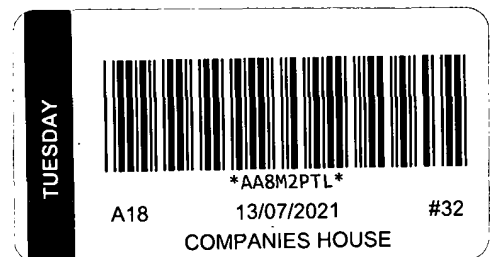


Diligent Boardbooks Limited

Annual Report and Financial Statements

For the year ended 31 December 2020

Company Registration number: 06029195



DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Company information

Directors

B K Stafford

M J Stanton

W D Wright (resigned 6 November 2020)

A Ginsberg (appointed 4 December 2020)

J H Van Arsdale III (appointed on 4 December 2020)

Company secretary

J Van Arsdale

Registered number

06029195

Registered Office

Grand Buildings, 1 Strand

1st Floor

London

WC2N 5HR

Auditor

Ernst & Young LLP

1 More London Place

London SE1 2AF

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

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DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Strategic Report

Introduction and strategy

The directors present their strategic report on the company for the year ended 31 December 2020.

Diligent Boardbooks Limited ('DBL') is a wholly owned subsidiary of Diligent Luxembourg s.a.r.l. ('Luxco'), a company incorporated in Luxembourg. DBL operates in Europe, the Middle East, Africa, South America and has wholly owned subsidiaries and branches in the United Kingdom (eShare Holdings Limited and Simplifie Holdco Limited), Germany (Diligent Boardbooks GmbH, 'DBG'), the Netherlands (AMA Partners B.V.), Africa (Diligent Software Pty, Diligent Boardbooks Limited – South Africa Branch), United Arab Emirates (Diligent Boardbooks Limited – Dubai Branch) and Brazil (Diligent Brazil Software Ltda).

DBL is committed to helping leading organizations build more diverse and inclusive boards and executive teams, setting the tone for change from the top with our modern governance strategy. Modern governance addresses core issues of speed, visibility and security by putting the necessary tools and intelligence at the fingertips of today's board members and executives. Modern governance solutions bring together historically disparate tools into one secure product suite. Board materials, voting and resolutions, evaluations, collaboration tools, document sharing, committee intelligence, candidate search, entity management—all these tools and features work together to enable seamless management and reporting. With our portfolio of governance, risk and compliance software tools DBL provides a number of software solutions for businesses of all sizes.

DBL develops and sells a software application called Diligent Boards. Diligent Boards is delivered as a service via all major browsers and on certain mobile device operating systems, including the iPad and Windows-supported tablets. The Diligent Boards secure board portal speeds up and simplifies how meeting materials are produced, delivered and reviewed. The service provides directors and management with immediate access to time sensitive and confidential information online and offline, along with the tools to review, discuss and vote. Workflow features get board materials out more efficiently and serve to free up internal administration and IT resources. Using the Diligent Boardbooks portal, corporate executives can streamline board communications and discussions, helping to improve the quality of leadership decisions. DBL uses the Software-as-a-Service ("SaaS") model to distribute its application to the market and maintain the security and integrity of its clients' data. Under this model, DBL offers annual renewable subscriptions for customer access to the Diligent Boards product which is hosted on the company's secure servers, and offers a complete suite of related services including training, support, data migration and data security/backup.

Legal entity rationalization

In 2019, a legal entity rationalization ("LER") process was performed to simplify the legal entity structure within the Diligent UK Group.

On 31 July 2020, DBL purchased the assets and liabilities at book value (net liabilities of £1.7m) of Simplifie Limited by way of an asset transfer agreement for nil consideration.

Business review

Revenues increased from £60.9m in 2019 to £67.2m in 2020 or approximately 10%. The growth in revenue is primarily the result of an increase in new sales subscriptions of products marketed by the Diligent Group, as well as increasing the subscription fees of existing customers. The customer retention rate continued to be above 90% for the twelve months ended 31 December 2020. Subscription revenue is recognised ratably over the contract period, which is typically twelve months. Accordingly, it is the directors' expectation that the growing subscriber base will result in continued revenue growth over the next twelve months.

The company generated a loss before tax of £38.5m due to the exceptional items summarised below (and further discussed in Note 10):

- impairment of investments in subsidiaries £25.3m, partially offset by intercompany debt forgiveness of £(9.6m);
- impairment of goodwill £6.3m resulting from the legal entity rationalisation activities of DBL and its subsidiaries; and
- restructuring costs £3m associated with the Diligent Group restructuring.

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Strategic Report (continued)

Business review (continued)

In addition to this, there was amortisation of goodwill amounting to £13.8m related to business combination activities and a South African VAT one-off expense of £0.8m. Without these exceptional items, the company would have made a profit before tax of £1.0m.

The company's cash balance amounted to £7.5m as at 31 December 2020, up from £4m as at 31 December 2019. This increase in cash is due to the focus on improving the working capital cycle and reducing the collection days. As a result, trade debtors have decreased by £5m and trade creditors have reduced by £0.4m.

Principal risks and uncertainties

Data protection risk

Operating within a technology-driven industry, the directors are conscious of the need to maintain appropriate IT security systems that prevent unauthorised access to a client's data or the company's IT systems.

Foreign currency risk

The company invoices a significant proportion of its sales in foreign currencies and is exposed to exchange rate fluctuations. The company does not currently seek to limit the risk arising from fluctuating exchange rates by taking out forward contracts.

Credit risk

The company's policies require appropriate credit checks on potential customers before sales are made. Receivable balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Liquidity risk

The liquidity risk is risk that the firm is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets. The company's Treasury department manages its short-term liquidity risk by actively monitoring risk factors associated with debtors and forecasting cash flows as accurately as possible. There are no external banking relationships or funding facilities held between DBL and its UK banks. Ongoing finance is arranged via intercompany loans within the group.

Tax risk and compliance

Diligent complies with the letter and spirit of the tax laws wherever we have a taxable presence and expects to pay tax on profits where the business activity took place. Where offered and appropriate we apply tax incentives and exceptions. We seek to resolve any uncertainty directly with tax authorities by working with local tax experts and seeing co-operation with respective tax authorities. When we fulfil our tax filing obligations, we aim to adhere to international best practice and aim for accuracy and timeliness.

Transfer pricing risk

Diligent Boardbooks Limited has a global transfer pricing policy in place with Diligent Corporation that governs the operating margin the reseller can make in its respective region. We have engaged external tax consultants who have completed a transfer pricing study that has factored in the global Base Erosion and Profit Shifting (BEPS), tax planning techniques as recommended by the United Nations.

Brexit risk

On 31 December 2020, the UK left the European Union single market and customs union. As a result of extensive planning by the company, there is no significant impact on operations, revenue, cash flow and financial position.

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Strategic Report (continued)

Principal risks and uncertainties (continued)

Covid risk

In March 2020, the World Health Organization declared a pandemic with the outbreak of COVID-19. In response the directors have continually reviewed the actual, emerging and potential impacts of the pandemic on the company. However, due to the digital nature of the SaaS products offered by Diligent there was no significant impact on our business as companies adapted to Covid by moving from physical to digital governance solutions.

Directors' responsibilities under section 172 Companies Act 2006

The Directors are fully aware of their responsibilities under section 172 of the Companies Act 2006 and are so advised and updated on a regular basis by the Company's General Counsel and where appropriate by the Company's external legal advisers in the UK.

In doing so, the directors have considered (among other matters):

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster business relationships with suppliers, clients and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly towards all shareholders of the Company.

The Board determines the strategic objectives and policies of the Company to best support the delivery of long-term value, providing overall strategic direction within an appropriate framework of rewards, incentives and controls. The Board is collectively responsible for the success of the Company and the executive directors are directly responsible for running the business operations.

Business Strategy

Our culture is centered around three core elements: "white glove" customer experience, security, and innovation – all of which are embedded into our company's DNA. We work on a global scale. From Munich, London, New York, Christchurch, Sydney and beyond, we are an extreme version of global reach for our size. We work with a global mindset, from cultural understanding and differences to the timing of meetings and safety of our team.

We empower leading organizations to turn good governance into a differentiator and competitive advantage. By providing information, analytics and insights so leaders can spot risks, act on opportunities, and turn insight into action, we improve governance in organizations around the globe.

Governance

Board meetings are attended by all Executives with other leaders rotating in as required. Quarterly board materials are presented to the entire global leadership team and shared during town halls. We utilize all of software tools in our portfolio of products to manage governance internally. Diligent Boards is used to publish board materials and support weekly leadership team meetings. Diligent Entities is used to manage the Company's subsidiaries and create organization charts. Brainloop is used to distribute draft board materials to the chairman for review.

All of the Company's directors are based in the United States which is where Group policy is determined. Group policy must be adhered to by all Diligent entities around the world. Policy updates are actively administered and communicated to employees frequently via e-mail or over the Group intranet. Diligent Corporation also houses certain global functions which act as a shared service environment for the rest of the Group such as the accounts payable, payroll and treasury functions.

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Strategic Report (continued)

Directors' responsibilities under section 172 Companies Act 2006 (continued)

Stakeholder engagement

The Company's business has existed since 2007. During that time, it has built and maintained relationships with key investors, advisers and suppliers. The Directors recognise the importance of these relationships and take active steps to develop and strengthen them through dialogue and engagement. These relationships are regularly monitored at board level. Each Board meeting addresses compliance by the Company with its corporate governance codes and reinforces the Board's requirement that its business be conducted to all due ethical standards and with integrity.

Employees

As a service organisation, our employees are key to our business. The Board has engaged directly with employees through frequent site visits and 'town hall' meetings. We take the issue of mental health and well-being very seriously and provide external consultants, literature, webinars, and a mental health helpline to ensure that our employees are looked after. The Company also provides online training courses for employees such as ethical behaviour in the office to ensure that employees are treated fair and equal.

All employees (including directors) are subject to the Group remuneration policy, which is contained in the employees handbook, which summaries salary increases, performance reviews, annual leave and public holiday entitlements. Salary increases are determined over two semi-annual performance reviews and the Company revises salaries annually. The payment of a company bonus is at the discretion of the Company and the Company is under no obligation to employees to offer an annual incentive. A bonus is offered to employees based on achieving individual performance goals and the financial performance of the company.

The company maintains a high standard of ethical behavior and expects all employees to abide by local bylaws and regulations. Our Code of Conduct governs the behavior we expect and sets the standard for legal and ethical conduct for all internal and external stakeholders.

Equal employment opportunity

The Company is committed to promoting equality of opportunity for all employees and job applicants. The Company aims to create a working environment in which all individuals are able to make the best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit.

The Company does not discriminate against employees on the basis of sex; marital or civil partnership status; race; colour; nationality; ethnic or national origins; disability; gender reassignment; religion or belief; sexual orientation; pregnancy or maternity leave; or age ("protected characteristics"). This includes discrimination because of a perceived characteristic or because of a characteristic of someone with whom the Company worker associates.

The principles of non-discrimination and equality of opportunity also apply to the way in which employees treat visitors, clients, customers, suppliers and former employees. Hiring, turnover, and diversity stats are included in every quarterly board book.

Community

We play an active role in the communities in which we operate and is one of the key pillars of our strategy. We have a global focus on mental wellbeing and resilience. We provide external consultants, literature, webinars, and a mental health helpline to ensure that our employees mental health are looked after.

Security

Information Security is essential to the core business of Diligent. Senior management is committed to the strong corporate governance and to the protection of the Company's information assets and its information systems. Strict policies are in place for ensuring compliance with company and industry standard information security risk management including ISO 27001. Our CISO presents the cybersecurity strategy annually to the board that ensures that the risks are appropriately managed through the creation of risk treatment plans. Risk mitigation plans are created in accordance with the Company's risk appetite.

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Strategic Report (continued)

Directors' responsibilities under section 172 Companies Act 2006 (continued)

Customers

We are investing significant amounts in software development to protect our customers' security and enhance their digital experience. Diligent as a SaaS company recently received both ISO 27017 and ISO 27018 certificates which is a major milestone with our Risk and Compliance program that allows Diligent to position ourselves as the market leader to continue provide the most secure cloud services to our customers.

The Board considered this investment to be critical to the Company's future success and agreed that this should be a priority over other initiatives such as inorganic growth.


Environment

The Board continues to actively promote recycling within the Company with recycling bins being stationed at frequent intervals throughout the office. Employees are encouraged by the Board to make the office as paperless as possible to help to preserve the environment. An Environment, Social Group (ESG) working group was established to develop and own the ESG strategy at Diligent.

Suppliers

All employees of Diligent are expected to adhere to the purchasing policy when conducting business transactions on behalf of the Company. It is necessary to organize the Company under one set of policies, procedures and systems that can expand globally while assisting the Company with its budget and cost management objectives. The procurement of goods and services is a cross functional task involving members from different teams which is centrally managed by the Diligent Global Procurement team in conjunction with FP&A and Legal.

This report was approved by the board and signed on its behalf.

DocuSigned by:

A27D38610485408...
A Ginsberg
Director

8 July 2021

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Directors' Report

The directors present their report and the financial statements for the year ended 31 December 2020.

Results and dividends

The loss for the year, after taxation, amounted to £39.1m (2019: Loss £13.8m).

No dividends were paid during the year (2019: £nil). The directors do not recommend the payment of a dividend.

Directors

The directors who served during the year and thereafter were:

B K Stafford

M J Stanton

W D Wright (resigned 6 November 2020)

A Ginsberg (appointed 4 December 2020)

J H Van Arsdale III (appointed on 4 December 2020)

Future developments

On October 27th, 2020, a major global restructuring was announced by the Diligent Group Executive Management team. This was a commercial decision taken in response to the Group rapidly evolving from a product-focused company to a solutions-focused company.

The objectives of the transition are:

- Creating a global and unified Diligent experience across all products, where clients and prospects will interact with one team. Commercial teams will now be empowered to sell our full suite of offerings, rather than only one product. This will result in deeper and more meaningful relationships with our customers.
- Aligning to our customers' specific needs and challenges. The Company will be re-organised into three primary commercial business units that enable greater industry and regional focus – Americas, International and Mission-Driven – and we will extend our Enterprise Account Management Program to reach across our largest Global Accounts.
- Transitioning to one brand in-market over the next twelve to eighteen months. All of our leading products and services will carry the Diligent name – to put more power behind the brand. Customers will continue to receive the same great service they know and trust.

In order to achieve these objectives, technology operations around the World (including software development), were consolidated into one new Center of Excellence based in Budapest, Hungary. This is likely to take place over the next eighteen to twenty-four months.

In addition, Customer Support, Accounting, Operations, and components of Marketing were consolidated into a new Shared Service Centre established in Galway, Ireland over the next three to six months.

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Directors' Report (continued)

Going concern

These financial statements are prepared on a going concern basis. Diligent Boardbooks Limited remains integral to the future growth of the EMEA region for the group. The company actively manages its liquidity and solvency position to ensure it meets its short and long-term funding requirements. The directors of the company are committed to the long-term viability of the EMEA operations and have strategically committed to investing in the region in the foreseeable future.

In March 2020, the World Health Organization declared a pandemic with the outbreak of COVID-19. In response the company have continually reviewed the actual, emerging and potential impacts of the pandemic on the company. However, due to the digital nature of the SaaS products offered by Diligent there was no significant impact on our business as companies adapted to Covid by moving from physical to digital governance solutions.

The directors have considered the ability of the ultimate parent company, Diamond Parent Holdings Corp to provide continued financial support and note that the consolidated cash position based on the latest financial information remains according to plan and to budget. Group forecasts regarding cashflow, financial performance and financial position remain in line with expectations and the group experienced strong growth in subscriptions revenue for the 12 months up to the date when the financial statements were signed. The directors of the parent have prepared cashflow statements up to 31 July 2022 which indicate that, taking account of plausible downsides on the operations and its financial resources, the Group will have sufficient resources and available facilities to support the Company.

All Diligent entities around the world continue to operate in the current environment and we have not experienced any difficulties in short term liquidity in meeting their liabilities. As outlined in the Future Developments section, a major global restructuring was announced by the Diligent Group Executive Management team in 2020. As a result, there will be redundancies within the Diligent group. The group has not sought to take advantage of any wage subsidy schemes offered by central and state governments in overseas operations.

Based on the continued financial support of Diamond Parent Holdings Corporation, the ultimate parent company, and Diligent Corporation, the intermediate parent company, the directors have a reasonable expectation that the company has adequate resources to continue to be able to pay its liabilities as they fall due for at least the next 12 months following the date of approval of these financial statements, up to 31 July 2022.

Post balance sheet events

The Company has assigned the lease on its previous office space at 1 Strand, London, effective from 1 July 2021. The Company is actively looking for a new permanent office space in a similar location.

Foreign branches

Diligent Boardbooks Limited has two foreign branches, Diligent Boardbooks (South Africa Branch) and Diligent Boardbooks Limited (Dubai branch).

Matters covered in the strategic report

As permitted by Section 414c(11) of the Companies Act 2006, the directors have elected to disclose information, required to be in the directors' report by Schedule 7 of the "Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008", in the strategic report.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Directors' Report (continued)

Independent auditor

Ernst & Young LLP expressed their willingness to continue in office and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Streamlined Energy and Carbon Reporting

Our environment

The Company recognises its responsibility to minimise its impact on the natural environment and continues its commitment to reduce its energy consumption, carbon emissions, water usage and waste.

Energy Consumption and Carbon Emissions

Energy consumption at the Company's premises has been an important consideration. The business continues to promote our energy saving across its own office through the timely supply of accurate energy consumption reporting. During 2020, the Company has continued to invest in energy saving technologies including LED lighting.

Greenhouse gas emissions

We report Scope 1 and 2 emissions defined by the Greenhouse Gas protocol as follows:

Scope 1 (Direct emissions): operation of facilities; and

Scope 2 (Indirect emissions): consumption of purchased electricity, heat and steam.

Greenhouse gas emissions data

Emissions data in respect of the 2020 reporting period was as follows:

Emission Type	2020
Scope 1: Operation of facilities	2.24 (kgCO ₂ /m ² per year)
Scope 2: Purchase Energy (UK)	13.16 (kWh/m ² per year)
Greenhouse gas emissions intensity ratio:	
	2020
Total footprint (Scope 1) – kgCO ₂ /m ² per year	2.24 (kgCO ₂ /m ² per year)
Average no. of employees	234
Intensity Ratio (kgCO ₂ /m ² / no. of employees)	0.01
Total footprint (Scope 2) – kWh/m ² per year	13.16 (kWh/m ² per year)
Average no. of employees	234
Intensity Ratio (kgCO ₂ /m ² / no. of employees)	0.06

Scope and Methodology

Our methodology has been based on the principles of the Greenhouse Gas Protocol, taking account of the 2015 amendment which set out a 'dual reporting' methodology for the reporting of Scope 2 emissions.

We have reported on all the measured emissions sources required under The Companies Act 2006 (Strategic Report and Directors Report Regulations 2013), except where stated.

The period of our report is from 01 January 2020 to 31 December 2020.

This includes emissions under Scope 1 and 2, except where stated, but excludes emissions from Scope 3. Conversion factors for UK electricity, gas and other emissions are those published by the department for business, Energy and Industrial strategy 2018.

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Directors' Report (continued)

Directors' responsibilities statement

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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 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 to 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.

DocuSigned by:

A27D39616485408...
A Ginsberg
Director

8 July 2021

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Independent Auditor's Report to the members of Diligent Boardbooks Limited

Opinion

We have audited the financial statements of Diligent Boardbooks Limited for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 28, 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 FRS 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 company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue, up to 31 July 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Independent Auditor's Report to the members of Diligent Boardbooks Limited (continued)

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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 the 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Independent Auditor's Report to the members of Diligent Boardbooks Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that related to the reporting framework (FRS 102, the Companies Act 2006) and the relevant tax compliance regulations in the UK.
- We understood how Diligent Boardbooks Limited is complying with those frameworks by holding enquiries with management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, as well as consideration of the results of our audit procedures and noted that there was no contradictory evidence. We identified management's attitude and tone from the top to embed a culture of honesty and ethical values whereby a strong emphasis is placed on fraud prevention which may reduce opportunities for fraud to take place.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by enquiring management from various parts of the business to understand where it considered there was susceptibility to fraud. We considered the controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those controls.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries with management and legal counsel; journal entry testing, with a focus on management initiated or top-side adjustments identified based on characteristics of journal posting dates and times, account pairings, specific key words and phrases; and consideration of any specific bribery, corruption or other regulatory risk.

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Independent Auditor's Report to the members of Diligent Boardbooks Limited (continued)

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

Ernst & Young LLP

Naresh Alimchandani (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

8 July 2021

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Statement of Comprehensive Income

		2020	2019
	Note	£	£
Turnover	4	67,173,200	60,901,373
Cost of sales		<u>(40,374,291)</u>	<u>(35,484,911)</u>
Gross profit		26,798,909	25,416,462
Administrative expenses		(34,234,239)	(22,544,234)
Exceptional items:			
Impairment of investment in subsidiary	14	(25,266,773)	(13,500,000)
Impairment of goodwill	13	(6,322,114)	-
Restructuring costs	10	(3,003,724)	-
Intercompany debt forgiveness	10	<u>9,634,387</u>	<u>-</u>
Operating loss	5	(32,393,554)	(10,627,772)
Interest receivable and similar income	8	22,087	915
Interest payable and similar expenses	9	<u>(6,139,232)</u>	<u>(2,081,132)</u>
Loss before taxation		(38,510,699)	(12,707,989)
Tax expense	11	<u>(557,863)</u>	<u>(1,117,588)</u>
Loss after taxation		<u>(39,068,562)</u>	<u>(13,825,577)</u>

There was no other comprehensive income for the year ending 31 December 2020 (2019: nil).

The notes on pages 20 to 40 form part of these financial statements.


DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Statement of Financial Position

		2020	2019
	Note	£	£
Fixed assets			
Tangible assets	12	2,166,220	2,528,035
Intangible assets	13	24,783,122	27,993,659
Goodwill	13	21,240,660	41,344,161
Investments	14	16,044,543	39,475,823
		<u>64,234,545</u>	<u>111,341,678</u>
Current assets			
Debtors: amounts falling due after more than one year	16	882,073	852,203
Debtors: amounts falling due within one year	16	36,901,528	40,094,793
Cash at bank and in hand	17	7,512,717	4,044,221
		<u>45,296,318</u>	<u>44,991,217</u>
Creditors: amounts falling due within one year	18	<u>(68,436,179)</u>	<u>(56,151,471)</u>
Net current liabilities		<u>(23,139,861)</u>	<u>(11,160,254)</u>
Total assets less current liabilities		<u>41,094,684</u>	<u>100,181,424</u>
Creditors: amounts falling due after more than one year	18	<u>(71,587,163)</u>	<u>(98,203,739)</u>
Deferred tax	19	(557,153)	(813,402)
Other provisions	20	(2,949,992)	(150,000)
		<u>(3,507,145)</u>	<u>(963,402)</u>
Net (liabilities)/assets		<u>(33,999,624)</u>	<u>1,014,283</u>
Capital and reserves			
Called up share capital	21	1,000	1,000
Capital contribution reserve	22	17,188,123	13,180,802
Other reserves	23	178,558	131,224
Profit and loss account		(51,367,305)	(12,298,743)
Total equity		<u>(33,999,624)</u>	<u>1,014,283</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:

 A Gilsberg
 Director
 8 July 2021

The notes on pages 20 to 40 form part of these financial statements.

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Statement of Changes in Equity

	Called up share capital	Capital contribution reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2019	1,000	13,180,802	77,025	1,526,834	14,785,661
Loss for the financial year	-	-	-	(13,825,577)	(13,825,577)
Movement in share-based payment reserve	-	-	54,199	-	54,199
At 31 December 2019	1,000	13,180,802	131,224	(12,298,743)	1,014,283
At 1 January 2020	1,000	13,180,802	131,224	(12,298,743)	1,014,283
Loss for the financial year	-	-	-	(39,068,562)	(39,068,562)
Capital contribution from Diligent Luxembourg	-	4,007,321	-	-	4,007,321
Movement in share-based payment reserve	-	-	47,334	-	47,334
At 31 December 2020	1,000	17,188,123	178,558	(51,367,305)	(33,999,624)

The notes on pages 20 to 40 form part of these financial statements.

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Notes to the Financial Statements

1. General information

The principal activity of Diligent Boardbooks Limited is the provision of a secure board portal service to corporate boards.

The company is a private company limited by shares and is incorporated in England and Wales. Its principal place of business and registered office is 1 Strand, Grand Buildings, First Floor, London, WC2N 5HR.

The financial statements are presented in Sterling (£), unless otherwise stated, which is the functional currency of the company.

2. Accounting policies

Basis of preparation

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions or estimates are significant to the financial statements, are disclosed below.

The company has taken advantage of the exemption under s401 of the Companies Act 2006 not to prepare consolidated financial statements as it is a wholly owned subsidiary of another company registered in the United States of America that prepares consolidated financial statements including the company and its subsidiaries (see note 27). Consequently, these financial statements present information about the company as an individual undertaking and not about its group.

The following principal accounting policies have been applied:

Exemptions for qualifying entities under FRS 102

The company has taken advantage of the exemption, under paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company includes the company's cash flows in its consolidated financial statements. The company has also taken advantage of the FRS 102 paragraph 33.1A that exempts the company from disclosing related party transactions.

Going concern

These financial statements are prepared on a going concern basis. Diligent Boardbooks Limited remains integral to the future growth of the EMEA region for the group. The company actively manages its liquidity and solvency position to ensure it meets its short and long-term funding requirements. The directors of the company are committed to the long-term viability of the EMEA operations and have strategically committed to investing in the region in the foreseeable future.

In March 2020, the World Health Organization declared a pandemic with the outbreak of COVID-19. In response the directors have continually reviewed the actual, emerging and potential impacts of the pandemic on the company. However, due to the digital nature of the SaaS products offered by Diligent there was no significant impact on our business as companies adapted to Covid by moving from physical to digital governance solutions.

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Notes to the Financial Statements

2. Accounting policies (continued)

Going concern (continued)

The directors have considered the ability of the ultimate parent company, Diamond Parent Holdings Corp to provide continued financial support and note that the consolidated cash position based on the latest financial information remains according to plan and to budget. Group forecasts regarding cashflow, financial performance and financial position remain in line with expectations and the group experienced strong growth in subscriptions revenue for the 12 months up to the date when the financial statements were signed. The directors of the parent have prepared cashflow statements up to 31 July 2022 which indicate that, taking account of plausible downsides on the operations and its financial resources, the Group will have sufficient resources and available facilities to support the Company.

All Diligent entities around the world continue to operate in the current environment and we have not experienced any difficulties in short term liquidity in meeting their liabilities. As outlined in the Future Developments section, a major global restructuring was announced by the Diligent Group Executive Management team in 2020. As a result, there will be redundancies within the Diligent group. The group has not sought to take advantage of any wage subsidy schemes offered by central and state governments in overseas operations.

Based on the continued financial support of Diamond Parent Holdings Corporation, the ultimate parent company, and Diligent Corporation, the intermediate parent company, the directors have a reasonable expectation that the company has adequate resources to continue to be able to pay its liabilities as they fall due for at least the next 12 months following the date of approval of these financial statements, up to 31 July 2022.

Revenue

Provision of services

The company derives its revenue primarily from subscription fees and installation fees, including training. The company sells subscriptions to its cloud-based application generally one year in length. Its arrangements do not include a general right of return and automatically renew unless the company is notified within a contracted period prior to the expiration of the subscription term.

The company's subscription agreements do not provide the customer the right to take possession of the software that supports the application. Installation fees consist of the configuration of the company's service and training its customers.

Revenue recognition commences when all of the following conditions are met:

- There is persuasive evidence of the arrangement;
- The service has been made available to the customer;
- The fee is fixed or determinable; and
- The collectability of the fee is reasonably assured.

The company has determined that the installation fee does not have standalone value, so accordingly, it accounts for installation fees and arrangement fees as a single unit of accounting.

Revenue from the company's subscription services is recognised on a daily basis over the subscription term as the services are delivered. Revenue recognition commences when the customer has access to the Diligent Boards product. Revenue is recorded ratably through the end of the subscription term.

Installation fees paid by customers in connection with the subscription service are recognised over the initial subscription term (see note 4).

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Notes to the Financial Statements

2. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is determined as the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying value exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following bases:

Leasehold Improvements:	Over the life of the lease
Computer equipment:	3 years
Fixtures and fittings:	Between 3 and 5 years
Data Centres:	5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the statement of comprehensive income.

Intangible assets and goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Notes to the Financial Statements

2. Accounting policies (continued)

Intangible assets and goodwill (continued)

The useful economic life of intangible assets is as follows:

Goodwill:	3 years
Customer relationships:	10 years
Trade names:	3 years
Developed technology:	4 years

Management has decided that goodwill should be impaired over a shorter period than normal in line with the expected retirement of the Boardpad product.

Research and development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in administration expenses. During the period of development, the asset is tested for impairment annually.

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Financial instruments

The company has elected to apply Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

The company's policies for its major classes of financial assets and financial liabilities are set out below.

Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances and intercompany balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Such assets are subsequently carried at amortised cost using the effective interest method, less any impairment.

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Notes to the Financial Statements

2. Accounting policies (continued)

Financial instruments (continued)

Financial liabilities

Basic financial liabilities, including trade and other creditors, and intercompany balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Impairment of financial assets

Financial assets measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between the asset's carrying amount and the best estimate of the amount the company would receive for the asset if it were to be sold at the reporting date.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Notes to the Financial Statements

2. Accounting policies (continued)

Business combinations

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

The company opted to adopt the purchase method for its group reconstruction due to the existence of external valuations of the fair value of net assets acquired.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Intangible assets are only recognised separately from goodwill where they are separable and arise from contractual or other legal rights. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life which is estimated to be three years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Foreign currency translation

The company's functional and presentational currency is Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'interest receivable or payable'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'operating profit'.

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Notes to the Financial Statements

2. Accounting policies (continued)

Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are reduced from the accumulated profits.

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 consolidated 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 period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

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 statement of comprehensive income over the remaining vesting period.

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

Operating leases

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the term of the lease.

Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Notes to the Financial Statements

2. Accounting policies (continued)

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and 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 is the amount of income tax payable in respect of taxable profit for the year or prior years.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

- 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, except where they relate to capital expenditure in which case the provision is capitalised and the asset amortised over the life of the associated asset. They are subsequently measured at the best estimate at the statement of financial position of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the balance sheet.

Exceptional items

The company defines exceptional items as costs incurred in acquisitions and disposals, integration, non-recurring business restructuring and capital restructuring. These are disclosed separately to provide additional useful information to the users of the financial statements.

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Notes to the Financial Statements

3. Significant accounting estimates, judgements and assumptions

The preparation of the company's financial statements requires management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date, amounts reported for expenses during the year, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liability affected in the future.

In the process of applying the company's accounting policies, the company has made the following judgments and estimates which have the most significant effect on the amounts recognised in the financial statements:

Estimates

Impairment of investments

The company assesses whether there are indicators of impairment of investment balances on an annual basis. Where there are indicators of impairment of individual assets, the company estimates the recoverable amount of each asset based on expected future cash flows and use an appropriate interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Impairment of goodwill

Annually, the group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash-generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows. The recoverable amount of the CGUs is a source of significant estimation uncertainty and determining this involved the use of significant assumptions.

4. Turnover

An analysis of turnover by class of business is as follows:

	2020	2019
	£	£
Provision of services	67,173,200	60,901,373
Analysis of turnover by country of destination:		
United Kingdom	39,831,706	36,112,699
Rest of Europe	15,074,859	13,667,350
Rest of the World	12,266,635	11,121,324
	67,173,200	60,901,373

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Notes to the Financial Statements

5. Operating loss

Operating loss is stated after charging/(crediting):

	2020	2019
	£	£
Impairment of investments in subsidiaries (note 14)	25,266,773	13,500,000
Amortisation of goodwill (note 13)	13,781,387	-
Impairment of goodwill (note 13)	6,322,114	-
Amortisation of intangible fixed assets (note 13)	3,638,185	-
Restructuring costs (note 10)	3,003,724	-
Operating lease rentals	1,122,809	1,065,751
Bad debt expense/(credit)	1,017,850	(22,761)
Depreciation of tangible fixed assets (note 12)	973,483	753,042
South Africa VAT expense	799,688	-
Foreign exchange Losses	527,411	1,136,684
Intercompany debt forgiveness (note 10)	(9,634,387)	-

6. Auditors remuneration

	2020	2019
	£	£
Fees payable for the audit of the company's annual financial statements	<u>225,000</u>	<u>87,000</u>

During the year, Diligent Boardbooks Limited paid Nil on behalf of other group companies (2019 £182,500). There were no non-audit services provided during the year.

7. Staff costs

Staff costs were as follows:

	2020	2019
	£	£
Wages and salaries	16,692,454	14,956,362
Social security costs	2,519,307	1,875,582
Pension costs	585,595	493,554
	<u>19,797,356</u>	<u>17,325,498</u>

Included in wages and salaries is an amount of £47,334 (2019: £54,199) relating to share-based payments. The directors of Diligent Boardbooks Limited received no remuneration during the period (2019: nil).

The average monthly number of employees, including the directors, during the year was as follows:

	2020	2019
	No.	No.
Sales personnel	84	75
Administrative	150	135
	<u>234</u>	<u>210</u>

DILIGENT BOARDBOOKS LIMITED

For the year ended 31 December 2020

Notes to the Financial Statements

8. Interest receivable and similar income

	2020	2019
	£	£
Interest on intercompany loans	17,182	-
Other interest receivable	4,905	915
	<u>22,087</u>	<u>915</u>

9. Interest payable and similar charges

	2020	2019
	£	£
Interest on intercompany loans	5,869,807	1,956,087
Other loan interest payable	269,425	125,045
	<u>6,139,232</u>	<u>2,081,132</u>

10. Exceptional items

Restructuring costs

On October 27th 2020, a major global restructuring was announced by the Diligent Group Executive Management team. This was a commercial decision taken in response to the Group rapidly evolving from a product-focused company to a solutions-focused company.

The total estimated staff restructuring costs to be incurred in the UK are estimated at £3m. These costs were fully provided for in the current reporting period (Note 20).

Intercompany debt forgiveness

In 2019, DBL acquired eShare Limited in exchange for a note of £9.5m equal in amount to the net fair value of eShare Limited's net assets. During the financial year ended 31 December 2020, this loan and accrued interest were forgiven and is included as an exceptional item amounting to £9.6m (Note 18).

Impairment of investment in subsidiary

During the year, the company recognised an impairment of investments in subsidiaries amounting to £25.3m (2019: £13.5m). This impairment is allocated as follows: AMA Partners B.V £8.8m, eShare Holdings Limited £10.3m, Simplifie Holdco Limited £5.4m and ICSA Software International Limited £0.8m. This was calculated by estimating the recoverable value of the cash-generating units (CGUs). This required an estimation of the future cash flows from the CGUs and using appropriate discount rates in order to calculate the net present value of those cash flows (Note 14).

Impairment of goodwill

The company policy is to amortize Goodwill over 3 years. Annually, the group considers whether intangible assets and/or goodwill are impaired. During the year the company recognised an impairment of Goodwill amounting to £6.3m. This was calculated by estimating the recoverable value of the cash-generating units (CGUs). This required an estimation of the future cash flows from the CGUs and using appropriate discount rates in order to calculate the net present value of those cash flows (Note 13).

DILIGENT BOARDBOOKS LIMITED

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Notes to the Financial Statements

11. Taxation

	2020	2019
	£	£
Corporation tax		
Current tax on profit for the financial year	813,534	182,099
Adjustments in respect of prior years	578	146,711
Foreign taxation	-	32,739
Adjustments in respect of prior years (foreign tax)	-	46,435
Double taxation relief	-	(32,424)
Total current tax	814,112	375,560
Deferred tax		
Origination and reversal of timing differences	(110,857)	742,028
Adjustments in respect of prior years	(215,709)	-
Effect of tax rate change on opening balance	70,317	-
Total deferred tax (see note 19)	(256,249)	742,028
Taxation on profit on ordinary activities	557,863	1,117,588

Factors affecting tax charge for the year

The tax assessed for the year is the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are explained below:

	2020	2019
	£	£
(Loss) / profit on ordinary activities before tax	(38,510,699)	(12,711,035)
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(7,317,033)	(2,415,097)
Effects of:		
Expenses not deductible for tax purposes	4,874,643	2,633,113
Fixed Asset differences	4,279,524	44,162
Transfer pricing adjustments	696,077	-
Remeasurement of deferred tax for changes in tax rates	70,317	-
Other tax adjustments, reliefs and transfers	-	750,028
Adjustments in respect of prior years	578	193,146
Foreign tax credits	-	315
Difference in tax rates between corporation tax and deferred tax	-	(87,340)
Movement in deferred tax assets not recognised	(215,709)	(367)
Income not taxable for tax purposes	(1,830,534)	-
Other permanent differences	-	(372)
Total tax charge for the year	557,863	1,117,588

Factors that may affect future tax charges

A reduction in the UK corporation tax rate to 17%, effective from 1 April 2019, was substantively enacted as part of the Finance (No. 2) Act 2016 on 6 September 2016. Deferred taxes at the prior year balance sheet date were measured using these enacted tax rates based on when the timing difference is expected to reverse and reflected in these financial statements. In the Budget 2020 on 11 March 2020, the government announced that the UK corporation tax rate for the years starting April 2020 and 2021 will remain at 19%, and therefore deferred tax has been recognised at the in force 19% rate as at 31 December 2020. The impact of the rate change applicable to deferred tax has been disclosed in the reconciliation above. The March 2021 Budget announced that a rate of 25% will be applied from 1 April 2023. The company will consider the impact of this rate change in future financial statements.

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For the year ended 31 December 2020

Notes to the Financial Statements**12. Tangible fixed assets**

	Leasehold improvements	Fixtures and fittings	Computer equipment	Data Centres	Total
	£	£	£	£	£
Cost					
At 1 January 2020	1,308,921	788,064	1,013,941	970,119	4,081,045
Additions	-	-	202,001	327,844	529,845
Net book value of assets transferred from other subsidiaries	40,465	-	47,717	-	88,182
Disposals	-	-	-	(6,500)	(6,500)
At 31 December 2020	1,349,386	788,064	1,263,659	1,291,463	4,692,572
Depreciation					
At 1 January 2020	517,290	432,975	371,116	231,629	1,553,010
Charge for the year	245,092	185,529	292,961	249,901	973,483
Disposals	-	-	-	(141)	(141)
At 31 December 2020	762,382	618,504	664,077	481,389	2,526,352
Net book value					
At 31 December 2020	587,004	169,560	599,582	810,074	2,166,220
At 31 December 2019	791,631	355,089	642,825	738,490	2,528,035

As part of the legal entity rationalisation ('LER'), the Company acquired the following tangible assets from Simplifie Limited: Fixtures and fittings of £40,465 and computer equipment of £47,717.

DILIGENT BOARDBOOKS LIMITED

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Notes to the Financial Statements**13. Intangible fixed assets**

	Goodwill	Customer Relationships	Trade Names	Developed Technology	Internal Software Development	Total
	£	£	£	£	£	£
Cost						
At 1 January 2020	41,344,161	23,545,131	71,265	4,233,757	143,506	69,337,820
Additions	-	-	-	427,648	-	427,648
Acquisitions	-	-	-	-	-	-
At 31 December 2020	<u>41,344,161</u>	<u>23,545,131</u>	<u>71,265</u>	<u>4,661,405</u>	<u>143,506</u>	<u>69,765,468</u>
Amortization						
At 1 January 2020	-	-	-	-	-	-
Charge for the year	13,781,387	2,354,513	23,755	1,120,965	138,952	17,419,572
Impairment	6,322,114	-	-	-	-	6,322,114
At 31 December 2020	<u>20,103,501</u>	<u>2,354,513</u>	<u>23,755</u>	<u>1,120,965</u>	<u>138,952</u>	<u>23,741,686</u>
Net book value						
At 31 December 2020	<u>21,240,660</u>	<u>21,190,618</u>	<u>47,510</u>	<u>3,540,440</u>	<u>4,554</u>	<u>46,023,782</u>
At 31 December 2019	<u>41,344,161</u>	<u>23,545,131</u>	<u>71,265</u>	<u>4,233,757</u>	<u>143,506</u>	<u>69,337,820</u>

The 2020 Developed technology includes additions of £427,648 related to Capitalised software (£382,295) and assets purchased from Simplific Ltd (£45,353). In 2019, the company acquired Intangible assets from Diligent Bidco UK Limited totaling £60,859,916 including £41,344,161 of Goodwill, £17,060,000 of Customer relationships (£17,045,000 Blueprint product and £15,000 Boardpad product), £2,319,530 of Developed technology (Blueprint technology £2,289,530 and Boardpad technology £30,000) and £136,225 of legacy internal use software (Blueprint software £108,447 and Boardpad software £27,778). Intangible assets acquired in 2019 from eShare Limited totaling £7,205,064 included £6,485,131 of Customer relationships, £641,387 of Developed technology, £71,265 of Trade names and £7,281 of internal use software. Developed technology includes £322,370 purchased from Orca RiSource B.V. a company based in the Netherlands which was acquired by AMA Partners B.V. (a wholly owned subsidiary of the Company), in December 2019. The amount of £950,470 relates to Intellectual property associated with the Blueprint platform.

The company policy is to amortize Goodwill over 3 years. Annually, the group considers whether intangible assets and/or goodwill are impaired. During the year the company recognised an impairment of Goodwill amounting to £6.3m. This was calculated by estimating the recoverable value of the cash-generating units (CGUs). This required an estimation of the future cash flows from the CGUs and using appropriate discount rates in order to calculate the net present value of those cash flows.

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Notes to the Financial Statements**14. Investments**

	Investment in subsidiary companies £
Cost	
At 1 January 2019	39,475,823
Additions	1,835,493
Impairment of investments	<u>(25,266,773)</u>
At 31 December 2020	<u>16,044,543</u>
Net book value	
At 31 December 2020	<u>16,044,543</u>
At 31 December 2019	<u>39,475,823</u>

On 31 July 2020, the Company acquired the £1.7m net liabilities of Simplifie Ltd for £nil consideration. This resulted in increase of investments of £1.7m and capital contribution in Simplifie Ltd at the same date.

In 2020, the Company acquired the share capital of Perivan India Private Limited for £0.1m.

During the year, the company recognised an impairment of investments in subsidiaries amounting to £25.3m (2019: £13.5m). This impairment is allocated as follows: AMA Partners B.V £8.8m, eShare Holdings Limited £10.3m, Simplifie Holdco Limited £5.4m and ICSA Software International Limited £0.8m. This was calculated by estimating the recoverable value of the cash-generating units (CGUs). This required an estimation of the future cash flows from the CGUs and using appropriate discount rates in order to calculate the net present value of those cash flows.

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Country of incorporation	Principal activity
Diligent Boardbooks GmbH	Ordinary	100%	Germany	Sale and support of in-house software; data hosting
eShare Holdings Limited	Ordinary	100%	United Kingdom	Dormant
AMA Partners B.V.	Ordinary	100%	Netherlands	Provider of analytic tools to manage Governance risk
Simplifie Holdco Limited	Ordinary	100%	United Kingdom	Holding Company
Perivan India Private Limited	Ordinary	100%	India	Sale and support of in-house software
Diligent Brazil Software Ltda	Ordinary	100%	Brazil	Sale and support of in-house software; data hosting
Diligent Governance Services (Pty) Limited	Ordinary	100%	South Africa	Dormant
Diligent Software (Pty) Limited	Ordinary	100%	South Africa	Developing, operating, and maintaining software solutions
ICSA Software International Limited	Ordinary	100%	United Kingdom	Dormant

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Notes to the Financial Statements**15. Business combinations and trade deals**

During the year, a legal entity rationalization ("LER") process was performed to simplify the legal entity structure within the Diligent UK Group. As part of this, Diligent Boardbooks Limited purchased the assets and liabilities of Simplifie UK at book value on 31 July 2020 for nil consideration.

The following table summarises the consideration paid by the Company, the fair value of assets acquired, and liabilities assumed at the acquisition date.

	Subsidiary undertaking
All amounts in £	Simplifie UK
Purchase consideration	-
Recognised fair value of identifiable assets acquired, and liabilities assumed	
Tangible assets (Note 12)	81,151
Trade and other receivables	155,008
Trade and other payables	(298,097)
Deferred income	(797,269)
Amounts owed to group undertakings	(833,169)
Total identifiable net liabilities	(1,692,376)
Total net liabilities and investment additions in Simplifie Ltd	(1,692,376)

DILIGENT BOARDBOOKS LIMITED

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Notes to the Financial Statements

15. Business combinations and trade deals (continued)

In 2019, a legal entity rationalization (“LER”) process was performed to simplify the legal entity structure within the Diligent UK Group. As part of this, Diligent Boardbooks Limited purchased Eshare Limited and Diligent Bidco UK Limited on 31 December 2019. The company applied purchase method for accounting for business combination and this group reconstruction particularly. The fair value of acquired identifiable net assets was executed by independent external valuer.

The Company acquired eShare Limited on 31 December 2019 in exchange for a note of £9.5m equal in amount to the net fair value of eShare Limited’s assets. At 31 December 2019, the £9.5m loan note is an unsecured loan with a fixed interest rate of 7%.

On 31 December 2019, the Company acquired Diligent Bidco UK Limited, which held investments in ICSA Boardroom Apps Limited and ICSA Software Limited, by way of a business sale agreement for a loan note in the amount of £4,007,321. The £4m loan note is an unsecured with a fixed interest rate of 7%.

The following table summarises the consideration paid by the Company, the fair value of assets acquired, and liabilities assumed at the acquisition date.

	Subsidiary undertaking	Sister company
All amounts in £	Eshare Limited	Diligent Bidco UK Limited
Purchase consideration in the form of the loan note	9,467,347	4,007,321
Recognised fair value of identifiable assets acquired, and liabilities assumed		
Intangible assets (Note 13)	7,197,782	19,380,529
Trade and other receivables	4,998	5,274
Investments	-	827,273
Deferred taxation	-	54,129
Amounts owed by group undertakings	2,651,904	23,945,736
Trade and other payables	(257,212)	(1,732,918)
Deferred income	-	(312,612)
Amounts owed to group undertakings	(130,125)	(79,504,251)
Total identifiable net assets/(liabilities)	9,467,347	(37,336,840)
Goodwill	-	41,344,161
Total	9,467,347	4,007,321

DILIGENT BOARDBOOKS LIMITED

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Notes to the Financial Statements**16. Debtors**

	2020	2019
	£	£
Due after more than one year		
Rent deposit	869,431	852,203
Deferred Tax Asset	12,642	-
	<u>882,073</u>	<u>852,203</u>

	2020	2019
	£	£
Due within one year		
Trade debtors	16,685,396	21,690,870
Amounts owed by group undertakings	16,889,921	15,999,002
Other debtors	215,741	128,653
Corporation tax debtor	-	160,963
Prepayments and accrued income	3,110,470	2,115,305
	<u>36,901,528</u>	<u>40,094,793</u>

17. Cash and cash equivalents

	2020	2019
	£	£
Cash at bank and in hand	<u>7,512,717</u>	<u>4,044,221</u>

18. Creditors

	2020	2019
	£	£
Amounts falling due within one year		
Trade creditors	2,100,966	2,490,955
Amounts owed to group undertakings	20,916,467	14,993,729
Other taxation and social security	1,088,578	1,439,996
Other creditors	36,325	105,733
Accruals	2,089,870	3,747,864
Deferred income	38,572,805	32,480,863
Provision for unrecorded VAT liability	2,334,131	892,331
Corporation tax payable	1,297,037	-
	<u>68,436,179</u>	<u>56,151,471</u>

	2020	2019
	£	£
Amounts falling due after more than one year		
Amounts owed to Parent companies	71,557,359	88,696,683
Accruals and deferred income	29,804	40,056
Amounts owed to fellow subsidiary	-	9,467,000
	<u>71,587,163</u>	<u>98,203,739</u>

DILIGENT BOARDBOOKS LIMITED

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Notes to the Financial Statements

18. Creditors (continued)

The company has the following intercompany loans:

Lender	2020	2019	Interest rate	Maturity
	£	£		
Diligent Luxembourg S.a.r.l.	47,393,677	48,689,362	6.80%	April 2022
Diligent Luxembourg S.a.r.l.	10,163,682	22,000,000	8.00%	April 2022
Diligent Corporation	14,000,000	14,000,000	7.39%	April 2022
Diligent Luxembourg S.a.r.l.	-	4,007,321	7.00%	December 2024
Eshare Limited	-	9,467,347	7.00%	December 2024

In 2019, the company acquired Diligent Bidco UK Limited by way of a business sale agreement for a loan note in the amount of £4m. On 1st January 2020, this loan note was assigned to Diligent LuxCo S.a.r.l. Diligent Luxembourg subsequently contributed the loan note to the company as a capital contribution.

In 2019, the company acquired eShare Limited in exchange for a note of £9.6m equal in amount to the net fair value of eShare Limited's net assets. During the financial year ended 31 December 2020, this loan and accrued interest were forgiven and is included as an exceptional item amounting to £9.6m.

19. Deferred taxation liability

	2020	2019
	£	£
At beginning of year	813,402	71,373
Charged to profit or loss	(256,249)	742,029
At end of year	557,153	813,402
Accelerated capital allowances	702,545	813,402
Other timing differences	(145,392)	-
	557,153	813,402

20. Other provisions

	Dilapidations	Restructuring	Total
	£	£	£
At 1 January 2020	150,000	-	150,000
Addition during the year	-	3,003,724	3,003,724
Paid during the year	-	(203,732)	(203,732)
At 31 December 2020	150,000	2,799,992	2,949,992

On October 27th 2020, a major global restructuring was announced by the Diligent Group Executive Management team. This was a commercial decision taken in response to the Group rapidly evolving from a product-focused company to a solutions-focused company. The total estimated staff restructuring costs to be incurred in the UK are estimated at £3m. These costs were fully provided for in the current reporting period. However, £0.2m of the restructuring costs were paid during the year.

DILIGENT BOARDBOOKS LIMITED

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Notes to the Financial Statements

21. Share capital

	2020	2019
Allotted, called up and fully paid	£	£
1,000 Ordinary shares of £1 each	1,000	1,000

22. Reserves

Other reserves

Other reserves represent share-based payment reserve which includes a provision for payments due under the share option plans of an intermediate parent company.

Capital contribution reserve

In 2019, the company acquired Diligent Bidco UK Limited by way of a business sale agreement for a loan note in the amount of £4,007,321. On 1st January 2020, this loan note was assigned to Diligent LuxCo S.a.r.l. Diligent Luxembourg subsequently contributed the loan note to the company as a capital contribution.

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

23. Share-based payments

Employee Share Option Plan Scheme (the "Scheme")

The movement of the Share based compensation is as follows:

	2020	2019
	£	£
At beginning of year	131,224	77,025
Charged to profit or loss	47,334	54,199
At end of year	178,558	131,224

Share Options were granted by the Company's ultimate holding corporation to employee under the Diamond Parent Holdings Corp Stock Incentive Schemes.

The share options vest over a period of four years from the date of grant, 25% of the share options shall vest on the twelve-month anniversary of the date of grant. The remainder shall vest in substantially equal instalments on each of the next twelve quarterly anniversaries of the date of grant thereafter, provided, that with respect to the last such quarterly instalment (which, for the avoidance of doubt, will occur on the date that is forty-eight (48) month following the date of grant), the number of options that vest at such time shall be such that holder will be fully vested in the options.

Once the options have vested, they are exercisable for a contractual option term of 10 years. The options may be exercised in full or in part in respect of 630,00 shares or a multiple thereof, on the payment of the exercise price. The Company has no legal or constructive obligation to repurchase or settle the options in cash. During the financial year ended 31 December 2020, the company recognized a share compensation expense of £47,334 (2019: £54,199) with corresponding amount recorded under 'Share based compensation' as part of Capital and reserves which represent capital contribution from ultimate holding corporation.

The fair value of the share options is estimated at the grant date using the Black-Scholes Model, taking into account the terms and conditions on which the share options were granted.

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Notes to the Financial Statements

23. Share-based payments (continued)

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the financial year:

	Unvested at beginning of the year	Granted during the year	Exercised during the year	Terminated during the year	Unvested at end of the year	WAEP
2019	630,000	40,000	(26,124)	(12,942)	630,934	0.77693
2020	630,934	140,000	-	(50,123)	720,811	1.13375

24. Commitments under operating leases

At 31 December 2020 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2020	2019
	£	£
Not later than 1 year	1,110,289	1,110,289
Later than 1 year and not later than 5 years	4,441,156	4,441,157
Later than 5 years	1,850,480	2,960,769
	<u>7,401,925</u>	<u>8,512,215</u>

As disclosed in Note 28, the company has assigned the lease on its previous office space which may alter the operating lease commitments schedule during the next financial year.

25. Contingent liabilities

A fixed charge has been registered against the assets of Diligent Boardbooks Limited as part of a global securitisation agreement involving external loans undertaken by the Diligent Group.

26. Related party transactions

The company has taken advantage of the exemption contained in FRS 102 section 33 "Related Party Disclosures" from disclosing transactions with entities which are a wholly owned part of the group.

27. Parent undertaking and controlling party

The Company's ultimate parent company and controlling party is Diamond Parent Holdings Corp, a Company incorporated in Delaware, USA, whose registered agent is The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE19801, USA. The intermediate holding company is Diligent Corporation, 1111 19th Street NW, 9th Fl, Washington, DC 20036, USA. The immediate parent undertaking of the company is Diligent Luxembourg S.à.r.L, a company registered in Luxembourg.

28. Subsequent events

The Company has assigned the lease on its previous office space at 1 Strand, London, effective from 1 July 2021. The Company is actively looking for a new permanent office space in a similar location.