

# Nlyte Software Limited


Report and Financial Statements

Year Ended

31 December 2019

Company Number 04805444

FRIDAY



\*A9JNNJ9D\*

A17	11/12/2020	#113
COMPANIES HOUSE		
*A9VPOIPT*		
A10	08/01/2021	#129
COMPANIES HOUSE		
*A9JNMZ6Z*		
A09	11/12/2020	#126
COMPANIES HOUSE		

F

F

**Nlyte Software Limited**  
**Report and financial statements**  
**for the year ended 31 December 2019**

---

**Contents**

**Page:**

1	Strategic report
3	Directors' report
5	Statement of directors' responsibilities
6	Independent auditor's report
9	Consolidated statement of comprehensive income
10	Consolidated statement of financial position
11	Consolidated statement of changes in equity
12	Consolidated statement of cash flows
13	Company statement of financial position
14	Company statement of changes in equity
15	Notes forming part of the financial statements

---

**Directors**

R Bearden (Chairman) (appointed 7 February 2019)  
B Liautaud  
J E Moreton  
R Ripley  
D Sabella

**Secretary and registered office**

O Nisbett, Riverside House, 26 Osiers Road, London, SW18 1NH

**Company number**

04805444

**Auditors**

BDO LLP, 55 Baker Street, London, W1U 7EU

# Nlyte Software Limited

## Strategic report for the year ended 31 December 2019

---

### Chairman's message

The 3% year on year increase in turnover and 1% increase in the number of customers reflects the difficult trading environment the Group experienced in 2019.

While the Group's perpetual licence fee revenue slightly contracted by 4% its SaaS, hosting and subscription revenue grew by 57% while support and maintenance revenue grew by 10%.

The increase in administration costs is due to a 6% increase in the Group's staff costs.

The Group closed the year with \$7,276,000 (2018 - \$6,991,000) in cash.

### Business Model

The Group principally licenses its software on an on-premise perpetual basis but also licences the software on a on-premise subscription basis. Notwithstanding that, it does make its software available on a SaaS platform which numerous customers have taken advantage of. The Group also provides a hosting service for those companies not wishing to host its software on-premise.

### Financial Review

The review of the profit & loss can be found in the Chairman's message.

The Group's net cash position is as follows:

	<b>Cash and cash equivalents \$'000</b>
At 1 January 2019	5,987
Net Cash inflow (including bank debt)	912
	<hr/>
At 31 December 2019	<b>6,899</b>
	<hr/>
<i>Comprising:</i>	
Cash at bank and in hand	7,276
Bank debt	(377)
	<hr/>
	<b>6,899</b>
	<hr/>

As at 31 December 2019 total debt owed by the Group was \$377,000 (2018 - \$1,004,000).

The Group generated/(used) cash from operating activities of \$946,000 (2018 - \$(646,000)).

# Nlyte Software Limited

Strategic report  
for the year ended 31 December 2019 (continued)

## Key Performance Indicators

The directors consider that the year over year movement in turnover and customer numbers are its key performance indicators.

	Year ended 31 December 2019	Year ended 31 December 2018	Increase %
Turnover	37,046,000	36,005,000	3%
Customer numbers	277	275	1%

## Future Developments

The directors do not anticipate any changes on the principal activity of the Group or the Company for the foreseeable future.

## Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. Risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Group.

The key business risks and uncertainties affecting the Group are set out below:

### Competition

The market in which the Group operates has a number of competitors within it. The Group monitors these competitors and the functionality that they offer to the market on an on-going basis. The directors consider that the independence of the Group is a particular advantage to its customers.

### Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. The Group can at times have substantial debts owing to it due to the sale of its software and ancillary services. The directors consider the risk from its customers defaulting on payment is minimal due to the 'blue-chip' nature of its customers. The collection of debts is monitored by the Board on a quarterly basis.

At a local level, regular reviews of the trade receivables' ageing analysis is undertaken.

### Liquidity

The Group prepares twelve months forward looking cash projections annually, which are monitored on a monthly basis. The directors are satisfied sufficient liquid resources are available to meet liabilities as they fall due.

## Approval

This Strategic Report was approved on behalf of the Board on 8 December 2020

  
O Nisbett

Secretary

# Nlyte Software Limited

## Directors' report for the year ended 31 December 2019

---

### Directors

The directors of the Nlyte Software Limited ("the Company") throughout the year were:

R Bearden (appointed 7 February 2019) (Chairman)  
B Liautaud  
J E Moreton  
R Ripley  
D Sabella

### Strategic Report

A review of the principal business risks and uncertainties and future developments of the Group is included within the Strategic Report.

### Going concern

Due to the worldwide Covid-19 pandemic and its potential effect on the Group's ability to continue to trade as a going concern, the Group prepared in March 2020 new forecasts for the remainder of 2020 year which took account of the group's anticipated revenue and operating costs.

The revised forecasts assumed a reduction of 25% in revenue from its original 2020 plan and a 17% reduction in the Group's 2020 operating costs.

The cost reductions included (i) furloughing 17 employees from 1 April 2020 (2 employees subsequently requested to be furloughed), (ii) all non-furloughed employees agreeing to a 10% salary reduction during the period 1 April 2020 to 30 September 2020, (iii) cessation of quarterly bonuses, and (iv) the Group undertaking a cost cutting exercise which included a travel ban from 1 April 2020 until the end of the 2020 calendar year.

Furthermore, on 18 March 2020, the Group required all its employees to work from home to conduct a simulated work from home stress test to test the Group's IT infrastructure in anticipation of making working from home mandatory.

Following the success of the simulation, on 20 March 2020, the Group advised all of its employees that the Group's offices will be closed from 23 March 2020 for the foreseeable future and that all employees will be required to work from home.

With regard to the 19 employees on furlough, (i) 7 furloughed employees returned to work on 1 June 2020, (ii) commencing 1 August 2020 in various stages, 10 employees had their employment terminated due to redundancy and (iii) the 2 employees who requested to be furloughed have returned to work.

The Group has bettered the revised Q2'20 and Q3'20 revenue and EBITDA targets and is confident of achieving the revised 2020 plan

The Group generated cash from operations in both Q2'20 and Q3'20 and is forecasting cash from operations for the whole of the 2020 calendar year.

The Group has prepared 2021 forecasts which show a 10% year on year growth in revenue and a limited increase in operating costs.

After considering the potential cash flow sensitivities and the ability to reduce costs if deemed necessary the directors believe the Group has sufficient resources to continue trading for the foreseeable future and it is therefore appropriate to prepare the Group financial statements on a going concern basis.

# Nlyte Software Limited

Directors' report  
for the year ended 31 December 2019 (continued)

---

## Research and development

The Group continues to invest in the development of its software product 'nlyte'. The directors regard the investment in research and development as an integral part of its future success to ensure that the Group is offering its current and future customers software that will meet their needs and utilises cutting edge technology.

## Existence of branches of the company outside of the United Kingdom

The Group has four offices outside the United Kingdom which are located in El Cajon, California, USA, Edison, New Jersey, USA, and Pune, India.

The Pune, India office was closed on 31 March 2020.

## Employment of disabled persons

The Group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Particular attention is given to the training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or perceptions of it.

The Group's HR procedures make clear that full and fair consideration must be given to applications made by and the promotion of disabled persons. Where an employee becomes disabled whilst employed by the Group, the HR procedures also require that reasonable effort is made to ensure they have the opportunity for continued employment within the Group. Retraining of employees who become disabled whilst employed by the Group is offered where appropriate.

## Director's liabilities

The Company has arranged third party indemnity for its directors against liabilities, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provisions remains in force as at the date of approving the Director's Report.

## Auditors

All of the directors as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the Group's auditor is unaware.

In accordance with section 485 of the Companies Act 2006, a resolution is to be prepared at the Annual General Meeting for the reappointment of BDO as auditor of the Group and the Company.

## Approval

This Directors' Report was approved by order of the Board on 8 December 2020

  
O Nisbett

Secretary

# Nlyte Software Limited

## Statement of directors' responsibilities for the year ended 31 December 2019

---

### Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company 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 Group and Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 group and 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.

# Nlyte Software Limited

## Independent auditor's report for the year ended 31 December 2019

---

### INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF NLYTE SOFTWARE LIMITED

#### Opinion

We have audited the financial statements of Nlyte Software Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, the consolidated statement of cash flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice)

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 Group and the Parent 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic report, Directors' report and financial statements, other than the financial statements and our auditor's report thereon. 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.

# Nlyte Software Limited

## **Independent auditor's report for the year ended 31 December 2019 (continued)**

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

We have nothing to report in this regard.

### **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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and 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 Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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 Statement of Directors' Responsibilities, 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 Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

# Nlyte Software Limited

## Independent auditor's report for the year ended 31 December 2019 *(continued)*

---

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



David Butcher (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK

8 December 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## Nlyte Software Limited

### Consolidated statement of comprehensive income for the year ended 31 December 2019

	Note	2019 \$'000	2018 \$'000
Turnover	3	37,046	36,005
Cost of sales		(6,824)	(6,334)
<b>Gross profit</b>		<b>30,222</b>	<b>29,671</b>
Share based payments	20	(251)	(145)
Amortisation of intangible asset	9	(2,036)	(2,036)
Depreciation of tangible asset	10	(245)	(242)
Other administrative expenses		(31,787)	(29,995)
<i>Administrative expenses</i>		<b>(34,319)</b>	<b>(32,418)</b>
<b>Operating loss</b>	4	<b>(4,097)</b>	<b>(2,747)</b>
Interest receivable and similar income		25	3
Interest payable and similar charges	7	(249)	(208)
<b>Loss on ordinary activities before taxation</b>		<b>(4,321)</b>	<b>(2,952)</b>
Taxation on ordinary activities	8	426	1,166
<b>Loss on ordinary activities after taxation</b>		<b>(3,895)</b>	<b>(1,786)</b>
Total comprehensive loss for the year		<b>(3,895)</b>	<b>(1,786)</b>

All amounts relate to continuing activities.

The notes on pages 15 to 32 form part of these financial statements.

# Nlyte Software Limited

## Consolidated statement of financial position at 31 December 2019

<i>Company number 04805444</i>	Note	2019 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
<b>Non current assets</b>					
Intangible assets	9		8,249		10,285
Tangible assets	10		304		375
Debtors			1,501		-
			10,054		10,660
<b>Current assets</b>					
Debtors	12	10,195		12,321	
Cash at bank and in hand		7,276		6,991	
		17,471		19,312	
<b>Creditors: amounts falling due within one year</b>	13	(15,890)		(13,510)	
<b>Net current assets</b>			1,581		5,802
<b>Total assets less current liabilities</b>			11,635		16,462
<b>Creditors: amounts falling due after one year</b>	14		(2,323)		(3,463)
<b>Provision for liabilities</b>	15		(665)		(863)
<b>Net assets</b>			8,647		12,136
<b>Capital and reserves</b>					
Called up share capital	17		8,014		7,959
Share premium account	18		59,236		59,136
Profit and loss account	18		(58,603)		(54,959)
<b>Shareholders' funds</b>			8,647		12,136

The financial statements were approved by the Board and authorised for issue on

8 December 2020



D Sabella  
Director

The notes on pages 15 to 32 form part of these financial statements.

# Nlyte Software Limited

## Consolidated statement of financial position at 31 December 2019

<i>Company number 04805444</i>	Note	2019 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
<b>Non current assets</b>					
Intangible assets	9		8,249		10,285
Tangible assets	10		304		375
Debtors			1,501		-
			10,054		10,660
<b>Current assets</b>					
Debtors	12	10,195		12,321	
Cash at bank and in hand		7,276		6,991	
		17,471		19,312	
<b>Creditors: amounts falling due within one year</b>	13	(15,890)		(13,510)	
<b>Net current assets</b>			1,581		5,802
<b>Total assets less current liabilities</b>			11,635		16,462
<b>Creditors: amounts falling due after one year</b>	14		(2,323)		(3,463)
<b>Provision for liabilities</b>	15		(665)		(863)
<b>Net assets</b>			8,647		12,136
<b>Capital and reserves</b>					
Called up share capital	17		8,014		7,959
Share premium account	18		59,236		59,136
Profit and loss account	18		(58,603)		(54,959)
<b>Shareholders' funds</b>			8,647		12,136

The financial statements were approved by the Board and authorised for issue on

8 December 2020

  
 D Sabella  
 Director

The notes on pages 15 to 32 form part of these financial statements.

## Nlyte Software Limited

### Consolidated statement of changes in equity at 31 December 2019

	Called up share capital \$'000	Share premium \$'000	Profit and loss account \$'000	Total equity \$'000
<b>1 January 2019</b>	7,959	59,136	(54,959)	12,136
<b>Comprehensive loss for the year</b>				
Loss for the year	-	-	(3,895)	(3,895)
<b>Total comprehensive loss for the year</b>	-	-	(3,895)	(3,895)
<b>Contributions by and distributions to owners</b>				
Share based payment credit	-	-	251	251
Issue of ordinary shares	55	100	-	155
<b>Total contributions by and distributions to owners</b>	55	100	251	406
<b>31 December 2019</b>	<b>8,014</b>	<b>59,236</b>	<b>(58,603)</b>	<b>8,647</b>

	Called up share capital \$'000	Share premium \$'000	Profit and loss account \$'000	Total equity \$'000
<b>1 January 2018</b>	7,955	59,125	(53,318)	13,762
<b>Comprehensive loss for the year</b>				
Loss for the year	-	-	(1,786)	(1,786)
<b>Total comprehensive loss for the year</b>	-	-	(1,786)	(1,786)
<b>Contributions by and distributions to owners</b>				
Share based payment credit	-	-	145	145
Issue of ordinary shares	4	11	-	15
<b>Total contributions by and distributions to owners</b>	4	11	145	160
<b>31 December 2018</b>	<b>7,959</b>	<b>59,136</b>	<b>(54,959)</b>	<b>12,136</b>

The notes on pages 15 to 32 form part of these financial statements.



## Nlyte Software Limited

### Consolidated statement of cash flows for the year ended 31 December 2019

	Note	2019 \$'000	2018 \$'000
<b>Cash flows (used in) operating activities</b>			
<b>Loss for the financial year</b>		<b>(3,895)</b>	<b>(1,786)</b>
Adjustments for:			
Amortisation of intangible assets	9	2,036	2,036
Depreciation of tangible assets	10	245	242
Net interest payable		224	205
Taxation credit	8	(426)	(1,166)
Share based payment charges	20	251	145
Decrease/(increase) in trade and other debtors		864	(2,242)
Increase in trade and other creditors		1,895	2,117
		<hr/>	<hr/>
<b>Cash generated from/(used in) operations</b>		<b>1,194</b>	<b>(449)</b>
Interest paid	7	(209)	(168)
Taxation paid		(39)	(29)
		<hr/>	<hr/>
<b>Net cash generated from/(used in) operating activities</b>		<b>946</b>	<b>(646)</b>
		<hr/>	<hr/>
<b>Cash flows (used in) investing activities</b>			
Interest Received		25	3
Purchases of tangible fixed assets	10	(174)	(241)
		<hr/>	<hr/>
<b>Net cash (used in) investing activities</b>		<b>(149)</b>	<b>(238)</b>
		<hr/>	<hr/>
<b>Cash flows (used in) financing activities</b>			
Exercise of share options	17	155	15
Repayment of bank loans		(667)	(667)
		<hr/>	<hr/>
<b>Net cash (used in) financing activities</b>		<b>(512)</b>	<b>(652)</b>
		<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>285</b>	<b>(1,536)</b>
Cash and cash equivalents at beginning of year		6,991	8,527
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>		<b>7,276</b>	<b>6,991</b>
		<hr/>	<hr/>
<b>Cash and cash equivalents comprise:</b>			
Cash at bank and in hand		7,276	6,991
		<hr/>	<hr/>

The notes on pages 15 to 32 form part of these financial statements.

# Nlyte Software Limited

## Company statement of financial position at 31 December 2019

<i>Company number 04805444</i>	<b>Note</b>	<b>2019</b> \$'000	<b>2019</b> \$'000	<b>2018</b> \$'000	<b>2018</b> \$'000
<b>Fixed assets</b>					
Intangible assets	9		1,192		1,533
Tangible assets	10		73		106
Investments	11		21,627		21,627
			<b>22,892</b>		<b>23,266</b>
<b>Current assets</b>					
Debtors	12	24,069		21,809	
Cash at bank and in hand		5,851		3,534	
			<b>29,920</b>		<b>25,343</b>
<b>Creditors: amounts falling due within one year</b>	13	<b>(7,068)</b>		<b>(4,355)</b>	
			<b>22,852</b>		<b>20,988</b>
<b>Total assets less current liabilities</b>			<b>45,744</b>		<b>44,254</b>
<b>Creditors: amounts falling due after one year</b>	14		<b>(1,754)</b>		<b>(2,135)</b>
<b>Provisions for liabilities</b>	15		<b>(148)</b>		<b>(148)</b>
			<b>43,842</b>		<b>41,971</b>
<b>Capital and reserves</b>					
Called up share capital	17		8,014		7,959
Share premium account	18		59,236		59,136
Profit and loss account	18		<b>(23,408)</b>		<b>(25,124)</b>
			<b>43,842</b>		<b>41,971</b>
<b>Shareholders' funds</b>			<b>43,842</b>		<b>41,971</b>

The Company has taken advantage of the exemption available under section 408 of the Companies Act 2006 in not presenting a separate income statement. The profit attributable to the parent company for the year was \$1,676,000 (2018 - \$50,000).

The financial statements were approved by the Board and authorised for issue on

D Sabella  
**Director**

The notes on pages 15 to 32 form part of these financial statements.

## Nlyte Software Limited

### Company statement of changes in equity at 31 December 2019

	Called up share capital \$'000	Share premium \$'000	Profit and loss account \$'000	Total equity \$'000
<b>1 January 2019</b>	7,959	59,136	(25,124)	41,971
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	1,676	1,676
<b>Total comprehensive income for the year</b>	-	-	1,676	1,676
<b>Contributions by and distributions to owners</b>				
Share based payment credit	-	-	40	40
Issue of Ordinary Shares	55	100	-	155
<b>Total contributions by and distributions to owners</b>	55	100	40	195
<b>31 December 2019</b>	8,014	59,236	(23,408)	43,842

	Called up share capital \$'000	Share premium \$'000	Profit and loss account \$'000	Total equity \$'000
<b>1 January 2018</b>	7,955	59,125	(25,207)	41,873
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	50	50
<b>Total comprehensive income for the year</b>	-	-	50	50
<b>Contributions by and distributions to owners</b>				
Share based payment credit	-	-	33	33
Issue of Ordinary Shares	4	11	-	15
<b>Total contributions by and distributions to owners</b>	4	11	33	48
<b>31 December 2018</b>	7,959	59,136	(25,124)	41,971

The notes on pages 15 to 32 form part of these financial statements.

# Nlyte Software Limited

## Notes forming part of the financial statements for the year ended 31 December 2019

---

### 1 Accounting policies

Nlyte Software Limited is a private company, limited by shares and incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the group's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the group's accounting policies, these judgements are set out in note 2.

The following principal accounting policies have been applied:

#### *Going concern*

Due to the worldwide Covid-19 pandemic and its potential effect on the Group's ability to continue to trade as a going concern, the Group prepared in March 2020 new forecasts for the remainder of 2020 year which took account of the group's anticipated revenue and operating costs.

The revised forecasts assumed a reduction of 25% in revenue from its original 2020 plan and a 17% reduction in the Group's 2020 operating costs.

The cost reductions included (i) furloughing 17 employees from 1 April 2020 (2 employees subsequently requested to be furloughed), (ii) all non-furloughed employees agreeing to a 10% salary reduction during the period 1 April 2020 to 30 September 2020, (iii) cessation of quarterly bonuses, and (iv) the Group undertaking a cost cutting exercise which included a travel ban from 1 April 2020 until the end of the 2020 calendar year.

Furthermore, on 18 March 2020, the Group required all its employees to work from home to conduct a simulated work from home stress test to test the Group's IT infrastructure in anticipation of making working from home mandatory.

Following the success of the simulation, on 20 March 2020, the Group advised all of its employees that the Group's offices will be closed from 23 March 2020 for the foreseeable future and that all employees will be required to work from home.

With regard to the 19 employees on furlough, (i) 7 furloughed employees returned to work on 1 June 2020, (ii) commencing 1 August 2020 in various stages, 10 employees had their employment terminated due to redundancy and (iii) the 2 employees who requested to be furloughed have returned to work.

The Group has bettered the revised Q2'20 and Q3'20 revenue and EBITDA targets and is confident of achieving the revised 2020 plan

The Group generated cash from operations in both Q2'20 and Q3'20 and is forecasting cash from operations for the whole of the 2020 calendar year.

The Group has prepared 2021 forecasts which show a 10% year on year growth in revenue and a limited increase in operating costs.

After considering the potential cash flow sensitivities and the ability to reduce costs if deemed necessary the directors believe the Group has sufficient resources to continue trading for the foreseeable future and it is therefore appropriate to prepare the Group financial statements on a going concern basis.

#### *Basis of consolidation*

The consolidated financial statements incorporate the results of Nlyte Software Limited and its subsidiary companies as at 31 December 2019 using the acquisition method of accounting. Intra-group transactions are eliminated fully on consolidation.

# Nlyte Software Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

---

### 1 Accounting policies (continued)

#### *Basis of consolidation (continued)*

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

#### *Functional and presentational currency*

Items included in the financial statements of each of the reporting entities are measured using the currency of the primary economic environments in which the entity operates ("the functional currency"). For the purpose of the consolidated financial statements, the results and financial position of the Group are expressed in US Dollars, which is the functional currency of the Company financial statements.

#### *Foreign currency*

Foreign currency transactions are translated at the rates ruling when the transaction occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the year and the balance sheet translated into sterling at the rate of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

#### *Turnover*

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivables for goods and services provided, net of discounts and VAT.

Turnover in respect of:

- i) the sale of software licences is recognised on delivery of the software to the customer.
- ii) professional services (project management, implementation, integration and training) are recognised as the services are delivered to the customer and full performance has been agreed.
- iii) *Support revenue is recognised evenly over the year in which the support contract services are provided to the customer.*

#### *Tangible fixed assets*

All tangible fixed assets are stated at cost.

# Nlyte Software Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 1 Accounting policies (continued)

#### *Intangible fixed assets*

Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life as follows:

Software and IP	-	Over 6 years
Customer relationships	-	Over 8 years
Goodwill	-	Over 10 years

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

#### *Depreciation*

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Computer equipment	-	33% per annum
Fixtures, fittings and equipment	-	20% per annum

#### *Current and deferred taxation*

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Current tax, including UK Corporation and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

# Nlyte Software Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

### 1 Accounting policies (*continued*)

#### *Current and deferred taxation (continued)*

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

#### *Leased assets*

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the year of the lease.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

#### *Research and development*

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are also charged to the profit and loss account in the year of expenditure, unless individual projects satisfy all of the following criteria:

- the projects are clearly defined and related expenditure is separately identifiable;
- the projects are technically feasible and commercially viable;
- current and future costs are expected to be exceeded by future sales; and
- adequate resources exist for the projects to be completed.

In such circumstances the costs are carried forward and amortised over a year not exceeding 3 years commencing in the year the group starts to benefit from the expenditure.

#### *Share-based payments*

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting year is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the profit and loss account over the remaining vesting period.

# Nlyte Software Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 *(continued)*

---

## 1 Accounting policies *(continued)*

### *Share-based payments (continued)*

Where equity instruments are granted to persons other than employees, the profit and loss account is charged with fair value of goods and services received.

### *Holiday pay accrual*

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

### *Financial assets*

Financial assets are initially measured at transaction price and subsequently held at cost less any impairment.

### *Financial Liabilities*

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instruments legal form.

All creditors are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price. FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the company has calculated that the difference between the historical cost and amortised cost is not material and so these financial instruments are stated on the balance sheet at historical cost.

The directors have considered the underlying agreements from entities in the group and consider that under the terms of these agreements that all of the amounts should be shown as due in under one year at the balance sheet date.

Intercompany loans are calculated on the present value of the future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

## 2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- *The functional currency used in the Company accounts is US Dollars. This decision was made with consideration to FRS 102 section 30. Judgements were made regarding the primary economic environment that the company operates in. Our judgement regarding functional currency is based on the United States of America being the primary economic environment that the company operates in. In reaching this decision the company has considered which currency influences sales price, influences labour and other material costs along with the currency which funds from financing are received and funds from operating activities are usually retained.*

# Nlyte Software Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 2 Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Other key sources of estimation uncertainty

- *Company only- carrying value of investments*

The carrying value of the investment in the Company's subsidiaries Nlyte Software Americas Limited, Nlyte Software Inc. and Nlyte Software India LLP is reviewed annually for impairment indicators such as a decline in market value of company assets, any current period operating losses, the statutory and regulatory environment the company operates in, major losses of employees or clients or changes in market interest rates.

- *Intangible fixed assets*

Determination of whether there are indicators of impairment of the Group's intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

## 3 Analysis of turnover

Turnover is attributable to the following markets:

	2019 \$'000	2018 \$'000
United Kingdom	1,770	1,566
Europe	2,956	2,605
North America	29,170	30,768
Australasia & the Far East	2,631	488
Other	519	578
	<b>37,046</b>	<b>36,005</b>

## 4 Operating loss

	2019 \$'000	2018 \$'000
This is arrived at after charging/crediting:		
Depreciation	245	242
Amortisation	2,036	2,036
Hire of other assets - operating leases	444	602
Auditor's remuneration:		
- Fees payable to the group auditor for the audit of the Group's annual financial statements	59	57
- Other services relating to taxation	21	22
Exchange differences – loss/(gain)	147	260
	<b>3,052</b>	<b>3,119</b>

## Nlyte Software Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

5 Employees	2019 \$'000	2018 \$'000
Staff costs (including directors) consist of:		
Wages and salaries	25,604	24,228
Social security cost	1,579	1,438
Share based payment (see note 20)	251	145
	27,434	25,811
The average number of employees (including directors) during the year was 154 (2018 - 151).		
6 Directors' remuneration	2019 \$'000	2018 \$'000
Remuneration as directors and highest paid director	469	451
	469	451
7 Interest payable and similar charges	2019 \$'000	2018 \$'000
Bank loans and overdrafts	249	208
	249	208
8 Taxation on loss on ordinary activities	2019 \$'000	2018 \$'000
Current tax on foreign income	(11)	34
Research and development tax refund	(217)	-
Deferred taxation - origination and reversal of timing differences	(198)	(197)
Deferred taxation - effect of rate changes	-	(1,003)
	(426)	(1,166)
Total current tax credit for year	(426)	(1,166)

## Nlyte Software Limited

### Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

#### 8 Taxation on loss on ordinary activities (continued)

The tax assessed for the year at the standard rate of corporation tax applied in the UK reconciled to the loss before tax is:

	2019 \$'000	2018 \$'000
Loss on ordinary activities before tax	(4,321)	(2,952)
Tax on loss at the average rate of 19% (2018 – 19%)	(821)	(561)
Expenses not deductible for tax purposes	169	177
Foreign PE exemption	309	235
Deferred tax not recognised	173	(37)
Foreign tax	(41)	23
Deferred taxation – effect of changes in tax rates	-	(1,003)
Adjustments in respect of prior periods	(215)	-
Total tax amount as above	(426)	(1,166)

#### *Factors that may affect future tax charges*

The group has significant tax losses of \$46,233,000 (2018 - \$45,540,000) which can be used against future taxable profits. No deferred tax asset has been recognised in respect of these losses as their utilisation in the foreseeable future is uncertain.

From 1 January 2018, tax rates in the United States dropped from 40% to 21%. The effect of changes in tax rates is disclosed in the tax reconciliation, impacting the opening deferred taxation liability.

## Nlyte Software Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

9 Intangible assets	Software and IP \$'000	Customer relationships \$'000	Goodwill \$'000	Total \$'000
<i>Cost</i>				
At 1 January 2019 and at 31 December 2019	6,175	2,012	7,554	15,741
<i>Amortisation</i>				
At 1 January 2019	2,519	734	2,203	5,456
Charge for year	1,030	251	755	2,036
At 31 December 2019	3,549	985	2,958	7,492
<i>Net book value</i>				
At 31 December 2019	2,626	1,027	4,596	8,249
At 31 December 2018	3,656	1,278	5,351	10,285

Goodwill arising on consolidation is being amortised over the directors' estimate of its useful life of 10 years. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Company	Software and IP \$'000	Total \$'000
<i>Cost</i>		
At 1 January 2019 and at 31 December 2019	2,044	2,044
<i>Amortisation</i>		
At 1 January 2019	511	511
Charge for year	341	341
At 31 December 2019	852	852
<i>Net book value</i>		
At 31 December 2019	1,192	1,192
At 31 December 2018	1,533	1,533

## Nlyte Software Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (*continued*)

### 10 Tangible fixed assets

Group	Computer equipment \$'000	Fixtures, fittings and equipment \$'000	Total \$'000
<i>Cost</i>			
At 1 January 2019	2,313	918	3,231
Additions	159	15	174
At 31 December 2019	<b>2,472</b>	<b>933</b>	<b>3,405</b>
<i>Depreciation</i>			
At 1 January 2019	1,982	874	2,856
Charge for the year	209	36	245
At 31 December 2019	<b>2,191</b>	<b>910</b>	<b>3,101</b>
<i>Net book value</i>			
At 31 December 2019	<b>281</b>	<b>23</b>	<b>304</b>
At 31 December 2018	331	44	375
<b>Company</b>			
<i>Cost</i>			
At 1 January 2019	1,370	772	2,142
Additions	46	-	46
At 31 December 2019	<b>1,416</b>	<b>772</b>	<b>2,188</b>
<i>Depreciation</i>			
At 1 January 2019	1,299	737	2,036
Charge for the year	48	31	79
At 31 December 2019	<b>1,347</b>	<b>768</b>	<b>2,115</b>
<i>Net book value</i>			
At 31 December 2019	<b>69</b>	<b>4</b>	<b>73</b>
At 31 December 2018	71	35	106

# Nlyte Software Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 *(continued)*

## 11 Fixed asset investments

<b>Company</b>	<b>Shares in group undertaking \$'000</b>
<p><i>Cost</i> At 1 January 2019 and as at 31 December 2019</p>	21,627

Subsidiary undertakings:

The principal undertakings in which the Company's interest at the year-end are as follows:

<b>Name</b>	<b>Country of incorporation or registration</b>	<b>Registered Address</b>	<b>Proportion of voting rights and ordinary share capital held</b>	<b>Nature of business</b>
Nlyte Software Americas Limited	England & Wales	Riverside House, 26 Osiers Road, London, SW18 1NH	100%	Sells datacentre infrastructure management ("DCIM") software and the provision of ancillary professional services
Nlyte Software Inc.	Delaware, USA	1209 Orange St, City of Wilmington, County of New Castle, DA, USA	100%	Sells real-time event correlation, alarming and analytics software to the data center industry.
Nlyte Software India LLP	India	Metropolitan Business Centre Private Limited, 4th floor, Baner, Pune, Maharashtra, 411045, India.	100%*	Sales agent

\* The shareholding is 51% direct and 49% indirect, through Nlyte Software Americas Limited

## Nlyte Software Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 *(continued)*

### 12 Debtors

	Group 2019 \$'000	Group 2018 \$'000	Company 2019 \$'000	Company 2018 \$'000
Trade debtors	6,737	9,569	1,600	1,916
Amount owed by subsidiary undertaking	-	-	21,601	18,936
Other debtors	250	88	224	60
Prepayment and accrued income	3,208	2,664	644	897
	<u>10,195</u>	<u>12,321</u>	<u>24,069</u>	<u>21,809</u>

All amounts shown under debtors fall due for payment within one year.

### 13 Creditors: amounts falling due within one year

	Group 2019 \$'000	Group 2018 \$'000	Company 2019 \$'000	Company 2018 \$'000
Bank loan (secured)	377	634	377	634
Trade creditors	1,017	876	648	332
Amount owed to subsidiary undertaking	-	-	1,220	402
Taxation and social security	96	278	84	4
Accruals and deferred income	14,400	11,722	4,739	2,983
	<u>15,890</u>	<u>13,510</u>	<u>7,068</u>	<u>4,355</u>

### 14 Creditors: amounts falling due after one year

	Group 2019 \$'000	Group 2018 \$'000	Company 2019 \$'000	Company 2018 \$'000
Bank Loan (secured)	-	370	-	370
Deferred income	2,323	3,093	1,754	1,765
	<u>2,323</u>	<u>3,463</u>	<u>1,754</u>	<u>2,135</u>

## Nlyte Software Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

### 14 Creditors: amounts falling due after one year (continued)

The maturity of the bank loans are as follows:

#### Group and Company

	2019 \$'000	2018 \$'000
Within one year	377	634
In more than one year but not more than two years	-	370
	377	2,135

The bank loan is secured by a debenture over the assets of the Group.

### 15 Provisions for liabilities

	Deferred taxation (see note 22) \$'000	Dilapidations \$'000	Total \$'000
<b>Group</b>			
At 1 January 2019	715	148	863
Charged to profit or loss	(198)	-	(198)
	517	148	665
<b>Company</b>			
At 1 January 2019 and as at 31 December 2019	-	148	148

The dilapidations provision relates to dilapidations on a property that the company leases. Dilapidations provisions are expected to be utilised in 5 years.

# Nlyte Software Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 16 Financial Instruments

The Group's and Company's financial instruments may be analysed as follows:

	Group 2019 \$'000	Group 2018 \$'000
<b>Financial assets</b>		
Financial assets measured at cost less any impairment	<b>15,764</b>	16,648
	<hr/>	<hr/>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<b>18,878</b>	18,834
	<hr/>	<hr/>
	<b>Company 2019 \$'000</b>	<b>Company 2018 \$'000</b>
<b>Financial assets</b>		
Financial assets measured at cost less any impairment	<b>29,276</b>	24,446
	<hr/>	<hr/>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<b>8,971</b>	6,638
	<hr/>	<hr/>

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors and amounts owed by subsidiary.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and provisions, and bank loans.

# Nlyte Software Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 *(continued)*

## 17 Called up share capital

	Allotted, called up and fully paid			
	2019 Number	2019 \$'000	2018 Number	2018 \$'000
Ordinary shares of £0.20 each	11,131,531	4,090	10,910,735	4,035
Series A shares of £0.20 each	7,660,980	2,446	7,660,980	2,446
Series B shares of £0.20 each	2,196,147	723	2,196,147	723
Series B2 shares of £0.20 each	2,654,685	755	2,654,685	755
		<b>8,014</b>		<b>7,959</b>

During the year options over 220,796 ordinary shares of £0.20 each was exercised for a cash consideration of \$155,000 giving rise to a share premium of \$100,000.

The Ordinary shares have the following rights:

- To receive notice, attend and vote at any general meeting of the company;
- To receive shares in the event the directors propose to issue further shares once the rights of the Series A and B shares have been satisfied;
- To receive dividends once the rights of the Series A and B shares have been satisfied, subject to the company declaring a dividend; and
- To receive distributions in the event of a distribution of assets or a return of capital once the rights of the Series A and B shares have been satisfied.

The Series A shares have the following rights:

- A non-cumulative/non-accruing preferred dividend at the annual rate of 8% of the issue price of the Series A shares, subject to the company declaring a dividend;
- Priority over Ordinary shareholders in the event the directors propose to issue further shares;
- Priority over Ordinary shareholders in the event of a distribution of assets or a return of capital;
- Conversion into Ordinary shares of at any time; and
- Anti-dilution rights.

The Series B shares have the following rights:

- A non-cumulative/non-accruing preferred dividend at the annual rate of 8% of the issue price of the Series B shares, subject to the company declaring a dividend;
- Priority over Ordinary shareholders in the event the directors propose to issue further shares;
- Conversion into Ordinary shares of at any time; and
- Anti-dilution rights.

The Series B2 shares have the following rights:

- A non-cumulative/non-accruing preferred dividend at the annual rate of 8% of the issue price of the Series B2 shares, subject to the company declaring a dividend;
- Priority over Ordinary shareholders in the event the directors propose to issue further shares;
- Conversion into Ordinary shares of at any time; and
- Anti-dilution rights.

# Nlyte Software Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 *(continued)*

## 18 Reserves

### Share Premium

Share premium account - includes any premiums received on issue of share capital. Any transactions costs associated with the issuing of shares are deducted from share premium.

### Profit and loss account

Profit and loss account - includes all current and prior period retained profits and losses.

## 19 Commitments under operating leases

Minimum lease payments under non-cancellable operating leases are set out below:

	Group Land and buildings 2019 \$'000	Group Land and buildings 2018 \$'000	Company Land and buildings 2019 \$'000	Company Land and buildings 2018 \$'000
Operating leases which expire:				
Not later than one year	526	372	339	237
Later than 1 year and not later than 5 years	1,525	44	1,194	39
	2,051	416	1,533	276
	2,051	416	1,533	276

# Nlyte Software Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 20 Share based payment

The Company operates an Enterprise Management Incentive ("EMI") scheme for its employees. Under the EMI scheme, 25% of the share options granted vest on the first anniversary of the grant, with the balance vesting monthly until all the share options are vested 48 months from the date of grant.

	2019 Weighted average exercise price (pence)	2019 Number	2018 Weighted average exercise price (pence)	2018 Number
Outstanding at the beginning of the year	48	3,577,477	54.00	3,260,684
Granted during the year	126	749,219	126.00	391,526
Exercised during the year	(57)	(220,796)	(126.00)	(16,811)
Forfeited during the year	(120)	(106,320)	(114.00)	(57,932)
	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding at the end of the year	60	3,999,580	48.00	3,577,477

The weighted average exercise price of options outstanding at the end of the year was 60.00p (2018 - 48.00p,) and their weighted average contractual life was 40 months (2018 - 40 months).

Of the total number of options outstanding at the end of the year 3,190,416 (2018 - 3,065,705) had vested and were exercisable at the end of the year.

The weighted average fair value of each option granted during the year was 57.00p (2018 – 39.00p).

The fair value of the options issued in the year was measured using the following information:

<b>Equity-settled</b>	<b>2019</b>	<b>2018</b>
Option pricing model used	Black Scholes	Black Scholes
Weighted average share price at grant date (pence)	126.00	126.00
Exercise price (pence)	126.00	126.00
Weighted average contractual life (days)	1,460	1,460
Expected volatility	42%	41%
Expected dividend growth rate	0%	0%
Risk-free interest rate	0.83%	1.17%
	<hr/>	<hr/>

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of published share prices of similar quoted companies.

The share-based remuneration expense comprises:

	<b>2019</b> <b>\$'000</b>	<b>2018</b> <b>\$'000</b>
Equity-settled schemes	251	145
	<hr/>	<hr/>

The Company did not enter into any share-based payment transactions with parties other than employees during the current or previous year.

# Nlyte Software Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 22 Deferred tax

Deferred tax liabilities - Group		
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Provision at 1 January 2019	715	1,915
Deferred tax charged to profit and loss for the year	(198)	(1,200)
	<hr/>	<hr/>
Deferred tax liabilities carried forward at 31 December 2019	517	715
	<hr/>	<hr/>
Unprovided deferred tax assets - Group		
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Accelerated capital allowances	(82)	(98)
Tax losses	(8,642)	(7,938)
Share scheme	(250)	(221)
	<hr/>	<hr/>
	(8,974)	(8,257)
	<hr/>	<hr/>

## 23 Related party transactions

The Company has taken advantage of the exemption conferred to by FRS 102 Section 33 'Related Party Disclosures' paragraph 33.1A not to disclose transactions with group companies on the grounds that 100% of the voting rights in the company are controlled by the group.

The total compensation paid to key management personnel for services provided to the Group was \$2,917,000 (2018 - \$3,316,000).

## 24 Post balance sheet events

The Company acknowledges the current outbreak of COVID-19 which is causing economic disruption in most countries and its potentially adverse economic impact. This is an additional risk factor which could impact the Company's operations after the year end. The Company has concluded that these developments after the year end did not provide evidence of conditions that existed at the end of the reporting period and have therefore assessed that any impact they have had is non-adjusting. The Directors are continuing to monitor the impact of COVID-19 on the group, particularly in respect of the ability of the business to continue as a going concern, as explained in more detail in note 1 above.

On 2 April 2020, the Company entered into a 36 month \$5,000,000 term loan facility with Silicon Valley Bank to replace its current facility.