

Company Registration No. 03621410 (England and Wales)

EVERBRIDGE EUROPE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

EVERBRIDGE EUROPE LIMITED

COMPANY INFORMATION

Directors	Mr M Elliot Mrs G J Kellaway Mr F J Fernandez Colado	(Appointed 1 September 2021) (Appointed 1 September 2021) (Resigned 1 September 2021)
Secretary	Mrs G J Kellaway	
Company number	03621410	
Registered office	6 De Grey Square De Grey Road Colchester Essex CO4 5YQ	
Auditor	Ernst & Young LLP One Cambridge Business Park Cambridge Cambridgeshire CB4 0WZ	
Business address	6 De Grey Square De Grey Road Colchester Essex CO4 5YQ	

EVERBRIDGE EUROPE LIMITED

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EVERBRIDGE EUROPE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Review of the business

During the company continued to seek opportunities to widen its' global coverage in the telecommunications messaging service sector.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. These include global trading conditions, technological advancement, credit and currency risk. Further risks that the company faces are as follows:

- COVID-19 - the directors continue to monitor the effects of the COVID-19 pandemic and continue to follow government guidelines on the matter. The company continues to mitigate the risk to employees by following government advice in each geographical location in which it operates.
- Brexit – The directors are continually monitoring post-Brexit trading and due to the mainland Europe presence that the company holds, they do not consider there to be any long term adverse effects to business.
- Economic downturn – Management acknowledges the importance of maintaining close relationships with its key customers in order to be able to identify the early signs of potential financial difficulties. Sales trends in the company's major markets are constantly reviewed to enable early action to be taken in the event of sales declining.
- Competitor pressure - The market in which the company operates is considered to be relatively competitive, and therefore competitor pressure could result in losing sales to key competitors. The company manages this risk by providing quality technical solutions and maintaining strong relationships with its key customers.
- Reliance on key suppliers – The company's purchasing activities could expose it to over reliance on certain suppliers and inflationary pricing pressure. The company manages this risk by ensuring there is enough breadth in its supplier base and by constantly seeking to find potential alternative suppliers that may be used, if necessary.
- Loss of key personnel – This would present significant operational difficulties for the company. Management seek to ensure that key personnel are appropriately remunerated to ensure that good performance is recognised.
- Liquidity risk – The company addresses cash flow by carefully managing its working capital inflows and outflows, along with obtaining financial support from the company's ultimate parent undertaking Everbridge Inc.
- Currency risk - The company's principal foreign currency exposure arises from trading with overseas companies. Company policy allows, but does not demand, that these exposures may be hedged in order to fix the cost in sterling.
- Credit risk - Credit risk arises from transactions with third party customers. The company has policies which require appropriate credit checks on potential customers and regularly reviews the utilisation of individual customer credit limits.

EVERBRIDGE EUROPE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Key performance indicators

The directors consider the key performance indicators for the business to be:

	2020	2019
Revenue	£12,732,232	£9,460,497
Headcount	79	64

- Bookings:
 - New and growth
 - Professional services
 - Renewal
 - Average Selling Price (ASP)
- Deal statistics:
 - Number of customer wins
 - \$500k+ deals (#)
 - \$200k - \$499k Deals (#)
 - \$100k - \$199k Deals (#)
- Productivity:
 - Tenured Reps
 - Non-tenured Reps
 - % Tenured Reps
 - % Tenured Reps producing above 80%

New and bookings increased 48% year on year between 2019 and 2020 due to the expansion of products and regions, further increasing the Headcount by 19% in the sales team and supporting functions. Further supporting the 35% year on year revenue growth.

These KPI's provide information on growth and sales productivity specific to the International Sales team. These KPI's are generated quarterly and are included in the overall quarterly KPI Report compiled for Everbridge Inc and its subsidiaries.

COVID -19

As a result of COVID-19, the company needed to respond to the risks of this pandemic and in doing so put in place the necessary safety measures to protect its workforce, as it continued to operate through the lockdown.

Risks arise for the company at an operational level for the protection of the employees. With the case numbers rising, the company needed to maintain contingency plans to ensure the operation with people becoming unable to work for several weeks. Also, maintaining a fully remote working environment has been essential for a variety of departments from sales through product development and implementation to finance / legal / marketing and last but not least the decision making processes of the board.

The company managed to maintain the specific level of quality and dedication in its processes and work ethic during the pandemic, fortunately the company's industry has not been impacted by the global health crisis as much as others – the company even implemented a number of new products to help health organizations and vaccine distribution processes during this time.

Nevertheless, the ongoing COVID-19 situation will be monitored continuously, and the associated risks will be assessed accordingly in the future.

EVERBRIDGE EUROPE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

On behalf of the board

Mrs G J Kellaway
Director

31 March 2022

EVERBRIDGE EUROPE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Principal activities

The principal activity of the company continued to be that of the provision of telecommunications messaging services.

Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr F J Fernandez Colado	(Resigned 1 September 2021)
Mr M Elliot	(Appointed 1 September 2021)
Mrs G J Kellaway	(Appointed 1 September 2021)

Results and dividends

The loss for the year was £7,604,733 (2019 loss :£90,162). The directors do not recommend the payment of a dividend (2019:£Nil)

Qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Post reporting date events

There are no post year end events to report.

Auditor

The auditor, Ernst & Young LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Going concern

The going concern period assessed by the directors is the period to 31 March 2023.

As at 31 December 2020, the company had net current liabilities of £6,565,020 and net liabilities of £6,521,592 and hence is reliant on ultimate parent support.

The company has prepared a cash flow forecast for the period to 31 March 2023, being the going concern review period assessed by the directors, which together with the support Everbridge Inc, shows the company will have sufficient resources to settle their liabilities as they fall due. Everbridge Inc. has confirmed that it will provide the necessary support for at least the period to 31 March 2023. The directors have made enquiries of its ultimate parent and are comfortable it has sufficient resources to provide the necessary support to the company.

The directors consider the going concern basis of preparation to be appropriate.

EVERBRIDGE EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

On behalf of the board

Mrs G J Kellaway
Director

31 March 2022

EVERBRIDGE EUROPE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF EVERBRIDGE EUROPE LIMITED

Opinion

We have audited the financial statements of Everbridge Europe Limited for the year ended 31 December 2020, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes 1 to 22, 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 FRS102 "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. 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 the period to 31 March 2023.

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF EVERBRIDGE EUROPE LIMITED

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in 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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of 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 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF EVERBRIDGE EUROPE LIMITED

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 FRS 102, Companies Act 2006 and UK tax legislation.
- We understood how company is complying with those frameworks by making enquiries of management to understand how company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries through our review of Board minutes, review of correspondence with relevant authorities, as well as consideration of the results of our audit procedures across the company to either corroborate our findings or provide contrary evidence which was followed up.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by understanding which areas of the business present potential fraud risk areas (through assessing the presence of opportunities, incentives or potential rationalisation to commit such acts of fraud), understanding where these risks could present themselves and subsequently identifying the process level controls in place to prevent, or detect and correct them. Combining this with our review of entity level controls, which have evidenced management's behaviour and the culture embedded within the company, we have gained a detailed understanding of the overall susceptibility to fraud.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved direct enquiries with those charged with governance. In addition, we performed detailed testing around manual journals for identified fraud risks, corroborating balances where necessary to underlying supporting documentation. The results of these procedures did not identify any such instances of irregularities, including fraud.

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBER OF EVERBRIDGE EUROPE LIMITED

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.

Rachel Wilden (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP

Statutory Auditor
31 March 2022

One Cambridge Business Park
Cambridge
Cambridgeshire
CB4 0WZ

EVERBRIDGE EUROPE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2020

		2020 £	2019 £
Turnover	3	12,732,232	9,460,497
Cost of sales		(17,031)	(19,538)
Gross profit		<u>12,715,201</u>	<u>9,440,959</u>
Operating expenses		(20,206,372)	(9,351,561)
Other operating income		172,073	118,631
Operating (loss)/profit	4	<u>(7,319,098)</u>	<u>208,029</u>
Interest receivable and similar income	8	41,660	-
Interest payable and similar expenses	9	(327,295)	(298,191)
Loss before taxation		<u>(7,604,733)</u>	<u>(90,162)</u>
Tax on loss	10	-	-
Loss for the financial year		<u><u>(7,604,733)</u></u>	<u><u>(90,162)</u></u>

EVERBRIDGE EUROPE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	£	£
Loss for the year	(7,604,733)	(90,162)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(7,604,733)</u>	<u>(90,162)</u>

EVERBRIDGE EUROPE LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2020

		2020		2019	
	Notes	£	£	Restated £	£
Fixed assets					
Tangible assets	11		211,590		133,703
Current assets					
Debtors falling due after more than one year	12	1,352,615		1,108,388	
Debtors falling due within one year	12	11,004,670		10,715,667	
Cash at bank and in hand		598,044		1,934,872	
		<u>12,955,329</u>		<u>13,758,927</u>	
Creditors: amounts falling due within one year	13	<u>(19,520,349)</u>		<u>(13,916,948)</u>	
Net current liabilities			<u>(6,565,020)</u>		<u>(158,021)</u>
Total assets less current liabilities			<u>(6,353,430)</u>		<u>(24,318)</u>
Creditors: amounts falling due after more than one year	14		<u>(168,162)</u>		<u>(280,960)</u>
Net liabilities			<u><u>(6,521,592)</u></u>		<u><u>(305,278)</u></u>
Capital and reserves					
Called up share capital	17		1,000		1,000
Other reserve	18		4,099,023		2,710,604
Profit and loss reserves	19		<u>(10,621,615)</u>		<u>(3,016,882)</u>
Shareholder deficit			<u><u>(6,521,592)</u></u>		<u><u>(305,278)</u></u>

The financial statements were approved by the board of directors and authorised for issue on 31 March 2022 and are signed on its behalf by:

Mrs G J Kellaway
Director

Company Registration No. 03621410

EVERBRIDGE EUROPE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Other reserves	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 January 2019	1,000	1,496,513	(2,926,720)	(1,429,207)
Year ended 31 December 2019:				
Loss and total comprehensive loss for the year	-	-	(90,162)	(90,162)
Share based payments	-	1,214,091	-	1,214,091
Balance at 31 December 2019	1,000	2,710,604	(3,016,882)	(305,278)
Year ended 31 December 2020:				
Loss and total comprehensive loss for the year	-	-	(7,604,733)	(7,604,733)
Share based payments	-	1,388,419	-	1,388,419
Balance at 31 December 2020	1,000	4,099,023	(10,621,615)	(6,521,592)

EVERBRIDGE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Everbridge Europe Limited is a private company limited by shares incorporated in England and Wales. The registered office is 6 De Grey Square, De Grey Road, Colchester, Essex, CO4 5YQ.

1.1 Accounting convention

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

The company has taken advantage of the following disclosure exemptions under FRS102:

- from preparing a statement of cash flows as required by FRS 102 section 7 Statement of Cash Flows and section 3 Financial Statement Presentation paragraph 3.17(d);
- from disclosing transactions entered into between the company and other wholly owned companies within the Everbridge Inc. group as required by FRS 102 paragraphs 33.8 to 33.14;
- from disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7;
- from the financial instrument disclosures as required by FRS 102 paragraphs 11.42, 11.48(a)(iii), 11.48(a)(iv) and 11.48(c) and paragraph 12.26;
- the requirement of section 26 Share-based payments 26.18(b), 26.19 to 26.21 and 26.23

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Prior period restatement

To correct the presentation of both deferred revenue and deferred commissions in the prior year, the long-term elements of these balances, falling due after more than one year, have been reclassified as creditors and debtors falling due after more than one year respectively. The resulting deferred revenue classified as falling due after more than one year is £280,960 and the resulting deferred commissions falling due after more than one year is £1,108,388. These restatements do not have any effect on the loss for the period ended 31 December 2019 or on retained earnings as at 31 December 2019.

1.3 Going concern

The going concern period assessed by the directors is the period to 31 March 2023.

As at 31 December 2020, the company had net current liabilities of £6,565,020 and net liabilities of £6,521,592 and hence is reliant on ultimate parent support.

The company has prepared a cash flow forecast for the period to 31 March 2023, being the going concern review period assessed by the directors, which together with the support Everbridge Inc, shows the company will have sufficient resources to settle their liabilities as they fall due. Everbridge Inc. has confirmed that it will provide the necessary support for at least the period to 31 March 2023. The directors have made enquiries of its ultimate parent and are comfortable it has sufficient resources to provide the necessary support to the company.

The directors consider the going concern basis of preparation to be appropriate.

EVERBRIDGE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

1.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts, relating to the year. Where services are contracted in advance, an adjustment is made to recognise income evenly over the contract period. Where services are purchased in advance, income is recognised once the service has been provided.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Straight line over the lease term
Fixtures, fittings & equipment	15% reducing balance or 33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

EVERBRIDGE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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.

EVERBRIDGE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies, 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. Financial liabilities classified as payable within one year are not amortised.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on the taxable profit or loss for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

EVERBRIDGE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

EVERBRIDGE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Bad debt provision

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the aging profile of debtors, whether covered by insurance and historical experience.

Depreciation

The company estimates the rates of depreciation used to write down the different classes of assets that the company owns. This is based on prior experience of asset lives while taking into account any additional circumstances. Once fully depreciated over its useful life the asset should be stated at its residual value or £nil if there is no residual value.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2020	2019
	£	£
Turnover analysed by class of business		
Telecommunication services	12,732,232	9,460,497
	<u> </u>	<u> </u>
	2020	2019
	£	£
Other revenue		
Interest income	41,660	-
	<u> </u>	<u> </u>

EVERBRIDGE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

3	Turnover and other revenue	(Continued)	
		2020	2019
		£	£
	Turnover analysed by geographical market		
	United Kingdom	8,454,390	6,051,253
	Europe	2,648,571	2,228,787
	Asia and Pacific	1,303,883	689,069
	USA and Canada	33,968	144,288
	Rest of World	291,420	347,100
		<u>12,732,232</u>	<u>9,460,497</u>

4	Operating (loss)/profit	2020	2019
		£	£
	Operating (loss)/profit for the year is stated after charging/(crediting):		
	Exchange differences	(34,134)	18,034
	Depreciation of owned tangible fixed assets	71,542	41,253
	Costs recharged from fellow group undertakings	6,676,420	-
	Equity settled share-based payments	1,388,419	1,214,091
	Operating lease charges	256,172	271,097
		<u>12,732,232</u>	<u>9,460,497</u>

During the year the company incurred costs recharged from fellow group undertakings which operate as cost plus entities, providing services to the company.

5	Auditor's remuneration	2020	2019
		£	£
	Fees payable to the company's auditor :		
	For audit services		
	Audit of the financial statements of the company	47,000	26,000
	Audit of the financial statements of the company's parent	10,000	4,000
		<u>57,000</u>	<u>30,000</u>

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

2020	2019
Number	Number
79	64
<u>79</u>	<u>64</u>

EVERBRIDGE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

6 Employees (Continued)

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	9,095,934	6,335,162
Social security costs	1,427,663	808,598
Pension costs	223,178	151,836
	<u>10,746,775</u>	<u>7,295,596</u>

Included in wages and salaries is a charge for equity settled share based payments of £1,388,419 (2019:£1,214,091).

7 Directors' remuneration

	2020 £	2019 £
Remuneration	451,064	424,248
Contributions to defined contribution pension scheme	12,758	12,500
	<u>463,822</u>	<u>436,748</u>

The above remuneration relates to one director who provided qualifying services to the company along with other group undertakings and it is not possible to separately identify the amount which related to the company in both current and prior year. He was also the highest paid director during the year. The highest paid director exercised share options and received shares (Restricted Stock and Performance-Based Restricted Stock units) in the current and prior year.

Also, in the prior year two of the directors were employed by the ultimate parent undertaking and it is not possible to separately identify all their remuneration for qualifying services to the company.

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2019 - 1).

The number of directors who exercised share options during the year was 1 (2019 - 3).

The number of directors who received shares (Restricted Stock and Performance-Based Restricted Stock units) for qualifying services during the year was 1 (2019 - 3).

8 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Interest receivable from group companies	<u>41,660</u>	<u>-</u>

EVERBRIDGE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

9 Interest payable and similar expenses

	2020	2019
	£	£
Interest payable to group undertakings	327,295	298,191

10 Taxation

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2020	2019
	£	£
Loss before taxation	(7,604,733)	(90,162)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(1,444,899)	(17,131)
Tax effect of expenses that are not deductible in determining taxable profit	85,674	18,251
Change in unrecognised deferred tax assets	2,007,891	261,260
Effect of change in corporation tax rate	(166,731)	30,737
Share based payment charge	(481,935)	(293,117)
Taxation charge for the year	-	-

Factors that may affect the future tax charge

The Finance (No.2) Act 2016, reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from April 2023.

No deferred tax asset in relation to losses and share options has been provided due to uncertainty over recoverability. Had these been provided for the deferred tax asset, calculated at 19% (2019:17%) would have been £3,425,107 (2019:£1,417,216).

EVERBRIDGE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

11 Tangible fixed assets

	Leasehold fixtures, fittings improvements & equipment		Total
	£	£	£
Cost			
At 1 January 2020	21,043	243,958	265,001
Additions	-	149,430	149,430
At 31 December 2020	21,043	393,388	414,431
Depreciation and impairment			
At 1 January 2020	13,750	117,549	131,299
Depreciation charged in the year	2,251	69,291	71,542
At 31 December 2020	16,001	186,840	202,841
Carrying amount			
At 31 December 2020	5,042	206,548	211,590
At 31 December 2019	7,293	126,410	133,703

12 Debtors

	2020	2019
	£	Restated £
Amounts falling due within one year:		
Trade debtors	4,322,804	3,256,714
Amounts due from group undertakings	5,519,724	6,609,485
Other debtors	1,097,778	716,065
Prepayments and accrued income	64,364	133,403
	11,004,670	10,715,667
Amounts falling due after more than one year:		
Other debtors	1,352,615	1,108,388
Total debtors	12,357,285	11,824,055

EVERBRIDGE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Debtors

(Continued)

Amounts due from group undertakings includes a loan of £4,619,310 (2019:£4,619,310) to the parent company Everbridge Holdings Limited. This loan is interest free and repayable on demand. The balance of £900,414 (2019:£1,990,175) is in respect of current accounts with other subsidiaries of the parent company amounting to £900,414 (2019: £1,978,459) and a current account with the ultimate parent company Everbridge Inc. amounting to £Nil (2019:£11,716).

Other debtors includes £1,352,615 (2019:£1,108,388) in respect of deferred commissions due after one year.

13 Creditors: amounts falling due within one year

	2020	2019
	£	Restated £
Trade creditors	192,964	59,710
Amounts owed to group undertakings	9,125,737	6,270,884
Taxation and social security	1,013,751	527,161
Other creditors	395	-
Accruals and deferred income	9,187,502	7,059,193
	<u>19,520,349</u>	<u>13,916,948</u>

Amounts owed to group undertakings includes £8,304,643 (2019:£6,261,714) due to the ultimate parent company Everbridge Inc which includes accrued interest of £1,384,589 (2019:£1,057,294).

Interest is charged at a rate of 6.25% on an amount of \$2,106,875 (2019 \$2,106,875), equating to £1,458,730 (2019:£1,590,394).

Interest is charged at a rate of 6.25% on an amount of £5,382,566 (2019:£3,535,268).

A further loan of £78,758 (2019:£78,758) is interest free. All loans are repayable on demand.

The balance of £821,094 (2019:£9,170) represents current accounts with fellow subsidiary companies.

14 Creditors: amounts falling due after more than one year

	2020	2019
	£	Restated £
Accruals and deferred income	168,162	280,960
	<u>168,162</u>	<u>280,960</u>

EVERBRIDGE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15 Retirement benefit schemes		
	2020	2019
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	223,178	151,836
	<u> </u>	<u> </u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

EVERBRIDGE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Share-based payment transactions and other reserves

The company operates two share based payment schemes, under which certain employees are granted options to acquire shares in the ultimate parent company, Everbridge Inc.

The first scheme is the 2008 Equity Incentive Plan, and it is operated using the equity method of settlement accounting. The vesting conditions are market based and the contractual life of options is four years. The contractual life of the option is ten years.

During the year the company granted Nil (2019:Nil) performance based restricted stock units, with Nil (2019:Nil) units vesting and Nil (2019:Nil) units forfeited. The number of instruments at the year end was 3,262 (2019:3,262).

During the year the company granted Nil (2019:261) restricted stock units to members of senior management. Units vesting during the year were 18,558 (2019:34,133) with Nil (2019:Nil) units forfeited. The number of instruments at the year end was 44,286 (2019:62,844).

The share options outstanding were to vest after a period of four years from the start date of vesting noted in the award.

The second scheme is the 2016 Equity Incentive Plan and it is operated using the equity method of settlement accounting. The vesting conditions are based on the contractual terms of the option agreement which is typically four years. The contractual life of the option is ten years.

During the year the company granted 16,227 (2019:15,628) restricted stock units to members of senior management. The shares were to vest after a period of three years from the start date of vesting noted in the award. Units vesting during the year were 14,520 (2019:11,138) with 2,100 (2019:1,062) units forfeited. The number of instruments at the year end was 21,685 (2019:22,078). There is no exercise price associated with the restricted stock units and the weighted average fair value per restricted stock unit issued was £53.98 (2019:£64.02).

During the year the company granted 16,227 (2019:13,838) performance-based restricted stock units that vest upon satisfaction of certain performance-based conditions. The performance-based restricted stock units vest based on achieving certain revenue growth thresholds which range from 20% to 40% compounded annual growth over a measurement period of two years for the first 50% of each grant of performance-based restricted stock units and three years for the remaining PSUs. The vesting of the performance-based restricted stock units is subject to the employee's continued employment through the date of achievement. Units vesting during the year were 6,421 (2019:Nil) with 2,800 (2019:1,062) units forfeited. The number of instruments at the year end was 25,032 (2019:18,026). The share price of common stock on the date of issuance of the performance-based restricted stock units ranged from £44.63 and £80.09 per share. The fair value is based on the value of common stock at the date of issuance and the probability of achieving the performance metric. The directors have assessed the probability of achievement of the award as highly probable based on past performance of achievement of the performance metric. Compensation cost is recognized under the accelerated method and is adjusted in future periods for subsequent changes in the expected outcome of the performance related conditions.

During the year, the company recognised total share-based payment expenses of £1,388,419 (2019:£1,214,091) which related to equity settled share based payment transactions.

The number and weighted average price of the options are as follows:

EVERBRIDGE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Share-based payment transactions and other reserves (Continued)

	Number of share options		Weighted average exercise price	
	2020 Number	2019 Number	2020 £	2019 £
Outstanding at 1 January 2020	106,210	123,878	36.62	14.76
Granted	32,454	29,727	-	-
Forfeited	(4,900)	(2,124)	-	-
Exercised	(39,499)	(45,271)	17.46	21.61
Outstanding at 31 December 2020	<u>94,265</u>	<u>106,210</u>	<u>17.60</u>	<u>36.62</u>
Exercisable at 31 December 2020	<u>6,700</u>	<u>8,863</u>	<u>15.75</u>	<u>17.39</u>

Under the 2008 Equity Incentive Plan, the 47,548 options outstanding at 31 December 2020 had an exercise price ranging from £7.35 to £25.91, and a weighted average remaining contractual life of 7.53 years.

Under the 2016 Equity Incentive Plan, the 46,717 options outstanding at 31 December 2020 had no associated exercise price, and a weighted average remaining contractual life of 2 years.

17 Share capital

	2020 Number	2019 Number	2020 £	2019 £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

18 Other reserves

	£
At the beginning of the prior year	1,496,513
Additions	<u>1,214,091</u>
At the end of the prior year	2,710,604
Additions	<u>1,388,419</u>
At the end of the current year	<u>4,099,023</u>

The other reserve relates to share-based payment transactions as detailed in Note 16.

EVERBRIDGE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

19 Profit and loss reserves

	2020	2019
	£	£
At the beginning of the year	(3,016,882)	(490,837)
Loss for the year	(7,604,733)	(90,162)
At the end of the year	<u>(10,621,615)</u>	<u>(3,016,882)</u>

20 Events after the reporting date

There are no events to report.

21 Related party transactions

No related party transactions are disclosed as the only transactions are with other 100% owned group companies.

22 Ultimate controlling party

The company is a wholly owned subsidiary of Everbridge Holdings Limited, a company incorporated in the United Kingdom. Everbridge Holdings Limited in turn is a wholly owned subsidiary of Everbridge inc, a company incorporated in the United States of America. The results of the group are included in the consolidated financial statements of Everbridge inc, which are available from 25 Corporate Drive, 4th Floor, Burlington, MA 01803.

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