

Company registration number 03762341
(England & Wales)

REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022
FOR
DOTDIGITAL EMEA LIMITED

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DOTDIGITAL EMEA LIMITED
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FOR THE YEAR ENDED 30 JUNE 2022

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DOTDIGITAL EMEA LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2022

DIRECTORS: M Patel
G Kasparian
A Gurney (appointed 19 September 2022)

SECRETARY: G Kasparian

REGISTERED OFFICE: No 1 London Bridge
London Bridge
London
SE1 9BG

REGISTERED NUMBER: 03762341

AUDITORS: Moore Kingston Smith LLP
Statutory Auditor
6th Floor
9 Appold Street
London
EC2A 2AP

DOTDIGITAL EMEA LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2022

The directors present their strategic report with the financial statements of the company for the year ended 30 June 2022.

REVIEW OF BUSINESS

Dotdigital EMEA Limited is focussed on empowering marketers to connect with customers through its powerful automation platform that unifies all digital channels. Our platform provides tools that enable marketing teams to launch highly targeted, personalised and relevant campaigns to customers and prospects with personalised engagement at every touchpoint – the right message, at the right time, through the right channel to the right person. The result is faster and more effective marketing campaigns with increased engagement and demonstrable return on investment (ROI).

The Company generated revenues of £53.4m (2021: £48.9m). This 9% growth was entirely organic, led by larger value customers, existing client growth and improved customer retention.

Adjusted EBITDA increased by 13% to £21.5m (2021: £19.1m) driven by the contribution from organic growth and improving gross margin due to an increase in email volumes which is a very high margin compared to lower margin channels such as SMS.

We have a strong track record of cash generation and this remains a high priority for the Company. At the year end the Company held cash of £39m (2021: £28.8m).

CURRENT TRADING AND OUTLOOK

The advancements we have made to our technology platform over the year positions us at the heart of Marketeers' evolving needs, providing the tools they require to drive broader, more targeted customer engagement. At the same time, we believe we now have in place the right teams and infrastructure to support our next stage of growth. Backed by high recurring revenues and strong cash generation, we will continue our focused investment in the business to grow our brand awareness through our partner networks, build our platform offering in line with our technology vision and bolster our internal talent to ensure we continue to scale across our territories.

The positive trading momentum at the end of the period has continued into the new financial year. With the challenges from the first half of the year addressed together with favourable market drivers, the Company is tracking in line with expectations for revenue growth and profitability marginally ahead.

Whilst we are monitoring the impact of the wider economic climate across our markets, our technology's proven ROI provides a compelling value proposition to customers as they look to connect with their target audiences. This, together with a clear growth strategy and strong balance sheet, gives us confidence in our ability to continue to grow profitably.

KEY PERFORMANCE INDICATORS

The individual business units are managed and controlled using a variety of key performance indicators appropriate to the goals they have been set. Examples of key performance indicators include:

	2022	2021	Increase
	£	£	%
Revenue	53,389,380	48,909,160	9
Adjusted EBITDA*	21,532,677	19,060,195	13
Cash	39,002,370	28,763,807	36
Volume sends	21.7bn	17.6bn	23
Email delivery rate	98.9%	98.9%	-
Email delivery time	13 minutes	14 minutes	(7)

*EBITDA is calculated after excluding share-based payment and exceptional costs.

DOTDIGITAL EMEA LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2022

PRINCIPAL RISKS, IMPACT AND MITIGATIONS

Our risk management framework enables a consistent approach to the identification, management and oversight of risks. This consistency is valuable as it allows us to take a holistic approach to risk management and to make meaningful comparisons of the risks we face and how we manage them across the globe, which is essential to achieve our strategic objectives.

Using our risk management framework, we identify the risks that could affect the strategy and operations in order to implement risk mitigation plans. Departments within the organisation identify the risks that could affect their strategic and operational plans. The risks are consolidated under a single group-wide risk register. These risks are scored based on impact and likelihood and reviewed on a regular basis. Principal risks scored over a threshold are highlighted and reviewed by the Group's Risk Committee. Members of the Risk Committee are assigned to principal risks and they become executive owners responsible for confirming that adequate controls are in place and the necessary action plans are implemented. The Chairman of the Risk Committee (Steve Shaw, Chief product and technology officer) reports on the principal risks to the main Group Board.

Strategic	Financial	Technological	Operational
The influence of stakeholders and industry on our business	Our financial status, standing and continued growth	Our platform, technology, business systems and the data they hold	Our ability to achieve our optimal business model

Risk area	Impact	Mitigation of risk
<p>Global economic disruption</p> <p><i>Financial</i></p> <p>Movement: Increased</p>	<p>Disruption caused by global external events, such as pandemics, economic downturns, and war have the potential to impact our financial performance.</p>	<ul style="list-style-type: none"> • Continued building of recurring contracted revenue stream. • Sufficient liquidity resources so that we can cope for a prolonged period of time without accessing the capital markets. • Continuing flexibility for customers around payment terms. • Continued investment into Business Continuity Planning (BCP) to enable staff availability, building accessibility and for hardware failure. • BCP for office and remote staff working in an event that there are energy supply disruptions.
<p>Geography-specific market and political environments</p> <p><i>Financial & operational</i></p> <p>Movement: Increased</p>	<p>Reliance on revenues and resources relating only to the UK increases the risk to our financial performance if the UK were to experience an economic decline, war or political unrest.</p>	<ul style="list-style-type: none"> • Successful revenue growth in territories beyond the UK - specifically US, Australia, Singapore and Japan. • <i>Constant review by our executive team for growth opportunities in additional territories.</i> • Monitoring the market conditions and political environment in regions where we have staff, offices, target prospects and customers. • Continue to distribute critical staff and engineering teams across regions for resilience. • Offer staff relocation to regions that have reduced risk and evaluate continuing operations in existing regions if the risk becomes too great.

DOTDIGITAL EMEA LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2022

Principal risks, impact and mitigations (continued...)

Risk area	Impact	Mitigation of risk
<p>Optimising and growing high-performance teams</p> <p><i>Operational</i></p> <p>Movement: Stable</p>	<p>Failure to attract, hire, develop, support and retain high-performing individuals in a timely manner will reduce the ability to achieve our business goals.</p>	<ul style="list-style-type: none"> • Additional investments made in our Talent Acquisition team. These have been made in the number of inhouse recruiters to increase the speed of hiring, and in the continued investment in a dedicated Applicant Tracking System. • Commitment to invest in a new position; Global Learning & Development Manager. It is expected this role will help us; build on tools such as Udemy (L&D Content platform), facilitate and support team internal onboarding and development, and 'Early Career' support for both existing employees and new hires. • Plans being made to roll out an Apprentice and Graduate programme to support the attraction and development of Early Career talent. • Continued development and refinement of our Performance Review and goal setting platform. this provides the basis for performance-related pay increases and company bonuses. • Continued commitment to organisational structures, internal communication tools and processes to enable cross-team collaboration. • Regular evaluation of staff benefits to ensure market competitiveness. • Provided competitive staff remuneration in light of the current macro environment conditions and cost of living increases.
<p>Data privacy</p> <p><i>Operational</i></p> <p>Movement: Stable</p>	<p>As we operate in many territories, both as a Data Controller and a Data Processor. The complex Data Protection landscape continues to evolve with additions and alterations to international legislation.</p> <p>There has been, and will continue to be, a focus on the international transfer of personal information with legal challenges of cross-border transfer agreements/frameworks.</p> <p>Failure to keep up with changes and comply with legal or regulatory requirements may result in reputational damage, fines, or other adverse consequences.</p>	<ul style="list-style-type: none"> • Implementation of an ISO 27701 certified Privacy Information Management System (PIMS), aligning our policies, processes and procedures with the requirements of international Data Protection Legislation. • The ongoing monitoring of Data Protection/Privacy-related risks by our Group Risk Committee. • Provisioning of global instances for our platforms, allowing customers to meet data sovereignty requirements. • The development of product features to help customers with their own compliance obligations. • Maintenance of a public-facing Trust Centre communicating important compliance information for prospects, customers, and partners. • Building a dedicated internal Privacy Operations team. • The appointment of an external Data Protection specialist law firm as the registered Data Protection Officer (DPO). • Providing an ongoing Privacy awareness/training programme for our staff.

DOTDIGITAL EMEA LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2022

Principal risks, impact and mitigations (continued...)

<p>Environmental</p> <p><i>Operational</i></p> <p>Movement: Stable</p>	<p>Failure to build and adapt privacy-related product features needed for the compliance programmes of customers may result in the loss of business to competitors offering a wider range of features.</p> <p>The impact of the climate emergency is becoming increasingly apparent around the globe. More environmental legislation is being developed to support local and international emissions targets.</p> <p>As general awareness on the climate change increases, there will be more customer and consumer emphasis on working with sustainability conscious businesses.</p>	<ul style="list-style-type: none"> • We have set science-based targets to become Net Zero by 2030. • Using the Oxford Offsetting Principles, we continue to develop our carbon offsetting and mitigation strategy. We operate as a carbon neutral and we include additional scopes in our carbon offsetting which include GHG emission scopes 1, 2 and 3 (business travel, data centres, major cloud vendors, remote workers, transmission and distribution (T&D) losses related to office electricity and well-to-tank for fuels including electricity generation and T&D losses). • An ISO 14001 certified Environmental Management System (EMS) continues to be maintained, and is used to assess operational aspects and impacts, set objectives, and drive continual improvement. • We have now migrated the last of the platform infrastructure from physical data centres to industry-leading cloud service providers; meaning all our products now run on 100% renewable energy (completed July 2022). • An internal group (Dotgreen) made up of representatives from around the business own the Environmental Management System and are empowered to initiate and promote new environmental and sustainability initiatives within the Company, with partners and customers, and in the wider community. • Marketing and promotion of our sustainability achievements, including the maintenance of a dedicated sustainability area on the corporate website.
<p>Evolving technology and customer requirements</p> <p><i>Operational</i></p> <p>Movement: Stable</p>	<p>Failure to anticipate, respond to evolving customer requirements, to introduce competitive enhancements or maintain existing products may impact growth and customer retention.</p>	<ul style="list-style-type: none"> • A product roadmap that facilitates the implementation of rapidly changing technologies, new enhancements and maintaining the existing products to a high standard both for new business acquisition and retention. • Continued investment into research and development by growing the data science, engineering and product teams. • Increasing the amount of customer feedback of our products by implementing a new iterative release process that proactively involves the customer in the product design. • Quarterly marketing-led releases that enable our customers and prospects to see how our products continue to evolve. • A clear roadmap, aligned to the product vision, focussed towards solving real world customer problems. One that is focused on delivering a Customer Data & Experience Platform (CDXP).

DOTDIGITAL EMEA LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2022

Principal risks, impact and mitigations (continued...)

<p>Competitive environment</p> <p><i>Strategic</i></p> <p>Movement: Increased</p>	<p>The sector we operate in is competitive. The impact of competitors having more features, new solutions, increased financial backing, lower pricing, better brand recognition and better global coverage increases the risk to our business. The increasing number of competitors adds further risk.</p> <p>We focus on customers operating across different verticals - e.g. retail, commerce, higher education, not for profit, charities and D2C - by definition make for a large competitive landscape.</p>	<ul style="list-style-type: none"> • Constantly reviewing technology acquisition opportunities that can further strengthen our go-to-market. • A constant focus on enabling customer growth through <i>the breadth, ease of use and flexibility of integrations</i>. Rapid development of new integrations (including to third party platforms such as Zendesk Sell, Netsuite ERP, Trustpilot, Maropost Commerce Cloud, AP21, CommerceTools, Google Sheets and Yotpo Reviews). • Continued evaluation and optimisation of product performance in the technology landscape to reduce <i>maintenance overheads</i>. • Continually evaluate the maturity curve of our market to be ahead of the competition and develop products that add differentiation & offerings for markets that are less mature. • Investment in new differentiated product features, best-in-class 24/7 customer support and service offerings, enhanced brand recognition and improved service delivery. • An increased focus on delivering value for customers quickly with a clear value proposition and target customer personas. • Further leverage & definition of our USPs to focus on <i>niches where we can win new customers</i>. • A global marketing presence and PR strategy to attract new customers. • Increasing our partner ecosystem with a new partner program for both our service & technology partners. • Increasing our regional account and customer success teams to drive product adoption, delivering further value for our customers using our product.
<p>Internet service providers (ISPs), reputation, internet browser- related & device risks</p> <p><i>Strategic</i></p> <p>Movement: Stable</p>	<p>As a large proportion of our revenue is derived by charging a price per message for sending emails and SMS on behalf of customers and the impact of not being able to deliver these or deliver these without engagement tracking for any reason is significant. If internet browsers detect hyperlinks as a phishing threat, abuse complaints from providers are not dealt with properly, bad customer data generates multiple complaints through ISPs or third-party spam are blocklisted, these impact the platform's overall ability to effectively deliver messages.</p> <p>If manufacturers of computing devices, internet browsers or operating system software make changes to consumer privacy functionality it could negatively affect the ability of our products to perform the originally designed service.</p>	<ul style="list-style-type: none"> • Provision of, and investment into, platform functionality to help customers comply with industry best practice, EU, Asia Pacific or US anti-spam regulations. • Demonstration of commitment to anti-abuse through admittance to various industry groups, such as the Messaging, Malware and Mobile Anti-Abuse Working Group (M3AAWG) and the Email Sender and Provider Coalition (ESPC). Additional commitment shown through increased SMS participation. • Continued investment into technology that can proactively block trial account sign-ups and automated bots. • Continued risk-based vetting approach of prospective customers and their data acquisition practises. • <i>The consolidation of the messaging teams with the methods of SMS and email along with continued investment in a deliverability, anti-abuse and compliance team, under the leadership of our messaging operations team.</i>

DOTDIGITAL EMEA LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2022

Principal risks, impact and mitigations (continued...)

Key messaging channel integrations

Strategic

Movement: Decreased

We are increasingly investing in integration with third-party platforms to provide an enhanced product feature set – for example Meta, Twitter and Google. These platforms all have various contractual bases for access and we maintain our obligations carefully. However, any future change in the terms granting access may impact our continued ability to integrate our product with these platforms.

- Continued swift handling of abuse complaints generated by customer messaging, including where necessary account suspension and agreement termination.
- Continued exploration and implementation of alternative message routes for upstream providers for channels where this is supported e.g. SMS.
- Continued investment into our technology to enable customers to onboard faster, speeding up their time-to-value but without compromise to message delivery and sending reputation.
- Continued investment in understanding engagement tracking correlated to message deliverability and how industry change impacts the measurement of success.
- Ongoing monitoring of changes to the technology landscape impacting privacy, improvement of risk mitigations and product changes that have been put in place with a focus on continued learning and educating our customers on the changes where necessary.

Loss of a strategic partnership

Strategic

Movement: Decreased

Revenues could be impacted if a strategic technology partner was acquired, changed contractual terms, had lost market share or their customers en masse. In such an event, customers may re-platform to a technology partner who we do not have a integration with.

- Maintain strong relationships with these platforms.
- Ensuring our platform policies align with the third parties.
- Continuous review of competing functionality from other vendors.
- Continued investment into the capabilities of each key integration, to ensure continued relevancy for customers and compliance with any third-party or statutory changes.
- Dedicated resources for strategic partnerships, development of our partner strategy and programme.
- Expansion of our service & technology partner program to support a partner first approach.
- Maintained agreements with all key strategic partners.
- A product and development strategy that continues to build integrations into leading market share and upcoming e-commerce and CRM platforms, to reduce reliance on a single strategic technology partner.
- Continued investment into building integrations into our strategic partners ecosystem of partners.

If a strategic technology partner significantly changed partner terms, blocked access to or no longer accepted a connection to our products, there is also the risk that customers may leave or migrate to a competitor who has a connection, rather than re-platforming away from the technology partner.

DOTDIGITAL EMEA LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2022

Principal risks, impact and mitigations (continued...)

Use of public cloud service suppliers

Technological

Movement: Stable

We utilise public cloud suppliers to host our platforms and products. An event resulting in multiple cloud data centres failing, for any significant period, or termination of services by a cloud supplier, may negatively impact our business, operating results and financial condition.

- Informed choice of best-of-breed cloud computing suppliers (we utilise Microsoft Azure, Cloudflare, Amazon AWS, and Google Cloud Platform), the architecture and contracts of which facilitates high uptime Service level agreements (SLAs) and a quick recovery in the event of a single region failure
- Resilient global instances of the platform to serve local customers and avoid global customer impact in the event of a regional outage
- Replication of data to secondary facilities within each region
- Hot stand-by databases; resulting in a faster platform Recovery Time Objective (RTO)
- Regular simulation of Disaster Recovery plans ensuring the plan continues to meet the defined Recovery Time Objectives (RTO), and Recovery Point Objectives (RPO).
- Use of modern platform agnostic technologies; allowing easier migration to alternative cloud service providers.
- Due diligence and liaison with cloud computing suppliers on their continuance plans in the event their energy providers are unable to continue supply.

Supplier and computer hardware-related risks

Technological

Movement: Reduced

The infrastructure used to send messages from Dotdigital's platforms is a critical component of our services. An event resulting in the inability to send messages for a prolonged period will result in sub-optimal service, potentially leading to a loss in revenues.

In addition, events preventing or obstructing the platform's communication abilities, such as the blacklisting of IP addresses at major internet service providers will incur revenue loss.

Similarly, there is a reliance on a range of upstream suppliers to deliver SMS messages. A change in relationship with one or more of these suppliers, or one or more of these suppliers no longer being able to operate, could impact profitability.

- Three separate instances of the sending infrastructure exist, meaning that an issue affecting one region would not impact the ability to send messages from the other regions.
- The message sending infrastructure has been migrated away from a physical infrastructure hosted in single region data centres, to virtual systems hosted in highly resilient cloud service providers.
- Continual evaluation of suppliers and technologies with the prioritisation of send volume, scalability and resiliency, and business continuity.
- Continual investment in, and maintenance of, our sending IP address ranges by a dedicated messaging operations team; ensuring global reputability and use optimisation.
- Strong relationships with Mailbox Providers (MBPs) and industry groups have been developed allowing for speedy containment and recovery of IP reputation issues.
- Maintained multiple connections with upstream SMS providers, reducing the impact of an issue with individual providers. In addition to this, we frequently review the most profitable upstream supplier routing options, and negotiate contracts regularly based on current and anticipated volume.
- Tracking of message metrics regular reviewed and monitored by the executive team.

DOTDIGITAL EMEA LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2022

Principal risks, impact and mitigations (continued...)

Information security and cyber risks

Technological

Movement: Increasing

The ever-evolving, sophisticated nature of the cyber threat landscape poses an ongoing risk. The brand reputation and financial performance depends on the protection of the Confidentiality, Integrity, Availability (CIA) of data and computer systems.

An internal or external incident compromising the CIA of data could significantly impact our ability to function, retain and attract business, as well as potentially result in financial penalties from regulators.

The industry in which we operate has been the target of recent attacks with competitors and other technology companies publicly reporting incidents. This together with the guidance from national cyber security agencies (due to the escalating political climate) has resulted in this risk changing from a status of stable last year to Increasing.

- The continual growth and development of the Information Security & Privacy teams.
- Our Information Security Management Systems (ISMS) continues to mature, using the ISO 27001 framework to manage risk and to drive continual improvement.
- The use of external consultancies to audit our security programme from a people, processes, and technology perspective.
- Attainment of the UK government-backed Cyber Essentials Plus Certification.
- The proactive testing of security posture through third-party Penetration Testing, Vulnerability Scanning, and social engineering exercises.
- The implementation of best practice tools and technology to block malicious connections or files from reaching our systems and staff.
- The transference of some risk by the introduction of cyber insurance.

Carbon neutral

We have continued to operate as a carbon neutral for a 3rd year in a row and are still the market leader in our category when it comes to responsible digital marketing. We measure not just Scope 1 and 2 GHG emissions but have extended that further by measuring a number of key impacts within Scope 3. We follow the Oxford Offsetting principles and science-based targets on our route to net zero and where offsets have been made we use Gold Standard approved offsets from our partners Climate Impact.

Our long-standing relationship with Woodland Trust has restored nearly an acre of ancient woodland, with 330 trees planted on land bought by the Trust. Additionally, we raised customer and partner awareness on the climate crises on World Earth day by gifting sunflower seeds to our customers to encourage them to get outside more and enjoy the natural beauty of our planet.

Our partnership with Ecologi went from strength to strength as we hit the figure of 25,000 trees planted with changes to our Christmas gifting strategy. This was coupled with a Christmas advent calendar with content on how to be more sustainable in the run-up to the 2021 festive period produced by our DotGreen team.

Social responsibility with Dotdigital

We provide businesses with the tools needed to better reach and engage with their customers, but our priority is to ensure we enable them to do so in a responsible way. As such, we're proud that not only have we paved the way for other marketing automation companies to follow suit in responsible marketing, and as of July 2022 our platform is now running on 100% renewable energy in the UK. We have also created awareness in marketing emails where customers can now create a block of text informing everyone that their emails were sent by a carbon-neutral supplier.

This encourages our customers to take some of that environmental ownership to celebrate the achievements with us as they develop - *something that our customers value in combating the climate emergency.*

DOTDIGITAL EMEA LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2022

Further achievements over the past year

Additionally, a new sustainable travel flow chart was created to educate our colleagues on sustainable choices of travel, both socially and professionally.

We also introduced and increased recycling solutions of coffee pod & battery recycling in our UK offices. Furthermore, our work with landlords has enabled communication with their teams to ensure accurate recycling and waste practices are being adhered to.

Net zero by 2030

Becoming net zero will help us deliver our commitment in carbon neutrality. This means taking the necessary steps in reducing the amount of our emissions on a global scale. The final stages of migrating our physical data centres

We aim to be net zero by the end of our financial year in 2030, a full 20 years ahead of the timeline set out in the Paris Agreement to limit global heating to 1.5 C.

Terra Carta

As we continue to progress on our green journey, our partnership with Terra Carta marked its second anniversary. As the first carbon neutral cross-channel marketing software, this collaboration with Terra Carta sets the precedent in aiding responsible marketing practices that put our commitment to a greener future and our customers needs at the forefront of what we do.

ISO 14001

As part of that promise, we have worked hard to ensure we maintain our ISO 14001 certification with zero non-conformities raised. We've also worked in implementing a certified Environmental Management System (EMS) to monitor and continuously improve our environmental performance. Our selected EMS has been externally audited by a UKAS accredited certification body – Alcumus ISOQAR.

DotGreen Executive Summary: Steve Shaw

"Sustainability isn't just about adopting the latest technology, its ensuring that the responsibility is adopted by every employee and customer in their daily practise. This is something we at Dotdigital are driving towards, enabling our customers and colleagues to take control of their carbon emissions. As marketing leaders, we are working towards sustainability being a way of life in order for it to become a way of business for our customers and colleagues."

Governance

Our corporate governance framework is well established, however, we realise the importance of continuing to meet and exceed the expectation of our customers, employees and shareholders. Therefore, all of our staff are expected to operate in an ethical manner no matter what the situation. Compliance with all applicable laws and regulations is of imperative importance to avoid reputational damage or fines.

We fully support the Modern Slavery Act 2015 and do not engage in any form of slavery or human trafficking activities. Additionally, we uphold a zero tolerance approach to both bribery and corruption and are committed to acting in the most professional manner in all our business dealings.

Dotdigital remains committed to maintaining the highest levels of privacy and security operations for both our employees and our customers hence why we continue to be ISO27001, ISO 27701 and Cyber Essentials Plus certified.

DOTDIGITAL EMEA LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2022

Strategic report

The strategic report was approved by a duly authorised committee of the Board of Directors on 23 March 2023 and signed on its behalf by:

Milan Patel

.....
M Patel - Director

Date: 23 March 2023

DOTDIGITAL EMEA LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2022

The directors present their report with the financial statements of the Company for the year ended 30 June 2022.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of providing intuitive software as a service (SaaS) via a leading cross-channel marketing automation platform and managed services to digital marketing professionals.

REVIEW OF BUSINESS

During the year the Company has shown stable growth from continuing operations in customer numbers, sales and profits. Continuing operations revenues grew from £48.9m in the year ended June 2021 to £53.4m for the year ended June 2022, an increase of 9%.

Adjusted operating profit before share based payments and exceptional items grew from £13.5m in the 12 months to June 21 to £14.7m for the year ended June 2022, an increase of 9%.

DIVIDENDS

A final dividend of £55,555.55 per ordinary share, was paid on 30 June 2022 to members on the Register at the close of business on 30 June 2022.

DIRECTORS

The Directors shown below have held office during the whole of the period from 1 July 2021 to the date of this report.

P Amin (resigned 31 March 2022)
A Gurney (appointed 19 September 2022)
M Patel
G Kasparian

INDEMNITY OF OFFICERS

The Company purchases directors' and officers' insurance against their costs in defending themselves in legal proceedings taken against them in that capacity, and in respect of damages resulting from the unsuccessful defence of any proceedings.

FINANCIAL INSTRUMENTS

Details of the company's risk management objectives and policies together with its exposure to financial risk are set out in note 17 to the financial statements.

The purpose of the policies is to ensure that adequate cost-effective funding is available to the Company and exposure to financial risk - interest rate, liquidity and credit risk - is minimised.

RESEARCH AND DEVELOPMENT

In the markets in which the Company operates, effective research and development is vital to maintaining competitive advantage and securing future income streams. Continuous product innovation is therefore central to the Company's growth strategy. The Company's research and development activities are focused with the aim of empowering marketers to reach their customers in ways that engage them on their own terms, in a personalised and relevant manner, and through the channel of the consumer's choice.

GOING CONCERN

After making the appropriate enquires, the Directors consider that the Company has adequate recourses to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further details can be found on page 26.

DOTDIGITAL EMEA LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2022

STRATEGIC REPORT

The Strategic Report covers pages 2 – 11.

SUPPLIER PAYMENT POLICY

The Company's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction and to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment. The average trade creditors for the Company, expressed as a number of days, were 56 days (2021: 16 days).

FUTURE OUTLOOK

The Company provides omni-channel marketing technology and services. Each of these areas has shown market growth significantly above that of the UK economy. The Directors believe that our widespread brand recognition and strong product will continue to present opportunities to expand and diversify profitability in the coming year. The Company's Current Trading and Outlook is set out in the Strategic Report on page 2.

CHARITABLE AND POLITICAL DONATIONS

No political donations were made by the company. Charitable donations made by the company in the year were £7,481 (2021: £8,400).

EVENTS AFTER THE REPORTING PERIOD

There are no events after the date of this report or the date the financial statements were approved by the Board of Directors which impact on the figures as presented.

EMPLOYEES

The number of employees and their remuneration is set out in note 2.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172 (1) COMPANIES ACT 2006

The board of directors of Dotdigital EMEA Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members and shareholders as a whole and, in doing so have regard (amongst other matters) to:

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

DOTDIGITAL EMEA LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2022

As part of a director's induction they are briefed on their duties and they can access professional advice on these, either from the Company Secretary or any other independent advisor if necessary. The directors fulfil their duties partly through a governance framework that delegates day-to-day decision-making within authority levels to senior employees of the Company.

The following paragraphs summarise how the Directors fulfil their duties:

RISK MANAGEMENT

We provide business critical technology for our clients across many industries and sectors. As we grow, our business and our risk environment also become more complex. It is therefore vital that we effectively identify, evaluate, manage and mitigate the risks we face, and that we continue to evolve our approach to risk management. A Risk committee exists within the business that meets bi-monthly to make sure all aspects of risks are registered, mitigated or solutions are found and executed to reduce these.

OUR PEOPLE

The Company is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, clients, investors, communities and society as a whole. People are at the heart of our business. The Company has found the balance in culture to succeed along with managing our people's performance and development and bringing through the talent while ensuring we operate as efficiently as possible. We continue to ensure we share common values that inform and guide our behaviour, so we achieve our goals in the right way.

BUSINESS RELATIONSHIPS

Our strategy prioritises organic growth, driven by cross-selling and upselling our services to our existing customers, as well as recommending our partners, to help our customers to drive a better return on investment from their digital marketing and bringing new clients into the Company. To do this, we need to develop strong relationships with both the customers and the strong partner ecosystem we have built. We value our suppliers and have multi-year contracts with our key suppliers. We have a goal in the business to make sure we aim to pay all our suppliers within their credit terms to help develop a healthy relationship.

COMMUNITY AND ENVIRONMENT

The Company's approach is to use our position of strength to create positive change for the people and communities with which we interact. The Company has maintained its ISO14001 certificate for a third year with no non-conformities raised and has a fully established Integrated Management System (IMS).

The Company has continued to operate carbon neutral 3 years in a row and we aim to achieve this standard into the foreseeable future.

DOTDIGITAL EMEA LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing 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 United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

Moore Kingston Smith LLP, were reappointed at the Annual General Meeting, held on 21 December 2022, in accordance with section 489 of the Companies Act 2006.

The directors' report was authorised for issue by the Board of directors on 23 March 2023 and was signed on its behalf by:

Milan Patel

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M Patel - Director

DOTDIGITAL EMEA LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS

Independent auditor's report to the members of Dotdigital EMEA Limited

Opinion

We have audited the financial statements of Dotdigital EMEA Limited for the year ended 30 June 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards, including FRS101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2022 and of the company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 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.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

DOTDIGITAL EMEA LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where 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 pages 14 and 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

DOTDIGITAL EMEA LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the Company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation.
- We obtained an understanding of how the Company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.

DOTDIGITAL EMEA LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS

- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Use of our report

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

Mital Shah (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP

23 March 2023
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Chartered Accountants
Statutory Auditor
6th Floor
9 Appold Street
London
EC2A 2AP

DOTDIGITAL EMEA LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	30.6.22 £	30.6.21 £
Revenue from contracts with customers	3	53,389,380	48,909,160
Cost of sales	5	<u>(10,823,025)</u>	<u>(9,731,822)</u>
GROSS PROFIT		42,566,355	39,177,338
Administrative expenses	5	<u>(27,836,429)</u>	<u>(25,648,961)</u>
OPERATING PROFIT BEFORE SHARE BASED PAYMENTS AND EXCEPTIONAL ITEMS		14,729,926	13,528,377
Share based payments	23	(455,819)	(624,881)
Exceptional items	6	<u>(355,053)</u>	<u>(2,726,526)</u>
OPERATING PROFIT		13,919,054	10,176,970
Finance costs	4	(45,399)	(59,584)
Finance income	4	<u>56,601</u>	<u>19,538</u>
PROFIT BEFORE INCOME TAX		13,930,256	10,136,924
Income tax	7	<u>(1,512,513)</u>	<u>(1,176,622)</u>
PROFIT FOR THE YEAR		12,417,743	8,960,302
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>12,417,743</u>	<u>8,960,302</u>
Total comprehensive income attributable to the owners of the parent		<u>12,417,743</u>	<u>8,960,302</u>

DOTDIGITAL EMEA LIMITED
STATEMENT OF FINANCIAL POSITION
30 JUNE 2022

	Notes	30.6.22 £	30.6.21 £
FIXED ASSETS			
Intangible assets	9	17,018,762	15,363,016
Property, plant and equipment	10	<u>2,984,167</u>	<u>3,612,055</u>
		<u>20,002,929</u>	<u>18,975,071</u>
CURRENT ASSETS			
Trade and other receivables	11	14,054,214	13,650,334
Cash and cash equivalents	12	<u>39,002,370</u>	<u>28,763,807</u>
		<u>53,056,584</u>	<u>42,414,141</u>
TOTAL ASSETS		<u>73,059,513</u>	<u>61,389,212</u>
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT			
Called up share capital	13	92	92
Capital Contribution Reserve	14	3,543,273	4,373,668
Retained earnings	14	<u>52,324,262</u>	<u>44,903,669</u>
TOTAL EQUITY		<u>55,867,627</u>	<u>49,277,429</u>

DOTDIGITAL EMEA LIMITED
STATEMENT OF FINANCIAL POSITION
30 JUNE 2022

	Notes	30.6.22 £	30.6.21 £
LIABILITIES			
NON-CURRENT LIABILITIES			
Lease liabilities	16	1,716,057	2,475,305
Deferred tax	18	<u>2,726,323</u>	<u>1,189,488</u>
		4,442,380	3,664,793
CURRENT LIABILITIES			
Trade and other payables	15	12,002,441	7,672,849
Financial liabilities:			
- Lease liabilities	16	747,065	744,921
Current tax payable		<u>-</u>	<u>29,220</u>
		<u>12,749,506</u>	<u>8,446,990</u>
TOTAL LIABILITIES		<u>17,191,886</u>	<u>12,111,783</u>
TOTAL EQUITY AND LIABILITIES		<u>73,059,513</u>	<u>61,389,212</u>

The financial statements were approved and authorised for issue by the Board of Directors on 23 March 2023 and were signed on its behalf by:

Milan Patel

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M Patel - Director

Company registration number: 03762341 (England and Wales)

DOTDIGITAL EMEA LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Called up Share capital £	Retained Earnings £	Capital Contribution Reserve £	Total equity £
Balance as at 1 July 2020	92	40,943,367	2,600,924	43,544,383
Changes in equity				
Dividends	-	(5,000,000)	-	(5,000,000)
Share based payments	-	-	624,881	624,881
Deferred tax asset on share options	-	-	1,147,863	1,147,863
Total comprehensive income	-	8,960,302	-	8,960,302
Balance as at 30 June 2021	92	44,903,669	4,373,668	49,277,429
Changes in equity				
Dividends	-	(5,000,000)	-	(5,000,000)
Transfer in reserves	-	2,850	(2,850)	-
Share-based payments	-	-	455,819	455,819
Deferred tax charge on share options	-	-	(1,283,364)	(1,283,364)
Total comprehensive income	-	12,417,743	-	12,417,743
Balance as at 30 June 2022	92	52,324,262	3,543,273	55,867,627

- Share Capital is the amount subscribed for shares at nominal value.
- Retained Earnings represent the cumulative earnings of the company attributable to the owners of the company.
- Capital Contribution Reserve relate to the charge for the share-based payment in accordance with International Financial Reporting Standard 2.

DOTDIGITAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2022**

1. ACCOUNTING POLICIES

General information

Dotdigital EMEA Limited is a limited company incorporated in England and Wales. The address of the registered office is No 1 London Bridge, London Bridge, London SE1 9BG. The principal activity of the Company is described on page 12.

Basis of preparation

During the year the Company transitioned from International Financial Reporting Standards as adopted by the European Union (IFRS) to Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). There are no recognition or measurement changes that need to be disclosed. The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The financial statements are presented in sterling (£), rounded to the nearest pound.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed on pages 31-32.

In preparing these financial statements the Company has taken advantage of certain disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- A statement of cash flows and related notes;
- Capital management disclosures;
- Disclosure of key management personnel compensation;
- The effect of future accounting standards not adopted; and
- The requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more wholly owned members of the group.

This information is included in the consolidated financial statements of Dotdigital Group Plc as at 30 June 2022 and these financial statements may be obtained from its registered office.

New standards, amendments, IFRIC interpretations and new relevant disclosure requirements

The Company adopted the following new and amended relevant IFRS in the year:

IFRS 7	Financial Instruments: Disclosures – amendments regarding replacement issues in the context of the IBOR reform
IFRS 9	Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform
IFRS 9	Financial Instruments - Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (fees in the "10 per cent" test for derecognition of financial liabilities)
IAS 37	Provisions, Contingent Liabilities and Contingent Assets – Amendments regarding the costs to include when assessing whether a contract is onerous
IFRS 16	Leases – Amendments regarding COVID-19 related rent concessions

The adoption of these accounting standards did not have any effect on the Company's Statement of Comprehensive Income, Statement of Financial Position or equity.

The notes form part of these financial statements

DOTDIGITAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

1. ACCOUNTING POLICIES – continued

Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. Revenue is shown net of value added tax returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured and it is probable that the future economic benefits will flow to the entity. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Company sells omni-channel marketing services to other businesses, and services are either provided on a usage basis or fixed price bespoke contract. All revenue is from contracts signed with new customers and upgrades and additional functional recurring revenue sold to existing contracted clients. Revenue from contracts is recognised under percentage of completion method based on a percentage of services performed to date as a percentage of the total services to be performed.

Professional services at no charge: The Company sells professional services to its customers and there are occasions when these services are provided at no cost as part of the contract sold. The services provided for no charge are recognised and accounted for as separate performance obligations when the service occurs. The amount allocated to the services is deducted from the contract value and the remainder of the contract value is spread evenly over the term of the contract.

Prepaid contracts: The Company sells 12-, 24- and 36-month contracts to its customers. This revenue is recognised monthly over the period of the contract. Where a customer prepays their contract, this is recognised over the period of the contract irrespective of materiality.

Term contract billing: The Company raises the first invoice to its new customers when the service agreement is signed. Occasionally, the service does not start in the same month as when the service agreement is signed but is invoiced in the month where the service agreement is signed. The revenue is then recognised over the period of the contract irrespective of materiality.

DOTDIGITAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

1. **ACCOUNTING POLICIES - continued**

Going concern

The Directors are required to satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare the financial statements on a going concern basis, and as part of that process they have followed the Financial Reporting Council's guidelines ("Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risk" issued April 2016).

The Company's business activities together with factors that are likely to affect its future development and position are set out in the Strategic Report and the Directors' Report. Budgets and detailed profit and loss forecasts that look beyond twelve months from the date of these financial statements have been prepared and used to ensure that the Company can meet its liabilities as they fall due.

The Directors have made various assumptions in preparing these forecasts, using their view of both the current and future economic conditions that may impact on the Company during the forecast period.

The Directors, at the time of approving the financial statements, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Operating profit

Operating profit is stated after charging operating expenses but before finance costs.

Dividends

Final dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders while interim dividends distributions are recognised in the period in which the dividends are declared and paid.

Intangible assets

Intangible assets are recorded as separately identifiable assets and recognised at historical cost less any accumulated amortisation. These assets are amortised over their useful economic lives of four to five years, with the charge included in administrative expenses in the income statement.

Intangible assets are reviewed for impairment annually. Impairment is measured by determining the recoverable amount of an asset or cash generating unit (CGU) which is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a *pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU*. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely *independent of the cash inflows of other assets or CGUs*.

DOTDIGITAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

1. ACCOUNTING POLICIES - continued

- Domain names

Acquired domain names are shown at historical cost. Domain names have a finite life and are carried at cost less accumulated amortisation. Amortisation is calculated using straight-line method to allocate the cost of domain names over their useful lives of four years.

- Software

Acquired software and websites are shown at historical cost. They have a finite life and are carried at cost less accumulated amortisation. Amortisation is calculated using straight-line method to allocate the cost of software and websites over their useful lives of four years.

- Product development

Product development expenditure is capitalised when it is considered that there is a commercially and technically viable product, the related expenditure is separately identifiable and there is a reasonable expectation that the related expenditure will be exceeded by future revenues. Following initial recognition, product developments are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of these intangible assets are assessed to have a finite life of five years. Amortisation is charged on assets with finite lives, and until economic benefit can be received and recognised, this expense is taken to the income statement and useful lives are reviewed on an annual basis. Amortisation is charged from the point when the asset is available for use.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Capitalised development costs are recorded as intangible assets and amortised from the point at which they are ready for use on a straight-line basis over their useful life.

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- *It is technically feasible to complete the intangible asset so that it will be available for use or resale;*
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate future economic benefits;
- Adequate technical, financial and other resource to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Impairment of non-financial assets (excluding goodwill)

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

DOTDIGITAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2022

1. ACCOUNTING POLICIES - continued

Property, plant and equipment

Tangible non-current assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits are associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Depreciation is provided at the following rates in order to write off each asset over its estimated useful life and are based on the cost of assets less residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Short leasehold:	25% on cost
Fixtures and fittings:	25% on cost
Computer equipment:	25% on cost

The asset's residual values and useful economic lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable value.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses) or gains in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Capital management

The Company manages the company's capital to ensure it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of finance provided from the group, cash and cash equivalents, equity attributable to the owners of the parent as disclosed in the statement of changes in equity.

Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income directly in equity, respectively.

Current tax

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference will be utilised.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income asset is realised or deferred income tax liability is settled.

DOTDIGITAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2022

I. ACCOUNTING POLICIES - continued

Leases

The Company has applied IFRS 16 using the modified retrospective approach. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets, being less than £5,000, comprise IT equipment and small items of office furniture.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor. None of the total lease payments made in the period to 30 June 2022 were optional.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated), the amount of these cash flows is uncertain as several rounds of rent reviews are due before this extension date.

DOTDIGITAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2022

1. **ACCOUNTING POLICIES - continued**

Financial Instruments

Financial assets and financial liabilities are recognised on the statement of financial position when an entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

Financial assets

The company's accounting policies for financial assets are set out below:

Management determine the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, revalue this designation at every reporting date.

All financial assets are recognised on a trade date when, and only when, the Company becomes a party to the contractual provisions of an instrument. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss ('FVPL'), which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at FVPL, 'amortised cost' or 'fair value through other comprehensive income' ('FVOCI'). The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually, the Company recognises lifetime expected credit losses ('ECL') when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

DOTDIGITAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2022

1. ACCOUNTING POLICIES - continued

Equity

Share capital is the amount subscribed for shares at their nominal value.

Retained earnings represent the cumulative earnings of the company attributable equity to Shareholders.

Share-based payments

For equity-settled share-based payment transactions the Company, in accordance with IFRS 2 'Share-Based Payments' measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. The fair value of those equity instruments is measured at the grant date using the trinomial method. The expense is apportioned over the vesting period of the financial instrument and is based on the number which is expected to vest and the fair value of those financial instruments at the date of grant. If the equity instruments granted vest immediately, the expense is recognised in full.

Cash and cash equivalents

Cash and cash equivalents compose of cash at bank and on hand, demand deposits with banks and other financial institutions, short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant amount of risk and of changes in value, having been within three months of maturity at acquisition. Bank overdrafts are repayable on demand and form an integral part of the Company's cash management.

Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Judgements

(a) Capitalisation of development costs

The business model is underpinned by our email and cross-channel marketing automation platform, Dotmailer Internal activities are continually undertaken to enhance and maintain the product in a bid to stay ahead of our competition. Management review the work of developers during the period and make the following judgements:

- Internal work relating to product development is reviewed against IAS 38 criteria and will be capitalised if management consider that the criteria have been met.
- *Internal work relating to the maintenance of existing products is expensed to the income statement and accounted for in payroll costs.*

Estimates and assumptions

(a) Share-based compensation

Key management believe that there will not be only one acceptable choice for estimating the fair value of share-based payment arrangements. The judgements and estimates that management apply in determination of the share-based compensation are summarised below:

- Selection of a valuation model
- Making assumptions used in determining the variables used in a valuation model
 - i. expected life
 - ii. expected volatility
 - iii. expected dividend yield
 - iv. interest rate

DOTDIGITAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2022

1. **ACCOUNTING POLICIES - continued**

Further detail on the estimates and assumptions made in respect of share-based compensation are included in note 24 to the financial statements. The charge made to income statement for period is also disclosed here.

(b) Depreciation and amortisation

The Company depreciates short leasehold, fixtures and fittings, computer equipment and amortises computer software, internally generated development costs and domain names on a straight-line method over the estimated useful lives. The estimated useful lives reflect the directors' estimate of the periods that the Company intends to derive future economic benefits from the use of the Company's short leasehold fixtures and fittings, computer equipment, computer software, internally generated development costs and domain names.

(c) Bad debt provision

We perform ongoing credit evaluations of our customers and grant credit based upon past payment history, financial condition and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based upon specific situations and overall industry conditions. Hence the provision is maintained for potential credit losses based upon management's assessment of the expected collectability of all accounts receivable. In making this assessment, management takes into consideration (i) an circumstances of which we are aware regarding a customer's inability to meet its financial obligations and (ii) our judgements as to potential prevailing economic conditions in the industry and their potential impact on the Company's customers.

Where a general provision is set then specific rationale will be set against this which will be a combination of looking at historical data to ascertain the percentage of debt which goes bad. Plus set against debts within a specific business sector which might be facing financial difficulty, thereby leading to a deemed higher risk of defaulting on their debts.

(d) Lease accounting – incremental borrowing rate

IFRS 16 "Leases" requires lease payments to be discounted using the lessee's incremental borrowing rate. The Company's incremental borrowing rate, as at the date of adoption of IFRS 16, has been based on local commercial bank loans. Management have taken the view that specific costs of borrowing should be applied to each lease as this reflects the different economic conditions within each geography and hence is more representative of the funding facilities available in those countries.

Trade receivables

Trade receivables are recognised initially at the lower of their original invoiced value and recoverable amount. A provision is made when it is likely that the balance will not be recovered in full. Terms on receivables range from 30 to 90 days.

Financial liabilities and equity

Financial liabilities and equity are recognised on the Company's statement of financial position when the Company becomes a party to a contractual provision of an instrument. Financial liabilities and equity instruments issued by the Company are classified according to 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 Company after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of transaction costs.

The Company's financial liabilities include trade payables and accrued liabilities.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Terms on accounts payables range from 10 to 90 days.

DOTDIGITAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2022

1. **ACCOUNTING POLICIES - continued**

Functional currency translation

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (functional currency), which is mainly pounds sterling (£) and it is this currency the financial statements are presented in.

Transaction and balances

Foreign currency transactions are translated into the presentation currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Employee benefit costs

The company operates a defined contribution pension scheme. Contributions payable by the company's pension scheme are charged to the income statement in the period in which they relate.

Exceptional items

Where items of income and expense are of such size, nature or incidence that their disclosure is relevant to explain the performance of the company for the period, the nature and amount of such items should be disclosed separately.

Foreign currency exchange rate risk

The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. As well as naturally mitigating this risk by offsetting its cost base in the same currencies where possible, currency exposure arising from the net assets of the Company's foreign operations is managed through cash balances denominated in the relevant foreign currencies.

The Company is mainly exposed to the US Dollar, Australian Dollar, Polish Zloty and Euro currencies.

The following table details the Company's sensitivity to a 10% increase or decrease in Sterling against the relevant foreign currencies. 10% is the sensitivity rate which represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end of a 10% change in foreign currency rates. A positive number below indicates an increase in profit where Sterling weakens 10% against the relevant currency. For a 10% strengthening of Sterling against the relevant currency, there would be a decrease in profit, and the balances below would be negative.

10% increase in Sterling

	30.6.22 £	30.6.21 £
US Dollar	(110,205)	(155,436)
Australian Dollar	(2,028)	(118,124)
Zloty	72,338	-
Euro	<u>(148,012)</u>	<u>(110,359)</u>
	<u>(187,907)</u>	<u>(383,919)</u>

DOTDIGITAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2022

2. **EMPLOYEES AND DIRECTORS**

	30.6.22	30.6.21
	£	£
Employees		
Wages and Salaries	16,287,392	15,834,420
Social security costs	1,994,247	1,820,031
Other pension costs	387,124	372,539
	<u>18,668,763</u>	<u>18,026,990</u>

The average number of employees during the year was as follows:

	30.6.22	30.6.21
Directors	3	3
Sales and marketing	115	118
Development and system engineers	78	75
Administration	<u>52</u>	<u>52</u>
	<u>248</u>	<u>248</u>

Included in the total employees cost above £4,320,434 (2021: £4,176,668) was capitalised in relation to internally generated development costs (see note 9).

	30.6.22	30.6.21
	£	£
Directors		
Aggregate emoluments	1,091,872	1,075,693
Company contributions to money purchase pension scheme	<u>28,390</u>	<u>28,060</u>
	<u>1,120,262</u>	<u>1,103,753</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2021: 3).

Information in relation to the highest paid Director is as follows:

	30.6.22	30.6.21
	£	£
Salaries	529,292	574,205
Other benefits	2,469	13,777
Pension costs	<u>17,500</u>	<u>15,500</u>
	<u>549,261</u>	<u>603,482</u>

DOTDIGITAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2022

3. SEGMENTAL REPORTING

The Company's single line of business remains the provision of data-driven omni-channel marketing automation. The chief operating decision maker considers the Company's main segment to be by geographical location.

Geographical revenue

	30.6.22	30.6.21
	£	£
EMEA	47,368,148	44,224,476
US	4,302,493	3,316,576
APAC	1,578,675	1,272,303
Rest of the world	<u>140,064</u>	<u>95,805</u>
	<u>53,389,380</u>	<u>48,909,160</u>

Revenue from external customers is attributed to the geographical segments noted above based on the customers' location. There were no customers who account for more than 10% of revenue (2021: none).

All revenue is from contracts signed with new customers and upgrades and additional functional recurring revenue sold to existing contracted clients. Revenue from contracts is recognised under percentage of completion method based on a percentage of services performed to date as a percentage of the total services to be performed.

4. NET FINANCE COSTS

	30.6.22	30.6.21
	£	£
Finance income:		
Deposit account interest	<u>56,601</u>	<u>19,538</u>
Finance costs:		
Interest charge	<u>(45,399)</u>	<u>(59,584)</u>
Net finance costs	<u>11,202</u>	<u>(40,046)</u>

DOTDIGITAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2022

5. OPERATING PROFIT

Operating profit has been arrived at after charging/(crediting):-

	30.6.22 £	30.6.21 £
Outsourcing and tech infrastructure	<u>10,823,025</u>	<u>9,731,822</u>
Total cost of sales	<u>10,823,025</u>	<u>9,731,822</u>
	30.6.22 £	30.6.21 £
Direct marketing	1,882,932	1,470,511
Partner commission	1,904,798	1,786,878
Staff related costs (inc Directors' emoluments)	14,427,121	14,077,649
Auditor's remuneration	65,179	36,750
Amortisation of intangibles	5,999,745	4,673,052
Depreciation charge	803,006	858,766
Legal, professional and consultancy fees	276,391	335,078
Computer expenditure	758,710	515,688
Bank charges	196,616	90,777
Bad debts	400,555	624,289
Foreign exchange losses/(gains)	(449,687)	503,707
Travel and subsistence costs	38,626	2,477
Office running	469,378	483,046
Gain on disposal of property, plant and equipment	-	(1,590)
Other costs	772,985	288,771
Management charge	<u>290,074</u>	<u>(96,888)</u>
Total administrative expenses	<u>27,836,429</u>	<u>25,648,961</u>

6. EXCEPTIONAL ITEMS

Exceptional items incurred in the year relate to senior management settlement costs of £355,053 (2021: £nil) and the write off of a loan to a related party of £nil (2021: £2,726,526).

7. INCOME TAX

Analysis of tax expense

	30.6.22 £	30.6.21 £
Current tax: Tax	1,259,043	722,595
Deferred tax	<u>253,470</u>	<u>454,027</u>
Total tax expense in statement of profit or loss and other comprehensive income	<u>1,512,513</u>	<u>1,176,622</u>

DOTDIGITAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2022

7. INCOME TAX - continued

Factors affecting the tax expense

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	30.6.22	30.6.21
	£	£
Profit on ordinary activities before tax	<u>13,930,256</u>	<u>10,136,924</u>
Profit on ordinary activities multiplied by the average rate of corporation tax suffered globally: 19% (2021: 19%)	2,646,749	1,926,016
Effects of:		
Expenses not deductible	52,620	519,522
Income not taxable	(1,459,306)	(1,265,321)
Adjustments in respect of prior periods	61,322	(29,677)
Tax rate changes	252,147	375,033
Group relief	(111,520)	(293,392)
Other	(4)	3,133
Share options	<u>70,505</u>	<u>(58,692)</u>
Total tax charge for the year	<u>1,512,513</u>	<u>1,176,622</u>

8. DIVIDENDS

	30.6.22	30.6.21
	£	£
Final dividend for the year ended of £55,555 per ordinary share (2021: £55,555)	<u>5,000,000</u>	<u>5,000,000</u>

9. INTANGIBLE ASSETS

	Computer software	Development costs	Domain names	Totals
	£	£	£	£
COST				
At 1 July 2021	810,493	33,664,286	19,387	34,494,166
Additions	<u>84,942</u>	<u>7,570,550</u>	<u>-</u>	<u>7,655,492</u>
At 30 June 2022	<u>895,435</u>	<u>41,234,836</u>	<u>19,387</u>	<u>42,149,658</u>
AMORTISATION				
At 1 July 2021	670,173	18,442,662	18,315	19,131,150
Amortisation for the year	<u>70,135</u>	<u>5,928,759</u>	<u>852</u>	<u>5,999,746</u>
At 30 June 2022	<u>740,308</u>	<u>24,371,421</u>	<u>19,167</u>	<u>25,130,896</u>
NET BOOK VALUE				
At 30 June 2022	<u>155,127</u>	<u>16,863,415</u>	<u>220</u>	<u>17,018,762</u>

DOTDIGITAL EMEA LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2022****9. INTANGIBLE ASSETS - continued**

	Computer software £	Development costs £	Domain names £	Totals £
COST				
At 1 July 2020	741,799	26,867,007	19,387	27,628,193
Additions	<u>68,694</u>	<u>6,797,279</u>	-	<u>6,865,973</u>
At 30 June 2021	<u>810,493</u>	<u>33,664,286</u>	<u>19,387</u>	<u>34,494,166</u>
AMORTISATION				
At 1 July 2020	589,826	13,850,809	17,463	14,458,098
Amortisation for year	<u>80,347</u>	<u>4,591,853</u>	<u>852</u>	<u>4,673,052</u>
At 30 June 2021	<u>670,173</u>	<u>18,442,662</u>	<u>18,315</u>	<u>19,131,150</u>
NET BOOK VALUE				
At 30 June 2021	<u>140,320</u>	<u>15,221,624</u>	<u>1,072</u>	<u>15,363,016</u>

Development cost additions represents resources the company had invested in the development of new innovative and ground-breaking technology products for marketing professionals. This platform allows them to create, send and automate marketing campaigns. Following development of the products the Company intends to licence the use of the platform.

10. PROPERTY, PLANT AND EQUIPMENT

	Right of Use Assets £	Short leasehold £	Fixtures and fittings £	Computer equipment £	Totals £
COST					
At 1 July 2021	4,567,443	605,970	537,868	2,036,538	7,747,819
Additions	<u>4,220</u>	-	-	<u>366,341</u>	<u>370,561</u>
At 30 June 2022	<u>4,571,663</u>	<u>605,970</u>	<u>537,868</u>	<u>2,402,879</u>	<u>8,118,380</u>
DEPRECIATION					
At 1 July 2021	1,434,339	413,840	518,278	1,769,307	4,135,764
Charge for year	<u>748,053</u>	<u>57,395</u>	<u>14,280</u>	<u>178,721</u>	<u>998,449</u>
At 30 June 2022	<u>2,182,392</u>	<u>471,235</u>	<u>532,558</u>	<u>1,948,028</u>	<u>5,134,213</u>
NET BOOK VALUE					
At 30 June 2022	<u>2,389,271</u>	<u>134,735</u>	<u>5,310</u>	<u>454,851</u>	<u>2,984,167</u>

DOTDIGITAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2022

10. **PROPERTY, PLANT AND EQUIPMENT – continued**

	Right of Use Assets £	Short leasehold £	Fixtures and fittings £	Computer equipment £	Totals £
COST					
At 1 July 2020	4,493,901	605,970	537,598	1,964,921	7,602,390
Additions	<u>73,542</u>	<u>-</u>	<u>270</u>	<u>71,617</u>	<u>145,429</u>
At 30 June 2021	<u>4,567,443</u>	<u>605,970</u>	<u>537,868</u>	<u>2,036,538</u>	<u>7,747,819</u>
DEPRECIATION					
At 1 July 2020	681,094	352,869	484,908	1,562,684	3,081,555
Charge for year	<u>753,245</u>	<u>60,971</u>	<u>33,370</u>	<u>206,623</u>	<u>1,054,209</u>
At 30 June 2021	<u>1,434,339</u>	<u>413,840</u>	<u>518,278</u>	<u>1,769,307</u>	<u>4,135,764</u>
NET BOOK VALUE					
At 30 June 2021	<u>3,133,104</u>	<u>192,130</u>	<u>19,590</u>	<u>267,231</u>	<u>3,612,055</u>

11. **TRADE AND OTHER RECEIVABLES**

	30.6.22	30.6.21
	£	£
Current:		
Trade receivables	8,308,184	7,275,655
Provision for impairment of trade receivables	<u>(1,274,936)</u>	<u>(1,282,875)</u>
Trade receivables -- net	7,033,248	5,992,780
Amounts owed by group undertakings	3,640,642	4,286,109
Social security and other taxes	8,542	8,542
Other receivables	356	356
VAT	-	32,503
Tax recoverable	171,955	-
Prepayments and contract asset	<u>3,199,471</u>	<u>3,330,044</u>
	<u>14,054,214</u>	<u>13,650,334</u>

The carrying values are considered to be a reasonable approximation of fair value and are considered recoverable within one year by the directors.

DOTDIGITAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2022

12. **CASH AND CASH EQUIVALENTS**

	30.6.22	30.6.21
	£	£
Bank accounts	<u>39,002,370</u>	<u>28,763,807</u>

13. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	30.6.22	30.6.21
			£	£
90	Ordinary	£1	90	90
2	Ordinary 'A'	£1	<u>2</u>	<u>2</u>
			<u>92</u>	<u>92</u>

Ordinary 'A' Shares rank *pari passu* with the Ordinary shares in all respects other than they have no entitlement to receive notice of or attend and vote at any general meeting of the company and no entitlement to any dividend, interim or final, recommended, declared or paid.

14. **RESERVES**

	Retained earnings £	Capital Contribution Reserve £	Totals £
As at 1 July 2021	44,903,669	4,373,668	49,277,337
Dividends	(5,000,000)	-	(5,000,000)
Profit for the year	12,417,743	-	12,417,743
Transfer Reserves	2,850	(2,850)	-
Deferred tax on share options	-	(1,283,364)	(1,283,364)
Share-based payment	-	455,819	455,819
Balance as at 30 June 2022	<u>52,324,262</u>	<u>3,543,273</u>	<u>55,867,535</u>
	Retained Earnings £	Capital Contribution Reserve £	Totals £
Restated balance at 1 July 2020	40,943,367	2,600,924	43,544,291
Dividends	(5,000,000)	-	(5,000,000)
Profit for the year	8,960,302	-	8,960,302
Deferred tax on share options	-	1,147,863	1,147,863
Share-based payment	-	624,881	624,881
Restated balance as at 30 June 2021	<u>44,903,669</u>	<u>4,373,668</u>	<u>49,277,337</u>

DOTDIGITAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2022

15. **TRADE AND OTHER PAYABLES**

	30.6.22	30.6.21
	£	£
Current:		
Trade payables	1,664,596,	425,107
Amounts owed to group undertakings	2,349,132	764,841
Other payables	499,817	108,744
Accruals and contract liability	7,371,934	6,374,157
VAT	116,962	-
	<u>12,002,441</u>	<u>7,672,849</u>

Amounts owed to group undertakings are non-interest bearing and are repayable on demand.

16. **LEASE LIABILITIES**

	Properties	Motor Vehicles	Totals
	£	£	£
At 1 July 2021	3,155,633	64,593	3,220,226
Additions	4,220	-	4,220
Principal repayments	(810,584)	(28,329)	(838,913)
Interest	76,225	1,364	77,589
	<u>2,425,494</u>	<u>37,628</u>	<u>2,463,122</u>
At 30 June 2022			
Current	724,170	22,895	747,065
Non-current	1,701,324	14,733	1,716,057
	<u>2,425,494</u>	<u>37,628</u>	<u>2,463,122</u>
	Properties	Motor Vehicles	Totals
	£	£	£
At 1 July 2020	3,818,429	40,138	3,858,567
Additions	-	73,541	73,541
Principal repayments	(757,584)	(49,955)	(807,539)
Interest	94,788	869	95,657
	<u>3,155,633</u>	<u>64,593</u>	<u>3,220,226</u>
At 30 June 2021			
Current	716,669	28,252	744,921
Non-current	2,438,964	36,341	2,475,305
	<u>3,155,633</u>	<u>64,593</u>	<u>3,220,226</u>

DOTDIGITAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2022

17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The company's activity exposes it to a number of financial risks that include credit risk, liquidity risk and cash flow interest rate risk. These risks, and the company's policies for managing them have been applied consistently throughout the year, are set out below:

Principal financial instruments

The principal financial instruments used by the company, from which financial instrument risk arises are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables

Financial instruments by category

The following table sets out the financial instruments as at the reporting date:

	30.6.22	30.6.21
	£	£
Financial assets		
Trade and other receivables	7,033,604	5,993,136
Amounts owed by group undertakings	3,640,642	4,286,109
Bank balances	<u>39,002,370</u>	<u>28,763,807</u>
	<u>49,676,616</u>	<u>39,043,052</u>
Financial liabilities		
Trade payables	1,664,596	425,107
Amounts owed to group undertakings	2,349,132	764,841
Accrued liabilities and other payables	<u>4,638,433</u>	<u>3,423,810</u>
	<u>8,652,161</u>	<u>4,613,758</u>

The fair value of the financial assets and financial liabilities is equal to their carrying values. All financial assets are categorised as loans and receivables and all financial liabilities are categorised as financial liabilities at amortised cost.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's risk committee. The Board receives monthly reports from the Risk Committee through which reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below:

DOTDIGITAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2022

17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Interest rate risk

The Company's interest rate risk arises from interest bearing assets and liabilities. The Company has in place a policy of maximising finance income by ensuring that cash balances earn a market rate of interest; offsetting where possible, cash balances and by forecasting and financing its working capital requirements. As at the reporting date the Company was not exposed to interest rate risk. No sensitivity analysis has therefore been prepared.

The Company's working capital requirements are managed through regular monitoring of the overall cash position and regularly updated cash flow forecasts to ensure there are sufficient funds available for its operations.

Liquidity risk

The company's working capital requirements are managed through regular monitoring of the overall position and regularly updated cash flow forecasts to ensure there are sufficient funds are available for its operations. Management forecasts indicate no new borrowing facilities will be required in the upcoming financial period.

Trade and other payables of £9,536,347 (2021: £6,908,008) are expected to mature in less than a year.

Credit risk

Credit risk arises principally from the company's trade receivables which comprise of amounts due from customers. Prior to accepting new customers a credit check is obtained. As at 30 June 2022 there were no significant debts past their due period which had not been provided for.

The maturity of the company's trade receivables is as follows:

	30.6.22	30.6.21
	£	£
0-30 days	5,045,907	4,077,579
30-60 days	2,171,167	1,369,584
More than 60 days	<u>1,091,110</u>	<u>1,828,492</u>
	<u>8,308,184</u>	<u>7,275,655</u>

The maturity of the Company's provision for impairment is as follows:

	30.6.22	30.6.21
	£	£
0-30 days	137,461	25,631
30-60 days	191,396	21,722
More than 60 days	<u>946,079</u>	<u>1,235,522</u>
	<u>1,274,936</u>	<u>1,282,875</u>

DOTDIGITAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2022

17. **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued**

The movement in the Company's provision for impairment is as follows:

	30.6.22 £	30.6.21 £
As at 1 July	1,282,875	1,076,393
Provision for impairment	10,000	206,482
Receivable written off in year	<u>(17,939)</u>	<u>-</u>
As at 30 June	<u>1,274,936</u>	<u>1,282,875</u>

The Company minimises its credit risk by profiling all new customers and monitoring existing clients of the Company for changes in their initial profile. The level of trade receivables older than the average collection period consisted of a value of £1,599,744 (2021: £1,880,820) of which £955,799 (2021: £1,241,570) was provided for. The Company has no significant concentration of credit risk, with the exposure spread over a large number of customers.

The credit risk on liquid funds is low as the counterparties are banks with high credit ratings assigned by international credit rating agencies. The majority of the company's cash holdings are held with NatWest Bank who has a BBB credit rating.

The carrying value of both financial assets and liabilities approximates to fair value.

Capital Policy

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide optimal returns for shareholders and to maintain an efficient capital structure to reduce the cost of capital.

In doing so the Company's strategy is to maintain a capital structure commensurate with a strong credit rating and to retain appropriate levels of liquidity headroom to ensure financial stability and flexibility. To achieve this, the company monitors key credit metrics, risk and fixed charge cover to maintain this position. In addition, the company ensures a combination of appropriate short term and long-term liquidity headroom.

The company had a strong cash reserve to utilise for any short-term capital requirements that were needed by the Company.

The Company has continued to look for further long-term investments or acquisitions and therefore to maintain or re-align the capital structure, the Company may adjust when dividends are paid to shareholders, return capital to shareholders, issue new share or borrow from lenders.

DOTDIGITAL EMEA LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2022

18. DEFERRED TAX

	30.6.22	30.6.21
	£	£
Balance at 1 July	1,189,488	1,883,325
Charged to the income statement	253,470	454,117
Charged/(credited) directly to equity	<u>1,283,365</u>	<u>(1,147,954)</u>
Balance at 30 June	<u>2,726,323</u>	<u>1,189,488</u>

The deferred tax liability above comprises of the following temporary differences:

	30.6.22	30.6.21
	£	£
Capital allowances in excess of depreciation	80,592	31,526
Temporary differences	(82,740)	-
R&D relief in excess of amortisation	3,181,212	2,962,338
Share option relief	<u>(452,741)</u>	<u>(1,804,376)</u>
Balance at 30 June	<u>2,726,323</u>	<u>1,189,488</u>

The deferred tax liability represents the net accelerated expenditure permitted under local tax legislation in regards to capital investment against the expense charged to income statement as depreciation.

19. ULTIMATE PARENT COMPANY

As at the year end and the date these financial statements were approved the ultimate controlling parent was Dotdigital Group Plc ("Dotdigital"), a company registered in England and Wales. Dotdigital is the parent undertaking of the smallest and largest group of undertakings for which group financial statements are drawn up, and of which the Company is a member. Copies of group financial statements may be obtained from Dotdigital's registered office No1 London Bridge, London Bridge, London, SE1 9BG.

20. CAPITAL COMMITMENTS

The company has no capital commitments as at the year-end.

21. EVENTS AFTER THE REPORTING PERIOD

There are no events after the end of the reporting period which impact the Company's financial statements.

22. DEVELOPMENT COSTS

During the year the Company incurred £7,570,550 (2021: £6,797,279) in development costs. All resources utilised in development have been capitalised as outlined in the accounting policy governing this area.

DOTDIGITAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2022

23. SHARE-BASED PAYMENT TRANSACTIONS

The measurement requirements of IFRS 2 have been implemented in respect of share options that were granted after 7 November 2002. The expense recognised for share-based payment made during the year is £455,819 (2021: £624,881).

Vesting conditions of the options dictate that employees must remain in the employment of the Company for the whole period to qualify.

Movement in issued share options during the year

The table below illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the period. The options outstanding at 30 June 2022 had a WAEP of 49.04p (2021: 26.05p) and a weighted average contracted life of 5.82 years (2021: 5.14 years) and their exercise prices ranged from 0.5p to 181.2p. All share options are settled in form of equity issued.

	30.06.22		30.6.21	
	No of options	WAEP	No of options	WAEP
Outstanding at the beginning of the period	4,292,735	26.05p	3,910,984	51.09p
Granted during the year	2,463,663	89.55p	1,093,728	104.67p
Forfeited/cancelled during the period	(259,562)	137.88p	(480,992)	13.03p
Exchanged for shares	(437,500)	0.50p	(230,985)	68.50p
Outstanding at the end of the period	6,059,336	49.04p	4,292,735	26.05p
Exercisable at the end of the period	-	-	-	-

The weighted average share price at the date of the exercise for share options exercised during the period was 0.84p (2021: 178.57p). For options granted after 2019, a Monte Carlo model was used in measuring the fair use of options granted that were subject to a TSR performance condition. A Black Scholes model was used in measuring the fair use of all other options granted.

DOTDIGITAL EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 JUNE 2022

23. SHARE BASED PAYMENT TRANSACTIONS - continued

	22 December 2020		23 September 2021		24 December 2021	
	EPS (50%)	Relative TSR (50%)	EPS (50%)	Relative TSR (50%)	EPS (50%)	Relative TSR (50%)
Number of options granted	153,364	153,364	100,729	100,729	193,894	193,894
Share price at grant date	152.0p	152.0p	264.0p	264.0p	196.0p	196.0p
Exercise price	0.50p	0.50p	0.50p	0.50p	0.50p	0.50p
Option life in years	5 years	5 years	5 years	5 years	5 years	5 years
Risk-free rate	(0.08)%	(0.08)%	0.38%	0.38%	0.57%	0.57%
Expected volatility	40.40%	40.40%	39.00%	39.00%	43.00%	43.00%
Expected dividend yield	0%	0%	0%	0%	0%	0%
Fair value of options	152.0p	99.0p	264.0p	181.0p	196.0p	115.0p

	19 December 2017	24 October 2018	14 December 2020	15 December 2021	14 April 2022
	Number of options granted	1,375,000	2,305,000	535,920	567,300
Share price at grant date	85.95p	77.5p	148.0p	181.0p	90.0p
Exercise price	0.50p	0.50p	147.5p	181.2p	86.5p
Option life in years	5 years	5 years	10 years	10 years	10 years
Risk-free rate	1.33%	1.23%	(0.01)%	0.54%	1.68%
Expected dividend yield	1%	1%	0.56%	0.46%	0.96%
Fair value of options	65.3p	52.7p	47.0p	62.0p	42.0p

Expected volatility was determined by calculating the historical volatility of the Group's share price from the date it listed to the grant date of the share option. The expected life used in the model is based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The share options granted on 24 October 2018, 22 December 2020, 23 September 2021 and 24 December 2021 were following the approval of the LTIP scheme at the AGM on 19 December 2017 and the end-to-end awards that were granted to key personnel.