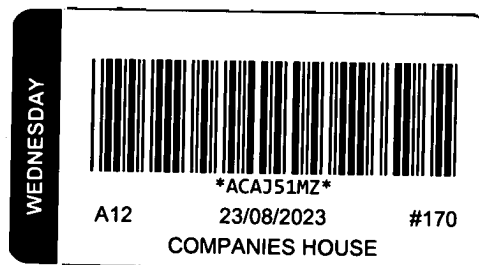


EGRESS SOFTWARE TECHNOLOGIES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022



---

EGRESS SOFTWARE TECHNOLOGIES LIMITED

---

COMPANY INFORMATION

---

Directors	Mr K A Griswold Mr M A Hiscox Mr N T Larkins Mr E W A Lascelles Mr M J Locke Mr A R Pepper Mr D G Quantrell
Company secretary	OHS Secretaries Limited Mr E Bodey
Registered number	06393598
Registered office	White Collar Factory 1 Old Street Yard London EC1Y 8AF
Independent auditors	CLA Evelyn Partners Limited Statutory Auditor & Chartered Accountants 45 Gresham Street London EC2V 7BG

---

EGRESS SOFTWARE TECHNOLOGIES LIMITED

---

CONTENTS

---

	Page
Group Strategic Report	1 - 2
Directors' Report	3 - 4
Directors' Responsibilities Statement	5
Independent Auditors' Report	6 - 9
Consolidated Statement of Comprehensive Income	10
Consolidated Statement of Financial Position	11 - 12
Company Statement of Financial Position	13 - 14
Consolidated Statement of Changes in Equity	15
Company Statement of Changes in Equity	16
Consolidated Statement of Cash Flows	17 - 18
Consolidated Analysis of Net Debt	19
Notes to the Financial Statements	20 - 40

---

## EGRESS SOFTWARE TECHNOLOGIES LIMITED

---

### GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### Introduction

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 2022.

#### Business review

Egress offers a new approach to reducing email security risk, addressing both inbound and outbound threats together and putting people at the front and centre of the solution. Our SaaS platform seamlessly integrates with Microsoft 365 to augment its native security and stop threats that secure email gateways miss.

Increasing demand for the Egress Integrated Cloud Email Security product suite is driven by an increase in sophisticated threats to email security, including advanced phishing, business email compromise and email account takeover, as well as a continued increase in mis-directed emails leading to data loss, and data exfiltration.

As a result, Egress enjoyed another year of significant growth and progress in 2022. The business had success in expanding its revenue and customer footprint in both its home market of the UK and in the US market, which offers tremendous opportunity for further expansion.

This continued growth is driven by the Company's strategy to invest in product development, marketing and sales. Over the period revenue grew 24% to £27.1m (2021 - £21.9m). The Company also focused on improving operational efficiency in 2022 and this is reflected in a significant improvement in gross profit of 32% year on year to £21.4m (2021 - £16.3m). The loss before tax for the year of £10.2m (as restated 2021 - £8.1m) was in line with expectations for 2022 as the Company continued to invest in growth. Further focus on operational efficiency in 2023 is expected to result in further growth in gross profit and a significant reduction in losses for the next reporting period.

Egress has received significant industry recognition for its innovation and business success 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

Looking ahead, the Company's management team are continuing their focus and investment on growing revenue in international markets, increasing operational efficiency, and 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 2022 Data Breach Investigations Report 82% 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.

During 2022 Egress continued to not experience any material downside impact of Brexit or Covid-19 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 2022

---

Financial key performance indicators

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. In addition to the £7.5m term loan secured in 2021 Egress secured a £20m term loan in January of 2023 which significantly mitigates liquidity risk.

Credit risk from trade debtors: Egress largely 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.

Going Concern

The Group generated a loss before tax of £10.2m in the year (as restated 2021 - £8.1m) and as of 31st December 2022 had net current liabilities of £8.5m.

Despite the Company's continued growth through 2022, the director's 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 all scenarios the Company has sufficient cash reserves to trade for more than 12 months from the date of approval of the financial statements. To provide additional certainty against downside risks the Company secured £20m of financing in January 2023.

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

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



Mr N T Larkins  
Director

Date: July 12, 2023 | 7:51 PM BST

---

EGRESS SOFTWARE TECHNOLOGIES LIMITED

---

DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022

---

The directors present their report and the financial statements for the year ended 31 December 2022.

**Results and dividends**

The loss for the year, after taxation, amounted to £10,161,868 (2021 - £8,055,669).

No dividends have been paid or proposed in the year (2020 - £Nil).

**Directors**

The directors who served during the year were:

Mr K A Griswold  
Mr M A Hiscox  
Mr N T Larkins  
Mr E W A Lascelles  
Mr M J Locke  
Mr A R Pepper  
Mr D G Quantrell

**Future developments**

The directors intend to continue to develop and improve the processes to deal with fast changing business and regulatory environment.

**Financial instruments**

**Liquidity risk**

The Group manages its cash and borrowing requirements centrally to maximise interest income and minimise interest expense, whilst ensuring that the Group has sufficient liquid resources to meet the operating needs of its business.

**Foreign currency risk**

The Group's principal foreign currency exposures arise from trading operations in overseas companies. Group policy permits, but does not demand, that these exposures may be hedged in order to fix the cost in sterling. The Group, where possible, matches revenue and costs in these overseas companies.

For further details regarding the Group's management of risks please refer to the Group Strategic Report.

**Research and development activities**

The Group continued to invest in development of its core products and innovation to add features and new services during 2023. R&D expenditure incurred during the year totalled £5,837,356 (2021 - £6,205,808), and was written off in the same period.

---

EGRESS SOFTWARE TECHNOLOGIES LIMITED

---

DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022

---

**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 and the Group'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 and the Group's auditors are aware of that information.

**Post balance sheet events**

There have been no significant events affecting the Group since the year end.

**Employee involvement**

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the year, the policy of providing employees with information, including information relating to the economic and financial factors affecting the performance of the Company, has been continued through regular meetings held between local management and employees to allow a free flow of information and ideas.

**Disabled employees**

The Company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

**Auditors**

The auditors, CLA Evelyn Partners Limited, were appointed during the year and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



Mr N T Larkins  
Director

Date: July 12, 2023 | 7:51 PM BST

---

EGRESS SOFTWARE TECHNOLOGIES LIMITED

---

DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022

---

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs 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 for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group 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.





---

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EGRESS SOFTWARE TECHNOLOGIES  
LIMITED

---

### Opinion

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 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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 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 AUDITOR'S REPORT TO THE MEMBERS OF EGRESS SOFTWARE TECHNOLOGIES LIMITED (CONTINUED)**

---

**Other information**

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

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Group and the Parent Company and their 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 set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 AUDITOR'S 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.

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:

We obtained a general understanding of the Group's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations, the entity's policies, and procedures regarding compliance, and how they identify, evaluate and account for any claims that may arise.

We obtained an understanding of how each of the components within the Group reported in through discussions with group management.

We understand that the Group complies with the framework through:

- Outsourcing accounts preparation and tax compliance to external experts
- Updating operating procedures, manuals and internal controls as legal and regulatory requirements change
- Requiring all employees to read and follow the operating manuals, and attend ad-hoc training as requirements change

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the Parent Company and Group's ability to conduct its business, and where there is a risk that failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the Parent Company and Group:

- The Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements.
- UK taxation law

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The key area of discussion was regarding the potential manipulation of the financial statements, especially revenue, via fraudulent journal entries.

These areas were communicated to the other members of the engagement team not present at the discussion.

---

EGRESS SOFTWARE TECHNOLOGIES LIMITED

---

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EGRESS SOFTWARE TECHNOLOGIES  
LIMITED (CONTINUED)

---

The procedures we carried out to gain evidence in the above areas included:

- Challenging management regarding the assumptions used in the estimates identified above, and comparison to post-year-end data as appropriate
- Understanding the Group's capabilities to continue as a going concern, and how they will continue to be funded and supported going forward
- Ensuring the loan balances held at year-end are correct, and that they have been appropriately recognised
- Testing journal entries, focusing particularly on postings to unexpected or unusual accounts, especially where the journal impacts revenue
- Assessing the goodwill of historical acquisitions and current acquisitions to assess for any potential impairment indicators
- Performed controls testing on the revenue in the year, including agreeing to sales order forms, invoice, cash, and relevant approvals where required, such as the allocation of discounts

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

**Use of our report**

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



Avinash Heeralall (Senior Statutory Auditor)

for and on behalf of  
CLA Evelyn Partners Limited

Statutory Auditor  
Chartered Accountants

45 Gresham Street  
London  
EC2V 7BG

Date: July 17, 2023 | 9:34 AM BST

## EGRESS SOFTWARE TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	As restated 2021 £
Turnover	4	27,127,098	21,890,347
Cost of sales		(5,678,897)	(5,611,156)
<b>Gross profit</b>		<b>21,448,201</b>	<b>16,279,191</b>
Administrative expenses		(33,142,028)	(26,226,751)
Other operating income	5	1,947,943	2,036,663
<b>Operating loss</b>	6	<b>(9,745,884)</b>	<b>(7,910,897)</b>
Interest receivable and similar income	10	4,249	2,348
Interest payable and similar expenses	11	(435,815)	(147,120)
<b>Loss before taxation</b>		<b>(10,177,450)</b>	<b>(8,055,669)</b>
Tax on loss	12	15,582	-
<b>Loss for the financial year</b>		<b>(10,161,868)</b>	<b>(8,055,669)</b>
Currency translation differences		(234,043)	(70,757)
<b>Total comprehensive income for the year</b>		<b>(10,395,911)</b>	<b>(8,126,426)</b>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the parent Company		(10,395,911)	(8,126,426)

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

EGRESS SOFTWARE TECHNOLOGIES LIMITED  
REGISTERED NUMBER:06393598

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2022

	Note	2022 £	As restated 2021 £
<b>Fixed assets</b>			
Intangible assets	13	1,868,946	1,924,516
Tangible assets	14	270,598	407,026
		<u>2,139,544</u>	<u>2,331,542</u>
<b>Current assets</b>			
Debtors	16	9,666,543	9,726,757
Cash at bank and in hand		2,285,526	5,768,526
		<u>11,952,069</u>	<u>15,495,283</u>
Creditors: amounts falling due within one year	17	(20,488,059)	(20,516,406)
<b>Net current liabilities</b>		<u>(8,535,990)</u>	<u>(5,021,123)</u>
<b>Total assets less current liabilities</b>		<u>(6,396,446)</u>	<u>(2,689,581)</u>
Creditors: amounts falling due after more than one year	18	(10,995,830)	(5,701,866)
<b>Provisions for liabilities</b>			
<b>Net liabilities</b>		<u><u>(17,392,276)</u></u>	<u><u>(8,391,447)</u></u>
<b>Capital and reserves</b>			
Called up share capital	20	1,807	1,807
Share premium account	21	22,072,944	22,072,944
Capital redemption reserve	21	81	81
Foreign exchange reserve	21	1,923,696	2,157,739
Share option reserve	21	3,142,632	1,747,550
Profit and loss account	21	(44,533,436)	(34,371,568)
<b>Shareholders' Deficit</b>		<u><u>(17,392,276)</u></u>	<u><u>(8,391,447)</u></u>

---

EGRESS SOFTWARE TECHNOLOGIES LIMITED  
REGISTERED NUMBER:06393598

---

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AS AT 31 DECEMBER 2022

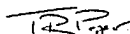
---

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



Mr N T Larkins  
Director

Date: July 12, 2023 | 7:51 PM BST



Mr A R Pepper  
Director

Date: July 12, 2023 | 6:04 PM BST

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

EGRESS SOFTWARE TECHNOLOGIES LIMITED  
REGISTERED NUMBER:06393598

COMPANY STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2022

	Note	2022 £	As restated 2021 £
<b>Fixed assets</b>			
Intangible assets	13	1,538,995	1,720,132
Tangible assets	14	228,971	374,398
Investments	15	698,218	381,403
		<u>2,466,184</u>	<u>2,475,933</u>
<b>Current assets</b>			
Debtors	16	10,076,487	8,902,067
Cash at bank and in hand		2,169,572	5,535,054
		<u>12,246,059</u>	<u>14,437,121</u>
Creditors: amounts falling due within one year	17	(20,914,962)	(19,375,712)
<b>Net current liabilities</b>		<u>(8,668,903)</u>	<u>(4,938,591)</u>
<b>Total assets less current liabilities</b>		<u>(6,202,719)</u>	<u>(2,462,658)</u>
Creditors: amounts falling due after more than one year	18	(10,491,620)	(5,699,757)
<b>Net liabilities</b>		<u><u>(16,694,339)</u></u>	<u><u>(8,162,415)</u></u>
<b>Capital and reserves</b>			
Called up share capital	20	1,807	1,807
Share premium account	21	22,072,944	22,072,944
Capital redemption reserve	21	81	81
Share option reserve	21	2,444,414	1,049,332
Profit and loss account		(41,213,585)	(31,286,579)
<b>Shareholders' Deficit</b>		<u><u>(16,694,339)</u></u>	<u><u>(8,162,415)</u></u>



---

EGRESS SOFTWARE TECHNOLOGIES LIMITED  
REGISTERED NUMBER:06393598

---

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AS AT 31 DECEMBER 2022

---

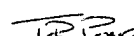
The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the Parent Company for the year was £9,927,006 (as restated 2021 - £8,134,485).

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

Mr N T Larkins  
Director



Mr A R Pepper  
Director



Date: July 12, 2023 | 7:51 PM BST

July 12, 2023 | 6:04 PM BST

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

## EGRESS SOFTWARE TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £	Share premium account £	Capital redemption reserve £	Foreign exchange reserve £	Share option reserve £	Profit and loss account £	Total equity £
At 1 January 2021 (as previously stated)	1,790	21,184,718	81	2,228,496	1,090,530	(26,461,690)	(1,956,075)
Prior year adjustment	-	-	-	-	-	145,791	145,791
At 1 January 2021 (as restated)	1,790	21,184,718	81	2,228,496	1,090,530	(26,315,899)	(1,810,284)
Comprehensive income for the year	-	-	-	-	-	(8,055,669)	(8,055,669)
Loss for the year (as restated)	-	-	-	-	-	(8,055,669)	(8,055,669)
Contributions by and distributions to owners							
Shares issued during the year	17	888,226	-	-	-	-	888,243
Fair value of share options (as restated)	-	-	-	-	657,020	-	657,020
Currency translation differences	-	-	-	(70,757)	-	-	(70,757)
At 1 January 2022 (as restated)	1,807	22,072,944	81	2,157,739	1,747,550	(34,371,568)	(8,391,447)
Comprehensive income for the year	-	-	-	-	-	(10,161,868)	(10,161,868)
Loss for the year	-	-	-	-	-	(10,161,868)	(10,161,868)
Contributions by and distributions to owners							
Fair value of share options	-	-	-	-	1,395,082	-	1,395,082
Currency translation differences	-	-	-	(234,043)	-	-	(234,043)
At 31 December 2022	1,807	22,072,944	81	1,923,696	3,142,632	(44,533,436)	(17,392,276)

## EGRESS SOFTWARE TECHNOLOGIES LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £	Share premium account £	Capital redemption reserve £	Share option reserve £	Profit and loss account £	Total equity £
At 1 January 2021 (as previously stated)	1,790	21,184,718	81	176,981	(23,297,885)	(1,934,315)
Prior year adjustment	-	-	-	215,331	145,791	361,122
At 1 January 2021 (as restated)	1,790	21,184,718	81	392,312	(23,152,094)	(1,573,193)
Comprehensive income for the year						
Loss for the year (as restated)	-	-	-	-	(8,134,485)	(8,134,485)
Contributions by and distributions to owners						
Shares issued during the year	17	888,226	-	-	-	888,243
Fair value of share options (as restated)	-	-	-	657,020	-	657,020
At 1 January 2022 (as restated)	1,807	22,072,944	81	1,049,332	(31,286,579)	(8,162,415)
Comprehensive income for the year						
Loss for the year	-	-	-	-	(9,927,006)	(9,927,006)
Contributions by and distributions to owners						
Fair value of share options	-	-	-	1,395,082	-	1,395,082
At 31 December 2022	1,807	22,072,944	81	2,444,414	(41,213,585)	(16,694,339)

## EGRESS SOFTWARE TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	As restated 2021 £
<b>Cash flows from operating activities</b>		
Loss for the financial year	(10,177,450)	(8,055,669)
<b>Adjustments for:</b>		
Amortisation of intangible assets	214,077	111,119
Depreciation of tangible assets	255,340	250,197
Interest paid	435,815	147,120
Interest received	(4,249)	(2,348)
Increase in debtors	29,701	(1,074,519)
Increase in creditors	2,781,205	1,968,691
Share based payment charges	1,395,082	657,020
Other income in respect of R&D	(1,946,764)	(1,953,898)
R&D credit received	2,036,663	1,575,748
Foreign exchange	(234,043)	(70,754)
<b>Net cash from operating activities</b>	<b>(5,214,623)</b>	<b>(6,447,293)</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(159,585)	(72,465)
Purchase of tangible fixed assets	(118,912)	(134,714)
Sale of tangible fixed assets	-	1,111
Acquisition of subsidiary	-	(1,041,808)
Interest received	4,249	2,348
<b>Net cash from investing activities</b>	<b>(274,248)</b>	<b>(1,245,528)</b>
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	-	117,572
New secured loans	2,500,000	5,000,000
Interest paid	(494,129)	(147,120)
<b>Net cash used in financing activities</b>	<b>2,005,871</b>	<b>4,970,452</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(3,483,000)</b>	<b>(2,722,369)</b>
Cash and cash equivalents at beginning of year	5,768,526	8,490,895

---

EGRESS SOFTWARE TECHNOLOGIES LIMITED

---



---

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022

---

	2022 £	2021 £
Cash and cash equivalents at the end of year	<u>2,285,526</u>	<u>5,768,526</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>2,285,526</u>	<u>5,768,526</u>
	<u>2,285,526</u>	<u>5,768,526</u>

---

EGRESS SOFTWARE TECHNOLOGIES LIMITED

---



---

CONSOLIDATED ANALYSIS OF NET DEBT  
FOR THE YEAR ENDED 31 DECEMBER 2022

---

	At 1 January 2022 £	Cash flows £	Other non- cash changes £	At 31 December 2022 £
Cash at bank and in hand	5,768,526	(3,535,963)	52,963	2,285,526
Debt due after 1 year	(5,000,000)	(2,500,000)	-	(7,500,000)
	<u>768,526</u>	<u>(6,035,963)</u>	<u>52,963</u>	<u>(5,214,474)</u>

---

## EGRESS SOFTWARE TECHNOLOGIES LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### 1. General information

Egress Software Technologies Limited is a private company, limited by shares, domiciled and incorporated in England and Wales (registered number: 06393598). The registered office address is White Collar Factory, 1 Old Street Yard, London, England, EC1Y 8AF.

#### 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 judgment 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.

##### 2.3 Going concern

The Group generated a loss before tax of £10.2m in the year (*as restated 2021 - £8.1m*) and as of 31st December 2022 had net current liabilities of £8.5m.

Despite the Company's continued growth through 2022, the director's 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 all scenarios the Company has sufficient cash reserves to trade for more than 12 months from the date of approval of the financial statements. To provide additional certainty against downside risks the Company secured £20m of financing in January 2023.

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

---

**EGRESS SOFTWARE TECHNOLOGIES LIMITED**

---

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**2. Accounting policies (continued)****2.4 Foreign currency translation****Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**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 profit or loss except when deferred in other comprehensive income.

Foreign exchange gains and losses 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.

**2.5 Turnover**

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

Turnover 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 turnover is recognised on delivery of the service and on a percentage of completion basis when this is delivered across accounting periods.



---

EGRESS SOFTWARE TECHNOLOGIES LIMITED

---

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

---

**2. Accounting policies (continued)**

**2.6 Leased assets: the Group as lessee**

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.

**2.7 Interest income**

Interest income is recognised in profit or loss using the effective interest method.

**2.8 Finance costs**

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

**2.9 Borrowing costs**

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

**2.10 Intangible assets**

**Goodwill**

Goodwill, patents and technology are valued at cost less accumulated depreciation, of 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.

---

**EGRESS SOFTWARE TECHNOLOGIES LIMITED**

---

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**2. Accounting policies (continued)****2.11 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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Long-term leasehold property	- Straight line over the life of the lease
IT and Office Equipment	- 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 profit or loss.

**2.12 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

**2.13 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.

**2.14 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.

---

**EGRESS SOFTWARE TECHNOLOGIES LIMITED**

---

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**2. Accounting policies (continued)****2.15 Financial instruments**

Financial assets and financial liabilities are recognised in the Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the group will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the Group's cash management.

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

**2.16 Share based payments**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to 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 reporting 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.

**2.17 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.

**2.18 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.

---

EGRESS SOFTWARE TECHNOLOGIES LIMITED

---



---

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

---

## 3. Judgments in applying accounting policies and key sources of estimation uncertainty

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

The judgements, estimates and assumptions are evaluated at each reporting date and are based on historical experience as adjusted for current market conditions and other factors. Management makes estimates and assumptions concerning the future in preparing the financial statements and the actual results will not always reflect the accounting estimates made. The estimates and assumptions that had a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Company are outlined below.

*Intangible asset valuation*

In attributing to intangible assets arising on acquisition, management has made certain assumptions in terms of cash flows attributable to patents and technology.

*Impairment of investments, goodwill and other intangible assets*

Determining whether the costs of investment, goodwill or other intangible assets are impaired requires an estimation of the value in use of the asset to which they have been allocated or belong.

## 4. Turnover

An analysis of turnover by destination:

	2022 £	2021 £
United Kingdom	24,336,506	20,556,441
Rest of Europe	80,771	47,074
Rest of the world	2,709,821	1,286,832
	<u>27,127,098</u>	<u>21,890,347</u>

## 5. Other operating income

	2022 £	2021 £
Other operating income	<u>1,947,943</u>	<u>2,036,663</u>

---

EGRESS SOFTWARE TECHNOLOGIES LIMITED

---



---

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

---

## 6. Operating loss

The operating loss is stated after charging:

	2022	<i>As restated</i> 2021
	£	£
Research & development charged as an expense	5,837,356	6,205,808
Depreciation of tangible fixed assets	255,340	250,197
Amortisation of intangible assets	214,077	111,119
Operating lease rentals	9,125	6,694
Share based payment expense	1,395,082	657,020
	<u>          </u>	<u>          </u>

## 7. Auditors' remuneration

	2022	2021
	£	£
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	46,500	30,500
	<u>          </u>	<u>          </u>

The Company has taken exemption from disclosing amounts payable in respect of non-audit services.

## EGRESS SOFTWARE TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 8. Employees

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

	Group 2022 £	<i>As restated</i> Group 2021 £	Company 2022 £	<i>As restated</i> Company 2021 £
Wages and salaries	21,661,213	17,087,460	18,144,432	15,020,300
Social security costs	2,338,335	1,736,822	2,079,331	1,580,508
Cost of defined contribution scheme	630,350	445,838	543,899	404,330
	<u>24,629,898</u>	<u>19,270,120</u>	<u>20,767,662</u>	<u>17,005,138</u>

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

	Group 2022 No.	<i>As restated</i> Group 2021 No.	Company 2022 No.	<i>As restated</i> Company 2021 No.
Sales & Marketing	93	81	67	63
Customer Experience	53	54	41	44
R&D	106	101	99	95
G&A	39	40	37	38
	<u>291</u>	<u>276</u>	<u>244</u>	<u>240</u>

## EGRESS SOFTWARE TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 9. Directors' remuneration

	2022	As restated 2021
	£	£
Directors' emoluments	800,505	818,374
Group contributions to defined contribution pension schemes	18,320	19,200
Social security costs	108,505	110,234
	<u>927,330</u>	<u>947,808</u>

During the year retirement benefits were accruing to 3 directors (2021 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £251,908 (2021 - £255,180).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £6,102 (2021 - £6,400).

## 10. Interest receivable and similar income

	2022	2021
	£	£
Other interest receivable	<u>4,249</u>	<u>2,348</u>

## 11. Interest payable and similar expenses

	2022	2021
	£	£
Bank interest payable	<u>435,815</u>	<u>147,120</u>

## EGRESS SOFTWARE TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 12. Taxation

	2022 £	2021 £
Corporation tax		
Adjustments in respect of previous periods	(15,582)	-
<b>Total current tax</b>	<b>(15,582)</b>	<b>-</b>

## Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - *lower than*) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	As restated 2021 £
Loss on ordinary activities before tax	(10,177,450)	(8,055,669)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(1,931,762)	(1,530,577)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	267,935	(95,642)
R&D relief	739,213	787,265
Deferred tax not recognised	1,237,225	838,954
Adjustments to tax charge in respect of prior periods	(15,582)	-
Fixed asset differences	4,999	-
Remeasurement of deferred tax for changes in tax rates	(298,465)	-
Other permanent differences	3,975	-
Group income	(23,120)	-
<b>Total tax charge for the year</b>	<b>(15,582)</b>	<b>-</b>



## EGRESS SOFTWARE TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 12. Taxation (continued)

## Factors that may affect future tax charges

Finance Act 2021 includes legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. The full anticipated effect of these changes is reflected in the above deferred tax balances.

At 31 December 2022, the Group has trading losses carried forward which are available to offset against future profits of £22,464,894 (2021 - £17,336,704). A deferred tax asset of £Nil (2021 - £Nil) has been recognised in respect of these losses.

At 31 December 2022, the Group had an unrecognised deferred tax asset of £6,407,825 (2021 - £6,422,514) in respect of timing differences on unexercised share options.

## 13. Intangible assets

## Group

	Patents £	Technology £	Goodwill £	Total £
<b>Cost</b>				
At 1 January 2022	284,067	1,502,000	309,000	2,095,067
Additions	159,585	-	-	159,585
Disposals	(1,078)	-	-	(1,078)
At 31 December 2022	442,574	1,502,000	309,000	2,253,574
<b>Amortisation</b>				
At 1 January 2022	79,683	75,100	15,768	170,551
Charge for the year	32,940	150,237	30,900	214,077
At 31 December 2022	112,623	225,337	46,668	384,628
<b>Net book value</b>				
At 31 December 2022	329,951	1,276,663	262,332	1,868,946
At 31 December 2021	204,384	1,426,900	293,232	1,924,516

---

EGRESS SOFTWARE TECHNOLOGIES LIMITED

---



---

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

---

## 13. Intangible assets (continued)

## Company

	Technology £	Goodwill £	Total £
<b>Cost</b>			
At 1 January 2022	1,502,000	309,000	1,811,000
At 31 December 2022	<u>1,502,000</u>	<u>309,000</u>	<u>1,811,000</u>
<b>Amortisation</b>			
At 1 January 2022	75,100	15,768	90,868
Charge for the year	150,237	30,900	181,137
At 31 December 2022	<u>225,337</u>	<u>46,668</u>	<u>272,005</u>
<b>Net book value</b>			
At 31 December 2022	<u>1,276,663</u>	<u>262,332</u>	<u>1,538,995</u>
<i>At 31 December 2021</i>	<u>1,426,900</u>	<u>293,232</u>	<u>1,720,132</u>

## EGRESS SOFTWARE TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 14. Tangible fixed assets

## Group

	Leasehold improvements £	Fixtures and fittings £	IT and Office Equipment £	Total £
<b>Cost</b>				
At 1 January 2022	498,242	211,869	550,464	1,260,575
Additions	-	1,116	117,796	118,912
Disposals	-	-	(79,373)	(79,373)
At 31 December 2022	498,242	212,985	588,887	1,300,114
<b>Depreciation</b>				
At 1 January 2022	348,305	131,742	373,502	853,549
Charge for the year	98,056	39,431	117,853	255,340
Disposals	-	-	(79,373)	(79,373)
At 31 December 2022	446,361	171,173	411,982	1,029,516
<b>Net book value</b>				
At 31 December 2022	51,881	41,812	176,905	270,598
At 31 December 2021	149,937	80,127	176,962	407,026

## EGRESS SOFTWARE TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 14. Tangible fixed assets (continued)

## Company

	Leasehold improvements £	Fixtures and fittings £	IT and Office Equipment £	Total £
<b>Cost</b>				
At 1 January 2022	490,283	211,036	473,175	1,174,494
Additions	-	1,116	84,764	85,880
Disposals	-	-	(79,373)	(79,373)
At 31 December 2022	490,283	212,152	478,566	1,181,001
<b>Depreciation</b>				
At 1 January 2022	340,346	130,909	328,841	800,096
Charge for the year	98,056	39,431	93,820	231,307
Disposals	-	-	(79,373)	(79,373)
At 31 December 2022	438,402	170,340	343,288	952,030
<b>Net book value</b>				
At 31 December 2022	51,881	41,812	135,278	228,971
At 31 December 2021	149,937	80,127	144,334	374,398

---

EGRESS SOFTWARE TECHNOLOGIES LIMITED

---



---

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

---

## 15. Fixed asset investments

## Company

Investments  
in subsidiary  
companies  
£

## Cost or valuation

At 1 January 2022 (as restated)

381,403

Additions

316,815

At 31 December 2022

---

698,218

---

## Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Direct Holding
Egress Software Technologies Inc. (Canada)	30 Via Renzo Drive, Suite 200, Richmond Hill, L4S 0B8, Ontario, Canada	Ordinary	100%
Egress Software Technologies Inc. (USA)	One Marina Park Drive, Suite 1410, 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%

## EGRESS SOFTWARE TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 16. Debtors

	Group 2022 £	As restated Group 2021 £	Company 2022 £	As restated Company 2021 £
Trade debtors	5,418,423	5,057,957	4,789,597	4,372,400
Amounts owed by group undertakings	-	-	1,313,231	80,622
Other debtors	368,819	493,898	270,930	406,242
Prepayments and accrued income	1,932,543	2,138,239	1,755,971	2,006,140
Tax recoverable	1,946,758	2,036,663	1,946,758	2,036,663
	<u>9,666,543</u>	<u>9,726,757</u>	<u>10,076,487</u>	<u>8,902,067</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.

## 17. Creditors: Amounts falling due within one year

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Trade creditors	1,882,335	2,287,230	1,731,032	2,080,230
Amounts owed to group undertakings	-	-	2,905,494	640,728
Corporation tax	-	32,551	-	15,581
Other taxation and social security	1,337,393	1,048,314	1,317,075	1,041,972
Other creditors	138,771	2,191	119,416	44
Accruals and deferred income	17,129,560	17,146,120	14,841,945	15,597,157
	<u>20,488,059</u>	<u>20,516,406</u>	<u>20,914,962</u>	<u>19,375,712</u>

All amounts owed to 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.

## EGRESS SOFTWARE TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 18. Creditors: Amounts falling due after more than one year

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Bank loans	7,500,000	5,000,000	7,500,000	5,000,000
Accruals and deferred income	3,495,830	701,866	2,991,620	699,757
	<u>10,995,830</u>	<u>5,701,866</u>	<u>10,491,620</u>	<u>5,699,757</u>

## 19. Loans

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Amounts falling due 1-2 years				
Bank loans	4,000,000	500,000	4,000,000	500,000
Amounts falling due 2-5 years				
Bank loans	3,500,000	4,500,000	3,500,000	4,500,000
	<u>7,500,000</u>	<u>5,000,000</u>	<u>7,500,000</u>	<u>5,000,000</u>

The Bank Loan consists of a Term Loan of 5 years maturing on 1st June 2025. Interest on the loan is SONIA+4.5%. The loan amortises on a straight-line basis over 36 Months from 2nd June 2023. The lender has first ranking preferred security over all of the present and future tangible property and assets of the borrower.

---

EGRESS SOFTWARE TECHNOLOGIES LIMITED

---

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

---

20. Share capital

	2022 £	2021 £
<b>Allotted, called up and fully paid</b>		
5,406,828 Ordinary A shares of £0.00010 each	541	541
2,647,004 Ordinary B shares of £0.00010 each	265	265
2,878,207 Preferred shares of £0.00010 each	288	288
982,078 Series B shares of £0.00010 each	98	98
6,124,214 Series C shares of £0.00010 each	612	612
50,000 Ordinary Y shares of £0.000001 each	1	1
221,928 Ordinary Z shares of £0.000001 each	2	2
	<hr/> 1,807	<hr/> 1,807
	<hr/> <hr/>	<hr/> <hr/>

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

Ordinary B shares carry the rights to dividends and the return of capital but not the right to vote.

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

21. Reserves

**Share premium account**

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at an amount in excess of nominal value.

**Capital redemption reserve**

This reserve relates to the nominal value of shares that the Company has bought back.

**Foreign exchange reserve**

The foreign exchange reserve represents the cumulative movements in foreign exchange.

**Share option reserve**

This reserve relates to the fair value of the options granted which has been charged to profit or loss over the vesting period of the options.

**Profit and loss account**

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.



## EGRESS SOFTWARE TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

## 22. 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) 2022	Number 2022	Weighted average exercise price (pence) 2021	Number 2021
Outstanding at the beginning of the year	352.00	2,278,355	221.00	1,645,355
Granted during the year	590.00	279,000	583.88	825,000
Expired during the year	416.26	(420,011)	337.00	(192,000)
Outstanding at the end of the year	316.83	2,137,344	352.00	2,278,355

The exercise price of options outstanding at the end of the year ranged between £0.23 and £5.90 (2021 - £0.23 and £5.90) and their weighted average contractual life was 10 years (2021 - 10 years).

Of the total number of options outstanding at the end of the year was 2,143,344 (2021 - 1,392,395) that had vested and were exercisable at the end of the year.

The number of share options exercised during the year were Nil (2021 - 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.

	2022	2021
Weighted average share price (pence)	843	843
Exercise price (pence)	590	545
Expected volatility	43%	35%
Expected dividend growth rate	0%	0%
Risk-free interest rate	1%	1%

## EGRESS SOFTWARE TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**22. Share based payments (continued)**

The Binomial 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.

The share-based remuneration expense comprises:

	2022	<i>As restated</i> 2021
	£	£
Equity-settled schemes	1,395,082	657,020

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

**23. Prior year adjustment**

The share based payments charge previously reported in the comparative period has been restated. As a result of this adjustment the investments value has increased, the Group fair value of share options value has decreased and the overall loss for the comparative financial period has decreased by £556,004 as compared to that previously reported.

**24. Pension commitments**

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £630,350 (2021 - £445,838). Contributions totalling £115,580 (2021 - £94,877) were payable to the fund at the reporting date.

**25. Commitments under operating leases**

At 31 December 2022 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2022	Group 2021
	£	£
Not later than 1 year	443,624	661,612
Later than 1 year and not later than 5 years	1,724,097	2,294,811
Later than 5 years	-	295,669
	<u>2,167,721</u>	<u>3,252,092</u>

---

**EGRESS SOFTWARE TECHNOLOGIES LIMITED**

---

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**26. Related party transactions**

The Company has taken advantage of the exemption in FRS 102 Section 33.1A to not disclose transactions with wholly owned group entities.

Albion Ventures LLP charged fees totalling £20,000 (2021 - £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 £46,605 (2021 - £35,479) to Egress Software Technologies Limited during the year. Of this amount, no amounts remained unpaid at the year end (2021 - £Nil).

FTV V, L.P charged fees totalling £10,238 (2021 - £Nil) 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 on of the same. For directors remuneration, see note 8.

**27. Controlling party**

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

**28. Subsidiary claiming audit exemption**

The following subsidiary company is included in the consolidated financial statements of Egress Software Technologies Limited. This entity has taken the exemption from an audit for the year ended 31 December 2022 by virtue of s479A of Companies Act 2006. In order to allow the subsidiary to take the audit exemption, the Parent Egress Software Technologies Limited has given a statutory guarantee, in line with s479C of the Companies Act 2006, of all the outstanding liabilities as at 31 December 2022.

<u>Company name</u>	<u>Registered number</u>	<u>Country of incorporation</u>
Egress Software Technologies IP Limited	11604455	England and Wales