20 March 2018

GetBusy plc ("GetBusy" or the "Company" or the "Group")

2017 Full Year Audited Results

GetBusy reports high 23% recurring revenue growth

GetBusy plc (AIM: GETB), a leading document management software business, is pleased to announce its audited results for the year-ending 31 December 2017.

	2017	2016	Change	
	£'000	£'000	£'000	%
Total revenue	**9,294**	**7,762**	**1,532**	**20%**
Recurring revenue	7,960	6,470	1,490	23%
% revenues recurring	86%	83%		
Adjusted EBITDA*	**(1,209)**	**(1,728)**	**519**	**30%**
Cash	2,814	-	2,814	n/a

- Strong 23% growth in recurring revenue, which now represents 86% of total
- Operating leverage** of 63% in 2017
- £2.8m of cash at 31 December 2017
- 11% increase to over 57,000 paying users of the Group's Virtual Cabinet and SmartVault products

* Adjusted EBITDA is EBITDA before IPO and demerger costs, share option costs and net capitalised development costs.

** Operating leverage is calculated as the increase in Adjusted EBITDA before development and corporate costs, as disclosed in note 4, divided by the increase in total revenue.

Daniel Rabie, CEO of GetBusy, comments:

"I am delighted with the performance of the Group during 2017. We've built momentum across the business: we grew our recurring revenue by 23%, exercised disciplined cost control, successfully completed the demerger and IPO and closed the year with £2.8m of cash.

"Customers love our products because they make them more productive, efficient and compliant and we have a customer-focussed culture. In 2018 we expect those strong fundamentals to contribute to continued growth in high quality subscription revenues from our existing products.

"In addition to this success, I am very pleased with the progress on our new GetBusy application and excited about the value it will bring to our customers."

The Annual Report and Accounts will be sent to shareholders in due course, and in any event not later than 27 April 2018, and will be made available today on the Group's website www.getbusy.com/about/investors

The Company also announces that the Annual General Meeting of the Company ("AGM") will be held on Tuesday 22 May at 11am British Summer Time at the offices of Grant Thornton UK LLP, 30 Finsbury Square, London, EC2P 2YU.

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About GetBusy

GetBusy is an established, successful, award-winning Document Management software business, with operations in UK, USA, Australia and New Zealand, providing over 57,000 customers with a highly secure form of digital document distribution with the flexibility to suit any business or industry. It has found particular success in the accountancy, legal and financial services verticals. Over 864,000 users are registered to share information through GetBusy's online client portals.

The Group has three core product offerings:

- Virtual Cabinet is Document Management software focused on the medium size to enterprise size markets. It is used by 27 of the 100 largest accounting firms in the UK and 11 of the top 20 accounting firms in Australia and New Zealand;
- SmartVault is an award-winning Document Management software targeting the professional small and medium enterprise market, and is long established in the USA;
- GetBusy (in development) is a new product which will help customers create stronger relationships with less effort, help users become more organised and productive, and reduce their administrative burden.

The Group has an international reach, rapidly growing existing products, a proven business model, and strong momentum moving into the future.

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

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EU) 596/2014.

Chairman's Statement

2017 was a memorable year for GetBusy. In August, we completed the demerger of the document management business from Reckon Limited, the fully underwritten rights issue and the admission to trading on AIM. And amidst this backdrop of considerable change for the business and its employees, we still managed to deliver a very solid maiden set of results.

The fundamental challenges of secure document management and information chaos, which our products help to solve, remain prevalent across a range of vertical markets. The demonstrable cost savings enabled by our products provide a convincing business case for our customers. Legislative changes, such as the General Data Protection Regulations ("GDPR") in the EU, are important catalysts for businesses, professional services firms, academic institutes, retailers and many other organisations to examine their document management practices and select tools that improve efficiency and compliance.

Both of our document management products, Virtual Cabinet and SmartVault, have delivered excellent revenue growth across each of our territories. In particular, we have seen very strong performances in the US and Australia. We have built significant momentum in a year of change.

Our development teams have also been working hard on our new solution, GetBusy, which will help SMEs with productivity and communication. Iterative development is ongoing and we are encouraged by the engagement of early users with the process.

I would like to thank all of our shareholders for their support. The rights issue was fully subscribed. The demerger and admission to AIM allows us to pursue an independent strategy for developing new global offerings that build on our great existing customer base plus enables the creation of our own personality consistent with the innovative nature of the new GetBusy product in development.

We have a Board with an excellent mix of skillsets and experience. Our management team, led by Daniel Rabie, is dynamic and motivated to deliver on our strategy. Each of our people is committed to living the culture and values we're embedding and to help our customers to be more productive.

In the coming year we expect continued growth in high quality subscription revenues from Virtual Cabinet and SmartVault in the UK, US, Australia and New Zealand. We will continue to invest in developing the GetBusy product as well as making improvements to our existing products.

I look forward to meeting you at the AGM in May.

CEO's Review

A big thank you to our shareholders: those that came over from Reckon, those that joined us at the IPO and those that have joined us since. I am very grateful for your support and I look forward to working with the Board, the management team and all of our people to deliver sustained shareholder value well into the future.

A solid performance in our maiden year

I am delighted with the performance of the team this year who have all risen to the challenges we have put before them. We successfully completed the demerger from Reckon together with the rights issue and the admission to AIM, but most importantly we have delivered a solid performance in our maiden year, with pleasing growth across the business. Our growing high-quality subscription revenue puts the Company in an excellent position to leverage off its market position and continue our growth plans in 2018.

High quality organic revenue growth from proven products

Revenue grew by 20% across the Group to £9.3m (2016: £7.8m). Pleasingly, our recurring revenue grew by 23% to £8.0m (2016: £6.5m) and now represents 86% of Group revenue (2016: 83%); increasing our proportion of recurring subscription revenues is an important part of our strategy to create a sustainably growing business.

Revenue in Australia and New Zealand grew by 98% to £1.3m (2016: £0.7m) and revenue in the United States grew by 30% to £2.9m (2016: £2.2m). Revenue in the UK, which is a significantly more mature market, grew by 4% to £5.1m (2016: £4.9m). In December 2017, our monthly recurring revenue ("MRR") was £0.7m, equivalent to annualised recurring revenue of £8.8m. MRR growth from December 2016 to December 2017 was 25%.

Our Virtual Cabinet and SmartVault products have continued to acquire new customers and users. During 2017 our paying customer base increased by 11% to 57,000 (2016: 51,000). The number of users accessing our portal products rose by 40% to 864,000. Existing customers and users provide us with an excellent platform, a cost-effective channel and supportive advocates to launch our new GetBusy product.

Our largest market in 2017 continued to be accountants and bookkeepers, to which 51% of Virtual Cabinet revenue and 75% of SmartVault revenue was attributable. We serve 27 of the Top 100 accounting firms in the UK and 11 of the Top 20 in Australia and New Zealand. We have also increased our presence in other high-value vertical markets including law firms, independent financial advisers, insurance, estate agents, retailers, leisure firms and academia.

The need to manage digital data and hard copy documents is a significant challenge for businesses using traditional digital storage and retrieval methods in standard computer operating systems. These systems are typically cumbersome, slow, unsecure and lack a standardised systematic approach to file storage and naming conventions. The Group's software seeks to address the potential information chaos caused by these issues by optimising the capture, management, preservation and delivery for each individual document in the business.

This issue is a very real problem and forms a cost to businesses who are not addressing it. Wasted time dealing with information issues can cost organisations about US$19,732 per information worker per year according to IDC, amounting to a 21.3% loss in an organisation's total productivity.

The Group is positioned to access this international market as its SmartVault and Virtual Cabinet software products are suitable for businesses ranging in size from SMEs to large global enterprise organisations. Furthermore, there is strong global demand and little country-specific optimisation needed, as evidenced by Virtual Cabinet's successful international expansion from the United Kingdom into the Australian and New Zealand markets.

These trends are favourable to the Group and its product suite and are expected to continue to drive new revenue growth and market expansion for the foreseeable future.

Cost control and targeted development investment

2017 has been a year of continued investment in our sales and marketing operations and in the development of new and existing products. It's also been a year in which we have absorbed the additional corporate costs of being a standalone listed group. Notwithstanding these additional costs and investments, our Adjusted EBITDA loss has reduced by 30% to £1.2m (2016: £1.7m).

During the year we spent £2.6m developing our products. We moved the Virtual Cabinet cloud portal to Amazon Web Services, which has resulted in a more reliable and secure service for our customers and is more scalable. We have embedded Multi-Factor Authentication within the SmartVault product to further enhance its security and have improved its digital signature capabilities following our integration with a new partner, DocuSign.

Our next generation product, GetBusy, will seek to combine document management with key additional communication functionality that businesses require, but which is currently spread across multiple systems, including messaging, quotes, invoices, tasks capture and more.

The development of the GetBusy product has three core objectives, to:

- create stronger customer relationships for users with less effort;
- help users become more organised and productive; and
- reduce administrative burden.

Once developed, GetBusy is expected to be able to leverage the Group's existing customer base and global infrastructure in place. GetBusy addresses a real market need and is expected to continue to achieve growth in the Group's core markets of SMEs and large enterprises.

Awesome people

Our people are at the heart of everything we do. Against a backdrop of significant change, I couldn't be more proud of the team who have delivered robust business performance with significant high-quality revenue growth and exciting progress on developing new products. GetBusy's dynamic customer focused culture enables us to be innovative, agile and continuously moving forward.

I want expressly to say thank you to each and every one of our people. Our success is carried on your shoulders.

Outlook

Our key vertical markets remain strong. International changes to the data regulatory environment increase general awareness of the business case for sophisticated document management systems. In 2018 we expect those strong fundamentals to contribute to continued growth in high quality subscription revenues from our existing products, particularly in the United States and Australia. I am proud of GetBusy's progress towards building a customer-centric application with a scalable and reliable architecture framework.

Financial review

Income statement

Group revenue increased by 20% in 2017 to £9.3m (2016: £7.8m). The proportion of our revenue from our four key territories shifted in the year, reflecting the relative maturity of the UK market compared to the faster growing US and Australian markets. The UK now accounts for 55% of revenue (2016: 63%), while the US has grown from 28% to 31% and Australia and New Zealand has leapt from 9% to 14% following continued strong growth after the move into that market in 2015.

In 2017, we decided to early adopt IFRS15, the new accounting standard for revenue recognition. This standard significantly changes the timing of the recognition of some of our revenue streams and unfortunately leads to an increasing disconnect between the timing of revenue recognition and the time of the associated cashflows. We have provided a complete explanation of these changes and the way in which we recognise revenue under IFRS15 in notes 2 and 5. The revenue impact of early adoption in 2017 was minimal – only £54k – but our deferred revenue increased by £1,019k.

Gross margin in 2017 was 92.9% (2016: 92.2%), with the small increase due principally to product mix.

Development costs of £2.6m comprise staff and related costs, the costs of development tools and software and specialist consultancy costs. The 6% reduction in development costs in 2017 is attributable to a reduction in headcount in the United States in order to better control costs in that business and to improve the balance of skillsets across the Group.

Our preferred internal method of accounting for development costs is to expense 100% of the costs incurred in order to drive our focus on cashflow. Therefore our Adjusted EBITDA metric assumes all development costs are expensed, with the capitalisation and amortisation of certain costs required by IFRS recorded below the Adjusted EBITDA line on our Income Statement. £311k of development costs were capitalised during 2017 and related to various enhancements to our Virtual Cabinet and SmartVault products. We have capitalised no costs related to the GetBusy product because we cannot demonstrate with sufficient certainty the commercial viability of the product.

Sales, general and admin costs of £7.2m have remained at 78% of revenue. This is despite the additional burden of corporate costs that we now incur as a standalone listed company, including adviser and Board expenses, which totalled £0.9m in 2017 (2016: £0.3m). Overall our Adjusted EBITDA loss of £1.2m is £0.5m lower than 2016 – an improvement of 30%.

£0.9m of non-recurring costs were incurred during 2017, mainly during the demerger and IPO process and the subsequent establishment and reorganisation of the leadership team. Non-cash share option costs of £105k were incurred following the grant of LTIP options to senior management. Our statutory operating loss for the year was £2.1m, £0.2m higher than 2016 which included neither IPO and demerger costs nor share option costs.

The tax charge in the year of £0.2m relates mainly to deferred tax movements in respect of development costs in the UK, rather than current tax. Our loss after tax for the year was £2.3m (2016: £1.7m). This gives rise to basic and diluted loss per share of 4.75p (2016: 3.52p); as the group is currently loss-making the impact of potentially dilutive options is disregarded in the diluted loss per share calculation.

Balance sheet

Intangible assets of £0.3m comprise mainly development costs capitalised in the year together with certain protected intellectual property. Trade and other receivables increased by 41% during the year to £1.6m, due to both an increase in revenue and deposits paid for the rental of new office premises in Sydney. The Group finished 2017 with cash of £2.8m.

Trade and other payables increased by 81% during 2017, mainly due to higher levels of accrued expenditure at the corporate level towards the end of the year. Deferred revenue, as recorded under IFRS15, increased by 8% in the year to a total of £4.4m, of which £4.0m is expected to unwind during 2018. Deferred revenue at 31 December 2017 is £1.0m higher than it would have been under the pre-IFRS15 rules.

The biggest change to the shape of the balance sheet during 2017 is within the Equity section. Movements in share capital and share premium reflect the creation of our holding company, GetBusy plc, and the raising of funds on AIM in August 2017. The change to the Demerger Reserve reflects the net contribution of quasi-equity funding from Reckon Limited prior to the demerger.

Cashflow

Net cash used in operations of £0.7m was markedly better than the Adjusted EBITDA loss of £(1.2)m due to a combination of trade working capital improvements during the course of the year and increase in accrued expenditure at the corporate level. Capital expenditure related to Property, Plant and Equipment was £0.2m.

Net funding prior to the de-merger was £0.7m and the IPO raised £3.0m of cash.

Cash at 31 December 2017 was £2.8m. While we do not have any committed lines of credit in place, we maintain close relationships with our corporate bankers and other commercial banks.

Consolidated income statement (audited)

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Revenue	4	**9,294**	7,762
Cost of sales		(659)	(604)
Gross profit		8,635	7,158
Development costs		(2,641)	(2,798)
Sales, general and admin costs		(7,203)	(6,088)
Adjusted EBITDA	4	**(1,209)**	(1,728)
Net capitalised development costs		259	-
Depreciation and amortisation of owned assets		(119)	(155)
Share option costs		(105)	-
Demerger and flotation costs		(911)	-
Operating loss		(2,085)	(1,883)
Net finance income		(31)	(23)
Loss before tax		(2,116)	(1,906)
Tax		(183)	203
Loss for the year attributable to owners of the Company		(2,299)	(1,703)
Loss per share (pence)			
Basic and diluted		4.75p	3.52p

Consolidated statement of comprehensive income (audited)

For the year ended 31 December 2017

	2017 £'000	2016 £'000
Loss for the year	(2,299)	(1,703)
Other comprehensive expense		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	92	(73)
Income tax relating to items that may be reclassified subsequently to profit or loss	4	-
Other comprehensive income / (expense) net of tax	96	(73)
Total comprehensive income for the year	(2,203)	(1,776)

Consolidated balance sheet (audited)

At 31 December 2017

	2017 £'000	2016 £'000
Non-current assets		
Intangible assets	302	56
Property, plant and equipment	298	317
Deferred tax asset	-	105
	600	478
Current assets		
Trade and other receivables	1,554	1,106
Current tax receivable	95	-
Cash and bank balances	2,814	-
	4,463	1,106
Total assets	5,063	1,584
Current liabilities		
Trade and other payables	(1,694)	(938)
Deferred revenue	(3,952)	(3,606)
Current tax payable	-	(177)
	(5,646)	(4,721)
Non-current liabilities		
Deferred revenue	(409)	(427)
Deferred tax liabilities	(205)	-
	(614)	(427)
Total liabilities	(6,260)	(5,148)
Net assets	(1,197)	(3,564)
Equity		
Share capital	73	56
Share premium account	2,756	-
Demerger reserve	(3,085)	882
Retained earnings	(941)	(4,503)
Equity attributable to shareholders of the parent	(1,197)	(3,564)

Consolidated statement of changes in equity (audited)

For the year ended 31 December 2017

2017	**Share capital £'000**	**Share premium account £'000**	**Demerger Reserve £'000**	**Retained earnings £'000**	**Total £'000**
At 1 December 2017	**57**	**-**	**882**	**(4,503)**	**(3,564)**
Loss for the year	-	-	-	(2,299)	(2,299)
Exchange differences on translation of foreign operations, net of tax	-	-	-	92	92
Tax recognised in equity	-	-	-	4	4
Total comprehensive loss attributable to equity holders of the parent	**-**	**-**	**-**	**(2,203)**	**(2,203)**
Proceeds from issue of shares	16	2,756	-	-	2,772
Share option costs, net of tax	-	-	-	105	105
Funding from related party	-	-	(3,967)	5,660	1,693
	16	2,756	(3,967)	5,765	4,570
At 31 December 2017	**73**	**2,756**	**(3,085)**	**(941)**	**(1,197)**

2016	**Share capital £'000**	**Share premium account £'000**	**Demerger Reserve £'000**	**Retained earnings £'000**	**Total £'000**
At 1 January 2016	**57**	**-**	**(956)**	**(2,227)**	**(3,126)**
Loss for the year	-	-	-	(1,703)	(1,703)
Exchange differences on translation of foreign operations, net of tax	-	-	-	(73)	(73)
Total comprehensive loss attributable to equity holders of the parent	**-**	**-**	**-**	**(1,776)**	**(1,776)**
Dividends paid	-	-	-	(500)	(500)
Funding from related party	-	-	1,838	-	1,838
	-	-	1,838	(500)	1,338
At 31 December 2016	**57**	**-**	**882**	**(4,503)**	**(3,564)**

Consolidated cash flow statement (audited)

For the year ended 31 December 2017

	2017 £'000	2016 £'000
Adjusted EBITDA	(1,209)	(1,728)
Increase in receivables	(448)	(479)
Increase in payables	701	582
Increase in deferred income	329	992
Cash used in operations	(627)	(633)
Income taxes received / (paid)	(21)	-
Interest received / (paid)	(30)	(23)
Net cash used in operating activities	(678)	(656)
Purchases of property, plant and equipment	(172)	(74)
Proceeds on disposal of property, plant and equipment	-	4
Purchases of other intangible assets	-	-
Net cash used in investing activities	(172)	(70)
Net funding provided prior to demerger	664	1,226
Dividends paid	-	(500)
Proceeds on issue of shares	3,000	-
Net cash used in financing activities	3,664	726
Net increase / (decrease) in cash	2,814	-
Cash and bank balances at beginning of year	-	-
Effects of foreign exchange rates	-	-
Cash and bank balances at end of year	2,814	-

Notes to the financial information

1. General information

GetBusy plc is a public limited company ("Company") and is incorporated in England under the Companies Act 2006. The company's shares are traded on the Alternative Investment Market ("AIM"). The Company's registered office is Unit G, South Cambridge Business Park, Cambridge, CB22 3JH. The Company is a holding company for a group of companies ("Group") involved in the development and sale of awesome software helping customers with electronic document management, communication and productivity.

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 s435(1) and (2) of the Companies Act 2006 or contain sufficient information to comply with the disclosure requirements of International Financial Standards ("IFRS").

The financial statements of GetBusy plc for the year ended 31 December 2017 were authorised for issue by the Board of Directors on 19 March 2018. 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.

The Group wholeheartedly embraces the Financial Reporting Council's aim to cut clutter and improve the quality of reporting by smaller companies. So in these financial statements you'll only see disclosures that are material; if a disclosure isn't made it's because the item to which it relates isn't material. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; the Group financial statements therefore comply with Article 4 of the EU IAS Regulation. They're also prepared using the historic cost convention. Material accounting policies, for which additional specific narrative adds to the boilerplate description in the underlying IFRS, are set out below.

A reconciliation to figures previously reported in the AIM Admission Document is provided in note 6.

Consolidation

The group's reorganisation constitutes a common control transaction, which is outside the scope of IFRS 3. IFRS does not contain specific guidance on the preparation of financial statements for this scenario and accordingly in preparing these financial statements, we have opted to apply predecessor accounting whereby the net assets are incorporated into the consolidated financial statements at their previous carrying values. There is no goodwill arising on the combination – the differences between the aggregate book values of the subsidiaries and the consideration given for them has been accounted for within a merger reserve.

In practice, this means that the consolidated financial statements have been prepared as if the group always existed.

Revenue recognition

The Group has early-adopted IFRS15, the accounting standard for revenue recognition, for its first financial statements. The Group 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.

SmartVault is a pure subscription product with some limited consulting sold alongside, such as onboarding, training etc, although the product can be used "off the shelf". SmartVault subscription revenue is recognised on a straight-line basis over the contract, with consulting revenue recognised at the point that each individual consulting project is completed.

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). 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.

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.

3. Critical accounting judgements and key sources of estimation uncertainty

To apply IFRS and our accounting policies, we have to make judgements, estimates and assumptions about some of the amounts in our financial statements that are not readily apparent from other sources. These judgements and estimates are based on a combination of past experience and current circumstance; the actual results may differ from the estimates we've made.

Below is a list of critical accounting judgements and key sources of estimation uncertainty other than revenue recognition.

Development costs

Based on the methodology described in the accounting policies above, 20% 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 sufficient certainty until all high risk development issues have been resolved through testing pre-launch versions of the product. No expenditure for 2016 has been capitalised as we do not have the ability to measure the cost reliably against the criteria above.

Share option costs

IFRS 2 *Share based payment* requires the use of statistical models to determine the fair value of share options granted to employees. The nature of the options we have granted means a Monte Carlo model has been used by a third party firm to estimate the fair value. This model makes use of various assumptions.

4. Revenue and operating segments

Our single operating segment is the development and sale of document management software products across several countries. Our Chief Executive Officer assesses Group performance on that basis.

2017	**UK £'000**	**USA £'000**	**Aus / NZ £'000**	**Total £'000**
Recurring revenue	3,975	2,721	1,264	7,960
Non-recurring revenue	1,118	131	85	1,334
Revenue from contracts with customers	**5,093**	**2,852**	**1,349**	**9,294**
Adjusted EBITDA before development and corporate costs	**2,277**	**(36)**	**68**	**2,309**
Development costs				(2,641)
Corporate costs				(877)
Adjusted EBITDA				**(1,209)**

2016	**UK £'000**	**USA £'000**	**Aus / NZ £'000**	**Total £'000**
Recurring revenue	3,775	2,069	626	6,470
Non-recurring revenue	1,118	118	56	1,292
Revenue from contracts with customers	**4,893**	**2,187**	**682**	**7,762**
Adjusted EBITDA before development and corporate costs	**2,310**	**(907)**	**(53)**	**1,350**
Development costs				(2,798)
Corporate costs				(280)
Adjusted EBITDA				**(1,728)**

Recurring revenue is defined as revenue from subscription and support contracts. Non-recurring revenue is defined as revenue from software licences, consulting and licence upgrades.

Revenue from contracts with customers includes £3,606k that was recorded within the deferred revenue balance at the beginning of the period. The £328k (8%) increase in deferred revenue during 2017 is due to the increase in trade with customers. The increase is less proportionally than the increase in revenue because much of the revenue increase is from Australia, where our customers are usually billed monthly for subscriptions, giving rise to only small amounts of deferred revenue.

No customer represented more than 10% of our revenue in either year.

The impact of the application of IFRS15 on each financial statement line item is shown below for 2017. The impact on 2016 is shown in note 6.

2017 income statement	**Before transition £'000**	**Transition adjustments £'000**	**As Reported £'000**

Revenue	9,347	(53)	9,294
Cost of sales	(659)	-	(659)
Gross profit	**8,688**	**(53)**	**8,635**
Development costs	(2,641)	-	(2,641)
Sales, general and admin costs	(7,203)	-	(7,203)
Adjusted EBITDA	**(1,156)**	**(53)**	**(1,209)**

2017 balance sheet	**Before transition £'000**	**Transition adjustments £'000**	**As Reported £'000**
Deferred revenue	(3,342)	(1,019)	(4,361)
Retained earnings	78	(1,019)	(941)
Net assets	(178)	(1,019)	(1,197)

5. Loss per share

The calculation of loss per share is based on the loss for the year of £2,299k (2016: £1,703k). There is a material departure from the requirements of IAS 33 in the calculation of earnings per share ("EPS") due to the carve-out basis of preparation described in note 2. To provide a meaningful measure of performance, the directors have assumed that the number of shares and the number of potentially dilutive shares have remained constant throughout the year and the prior year.

Weighted number of shares calculation	**2017 '000**	**2016 '000**
Weighted average number of ordinary shares	48,400	48,400
Effect of potentially dilutive share options in issue	4,770	4,770
Weighted average number of ordinary shares (diluted)	**53,170**	**53,170**

Loss per share	**2017 pence**	**2016 pence**
Basic and diluted	(4.75)	(3.52)

As required by IAS33 (Earnings per Share), the impact of potentially dilutive options has been disregarded for the purposes of calculating diluted loss per share as the Group is currently loss making.

6. Reconciliation to previously reported information

The table below reconciles key line items in these financial statements to the information provided in the AIM Admission Document.

2016 income statement	**As previously reported £'000**	**IFRS15 adoption £'000**	**Development Costs £'000**	**As Reported £'000**

Revenue	7,971	(209)	-	7,762
Cost of sales	(604)	-	-	(604)
Gross profit	**7,367**	**(209)**	**-**	**7,158**
Development costs	(147)	-	(2,651)	(2,798)
Sales, general and admin costs	(6,088)	-	-	(6,088)
Adjusted EBITDA	**1,132**	**(209)**	**(2,651)**	**(1,728)**

2016 balance sheet	**As previously reported £'000**	**IFRS15 adoption £'000**	**Development Costs £'000**	**As Reported £'000**
Intangible assets	2,742	-	(2,686)	56
Deferred tax asset	-	-	105	105
Deferred revenue	(3,068)	(965)	-	(4,033)
Deferred tax liabilities	(257)	-	257	-
Retained earnings	(1,214)	(838)	(2,451)	(4,503)
Net assets	(275)	(838)	(2,451)	(3,564)