

Registration number: 08235567

Piriform Software Limited

for the year ended 31 December 2020

Annual report and financial statements



Piriform Software Limited

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Piriform Software Limited

Company information

Directors	Trudy Cooke Peter Turner
Registered office	110 High Holborn London England United Kingdom WC1V 6JS
Registered number	08235567
Bank	HSBC UK Bank plc 1 Centenary Square Birmingham United Kingdom B1 1HQ

Piriform Software Limited

Strategic report

For the year ended 31 December 2020

The Directors present their strategic report on the affairs of Piriform Software Limited ('the company') together with the financial statements for the year ended 31 December 2020.

Review of the business

The profit and loss account shows revenue of £31,316,978 (2019: £23,892,582) and profit for the financial year of £16,357,097 (2019: £9,869,891). The increase in revenues was due to a combination of factors - a significant improvement in subscriber retention rates; increasing customer acquisition volumes; and product enhancements that led to a greater propensity for customers in major international markets to purchase higher-priced Piriform products. Refer to Note 1 for further description.

The statement of financial position of the Company at 31 December 2020 is set out on page 9.

Dividend paid in 2020 was £nil (2019: £6,500,000).

In July 2017, Piriform Group Limited was acquired by Avast Software B.V., a part of the Avast group (the Group). Avast Plc, the Group's ultimate parent company, was admitted to trading on the Main Market of the London Stock Exchange in May 2018.

On 7th September 2018 Piriform Software Limited acquired patents, trademarks and copyrights covering all its products from its Cypriot affiliate Piriform Limited.

Principal risks and uncertainties

The Company's growth is at risk from further technological changes and the arrival of additional competitors into the market (in particular, those who are offering "free-of-charge" competing services), all of which could dampen demand for its core services. Competition is expected to increase in the future, and there is a risk that the Company may lose market share to competitors across certain product lines. In particular, competitors may acquire other companies or enter into agreements or other strategic relationships which allows them to offer more comprehensive products and/or services.

Brexit

Following the end of the transition period, the UK and the EU have agreed a number of new agreements governing their relationship, including a new trade deal to govern their trading relationship (The EU-UK Trade and Cooperation Agreement). The impact of Brexit and the new trade deal on all key aspects of the business, including on the corporate structure, sales, tax, IT infrastructure and payment processing has been considered. Whilst there may be additional administrative burdens, the Directors consider that Brexit and the new trade deal will have a limited impact on the Company and its business.

The Board will continue to assess the impact of the post-Brexit EU-UK relationship on the different aspects of the business as the relationship evolves and the detail is further understood.

COVID-19 Pandemic

The Company's operations have not been significantly impacted by Covid-19 to date. The Directors continue to carefully monitor the impact of the COVID-19 pandemic on the operations of the Group and have a range of possible mitigating actions, which could be implemented in the event of a downturn of the business. The Directors have a reasonable expectation that the Group will have adequate resources to continue in business for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

Piriform Software Limited

Strategic report (continued)

For the year ended 31 December 2020

The Company believes that the following factors could result in actual financial results differing materially from expected financial results:

- difficulty in predicting and responding to shifts in the performance and privacy software markets;
- changes in the level of competitive pricing and promotional activity;
- any effects of terrorist acts of war;
- foreign exchange and import risks including potential disruptions and changes in duties, tariffs and quotas; and
- overall economic and market conditions that could lead to lowered levels of consumer spending as a result of global economic shocks, as well as seasonal fluctuations in gross sales.

Financial key performance indicator

Management considers that the key performance indicators are Operating profit and Net income. Operating profit of £18,560,102 in 2020 is an improvement of 77% compared to prior year (2019: £10,533,150). This is mainly driven by improvements in operational efficiency. Net income in 2020 is £16,357,097 while in 2019 it was £9,869,891. These improvements were driven primarily by revenue growth from increased sales volume of Piriform products.

This report was approved by the Board on ^{28.09.21} and signed on its behalf by:



Trudy Cooke
Director

Piriform Software Limited

Directors' report

For the year ended 31 December 2020

The Directors present their annual report on the affairs of the company, together with the financial for the year ended 31 December 2020.

Principal activities

The principal activities of the company during the year are that of information technology services – provision of software tools managing and improving the performance of computers.

Results and dividends

The profit for the year, after taxation, amounted to £16,357,097 (2019: £9,869,891).

£nil dividend of was paid in 2020 (2019: £6,500,000).

Going concern

At 31 December 2020, the Company had net assets of £28,514,744 (2019: £12,141,946). The company has settled its intercompany loan drawn in 2018 for the acquisition of patents, trademarks and copyrights and is no longer reliant upon its ultimate parent undertaking for on-going financial support. Net current assets of £17,149,972 at 31 December 2020 (net current liabilities of £2,924,810 at 31 December 2019).

The Company is party to the Group cash-pooling arrangement and subject to the decisions of group treasury relating to cash management. In view of this, the Company has obtained a letter of parental support, confirming Avast Plc will provide financial support as needed for a period of at least 12 months from the date of approval of the financial statements. Avast Plc, the company's ultimate parent undertaking, intends to support the company financially such that the company can meet its obligations as they fall due for a period of at least 12 months from the date that these financial statements are approved. The Directors therefore believe that the going concern basis of accounting is appropriate in preparing the annual financial statements.

The Directors have performed a detailed going concern review and analysis of the accounts and consider that the Group has adequate resources to continue business for the foreseeable future and is in a position to fulfil any obligations which may arise from the letter of support.

The Group's business remains resilient because:

- Cash collection is strong and bad debt risk is limited as clients typically pay for service up front;
- At the end of H1 2021 the Group had \$398m of available liquidity including \$40m available revolving credit facility not drawn, therefore the Group has sufficient funds to allow it to operate
- Resilient renewal rates with only minor degradation in the 'Covid cohort' in H1 2021 - Flexible cost base – significant portion of Group's costs are discretionary in nature
- The work-from-home trend in the pandemic environment created an upswing in demand across the product portfolio resulting in strong growth in customer numbers in 2020. The number of customers continued to grow at a slower pace in H1 2021 (+1.5% versus YE 2020 in Consumer Direct)
- Our deferred revenue balance is growing (deferred revenue up +2.3% vs YE 2020) supporting attractive future revenue growth and good future revenue visibility. The deferred revenue balance as of 30 June 2021 of \$507.7m includes \$470.8m to be released into revenue in the following 12 months

The Directors of the group continue to carefully monitor the impact of the COVID-19 pandemic on the operations of the Group and have a range of possible mitigation actions, which could be implemented in the event of a downturn of the business.

Review of the business

A review of the business its principal risks and uncertainties and key performance indicators are included in the strategic report.

Piriform Software Limited

Directors' report (continued)

For the year ended 31 December 2020

Directors

The Directors of the Entity who were in office during the year and up to the date of signing the financial statements were as follows:

Peter Turner (appointed 10 May 2018)

Kelby Barton (resigned on 31 March 2021)

Trudy Cooke (appointed 31 March 2021)

Directors' indemnities

The Group has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Financial instruments

Treasury operations and financial instruments

The company benefits from the centralized treasury function of Avast Software BV, the company responsible for managing the liquidity, interest and foreign currency risk associated with the company's activities.

Liquidity risk

The Group manages its liquidity requirements centrally in order to maximize interest income and ensure the company has sufficient liquid resources to meet the operating needs of the business.

Interest rate risk

The company has sufficient liquid resources to meet its daily working capital requirements, and doesn't rely on current or long-term borrowings.

Foreign exchange risk

The company's functional currency is Pounds Sterling (GBP). However, during the year the company had exposure to US Dollars (US\$).

Due to the small size of the exposure, the directors do not feel that it is necessary to maintain any hedge positions and do not anticipate any significant transactions going forward. This position is reviewed on an annual basis.

Credit risk

Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Future developments and events after the balance sheet date

The Group continues with product development under the CCleaner brand with focus on product quality and monetization improvements. In particular, new subscription products have been launched to support monetization, and existing subscription products enhanced to continuously improve their competitive position in the marketplace. The Group's best practices are utilized during the product development and optimization.

COVID-19 Pandemic:

As a result of the COVID-19 outbreak, the Company has put in place measures to ensure the health and safety of its employees. The Company continues to review the measures it has in place in the context of applicable government advice and the prevailing conditions. Employees are fully equipped to work from home, and the Company's products and services remain unaffected. Returning to the office is voluntary and offices have been modified to keep employees safe and to comply with social distancing and local regulatory requirements. The directors recognise the strain the pandemic has had, and continues to have, on its employees and is working hard to ensure that all employees have the support they need wherever they are. This includes a program of remote work training with self-care help, private GP services and performance management coaching. The Company's management will continue to monitor its potential impact and take all possible steps to mitigate any adverse effects on the Company and its employees.

Piriform Software Limited

Directors' report (continued)
For the year ended 31 December 2020

This report was approved by the Board on ^{28.09.21} and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'Trudy Cooke', written over a horizontal line.

Trudy Cooke
Director

Piriform Software Limited

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual 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 Financial Reporting Standard 102. 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 these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards has 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 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Piriform Software Limited

**Profit and Loss Account and Statement of comprehensive income
For the year ended 31 December 2020**

	Note	2020 £	2019 £
Turnover	5	31,316,978	23,892,582
Cost of sales		<u>(3,703,331)</u>	<u>(2,815,823)</u>
Gross profit		27,613,647	21,076,759
Administrative expenses		(9,827,862)	(9,061,228)
Other operating expenses		-	(1,482,381)
Other operating income		<u>828,266</u>	<u>-</u>
Operating profit		18,614,051	10,533,150
Dividends received		-	82,367
Interest receivable and similar income	9	1,044	101,296
Interest payable and similar charges	8	(54,993)	(970,961)
Profit before tax	10	18,560,102	9,745,852
Tax on profit	10	<u>(2,203,005)</u>	<u>124,040</u>
Profit for the financial year		16,357,097	9,869,891
 Total comprehensive income for the year		 16,357,097	 9,869,891

The notes on pages 11 to 22 form an integral part of these financial statements.

Piriform Software Limited

Statement of Financial Position

As at 31 December 2020

	Note	2020 £	2019 £
Non-current assets			
Intangible assets	11	11,315,934	15,016,384
Tangible assets	12	547	4,181
Deferred tax assets		48,291	46,192
		11,364,772	15,066,757
Current assets			
Debtors due within one year	13	37,720,386	4,163,292
Cash at bank and in hand		36,141	9,799,981
		37,756,527	13,963,272
Creditors: amounts falling due within one year			
Trade and other creditors	14	(18,690,808)	(12,999,570)
Loans and borrowings	14	-	(3,888,513)
Net current (liabilities)/assets		19,065,719	(2,924,810)
Total assets less current liabilities		30,430,491	12,141,946
Creditors: amounts falling due after one year	15	(1,915,747)	(937,933)
Net assets		28,514,744	12,141,946
Capital and reserves			
Called-up share capital	16	1	1
Retained earnings		25,514,743	12,141,945
Total equity		28,514,744	12,141,946

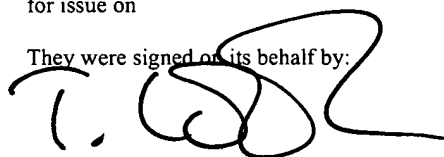
The members have not required the Company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006.

For the period ending 31 December 2020 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements of Piriform Software Limited were approved by the Board of Directors and authorised for issue on

They were signed on its behalf by:



Trudy Cooke
Director

The notes on pages 11 to 22 form an integral part of these financial statements.

Piriform Software Limited

**Statement of changes in equity
For the year ended 31 December 2020**

	Called-up share capital £	Retained earnings £	Total £
At 1 January 2019	1	8,763,409	8,763,410
Comprehensive income for the year			
Profit for the year	-	9,869,891	9,869,891
Total comprehensive income for the year	-	9,868,891	9,869,891
Dividend paid	-	(6,500,000)	(6,500,000)
Share-based payments credit	-	8,645	8,645
As 31 December 2019	1	12,141,945	12,141,946
At 1 January 2020	1	12,141,945	12,141,946
Comprehensive income for the year			
Profit for the year	-	16,357,097	16,357,097
Total comprehensive income for the year	-	16,357,097	16,357,097
Share-based payments credit	-	15,701	15,701
As 31 December 2020	1	28,514,743	28,514,744

The notes on pages 11 to 22 form an integral part of these financial

Piriform Software Limited

Notes to the financial statements

For the year ended 31 December 2020

1 General information

Piriform Software Limited is a private company limited by shares and incorporated in United Kingdom and registered in England under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the Directors' report/strategic report.

In 2018, the company has changed the model and license conditions ('end-user license agreement') under which its software products are being sold. The company has adopted the same model which is used by the whole Avast Group. Under this model, products are sold as subscription of the services during the definite license period of the product, when end customers have right to get the most recent version of the product, which the company is regularly launching (regular updates of software). Before the change software products were sold as stand-alone box software without subsequent updates. This matter has significant impact on revenue recognition. Before 2018, sales were recognized at the time of sale (one-off), while starting in 2018 under the new conditions the company is obliged to deliver continuous service during the license period, hence revenue has been recognized equally during the whole license period (deferring revenues). The similar treatment is adopted also for costs of sales. The above mentioned change is no change in accounting policy.

2 Statement of compliance

The financial statements of the company have been prepared in accordance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom' ('FRS 102') and the Companies Act 2006.

3 Summary of significant accounting policies

3.1 Basis of preparation of financial statements

The financial statements are prepared on going concern basis, under the historical cost convention.

Going concern

At 31 December 2020, the Company had net assets of £28,514,744 (2019: £12,141,946). The Company is party to the Group cash-pooling arrangement and subject to the decisions of group treasury relating to cash management. As a result, the directors have prepared the financial statements on the going concern basis.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The Directors of the Group have performed a detailed going concern review and analysis of the accounts and consider that the Group has adequate resources to continue in business for the foreseeable future. Further, The Directors of Piriform Software Limited have reviewed the performance and position of the group and are satisfied that the group has the means to support Piriform Software Limited for a period of 12 months from the date of these accounts. The group's business remains resilient because:

- Cash collection is strong and bad debt risk is limited as clients typically pay for service up front
- At the end of H1 2021 the Group had \$398m of available liquidity including \$40m available revolving credit facility not drawn, therefore the Group has sufficient funds to allow it to operate
- Resilient renewal rates with only minor degradation in the 'Covid cohort' in H1 2021
- Flexible cost base – significant portion of Group's costs are discretionary in nature

Piriform Software Limited

Notes to the financial statements

For the year ended 31 December 2020

3.1 Basis of preparation of financial statements (continued)

Going concern (continued)

- The work-from-home trend in the pandemic environment created an upswing in demand across the product portfolio resulting in strong growth in customer numbers in 2020. The number of customers continued to grow on a lower pace in H1 2021 (+1.5% versus YE 2020 in Consumer Direct)

- Our deferred revenue balance is growing (deferred revenue up +2.3% vs YE 2020) supporting attractive future revenue growth and good future revenue visibility. The deferred revenue balance as of 30 June 2021 of \$507.7m includes \$470.8m to be released into revenue in the following 12 months

The Directors of the Group continue to carefully monitor the impact of the COVID-19 pandemic on the operations of the Group and have a range of possible mitigation actions, which could be implemented in the event of a downturn of the business.

3.2 Exemptions for qualifying entities under FRS 102

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 'The Financial Reporting Standard applicable in the UK':

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.
- the requirements of paragraphs 26.18(b), 26.19 to 26.21 and 26.23

The Company and all its subsidiary undertakings are included in consolidated financial statements for a larger group, Avast Plc, a company incorporated and domiciled in United Kingdom, for which consolidated financial statements are publicly available. The address of the ultimate parent's registered office is 7th Floor, 110 High Holborn, London, United Kingdom, WC1V 6JS, where these consolidated financial statements are obtainable. Accordingly, the Company, in accordance with the exemption in Section 400 of the Companies Act 2006, has not prepared consolidated financial statements and these statements are separate financial statements of the Company only.

3.3 Revenue recognition

Revenue comprises revenue from sale of software subscription and provision of services which is measured at the fair value of the consideration received or receivable and represents amounts that are receivable in respect of the sale of software subscription or the provision of services provided in the ordinary course of business and is stated net of discounts and value added tax and other sales related taxes.

The accounting policies for the company's revenue streams are described below.

Sale of software subscription

The company sells software subscription to its customers. Revenue is recognised in the accounting period in which the services are rendered. As software is sold by the company for the license period (one or two years), the company is deferring revenues equally during the license period. Similarly, cost of sales relating to these revenues are accrued during the license period.

Provision of services

Revenue from a reseller's agreement between the company and related party is recognised monthly in the period in which the services are provided when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract.

Piriform Software Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

3 Summary of significant accounting policies (continued)

3.4 Intangible assets

Trademark and Intellectual property ('IP') is stated at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised over its estimated useful life, being 10 years for Trademark and 5 years for IP.

Where factors, such as changes in market prices, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

3.5 Tangible assets

Tangible fixed assets under the cost model 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.

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

Depreciation is provided on the following basis:

Asset class	Depreciation method and rate
Fixtures & fittings	4-5 years straight line
Office equipment	2-3 years straight line

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 disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

3.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

3.7 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Piriform Software Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

3 Summary of significant accounting policies (continued)

Financial assets that are 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 amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a 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.

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

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.

3.8 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

3.9 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is the pound 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.

3.10 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.

3.11 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 recognised as expenses and classified within interest payable.

Piriform Software Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

3 Summary of significant accounting policies (continued)

3.12 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 income 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.

3.13 Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

3.14 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, and are measured at the best estimate at the statement of financial position date 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 statement of financial position.

3.15 Operating leases: the company as lessee

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

3.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax recognized in the reporting period. 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.

Piriform Software Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

3 Summary of significant accounting policies (continued)

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position 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 except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

3.18 Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

4 Critical accounting judgements and key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful lives of intangible assets and property, plant and equipment

Intangible and tangible assets are amortised or depreciated over their useful lives. Useful lives are based on the directors' estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the profit and loss account in specific periods. More details including carrying values are included in notes 11 and 12.

Piriform Software Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

5 Turnover

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

	2020	2019
	£	£
Provision of software subscription	30,722,209	23,299,018
Rendering of services	594,769	593,564
	<u>31,316,978</u>	<u>23,892,582</u>

6 Operating profit

The operating profit is stated after charging/(crediting):

	2020	2019
	£	£
Depreciation of tangible fixed assets	1,256	1,917
Amortisation of intangible fixed assets	3,700,449	3,700,449
Foreign exchange losses	-	1,482,381
Foreign exchange gain	(828,267)	-
Defined contribution pension cost	<u>113,507</u>	<u>111,226</u>

7 Employees and directors

Employees

	2020	2019
	No.	No.
Employees	<u>47</u>	<u>40</u>

The average monthly number of employees (including executive directors) was:

Staff costs, including directors' remuneration, were as follows:

	2020	2019
	£	£
Wages and salaries	2,974,234	2,640,989
Social security costs	358,912	321,413
Cost of defined contribution scheme	113,507	111,226
Share-based payments - RSU	<u>148,573</u>	<u>67,099</u>
	<u>3,595,226</u>	<u>3,140,727</u>

Directors

The directors received no remuneration from Piriform Software Limited for the year ended 31 December 2020 (2019 - £nil). All directors are employed by Avast Plc group companies and their services as directors is incidental to their employment. Consequently, they do not receive emoluments for their services as directors of this company. No company pension contributions were made to a money purchase scheme on their behalf in 2020 or 2019.

Piriform Software Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

8 Interest payable and similar charges

	2020	2019
	£	£
Interest payable	54,993	970,961

9 Interest receivable and similar charges

	2020	2019
	£	£
Interest income	-	101,296

10 Tax on profit on ordinary activities

The tax charge comprises:

	2020	2019
	£	£
Current taxation		
UK corporation tax	2,200,123	(132,385)
Total current tax	2,200,123	(132,385)
Deferred tax		
Arising from origination and reversal of timing differences	4,118	17,267
Adjustment from previous periods	-	(3,076)
Effect of changes in tax rates	(1,236)	(5,845)
Total deferred tax	2,882	8,346
Total tax on profit on ordinary activities	2,203,005	(124,039)

Deferred tax asset has been calculated using tax rate of 19%.

Deferred tax asset of GBP 4,981 arising from unexercised share-based payments was recognised through equity (2019: GBP 4,849).

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2020	2019
	£	£
Profit on ordinary activities before tax	18,560,102	9,745,851
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2019: 19%)	3,526,419	1,851,712
Effects of:		
Adjustment from previous periods	-	(127,858)
Expenses not deductible	(8,318)	63,074
Tax rate changes	-	(5,845)
Group tax relief transfer	(1,315,435)	(1,905,121)
Other	339	-
Tax (credit)/charge for the year	2,203,005	(124,039)

Piriform Software Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

11 Intangible assets

	Trademark	Intellectual Property	Total £
Cost			
At 1 January 2020	2,896,138	17,054,178	19,950,316
Additions	-	-	-
Disposals	-	-	-
At 31 December 2020	2,896,138	17,054,178	19,950,316
Depreciation			
At 1 January 2020	386,152	4,547,780	4,933,932
Charge for the year	289,614	3,410,836	3,700,450
Disposals	-	-	-
At 31 December 2020	675,766	7,958,616	8,634,382
Net book value			
At 31 December 2020	2,220,372	9,095,562	11,315,934
At 31 December 2019	2,509,986	12,506,398	15,016,384

12 Tangible assets

	Furniture, fixtures and office equipment	Computer equipment	Total £
Cost			
At 1 January 2020	2,732	9,422	12,154
Additions	-	-	-
Disposals	-	-	-
At 31 December 2020	2,732	9,422	12,154
Depreciation			
At 1 January 2020	704	7,269	7,973
Charge for the year	1,896	1,738	3,634
Disposals	-	-	-
At 31 December 2020	2,600	9,007	11,607
Net book value			
At 31 December 2020	132	415	547
At 31 December 2019	2,028	2,153	4,181

Piriform Software Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

13 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	2,468,751	1,585,960
Amounts owed by group undertakings	33,470,798	465,526
Other debtors	148	87
Corporation Income tax Asset	557,596	1,126,783
Prepayments	1,223,093	984,936
	37,720,386	4,163,292

Amounts owed by Group undertakings are unsecured, repayable on demand and bear interest of 1.03%.

The impairment gain recognized in profit and loss for the period in respect of bad and doubtful trade debts was £57,213 (2019: gain £89,437).

14 Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	475	12,943
Amounts owed to group undertakings	567,926	108,273
Social security and other taxes	55,099	16,598
Other creditors	6,087	24,054
Accruals and deferred income	18,061,221	11,899,769
	18,690,808	12,061,637
Loans and borrowings	-	3,888,513
	-	3,888,513

Amounts owed by group undertakings are unsecured, repayable on demand and bear interest of 1.03%.

15 Creditors: amounts falling due after one year

	2020 £	2019 £
Deferred revenue and Other creditors	1,915,747	937,933

Piriform Software Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

16 Share capital

	2020 £	2019 £
Allotted called up and fully paid		
100 ordinary shares of £0.01 each	1	1

The share capital account represents the amount subscribed for shares at nominal values.

Retained earnings represent cumulative profit or losses, net of dividends paid and other adjustments.

17 Restricted Share units

The shared-based payments expense was £148,573.41 for the year ended 31 December 2020 (2019: £67,100).

The following table illustrates the number and weighted average share price on date of award, and movements in, restricted share units granted under the LTIP:

	Year-ended 31 December 2020		Year-ended 31 December 2019	
	Number of shares	Weighted average share price (£ pence)	Number of shares	Weighted average share price (£ pence)
Outstanding – 1 January	70,521	346.3	18,519	243
Granted	58,544	585.5	58,175	368.2
Forfeited*	(12,370)	368.2	-	-
Vested	(25,563)	338.0	(6,173)	243
Outstanding – 31 December	91,132	499.3	70,521	346.3

*Represents one employee's RSU being transferred into Avast Plc

18 Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £113,507 (2019: £111,226). The outstanding balance from defined contributions pension scheme payable to the fund at 31 December 2020 was £13,009 and are included in creditors balance (2019: £484).

Piriform Software Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

19 Related party transactions

On 7th September 2018 Piriform Software Limited acquired patents, trademarks and copyrights covering all its products from its Cypriot affiliate company Piriform Limited. Acquired intangible assets are disclosed in Note 11.

During the year 2020 the company has provided services amounting to £594,769 (2019: £593,564) to Piriform Inc. At the statement of financial position date 31 December 2020, the company was owed £197,991 (2019: £55,081) from Piriform Inc. This amount is included within debtors.

The company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

20 Controlling party

The company's immediate controlling party is Piriform Group Limited, a company incorporated in Cyprus with Registration Number HE 344119 which at the balance sheet date holds 100% of the ordinary share capital. The registered address is 1 Constantinou Skokou St, Capital Chambers, 5th Floor, 1061 Nicosia, Cyprus.

On 19 July 2017, Piriform Group Limited was acquired by Avast Software B.V., a part of the Avast group. The ultimate controlling party until 10 May 2018 was Avast Holding B.V., a company incorporated in the Netherlands. On 10 May 2018, the shareholders of Avast Holding B.V. transferred all of their shares in Avast Holding B.V. to Avast Plc in exchange for ordinary shares of equal value in Avast Plc. This resulted in Avast Plc becoming the ultimate controlling party. Avast Plc subsequently completed an Initial Public Offering, with 15 May 2018 representing admission to trading on the Main Market for listed securities London Stock Exchange

Avast Plc, is considered to be the company's ultimate parent with registered office address being 110 High Holborn, London, England, WC1V 6JS. Consolidated financial statements of the Avast Plc group financial statements are obtainable at the registered office address.

21 Post balance sheet events

On 10 August 2021, the Boards of NortonLifeLock, Inc. ("Norton") and the Company's ultimate parent, Avast plc, reached agreement on the terms of a recommended merger with Norton, in the form of a recommended offer by Nitro Bidco Limited, a wholly owned subsidiary of Norton, for the entire issued and to be issued ordinary share capital of Avast plc (the "Merger"). It is intended that the Merger will be affected by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act. Further details relating to the offer by Norton, including the offer price and conditionality, is set out in the announcement made by Norton on 11 August 2021 pursuant to Rule 2.7 of the City Code on Takeovers and Mergers.

On 22 March 2021 Avast software BV, an intermediate parent company, refinanced their long term debt. Under the terms of the refinancing, Piriform UK now act as a guarantor to the debt.

Trudy Cooke was appointed as a Director on 31 March 2021.

Kelby Barton resigned as a Director on 31 March 2021.