading developer of document management and task management software, announces its unaudited results for the six months ended 30 June 2021 (the "Period", "H1" or "H1 2021").

	H1 2021	H1 2020	Change	
	£'000	£'000	Reported currency	Constant currency*
Group recurring revenue	**6,940**	6,374	9%	12%
Group total revenue	**7,489**	6,972	7%	10%
Group adjusted loss before tax*	**(472)**	(252)	(87)%	
Group loss before tax	**(948)**	(712)	(33)%	
Net cash	**1,991**	2,125	(6)%	
SmartVault revenue	**3,221**	2,742	17%	28%
SmartVault adjusted loss before tax*	**(471)**	(333)	(41)%	
Virtual Cabinet revenue	**4,258**	4,230	1%	(1)%
Virtual Cabinet adjusted profit before tax*	**2,107**	1,994	6%	

Financial highlights

- Group recurring revenue up 12% in constant currency and 9% in reported currency
- Group ARR up 13% in constant currency to £14.0m
- Recurring revenue comprises 93% of total revenues, up from 91% in H1 2020
- SmartVault recurring revenue up 26% at constant currency driven by strong new business. Virtual Cabinet up 3%
- Group gross margin slightly lower at 91.6% (H1 2020: 93.1%) due to SmartVault's increasing proportion of Group revenue.
- Additional £0.5m scale-up investment in SmartVault delivered 28% total revenue growth at constant currency
- Adjusted loss before tax of £0.5m (H1 2020: £0.3m) reflects the greater investment in scaling SmartVault and accrual for higher performance-driven incentive costs
- Strong net cash of £2.0m, with £2.0m loan facility remaining undrawn

Operational highlights

- 9% increase in Group ARPU to £207 reflects focus on higher value customers
- 4% increase in paying users to over 68,000
- SmartVault LTV : CAC ratio remained robust at 4:1, maintaining the quality of return on additional investments
- Early success in moving SmartVault to larger average customer size, with average selling price up 43%
- Strong recovery in revenue from new customers at Virtual Cabinet, up 95% on H1 2020.
- Over 300 paying users of GetBusy, with first NetSuite channel partner agreement signed

Daniel Rabie, CEO of GetBusy, comments:

"GetBusy is the leader in specialist document management software for accountants.

"The combined strength of Virtual Cabinet – a widely-respected, capable and established hybrid solution with deep integrations into multiple leading tax and practice management providers – and SmartVault – our rapidly growing and highly scalable pure SaaS product – positions us uniquely to capture a significant proportion of

the accounting market. Our increasing investments and our document management teams' complete focus is on realising that growth potential over the next 3 to 5 years.

"We are also excited to have signed our first NetSuite channel partner for GetBusy, which gives us an opportunity to expand into a new product segment, opening substantial new addressable markets. This important milestone provides validation around the problem we're solving and the specific market opportunity.

"We remain confident that we are in the right markets, with the right people and products to accelerate our growth in high quality recurring subscription revenues over the medium to long term. We continue to invest to support that growth and we look forward to the future with increasing confidence."

* Adjusted Profit / (Loss) before Tax is Profit / Loss before share option costs, net capitalised development costs, finance costs that are not related to leases, and non-underlying items. A full list of our alternative performance measures, together with a glossary of certain terms, can be found in note 2.

+ Changes at constant currency are calculated by retranslating the comparative period at the current period's prevailing rate of exchange.

Ahead of today's presentations to investors, a copy of the presentation to investors is now available on the Company's website, at www.getbusy.com/investors

GetBusy plc

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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EU) 596/2014. THE PERSON RESPONSIBLE FOR MAKING THIS ANNOUNCEMENT ON BEHALF OF THE COMPANY IS PAUL HAWORTH.

About GetBusy

GetBusy's document management and task management software enables 68,000 professional paying users around the world to digitise their operations and be productive while working in the office or remotely.

Further information on the Group is available at www.getbusy.com/investors

H1 performance

Group	H1 2021	H1 2020	Change	
			Reported currency	Constant currency
Recurring revenue	£6,940k	£6,374k	9%	12%
Total revenue	£7,489k	£6,972k	7%	10%
Adjusted profit / (loss)	£(472)k	£(252)k	(87)%	
ARR at 30 June	£14.0m	£13.1m	7%	13%
Paying users at 30 June	68,030	65,133	4%	
ARPU at 30 June	£207	£201	3%	9%

Group recurring revenue grew by 12% at constant currency (9% at reported currency) to £6.9m (H1 2020: £6.4m), primarily driven by excellent new customer growth in SmartVault and a solid performance from Virtual Cabinet. Total revenue was up 10% at £7.5m, with higher non-recurring revenue from electronic signatures in SmartVault compensating for the expected lower consulting and upfront licence revenues in Virtual Cabinet.

Annualised recurring revenue ("ARR") at 30 June 2021, which is a measure of the subscription runrate of the Group, was £14.0m, an increase of 13% at constant currency since 30 June 2020 and an increase of 5% over the Period. As with recurring revenue, this was driven by SmartVault's acquisition of new customers.

Gross margin of 91.6% (H1 2020: 93.1%) reflects the increase in the revenue contribution of SmartVault, which, as a pure SaaS product, operates at lower gross margins than Virtual Cabinet.

The increase in overheads reflects the investments made in the growth of SmartVault, which delivered a 28% increase in total revenue in the Period, the commercialisation of the GetBusy product and an increase in the accrual for performance-driven incentive costs. Adjusted Loss before Tax of £0.5m (H1 2020: £0.3m) reflects these additional overhead investments.

Cash of £2.0m was £0.3m lower than at 31 December 2020. The usual H1 deferred revenue reduction, which is a reflection of the timing of customer renewals, was £0.3m, adding to the adjusted loss of £0.5m. These cash outflows were offset by the receipt of research and development tax credits of £0.6m, with other working capital movements offsetting £0.2m in capital expenditure.

SmartVault

SmartVault	H1 2021	H1 2020	Change	
			Reported currency	Constant currency
Recurring revenue	£3,018k	£2,617k	15%	26%
Total revenue	£3,221k	£2,742k	17%	28%
Adjusted Profit / (Loss)	£(470)k	£(333)k	(41)%	
ARR at 30 June	£6.2m	£5.6m	11%	25%
Paying users at 30 June	25,361	21,700	17%	
ARPU at 30 June	£243	£255	(5)%	7%
Net MRR Churn	0.8%	0.6%	n/a	

Annual Contract Value from new customers was up 26% in the Period compared to H1 2020, with most of the increase attributable to the US. This reflects the incremental investment made in customer acquisition and a strategy to increase the average account size with larger accounting firms; average selling price was up 43% compared to H1 2020. Net churn remained consistent with FY2020 at 0.8%, although a little higher than H1 2020, which included the tail-end of a price increase implemented in H2 2019. Overall recurring revenue was up 26% at constant currency at £3.0m (H1 2020: £2.6m).

Significant growth potential remains within SmartVault's core market of accountants and bookkeepers. SmartVault is the only cloud document management product with a native integration into Intuit's Lacerte and ProSeries tax products, which have the largest market share within the US SME tax preparation software market. We estimate the unpenetrated base within that channel alone to be worth more than $50m annually. This potential is the rationale behind our continued growth investments across the business.

Non-recurring revenue, which includes onboarding services, seasonal licences and electronic signatures, was up 60% to £0.2m, a reflection of the larger customer base and greater adoption of electronic signatures. Total revenue increased by 28% at constant currency to £3.2m (H1 2020: £2.7m).

Gross margin was a little lower than H1 2020 at 84.1% (H1 2020: 85.7%), principally due to the increase in DocuSign electronic signature revenue.

Overheads of £3.2m reflect the additional investments in customer acquisition, customer success and product development over the last 12 months, a programme that will continue over the next 18 months to support SmartVault's scale-up. The global LTV : CAC ratio, a measure of the efficiency of customer acquisition efforts, has remained robust at 4:1. This, along with a favourable gross MRR churn rate of 1.2% per month (H1 2020: 1.4%) and the size of the unpenetrated market, provides us with increasing confidence to continue investment to support sustained or increased growth rates over the medium term.

Virtual Cabinet

Virtual Cabinet	**H1 2021**	**H1 2020**	**Change**	
			Reported currency	**Constant currency**
Recurring revenue	£3,912k	£3,758k	4%	3%
Total revenue	£4,258k	£4,229k	1%	(1)%
Adjusted Profit / (Loss)	£2,107k	£1,994k	6%	
ARR at 30 June	£7.9m	£7.5m	5%	5%
Paying users at 30 June	42,442	43,433	(2)%	
ARPU at 30 June	£183	£173	6%	6%
Net MRR Churn	0.5%	0.2%	n/a	

Recurring revenue grew by 3% at constant currency to £3.9m and ARR at 30 June 2021 was 5% higher at constant currency than 30 June 2020. Revenue from new customers was up 95% compared to H1 2020, which was adversely impacted by the early stages of the pandemic, led by the insolvency sector within the UK. This offset the impact of churn from older customers with generally very low ARPU levels. Virtual Cabinet's tight integration with the leading practice management software for insolvency was a particular strength in H1. As well as the cyclical buoyancy of that sector, there is opportunity arising from the decision by many larger accounting firms to spin off their restructuring practices to address independence challenges, requiring some of the newly-created firms to rebuild their technology stacks from scratch.

Non-recurring revenue, which includes consulting and upfront licence sales, decreased by 8% to £0.5m, a reflection of the transition to a pure subscription model that was started 3 years ago. Total revenue of £4.3m was in line with H1 2020.

Virtual Cabinet's overheads remain tightly controlled and were 4% lower than H1 2020, a product of lower bad debt and travel costs offset by higher marketing spend and inflationary staff costs. We anticipate maintaining the cost base at the current levels in the foreseeable future.

Adjusted profit of £2.1m was up 6% compared to H1 2020 and operating profit margin improved by 2.3 percentage points to 49.5%.

GetBusy

During H1 we redirected the efforts of the GetBusy team towards the cloud ERP sector, seeking to capitalise on our partnership with NetSuite. The cloud ERP space is estimated to be growing at 17% annually, with innovative products like NetSuite, Sage Intacct and Acumatica taking market share from the traditional on-premise ERP providers. The ERP sector has many of the attractive hallmarks of the accounting practice management space into which our document management products are sold: the technology is infrastructural to the customer's business, customers tend not be price-sensitive, solutions tend to remain in place for many years and churn rates are low.

The ecosystem around cloud ERP providers presents us with an interesting opportunity. Most providers curate a suite of third party add-on applications that address peripheral functionality, enhance the user experience within the basic ERP product or tailor the product for particular industries. These applications are available for existing users to purchase in app stores. Networks of value-added resellers and consulting firms work with individual customers to design, implement and customise their technology stack around specific ERP systems; these resellers look for opportunities to sell additional capabilities into their existing clients.

Our immediate opportunity with NetSuite customers comes from a combination of working directly with NetSuite and with the value-added reseller network. The GetBusy product integrates into the primary NetSuite interface and provides powerful document management, digital signature, real-time chat and task capabilities embedded within the application. Documents can be assigned to customer or supplier records and then sent into managed workflows via GetBusy, for example to obtain a signature on a new contract with a customer or to send an invoice from a supplier to a quality assurance team for review, enabling them to attach certificates of conformity neatly into one thread. Whilst elements of this functionality are available from other applications within NetSuite's SuiteApp store, none of them provides this integrated experience and the combined cost of those applications far exceeds that of the single GetBusy solution.

During H1 we were pleased to sign our first value-added reseller in the UK. Typically resellers may have dozens of installed customers, each of which may comprise many hundreds of users. Extending our reseller network, and getting traction with sales to end customers, will be a core focus in H2.

H1 recurring revenue of £12k largely reflects the retention of the customers we had at the end of 2020, with the addition of new customers mainly via Virtual Cabinet. Many of the problems that GetBusy solves for ERP customers are relevant for customers of Virtual Cabinet, so Virtual Cabinet also acts as a reseller of GetBusy. GetBusy had 334 paying users at 30 June, with ARR of £31k, up from 182 users and £15k ARR at 31 December 2020.

Costs in H1 are largely at the same runrate as in 2020 and we expect that runrate to continue into H2.

Central and corporate costs

Central and corporate costs of £1.1m were £0.3m higher than H1 2020, mainly reflecting an increase in performance incentives.

Below the Adjusted Loss line, development costs of £0.3m were capitalised (H1 2020: £0.3m), relating entirely to work on our Virtual Cabinet and SmartVault products. No costs have yet been capitalised in respect of our GetBusy product as there is insufficient certainty around the commercial viability. Amortisation and depreciation of £0.4m (H1 2020: £0.3m) reflect the higher asset cost values following the fit-out of new offices in Cambridge and Houston. Share option costs of £0.3m include the impact of new option grants made during the period. Non-underlying costs of £0.1m include preliminary legal costs for the statutory reorganisation of the Group and redundancy costs related to a restructure of the GetBusy team.

The tax credit of £0.2m reflects a conservative estimate of the R&D cash credit claim in the UK. Loss after tax was £0.7m (H1 2020: profit of £0.8m), leading to a basic Loss per Share of 1.50p (H1 2020: basic earnings per share of 1.64p).

Strategy and outlook

Our objective to capitalise on our position as the leader in specialist document management software for accountants is supported by a simple, growth-focused strategy.

Our principal measure of success in the medium term is Annualised Recurring Revenue ("ARR") for the combined document management business. Today, about 56% of ARR comes from Virtual Cabinet. Over the next year, we expect SmartVault to overtake Virtual Cabinet in size and for growth in Group ARR to be increasingly influenced by SmartVault's higher growth rate.

We anticipate SmartVault's growth coming from four core areas:

- **New business**. This will be derived principally from our core accounting channels in the US and UK, in which the penetration of sector-specific document management software remains low. Complementary vertical markets will also be explored and investment made where we have a good opportunity to achieve product-market fit.
- **Monetisation**. We will iterate and optimise the packaging and pricing of SmartVault to ensure we are generating value from our substantial existing base of customers.
- **Expansion**. We will explore opportunities to sell additional functionality or products as a subscription into our existing customer base, enabling customers to automate or improve other processes in their workflows.

- **Churn control**. We will continue to make improvements to the product and customer experience to maintain churn at category-leading levels.

Increased investment over the medium term will be directed at enabling each of these four growth drivers. Our approach to investment is the rapid iteration of targeted incremental spend; we invest in increments based on an expected return derived from our business data, we measure the return against expectations regularly and then, if required, adjust the nature and extent of the investment.

Supporting the scaling of our SmartVault business is the highly cash generative nature of Virtual Cabinet, a high quality and well-established product with rich functionality and a strong customer base. We expect modest recurring revenue growth arising from a combination of new business, most notably from the cyclically buoyant insolvency sector in which Virtual Cabinet has particular strength, and upsell to existing customers. Revenue growth within Virtual Cabinet benefits from a stable cost base and strong operating leverage, which has the potential to enhance its enviably high operating margins.

Our objective for our GetBusy task management product is to prove a viable and scalable customer acquisition model. Our efforts are now firmly redirected towards building partner channels in the ERP space, in the first instance with NetSuite and its extensive ecosystem of value-added resellers, consultants and integration partners.

We continue to see a significant scaling opportunity for our document management business through SmartVault, on which we intend to capitalise. We expect continued strong growth in recurring subscription revenue in that business during H2 and, as we invest in the scale-up, we see an opportunity for the growth rate to potentially increase over the next few years. We look to the future with increasing confidence.

Consolidated income statement

For the six months ended 30 June 2021

	Note	H1 2021 £'000 *Unaudited*	H1 2020 £'000 *Unaudited*	FY 2020 £'000 *Audited*
Revenue	3	**7,489**	6,972	14,179
Cost of sales		**(630)**	(484)	(1,044)
Gross profit		**6,859**	6,488	13,135
Operating costs		**(7,741)**	(7,182)	(14,783)
Other income		**-**	-	588
Net finance costs		**(67)**	(18)	(66)
Loss before tax	3	**(949)**	(712)	(1,126)
Loss before tax		**(949)**	(712)	(1,126)
Capitalised development costs		**(324)**	(192)	(558)
Depreciation and amortisation on owned assets		**408**	287	558
Share option costs		**309**	370	652
Non-underlying costs		**58**	-	126
Other income		**-**	-	(588)
Finance costs / (income) not related to leases		**26**	(5)	9
Adjusted loss before tax		**(472)**	(252)	(927)
Tax		**206**	1,512	1,524
Profit / (Loss) for the period attributable to owners of the Company		**(743)**	800	398
Earnings / (Loss) per share (pence)				
Basic		**(1.50)**	1.64	0.81p
Diluted		**(1.50)**	1.42	0.71p

Consolidated statement of comprehensive income

For the six months ended 30 June 2021

	H1 2021 £'000 *Unaudited*	H1 2020 £'000 *Unaudited*	FY 2020 £'000 *Audited*
Profit/ (Loss) for the period	**(743)**	800	398
Other comprehensive income / (expense)			
Exchange differences on translation of foreign operations	**21**	(243)	92
Other comprehensive income / (expense) net of tax	**21**	(243)	92
Total comprehensive income for the period	**(722)**	557	490

Consolidated balance sheet

At 30 June 2021

	30 June 2021 £'000 *Unaudited*	31 December 2020 £'000 *Audited*	30 June 2020 £'000 *Unaudited*
Non-current assets			
Intangible assets	831	807	565
Property, plant and equipment	435	375	425
Leases	1,661	1,842	790
	2,927	**3,024**	**1,780**
Current assets			
Trade and other receivables	1,599	1,815	1,299
Current tax receivable	154	763	847
Cash and bank balances	1,991	2,283	2,125
	3,744	**4,861**	**4,271**
Total assets	**6,671**	**7,885**	**6,051**
Current liabilities			
Trade and other payables	(2,574)	(2,614)	(2,464)
Deferred revenue	(4,336)	(4,608)	(3,903)
Lease liabilities	(288)	(263)	(302)
Current tax payable	(91)	(272)	(47)
	(7,289)	**(7,757)**	**(6,716)**
Non-current liabilities			
Deferred revenue	-	(58)	(102)
Loans and borrowings	-	-	(420)
Deferred tax liabilities	-	-	(6)
Lease liabilities	(1,670)	(1,845)	(685)
	(1,670)	**(1,903)**	**(1,213)**
Total liabilities	**(8,959)**	**(9,660)**	**(7,929)**
Net assets	**(2,288)**	**(1,775)**	**(1,878)**
Equity			
Share capital	74	74	74
Share premium account	3,018	3,018	3,018
Demerger reserve	(3,085)	(3,085)	(3,085)
Retained earnings	(2,295)	(1,782)	(1,885)
Equity attributable to shareholders of the parent	**(2,288)**	**(1,775)**	**(1,878)**

Consolidated statement of changes in equity

For the six months ended 30 June 2021

2021 *Unaudited*	**Share capital £'000**	**Share premium account £'000**	**Demerger Reserve £'000**	**Retained earnings £'000**	**Total £'000**
At 1 January 2021	**74**	**3,018**	**(3,085)**	**(1,782)**	**(1,775)**
Profit for the period	-	-	-	(743)	(743)
Exchange differences on translation of foreign operations, net of tax	-	-	-	21	21
Total comprehensive profit attributable to equity holders of the parent	**-**	**-**	**-**	**(722)**	**(722)**
Issue of ordinary shares	-	-	-	-	-
Total transactions with owners of the Company	-	-	-	-	-
Share option costs	-	-	-	209	209
	-	**-**	**-**	**209**	**209**
At 30 June 2021	**74**	**3,018**	**(3,085)**	**(2,295)**	**(2,288)**

2020 *Unaudited*	**Share capital £'000**	**Share premium account £'000**	**Demerger Reserve £'000**	**Retained earnings £'000**	**Total £'000**
At 1 January 2020	**73**	**2,756**	**(3,085)**	**(2,688)**	**(2,944)**
Profit for the period	-	-	-	800	800
Exchange differences on translation of foreign operations, net of tax	-	-	-	(243)	(243)
Total comprehensive loss attributable to equity holders of the parent	**-**	**-**	**-**	**557**	**557**
Issue of ordinary shares	1	262	-	-	263
Total transactions with owners of the Company	**1**	**262**	**-**	**-**	**263**
Share option costs	-	-	-	246	246
	-	**-**	**-**	**246**	**246**
At 30 June 2020	**74**	**3,018**	**(3,085)**	**(1,885)**	**(1,878)**

2020 *Audited*	**Share capital £'000**	**Share premium account £'000**	**Demerger Reserve £'000**	**Retained earnings £'000**	**Total £'000**
At 1 January 2020	**73**	**2,756**	**(3,085)**	**(2,688)**	**(2,944)**

Profit for the period	-	-	-	398	398
Exchange differences on translation of foreign operations, net of tax	-	-	-	92	92
Total comprehensive loss attributable to equity holders of the parent	**-**	**-**	**-**	**490**	**490**
Issue of ordinary shares	1	262	-	-	263
Total transactions with owners of the Company	1	262	-	-	263
Share option costs	-	-	-	416	416
	-	**-**	**-**	**416**	**416**
At 31 December 2020	**74**	**3,018**	**(3,085)**	**(1,782)**	**(1,775)**

Consolidated cash flow statement

For the six months ended 30 June 2021

	H1 2021 £'000 *Unaudited*	H1 2020 £'000 *Unaudited*	FY 2020 £'000 *Audited*
Adjusted loss before tax	**(472)**	(252)	(927)
Depreciation of right of use asset - leases	**153**	-	365
Income statement cost of interest on finance leases	**41**	-	56
(Increase)/ decrease in receivables	**216**	251	(239)
(Decrease) / increase in payables	**(156)**	(117)	(37)
Increase/ (decrease) in deferred income	**(330)**	(429)	233
Cash used in operations	**(548)**	(547)	(549)
Non-underlying costs	**(58)**	-	-
Income taxes received	**638**	682	1,076
Interest received	**(26)**	5	5
Net cash from operating activities	**6**	140	532
Purchases of property, plant and equipment	**(124)**	(284)	(368)
Purchases of other intangible assets	**(42)**	(3)	(29)
Net cash used in investing activities	**(166)**	(287)	(397)
Principal portion of lease payments	**(147)**	-	(226)
Interest on lease liabilities	**(16)**	-	(56)
Proceeds on issue of shares	**-**	263	263
Income from forgiven PPP loan	**-**	-	384
Transaction costs related to loans and borrowings	**-**	-	(94)
Proceeds from loans and borrowings	**-**	419	-
Net cash from financing activities	**(163)**	682	271
Net decrease in cash	**(323)**	535	406
Cash and bank balances at beginning of period	**2,283**	1,743	1,743
Effects of foreign exchange rates	**31**	(153)	134
Cash and bank balances at end of period	**1,991**	2,125	2,283

Notes to the financial information

1. General information

These interim financial statements are for the six months ended 30 June 2021. They do not require all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2020.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates.

2. Basis of preparation and accounting policies

The financial information set out above does not constitute statutory accounts within the meaning of section s434(3) of the Companies Act 2006 or contain sufficient information to comply with the disclosure requirements of EU adopted International Financial Reporting Standards ("IFRS").

The financial statements of GetBusy plc for the year ended 31 December 2020 were authorised for issue by the Board of Directors on 2 March 2021. The auditors have reported on these accounts and their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain any statements under s498 (2) or (3) of the Companies Act 2006.

These interim financial statements are prepared on the same basis as the financial statements for the year ended 31 December 2020, in which our full set of accounting policies, including critical judgements and key sources of estimation uncertainty, can be found.

Alternative performance measures

The Group uses a series of non-IFRS alternative performance measures ("APMs") in its narrative and financial reporting. These measures are used because we believe they provide additional insight into the performance of the Group and are complementary to our IFRS performance measures. This belief is supported by the discussions that we have on a regular basis with a wide variety of stakeholders, including shareholders, staff and advisers.

The APMs used by the Group, their definition and the reasons for using them, are provided below:

Recurring revenue. This includes revenue from software subscriptions and support contracts. A key part of our strategy is to grow our high quality recurring revenue base. Reporting recurring revenue allows shareholders to assess our progress in executing our strategy.

Adjusted Profit / Loss before Tax. This is calculated as profit / loss before tax and before certain items, which are listed below along with an explanation as to why they are excluded:

> *Depreciation and amortisation of owned assets.* These non-cash charges to the income statement are subject to significant judgement. Excluding them from this measure removes the impact of that judgement and provides a measure of profit that is more closely aligned with operating cashflow. Only depreciation on owned assets is excluded; depreciation on leased assets remains a component of adjusted profit / loss because, combined with interest expense on lease liabilities, it is a proxy for the cash cost of the leases.
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> *Share option costs*. Significant judgement is applied in calculating the fair value of share options and subsequent charge to the income statement, which has no cash impact. The impact of potentially dilutive share options is also considered in diluted earnings per share. Therefore, excluding share option costs from Adjusted Profit / Loss before Tax removes the impact of that judgement and provides a measure of profit that is more closely aligned with cashflow.
>
> *Capitalised development costs*. There is a broad range of approaches across companies in applying IAS38 *Intangible assets* in their financial statements. There are also many examples of companies being criticised for using the capitalisation and amortisation of development costs as a method of manipulating profit, due to the substantial management judgement involved in applying the standard. To assist transparency, we exclude the impact of capitalising development costs from Adjusted Profit / Loss before Tax in order that shareholders can more easily determine the performance of the business before the application of that significant judgement. The impact of development cost capitalisation is recorded within operating costs. The cashflow statement reconciles from Adjusted

Profit / Loss before Tax, and so there is no adjustment for development amortisation within operating cashflows and no adjustment for development capitalisation within cashflows from investing activities.

Non-underlying costs. Occasionally, we incur costs that are not representative of the underlying performance of the business. In such instances, those costs may be excluded from Adjusted Profit / Loss before Tax and recorded separately. In all cases, a full description of their nature is provided.

Finance costs / (income) not related to leases. These are finance costs and income such as interest on bank balances. It excludes the interest expense on lease liabilities under IFRS16 because, combined with depreciation on leased assets, it is a proxy for the cash cost of the leases.

Constant currency measures. As a Group that operates in different territories, we also measure our revenue performance before the impact of changes in exchange rates.

Glossary of terms

The following terms are used within these interim financial statements:

MRR. Monthly recurring revenue. That is, the monthly value of subscription and support revenue, both of which are classified as recurring revenue.

Annualised MRR. For a given month, the MRR multiplied by 12.

CAC. Customer acquisition cost. This is the average cost to acquire a customer account, including the costs of marketing staff, content, advertising and other campaign costs, sales staff and commissions.

LTV. Life time value, calculated as the average revenue per account multiplied by the average gross margin and divided by gross MRR churn.

MRR churn. The average percentage of MRR lost in a month due to customers leaving our platforms.

Net MRR churn. The average percentage of MRR lost or gained (if negative) in a month due to the combined impact of customers leaving our platforms, customers upgrading or downgrading their accounts and price increases or reductions.

ARPU. Annualised MRR per paid user at a point in time.

3. Revenue and operating segments

The Group's operating segments comprise its three software products (Virtual Cabinet, SmartVault and GetBusy) and a corporate and central segment. Our Chief Executive Officer assesses Group performance on that basis.

H1 2021 ***Unaudited***	**Document Management**		**Task management**		
	Virtual Cabinet £'000	**SmartVault £'000**	**GetBusy £'000**	**Corporate & central £'000**	**Total £'000**
Recurring revenue	3,912	3,018	12	(2)	6,940
Non-recurring revenue	346	203	-	-	549
Revenue from contracts with customers	**4,258**	**3,221**	**12**	**(2)**	**7,489**
Cost of sales	(89)	(514)	(29)	2	**(630)**
Gross profit	**4,169**	**2,707**	**(17)**	**-**	**6,859**
Sales, general and admin costs	(1,678)	(2,319)	(384)	(1,098)	**(5,479)**
Development costs	(384)	(858)	(610)	**-**	**(1,852)**
Adjusted profit / (loss) before tax	**2,107**	**(470)**	**(1,011)**	**(1,098)**	**(472)**
Capitalisation of development costs					324

Depreciation and amortisation on owned assets	(408)
Share option costs	(309)
Non-underlying costs	(58)
Other finance income / (costs)	(26)
Loss before tax	**(949)**

H1 2020 ***Unaudited***	**Document Management**		**Task management**		
	Virtual Cabinet £'000	**SmartVault £'000**	**GetBusy £'000**	**Corporate & central £'000**	**Total £'000**
Recurring revenue	3,758	2,617	-	-	6,375
Non-recurring revenue	471	126	-	-	597
Revenue from contracts with customers	**4,229**	**2,742**	**-**	**-**	**6,972**
Cost of sales	(78)	(393)	(13)	-	**(484)**
Gross profit	**4,151**	**2,350**	**(13)**	**-**	**6,488**
Sales, general and admin costs	(1,788)	(1,959)	(569)	(819)	**(5,135)**
Development costs	(369)	(724)	(512)	-	**(1,605)**
Adjusted profit / (loss) before tax	**1,994**	**(333)**	**(1,094)**	**(819)**	**(252)**
Capitalisation of development costs					192
Depreciation and amortisation on owned assets					(287)
Share option costs					(370)
Other finance income / (costs)					5
Loss before tax					**(712)**

2020 Audited	**Document Management**		**Task management**		
	Virtual Cabinet £'000	**SmartVault £'000**	**GetBusy £'000**	**Corporate & central £'000**	**Total £'000**
Recurring revenue	7,578	5,433	6	-	13,017
Non-recurring revenue	895	267	-	-	1,162
Revenue from contracts with customers	**8,473**	**5,700**	**6**	**-**	**14,179**
Cost of sales	(168)	(838)	(38)	-	**(1,044)**
Gross profit	**8,305**	**4,862**	**(32)**	**-**	**13,135**
Sales, general and admin costs	(3,422)	(4,550)	(1,058)	(1,470)	**(10,500)**
Development costs	(992)	(1,685)	(885)	-	**(3,562)**
Adjusted profit / (loss) before tax	**3,891**	**(1,373)**	**(1,975)**	**(1,470)**	**(927)**
Capitalisation of development costs					558
Depreciation and amortisation on owned assets					(558)
Share option costs					(416)
Social security costs on share options					(236)

Non-underlying costs	(126)
Other income	588
Other finance income / (costs)	(9)
Loss before tax	**(1,126)**

4. Earnings per share

The calculation of earnings per share is based on the loss for the period of £743k (H1 2020: profit of £800k).

Weighted number of shares calculation	**H1 2021 '000 *Unaudited***	**H1 2020 '000 *Unaudited***	**FY 2020 '000 *Audited***
Weighted average number of ordinary shares	**49,471**	48,867	49,219
Effect of potentially dilutive share options in issue	**7,495**	7,342	7,251
Weighted average number of ordinary shares (diluted)	**56,966**	56,209	56,470

Earnings / (Loss) per share	**H1 2021 pence *Unaudited***	**H1 2020 pence *Unaudited***	**FY 2020 pence *Audited***
Basic	(1.50)	1.64	0.81
Diluted	(1.50)	1.42	0.71

At 30 June 2021 there were 7,712,467 shares under option. As required by IAS33 (Earnings per Share), the impact of potentially dilutive options was disregarded for the purposes of calculating diluted loss per share in the Period as the Group was loss making.