

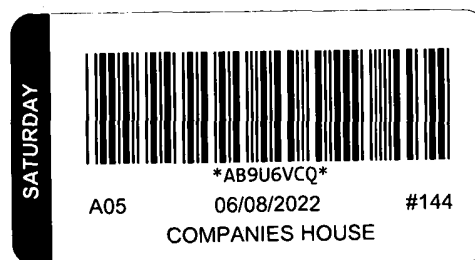
Egress Software Technologies Limited

Annual Report and Financial Statements

Year Ended

31 December 2021

Company Number 06393598



Egress Software Technologies Limited

Company Information

Directors

N Larkins
E Lascelles
M Locke
A Pepper
M Hiscox
K Griswold
D Quantrell

Company secretary

E Bodey
OHS Secretaries Limited

Registered number

06393598

Registered office

White Collar Factory
1 Old Street Yard
London
EC1Y 8AF

Independent auditors

BDO LLP
Arcadia House
Maritime Walk
Ocean Village
Southampton
SO14 3TL

Egress Software Technologies Limited

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Egress Software Technologies Limited

Group Strategic Report For the Year Ended 31 December 2021

The Director's present the Group Strategic Report for Egress Software Technologies Limited ("Egress") together with the audited financial statements for the year ended 31 December 2021.

Business review

At Egress, we believe in making digital communication safer for everyone. Working with our customers, we aim to become the most intelligent multi-channel protection suite for human activated risk.

Egress reduces human activated risk on email. Our SaaS product suite is trusted by customers to prevent exploitation by external actors, human error, and intentionally malicious behaviour.

The Egress suite combines contextual machine learning, natural language processing, powerful encryption, and analytics technologies to prevent insider data breaches, protect sensitive data, and enable the proactive monitoring of organisational risk.

Due to its unique, results-driven and innovative approach to technology, Egress has been recognised by the following awards and publications:

The Cybersecurity Excellence Awards
The Cybersecurity Global Excellence Awards
The 2021 Gartner Market Guide for Email Security
The Global Info Sec Awards
Cybersecurity Breakthrough Awards

The Company strategy in 2021 was to continue to invest in product development, marketing and sales in order to grow revenue and expand its addressable market. The financial outcomes show that this strategy continues to be successful. Over the period revenue grew 26% to £21.9m (2020 - £17.3m). The loss for the year was £8.6m (2020 - £7.1m) and in line with expectations as the Company continues to invest to grow.

The Company completed the acquisition of Aquilai Limited an anti-phishing solution provider with machine learning and natural language processing technology that stops all targeted email attacks, including business email compromise (BEC), spear phishing and impersonation attempts. The acquisition of Aquilai strengthens the Egress Intelligent Email Security platform. The powerful combination of Egress and Aquilai will provide customers with protection against all inbound cyberattacks targeting employees and real-time outbound email security for shared data, including inadvertent data loss and email encryption.

Looking ahead, the Company's management team are continuing their focus and investment on growing the business in international markets and on innovation. The market for data and cyber security software is experiencing strong growth with increasing awareness of the human (user) as a key risk vector in data breaches. According to the Verizon 2021 Data Breach Investigations Report 85% of breaches involved a human element.

Principal risks and uncertainties

The Board and leadership team of the business operate a robust risk management process that allows us to monitor, mitigate and respond to risks to our employees, business operations, suppliers, and customers. We also seek to continuously improve the way we monitor and manage risks. The business aims to mitigate risks through risk management practices, internal controls, and insurance policies.

Specifically regarding COVID-19, during 2021 the company continued to manage its primary strategy of protecting its employees and ensuring their wellbeing, adherence to government guidelines and ensuring continuity of all business operations. Egress has not experienced any material downside impact in respect to sales to new customers, retention of existing customers and delivery of services to customers.

Egress Software Technologies Limited

Group Strategic Report (continued) For the Year Ended 31 December 2021

Financial risk management

Liquidity risk: Egress manages cash flow risk by maintaining and reviewing cash flow forecasts and scenarios on a regular basis to ensure it will have sufficient cash reserves to meet its needs. The £12.5m of financing secured in June 2021 significantly mitigates liquidity risk.

Credit risk from trade debtors: Egress trades with organisations where the credit risk is low. It also assesses the credit risk of its customers and channel partners to ensure that remains the case.

Approval

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

Going Concern

The Group generated a loss before tax of £8.6m in the year (2020 - £7.1m) and as of 31st December 2021 had net current liabilities of £5.2m, although the net current liability position is the result of a large deferred income balance rather than financial liabilities.

Despite the Group and Company's continued growth through 2021, the Directors closely monitor trading risks so the business can quickly respond. This includes frequent updating and review of long-range cash flow forecasts and scenarios. Under the modelled scenarios the Group and Company has sufficient cash reserves to trade and meet its liabilities as they fall due for more than 12 months from the date of approval of the financial statements.

To provide additional liquidity the company secured £12.5m of financing in June 2021. The Group and Company are able to mitigate risk by controlling current spend and curtailing future spend by taking actions such as slowing the rate of hiring new employees. The Group and Company aims to maintain a minimum of £5m available liquidity at any point in time and the forecasts support that the Group and Company can operate within its facilities in the period of 12 months following approval of the financial statements.

As a result, the financial statements are prepared on a going concern basis.

This strategic report was approved by the board on 25th May 2022 and signed on its behalf.



N Larkins
Director

Egress Software Technologies Limited

Directors' Report For the Year Ended 31 December 2021

The directors present their report together with the audited financial statements for the year ended 31 December 2021.

Business review

A review of the business and its principal risks and uncertainties is set out in the strategic report on page 1 of these financial statements.

Results and dividends

The loss for the year, after taxation, amounted to £8,611,673 (2020 - loss £7,056,362).

The directors do not recommend the payment of a dividend for the year under review (2020 - £Nil).

Directors

The directors who served during the year were:

N Larkins
E Lascelles
M Locke
A Pepper
M Hiscox
K Griswold
D Quantrell (appointed 26 March 2021)

Disclosure of information to auditors

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

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

Post statement of financial position events

In February 2022, the Group and Company met certain criteria that enabled the drawdown of a further £2,500,000 on its loan facility.

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 25th May 2022 and signed on its behalf.



N Larkins
Director

Egress Software Technologies Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2021

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Egress Software Technologies Limited

Independent Auditors' Report to the Members of Egress Software Technologies Limited

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's 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.

We have audited the financial statements of Egress Software Technologies Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Egress Software Technologies Limited

Independent Auditors' Report to the Members of Egress Software Technologies Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 this gives rise to 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the 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, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Egress Software Technologies Limited

Independent Auditors' Report to the Members of Egress Software Technologies Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Group and Company, we considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management incentives and opportunities for fraudulent manipulation of the financial statements including management override, and considered that the principal risks were related to the posting of inappropriate journal entries to improve key performance indicators such as revenue and the result before tax for the year.

We designed audit procedures to respond to the risk, recognising that 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, misrepresentations or through collusion. Procedures performed by the audit team included:

- discussions with management regarding known or suspected instances of non-compliance with laws and regulations;
- evaluation of controls designed to prevent and detect irregularities; and
- assessing journals entries as part of our planned audit approach

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.


Egress Software Technologies Limited

Independent Auditors' Report to the Members of Egress Software Technologies Limited (continued)

Use of our report

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

DocuSigned by:


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Alex Stansbury (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom

27 May 2022

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

Egress Software Technologies Limited

Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2021

	Note	2021 £	2020 £
Turnover	4	21,890,347	17,335,568
Cost of sales		(5,611,156)	(4,622,570)
Gross profit		16,279,191	12,712,998
Administrative expenses		(26,782,755)	(21,395,744)
Other operating income	5	2,036,663	1,603,951
Operating loss	6	(8,466,901)	(7,078,795)
Interest receivable and similar income	9	2,348	22,433
Interest payable and similar charges	10	(147,120)	-
Loss before taxation		(8,611,673)	(7,056,362)
Tax on loss	11	-	-
Loss for the financial year		(8,611,673)	(7,056,362)
Other comprehensive (loss)/income - currency translation differences		(70,757)	110,137
Total comprehensive loss for the year		(8,682,430)	(6,946,225)
(Loss) for the year attributable to:			
Owners of the parent company		(8,682,430)	(6,946,225)

The notes on pages 16 to 35 form part of these financial statements.

All amounts shown above relate to continuing activities.

Egress Software Technologies Limited

Registered number: 06393598

**Consolidated Statement of Financial Position
As at 31 December 2021**

	Note	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Intangible assets	12		1,924,516		150,691
Tangible assets	13		407,026		523,620
			<u>2,331,542</u>		<u>674,311</u>
Current assets					
Debtors: amounts falling due within one year	15	9,580,966		8,128,300	
Cash at bank and in hand		5,768,526		8,490,895	
		<u>15,349,492</u>		<u>16,619,195</u>	
Creditors: amounts falling due within one year	16	(20,516,406)		(17,186,265)	
Net current liabilities			<u>(5,166,914)</u>		<u>(567,070)</u>
Total assets less current liabilities			<u>(2,835,372)</u>		<u>107,241</u>
Creditors: amounts falling due after more than one year	17		(5,701,866)		(2,063,316)
Net liabilities			<u><u>(8,537,238)</u></u>		<u><u>(1,956,075)</u></u>
Capital and reserves					
Called up share capital	20		1,807		1,790
Share premium account	21		22,072,944		21,184,718
Capital redemption reserve	21		81		81
Profit and loss account	21		(30,612,070)		(23,142,664)
Total equity			<u><u>(8,537,238)</u></u>		<u><u>(1,956,075)</u></u>

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



N Larkins
Director



A Pepper
Director

Date: 25th May 2022

The notes on pages 16 to 35 form part of these financial statements.

Egress Software Technologies Limited

Registered number: 06393598

**Company Statement of Financial Position
As at 31 December 2021**

	Note	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Intangible assets	12		1,720,132		-
Tangible assets	13		374,398		507,163
Investments	14		668		668
			<u>2,095,198</u>		<u>507,831</u>
Current assets					
Debtors: amounts falling due within one year	15	8,756,276		8,579,303	
Cash at bank and in hand		5,535,054		7,789,229	
		<u>14,291,330</u>		<u>16,368,532</u>	
Creditors: amounts falling due within one year	16	(19,375,712)		(16,880,373)	
Net current liabilities			<u>(5,084,382)</u>		<u>(511,841)</u>
Total assets less current liabilities			<u>(2,989,184)</u>		<u>(4,010)</u>
Creditors: amounts falling due after more than one year	17		(5,699,757)		(1,930,305)
Net liabilities			<u>(8,688,941)</u>		<u>(1,934,315)</u>
Capital and reserves					
Called up share capital	20		1,807		1,790
Share premium account	21		22,072,944		21,184,718
Capital redemption reserve	21		81		81
Profit and loss account	21		(30,763,773)		(23,120,904)
Total equity			<u>(8,688,941)</u>		<u>(1,934,315)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25th May 2022


N Larkins
Director

A Pepper
Director


Tony Pepper

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss after tax of the parent company for the year was £8,855,893 (2020 - £7,011,387).

The notes on pages 16 to 35 form part of these financial statements.

Egress Software Technologies Limited

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2021	1,790	21,184,718	81	(23,142,664)	(1,956,075)
Comprehensive loss for the year					
Loss for the year	-	-	-	(8,611,673)	(8,611,673)
Other comprehensive income					
Currency translation differences	-	-	-	(70,757)	(70,757)
Total comprehensive loss for the year	-	-	-	(8,682,430)	(8,682,430)
Contributions by owners					
Shares issued during the year	17	888,226	-	-	888,243
Fair value of share options	-	-	-	1,213,024	1,213,024
Total contributions by owners	17	888,226	-	1,213,024	2,101,267
At 31 December 2021	1,807	22,072,944	81	(30,612,070)	(8,537,238)

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2020

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2020	1,790	21,184,718	81	(16,931,674)	4,254,915
Comprehensive loss for the year					
Loss for the year	-	-	-	(7,056,362)	(7,056,362)
Other comprehensive income					
Currency translation differences	-	-	-	110,137	110,137
Total comprehensive loss for the year	-	-	-	(6,946,225)	(6,946,225)
Contributions by owners					
Fair value of share options	-	-	-	735,235	735,235
Total contributions by owners	-	-	-	735,235	735,235
At 31 December 2020	1,790	21,184,718	81	(23,142,664)	(1,956,075)

Egress Software Technologies Limited

Company Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2021	1,790	21,184,718	81	(23,120,904)	(1,934,315)
Comprehensive loss for the year					
Loss for the year	-	-	-	(8,855,893)	(8,855,893)
Total comprehensive loss for the year	-	-	-	(8,855,893)	(8,855,893)
Contributions by owners					
Shares issued during the year	17	888,226	-	-	888,243
Fair value of share options	-	-	-	1,213,024	1,213,024
Total contributions by owners	17	888,226	-	1,213,024	2,101,267
At 31 December 2021	1,807	22,072,944	81	(30,763,773)	(8,688,941)

Company Statement of Changes in Equity For the Year Ended 31 December 2020

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2020	1,790	21,184,718	81	(16,823,640)	4,362,949
Comprehensive loss for the year					
Loss for the year	-	-	-	(7,011,387)	(7,011,387)
Other comprehensive income					
Currency translation differences	-	-	-	(21,112)	(21,112)
Total comprehensive loss for the year	-	-	-	(7,032,499)	(7,032,499)
Contributions by owners					
Fair value of share options	-	-	-	735,235	735,235
Total contributions by owners	-	-	-	735,235	735,235
At 31 December 2020	1,790	21,184,718	81	(23,120,904)	(1,934,315)

The notes on pages 16 to 35 form part of these financial statements.

Egress Software Technologies Limited

Consolidated Statement of Cash Flows For the Year Ended 31 December 2021

	2021 £	2020 £
Cash flows from operating activities		
Loss for the financial year	(8,611,673)	(7,056,362)
Adjustments for:		
Amortisation of intangible assets	111,119	13,406
Depreciation of tangible assets	250,197	259,034
Interest paid	147,120	-
Interest received	(2,348)	(22,433)
Increase in debtors	(1,074,519)	(925,102)
Increase in creditors	1,968,691	5,915,623
Share based payment charges	1,213,024	735,235
Other income in respect of R&D	(1,953,898)	(1,603,951)
R&D credit received	1,575,748	1,165,442
Foreign exchange	(70,754)	110,137
Net cash used in operating activities	(6,447,293)	(1,408,971)
Cash flows from investing activities		
Purchase of intangible fixed assets	(72,465)	(100,119)
Purchase of tangible fixed assets	(134,714)	(81,728)
Sale of tangible fixed assets	1,111	-
Acquisition of subsidiary	(1,041,808)	-
Interest received	2,348	22,433
Net cash used in investing activities	(1,245,528)	(159,414)
Cash flows from financing activities		
Issue of ordinary shares	117,572	-
New secured loans	5,000,000	-
Interest paid	(147,120)	-
Net cash generated from financing activities	4,970,452	-
Net decrease in cash and cash equivalents	(2,722,369)	(1,568,385)

Egress Software Technologies Limited

Consolidated Statement of Cash Flows (continued) For the Year Ended 31 December 2021

	2021 £	2020 £
Cash and cash equivalents at beginning of year	8,490,895	10,059,280
Cash and cash equivalents at the end of year	5,768,526	8,490,895
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	5,768,526	8,490,895

Egress Software Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

1. General information

Egress Software Technologies Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the group's operations and its principal activity are set out in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the group's accounting policies (see note 3).

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

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

Egress Software Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.3 Going concern

The Group generated a loss before tax of £8.6m in the year (2020 - £7.1m) and as of 31st December 2021 had net current liabilities of £5.2m, although the net current liability position is the result of a large deferred income balance rather than financial liabilities.

Despite the Group and Company's continued growth through 2021, the Directors closely monitor trading risks so the business can quickly respond. This includes frequent updating and review of long-range cash flow forecasts and scenarios. Under the modelled scenarios the Group and Company has sufficient cash reserves to trade and meet its liabilities as they fall due for more than 12 months from the date of approval of the financial statements.

To provide additional liquidity the company secured £12.5m of financing in June 2021. The Group and Company are able to mitigate risk by controlling current spend and curtailing future spend by taking actions such as slowing the rate of hiring new employees. The Group and Company aims to maintain a minimum of £5m available liquidity at any point in time and the forecasts support that the Group and Company can operate within its facilities in the period of 12 months following approval of the financial statements.

As a result, the financial statements are prepared on a going concern basis.

2.4 Turnover

Turnover represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at that value of the consideration due.

Revenue from software subscription and support sales is recognised on a straight-line basis over the term of the contractual agreement to reflect the group's ongoing obligations in delivering the service. Any amounts invoiced in excess of income recognised at the reporting date is reflected on the statement of financial position as deferred income, some of which is due to be recognised in more than one year.

Professional services revenue is recognised on delivery of the service and on a percentage-of-completion basis when this is delivered across accounting periods.

2.5 Intangible assets

Goodwill, patents and technology are valued at cost less accumulated depreciation, or fair value when recognised as part of a business combination. Amortisation is calculated to write off the cost in equal annual investments over their estimated useful life of 10 years.

2.6 Tangible fixed 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.

Egress Software Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on the following basis:

Depreciation is provided on the following basis:

Long-term leasehold property	- Straight line over the life of the lease
Plant and machinery	- 33.3% per annum straight line
Fixtures and fittings	- 20% per annum 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.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

2.10 Financial instruments

The group only enters into basic financial instrument 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 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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Egress Software Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.10 Financial instruments (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 consolidated 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 group 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.

2.11 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.

2.12 Foreign currency translation

Functional and presentational currency

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

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.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

Egress Software Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.13 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.

2.14 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

2.15 Leased assets

The group has operating leases. Their annual rentals are charged to the statement of comprehensive income on a straight-line basis over the term of the lease, or up to the first break clause.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

2.16 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss 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 group in independently administered funds.

2.17 Holiday pay accrual

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

2.18 Interest income

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

2.19 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

Egress Software Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.20 Taxation

Tax is recognised in profit or loss 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.

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 and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting 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. Judgements in applying accounting policies and key sources of estimation uncertainty

The company has estimated its research and development tax credit as at 31 December 2021 and this is material to the financial statements. It has been prepared in line with HMRC current requirements.

During the year the Group undertook an acquisition. Consequently, acquisition accounting was applied, which involves significant estimates and judgements in determining the fair value of the intangible assets to be recognised and the valuation of these intangible assets.

4. Turnover

Turnover is wholly attributable to the principal activity of the group and arises within the United Kingdom and the USA.

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	20,556,441	16,429,353
Rest of Europe	47,074	35,679
Rest of the world	1,286,832	870,536
	21,890,347	17,335,568

Egress Software Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

5. Other operating income

	2021 £	2020 £
R&D expenditure credit	<u>2,036,663</u>	<u>1,603,951</u>

6. Operating loss

The operating loss is stated after charging:

	2021 £	2020 £
Depreciation of tangible fixed assets	250,197	257,044
Amortisation of intangible assets	111,119	13,405
Operating lease rentals	6,694	-
Fees payable to the group's auditors for the audit of the group and company's annual financial statements	30,500	25,000
Fees payable to the group's auditors and its associates for other services to the group:		
- Taxation and compliance services	7,190	5,505
- Other non-audit services	23,480	39,350
Exchange differences	-	(24,572)
R&D expenses in each year	6,205,808	5,016,481
Defined contribution pension cost	445,838	372,220
Share based payment expense	<u>1,213,024</u>	<u>735,235</u>

Egress Software Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

7. Employees

Staff costs were as follows:

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Wages and salaries	17,087,460	13,478,840	15,020,300	12,518,587
Social security costs	1,847,056	1,429,059	1,690,742	1,368,504
Cost of defined contribution scheme	445,838	351,220	404,330	345,490
	<u>19,380,354</u>	<u>15,259,119</u>	<u>17,115,372</u>	<u>14,232,581</u>
	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Administration and management	<u>285</u>	<u>252</u>	<u>258</u>	<u>226</u>

The company has no employees other than the directors, who did not receive any remuneration (2020 - £Nil).

8. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	818,374	1,026,739
Company contributions to money purchase pension schemes	19,200	32,822
	<u>837,574</u>	<u>1,059,561</u>

The highest paid director received remuneration of £255,180 (2020 - £329,522).

The value of the company's contributions to a defined contribution pension scheme in respect of the highest paid director amounted to £6,400 (2020 - £13,770).

9. Interest receivable and similar income

	2021 £	2020 £
Other interest receivable	<u>2,348</u>	<u>22,433</u>

Egress Software Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

10. Interest payable and similar charges

	2021 £	2020 £
Bank interest payable	147,120	-

11. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	-	-
Foreign tax		
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Taxation on profit on ordinary activities	-	-
Factors affecting tax charge for the year		

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Loss on ordinary activities before tax	(8,611,673)	(7,056,362)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(1,636,218)	(1,340,709)
Effects of:		
Expenses not deductible for tax purposes	9,999	13,567
R&D relief	787,265	640,107
Foreign tax	-	7,277
Deferred tax not recognised	838,954	679,758
Total tax charge for the year	-	-

Egress Software Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

11. Taxation (continued)

Factors that may affect future tax charges

The UK corporation tax rate was 20% for the period to 5 April 2017, when the rate changed to 19%. The Government also announced in the 2016 Budget that the UK corporation tax rate will decrease further to 17% from 1 April 2020. Accordingly, deferred tax balances recognised in the accounts as at the year-end have been calculated using the 17% rate.

At 31 December 2021, the group has trading losses carried forward which are available for offset against future profits of £17,336,704 (2020 - £14,045,213). A deferred tax asset of £Nil (2020 - £Nil) has been recognised in respect of these losses.

At 31 December 2021, the group had an unrecognised deferred tax asset of £6,422,514 (2020 - £3,007,722) in respect of timing differences on unexercised share options.

12. Intangible assets

Group

	Patents £	Technology £	Goodwill £	Total £
Cost				
At 1 January 2021	210,123	-	-	210,123
Additions	73,944	-	-	73,944
On acquisition	-	1,502,000	309,000	1,811,000
At 31 December 2021	284,067	1,502,000	309,000	2,095,067
Amortisation				
At 1 January 2021	59,432	-	-	59,432
Charge for the year	20,251	75,100	15,768	111,119
At 31 December 2021	79,683	75,100	15,768	170,551
Net book value				
At 31 December 2021	204,384	1,426,900	293,232	1,924,516
At 31 December 2020	150,691	-	-	150,691

Egress Software Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

12. Intangible assets (continued)

Company

	Technology £	Goodwill £	Total £
Cost			
Transfer from subsidiary	1,502,000	309,000	1,811,000
At 31 December 2021	1,502,000	309,000	1,811,000
Amortisation			
Charge for the year	75,100	15,768	90,868
At 31 December 2021	75,100	15,768	90,868
Net book value			
At 31 December 2021	1,426,900	293,232	1,720,132
At 31 December 2020	-	-	-

Egress Software Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

13. Tangible fixed assets

Group

	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 January 2021	498,242	480,619	206,869	1,185,730
Additions	-	129,714	5,000	134,714
Disposals	-	(59,869)	-	(59,869)
At 31 December 2021	498,242	550,464	211,869	1,260,575
Depreciation				
At 1 January 2021	251,316	319,988	90,806	662,110
Charge for the year	96,989	112,272	40,936	250,197
Disposals	-	(58,758)	-	(58,758)
At 31 December 2021	348,305	373,502	131,742	853,549
Net book value				
At 31 December 2021	149,937	176,962	80,127	407,026
At 31 December 2020	246,926	160,631	116,063	523,620

Egress Software Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

13. Tangible fixed assets (continued)

Company

	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 January 2021	490,283	430,299	206,036	1,126,618
Additions	-	102,745	5,000	107,745
Disposals	-	(59,869)	-	(59,869)
At 31 December 2021	<u>490,283</u>	<u>473,175</u>	<u>211,036</u>	<u>1,174,494</u>
Depreciation				
At 1 January 2021	238,803	290,679	89,973	619,455
Charge for the year	101,543	96,920	40,936	239,399
Disposals	-	(58,758)	-	(58,758)
At 31 December 2021	<u>340,346</u>	<u>328,841</u>	<u>130,909</u>	<u>800,096</u>
Net book value				
At 31 December 2021	<u>149,937</u>	<u>144,334</u>	<u>80,127</u>	<u>374,398</u>
At 31 December 2020	<u>251,480</u>	<u>139,620</u>	<u>116,063</u>	<u>507,163</u>

Egress Software Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

14. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2021	668
Additions	1,810,700
Disposal on hive-up of trade and assets	(1,810,700)
At 31 December 2021	<u>668</u>

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Registered office	Class of shares	Holding
Egress Software Technologies Inc. (Canada)	Suite A304, 11685 Yonge Street, Richmond Hill, L4E 0K7, Ontario, Canada.	Ordinary	100%
Egress Software Technologies Inc. (USA)	Suite 2, Level 3, 268 Summer Street, Boston MA 02210, United States	Ordinary	100%
Egress Software Technologies IP Limited (UK)	White Collar Factory, 1 Old Street Yard, London, EC1Y 8AF	Ordinary	100%
Aquilia Limited (UK)	White Collar Factory, 1 Old Street Yard, London, EC1Y 8AF	Ordinary	100%

Egress Software Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

15. Debtors: amounts falling due within one year

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Trade debtors	5,057,957	4,532,901	4,372,400	4,382,770
Amounts owed by group undertakings	-	-	80,622	781,867
Other debtors	348,107	318,027	260,451	254,974
Prepayments and accrued income	2,138,239	1,618,859	2,006,140	1,501,179
Tax recoverable	2,036,663	1,658,513	2,036,663	1,658,513
	<u>9,580,966</u>	<u>8,128,300</u>	<u>8,756,276</u>	<u>8,579,303</u>

All amounts owed by group undertakings are unsecured and not subject to any fixed repayment date. The debt is repayable on demand and therefore classified as due within one year.

16. Creditors: amounts falling due within one year

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Trade creditors	2,287,230	1,572,132	2,080,230	1,499,641
Amounts owed to group undertakings	-	-	640,728	294,836
Corporation tax	32,551	32,740	15,581	15,582
Other taxation and social security	1,048,314	2,018,583	1,041,972	2,018,739
Other creditors	2,191	78,615	44	74,049
Accruals and deferred income	17,146,120	13,484,195	15,597,157	12,977,526
	<u>20,516,406</u>	<u>17,186,265</u>	<u>19,375,712</u>	<u>16,880,373</u>

17. Creditors: amounts falling due after more than one year

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Bank loans	5,000,000	-	5,000,000	-
Accruals and deferred income	701,866	2,063,316	699,757	1,930,305
	<u>5,701,866</u>	<u>2,063,316</u>	<u>5,699,757</u>	<u>1,930,305</u>

Egress Software Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

18. Loans

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Amounts falling due 1-2 years				
Bank loans	500,000	-	500,000	-
Amounts falling due 2-5 years				
Bank loans	4,500,000	-	4,500,000	-
	<u>5,000,000</u>	<u>-</u>	<u>5,000,000</u>	<u>-</u>

19. Financial instruments

Neither the Group nor the Company has any financial assets or liabilities measured at fair value through profit or loss.

20. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
5,406,800 (2020 - 5,406,828) Ordinary A shares of £0.00010 each	541	541
2,647,004 (2020 - 2,506,057) Ordinary B shares of £0.00010 each	265	251
2,878,207 (2020 - 2,878,207) Preferred shares of £0.00010 each	288	288
982,078 (2020 - 982,078) Series B preferred shares of £0.00010 each	98	98
221,928 (2020 - 221,928) Ordinary Z shares of £0.00010 each	2	2
6,124,214 (2020 - 6,104,931) Series C preferred shares of £0.00010 each	612	610
50,000 (2020 - Nil) Y Ordinary shares of £0.00001 each	1	-
	<u>1,807</u>	<u>1,790</u>

During the year, 91,420 Ordinary B shares were issued as part of the consideration in relation to the acquisition of Aquilai Limited.

The ordinary A shares shall carry the right to vote in respect of all matters before members, along with rights to dividends and the return of capital.

Ordinary B shares carry the same rights as the ordinary A shares, but shall only carry the rights to vote in respect of the following matters before members:

A. whether or not the company shall undertake and initial public offering, listing, merger or acquisition or sale; and

B. whether or not the company shall borrow (except from the company's bankers in the ordinary and

Egress Software Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

20. Share capital (continued)

The preferred shares, series B preferred shares and series C preferred shares shall carry the right to vote in respect of all matters before members, rights to dividends and preferential rights in respect of the return of share capital.

Ordinary Z shares carry rights to the return of capital but have no voting or dividend rights.

21. Reserves

The group and company's reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Capital redemption reserve

The capital redemption reserve contains the nominal value of own shares that have been acquired by the company and cancelled.

Profit and loss account

The profit and loss account represents cumulative profits or losses net of dividends paid and other adjustments.

22. Analysis of net funds

	At 1 January 2021 £	Cash flows £	At 31 December 2021 £
Cash at bank and in hand	8,490,895	(2,722,369)	5,768,526
Debt due after 1 year	-	(5,000,000)	(5,000,000)
	<u>8,490,895</u>	<u>(7,722,369)</u>	<u>768,526</u>

Egress Software Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

23. Share based payments

The group operates an equity-settled share based remuneration scheme for employees. All UK employees are eligible to participate in the long term incentive scheme, the only vesting condition being that the individual remains an employee of the group over the three year vesting period.

	Weighted average exercise price (pence) 2021	Number 2021	Weighted average exercise price (pence) 2020	Number 2020
Outstanding at the beginning of the year	221.00	1,645,355	221.00	1,663,720
Granted during the year	583.88	825,000	363.00	320,000
Expired during the year	337.00	(192,000)	293.77	(338,365)
Outstanding at the end of the year	352.00	2,278,355	234.00	1,645,355

The exercise price of options outstanding at the end of the year ranged between £3.63 and £5.90 (2020 - £0.76 and £3.63) and their weighted average contractual life was 10 years (2020 - 10 years).

Of the total number of options outstanding at the end of the year was 1,392,395 (2020 - 1,400,395) that had vested and were exercisable at the end of the year.

The number of share options exercised during the year Nil (2020 - Nil).

The following information is relevant in the determination of the fair value of options granted during the current and previous years under the equity-settled share based remuneration schemes operated by the group.

	2021	2020
Option pricing model used		
Weighted average share price (pence)	843	363
Exercise price (pence)	545	363
Expected volatility	35%	55%
Expected dividend growth rate	0%	0%
Risk-free interest rate	1%	1%

The Black-Scholes option pricing model was used to value the share-based payment awards as it was considered that this approach would result in materially accurate estimate of the fair value of options granted.

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years of comparable publicly quoted companies.

Egress Software Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

23. Share based payments (continued)

The share-based remuneration expense comprises:

	2021 £	2020 £
Equity-settled schemes	<u>1,213,024</u>	<u>735,235</u>

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

24. Pension commitments

The pension charge amount to £445,838 (2020 - £372,220). Contributions amounting to £94,877 (2020 - £79,552) were payable to the fund and are included with creditors.

25. Commitments under operating leases

At 31 December 2021 the group and the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £	Group 2020 £
Not later than 1 year	661,612	499,629
Later than 1 year and not later than 5 years	2,294,811	1,907,076
Later than 5 years	295,669	1,203,045
	<u>3,252,092</u>	<u>3,609,750</u>

26. Business combinations

On 24 May 2021, the Egress Software Technologies Limited acquired the entire share capital of Aquilai Limited.

Consideration for the transaction was cash of £953,437 and the issuance of Ordinary B Shares at a value of £770,671. Directly attributable fees of £87,260 have been capitalised as part of the investment cost.

Intangible assets have been recognised in relation to the acquired technology at a fair value of £1,502,000. Other assets and liabilities acquired were immaterial, resulting in goodwill recognised of £309,367.

Since the acquisition, the trade and assets have been transferred into Egress Software Technologies Limited.

Egress Software Technologies Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

27. Related party transactions

The company has taken advantage of the exemption conferred by Section 33.1A FRS 102 not to disclose transactions with its wholly owned subsidiaries.

Albion Ventures LLP charged fees totalling £20,000 (2020 - £20,000) to the company during the year of which no amounts remaining unpaid at the year end. Albion Ventures LLP are a related party by virtue of their shareholding in the company.

During the year Hiscox Ventures Limited charged fees totalling £35,479 (2020 - £35,143) to Egress Software Technologies Limited during the year. Of this amount, no amounts remained unpaid at the year end (2020 - £Nil).

FTV V, L.P charged fees totalling £Nil (2020 - £14,900) to the company during the year of which no amounts remaining unpaid at the year end. FTV V, L.P are a related party by virtue of their shareholding in the company.

The directors consider that key management personnel and the directors are one of the same. For directors remuneration, see note 8.

28. Post statement of financial position events

In February 2022, the Group and Company met certain criteria that enabled the drawdown of a further £2,500,000 on its loan facility.

29. Controlling party

The company was controlled by its directors in the year by virtue of their shareholding in the company.