Delivering exceptional consumer value

Annual Report & Accounts **2021**

for the world's most innovative retailers

2021 HIGHLIGHTS

Financial Highlights

Group revenue

£22.8m

(FY20: £20.4m)

+12%

Read more on **page 28**

Recurring revenue, from subscription fees and transactions

£16.9m

(FY20: £14.9m)

+13%

Read more on **page 28**

Recurring subscription and transaction revenue % of Group revenue

74%

(FY20: 73%)

+1ppt

Read more on **page 28**

Adjusted EBITDA[1]

£4.2m

(FY20: £3.3m)

+29%

Read more on **page 28**

Adjusted EBITDA[1] margin

18%

(FY20: 16%)

+2ppts

Read more on **page 28**

Profit/(loss) before tax

£0.1m

(FY20: £(0.3)m)

Read more on **page 28**

1. EBITDA has been adjusted for the exclusion of share-based payment charges along with depreciation, amortisation, interest and tax from the measure of profit.

eagle eye

The best-in-class loyalty and promotions SaaS platform for leading omnichannel retailers globally.

Eage Eye enables companies to digitally connect to their customers through promotions, loyalty, apps, subscriptions and gift services.

Operational Highlights

Strong close to the Year, delivering 27% growth in Q4 FY21 revenues as compared with Q4 FY20, entering the new financial year with positive momentum

Continued growth of the Group's Tier 1 customer base, despite COVID-19 headwinds, resulting in an uplift in 'win' related revenue

New customers won in the Year included **Woolworths Group** in Australia and New Zealand, **Staples US Retail** in North America and our first client in the food services sector, **Vermaat** in the Netherlands

Innovations on behalf of our customers included enabling **Virgin Red**, Virgin's new rewards club, a comprehensive personalised digital marketing programme for **Southeastern Grocers**, and a UK first – the **Pret A Manger's 'YourPret Barista'** subscription service

Chargeable AIR redemption and interaction **volumes grew by 11% to 952m** (FY20: 856m)

Long term contract customer **churn rate by value remained very low at 0.3%** (FY20: 0.9%)

Post Period End Highlights

- Go live of the Woolworths programme just 10 months since contract signing
- Assisting the start of a global rollout of subscriptions for Pret A Manger, starting in the US

Outlook

- Following record new client wins during FY21, Eagle Eye has entered FY22 with a considerably expanded underlying business and positive trajectory
- Trading in the current year is in line with Board expectations and the Board is confident in achieving a positive year of growth in FY22

AT A GLANCE

One platform, many products

Our **Eagle Eye AIR** platform enables clients to attract, interact with and retain consumers.

Find out more on **page 12**

Markets we operate in

Loyalty	· single customer view; · increased customer retention; · build brand advocates; · drive customer engagement; and · collect data to inform promotions.	**Size of market** $13.8bn[1] **Global loyalty management market by 2026 (23% CAGR)**
%OFF **Coupons**	· versatile promotions; · decreased operations costs; · fraud protection; · improved ROI; · increased average spend; and · measurable and targeted.	**Size of market** $67bn[2] **Global value of mobile coupons redeemed in US by 2023 (31% Growth)**
Gift	· acquire new customers; · generate new revenues; · access new sales channels; · access to indirect B2B sales channels; · personalisation of gift purchase; and · customer care.	**Size of market** $1.4trn[3] **Global gift card market by 2030 (13% CAGR)**

1. Mordor Intelligence: Loyalty Management Market – Growth, Trends, COVID-19 Impact, and Forecasts (2021–2026).
2. Digital Loyalty Programmes: Market Trends, Credit Cards & Retailer Readiness 2020–2025, Juniper Research, 6 July 2020.
3. Persistence Market Research, 28 April 2020.

What the world's largest retailers need

We believe there are three key components to success when it comes to winning in the always-on, omnichannel world.

Data management

Structure, manage and store data to enable advanced analytics and customer insights to drive future transactions

Transactional capability

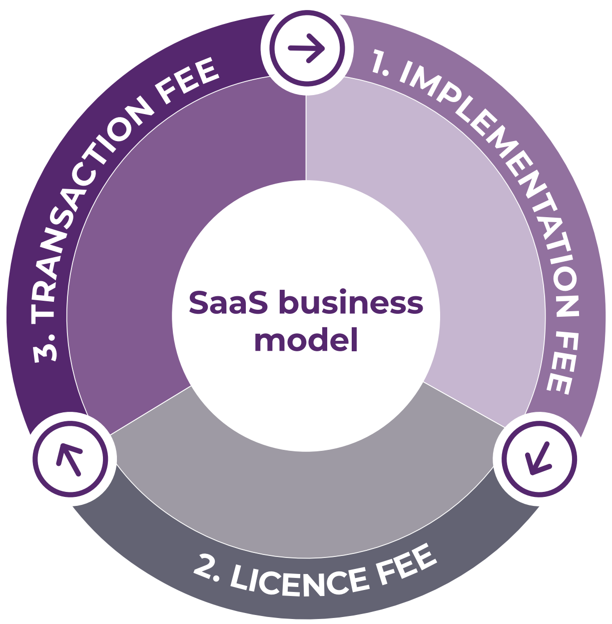
eagle eye

Deliver the right action to the end customer at the Point of Sale and capture all data points

User Experience

Entice and engage the customer with the right content in the right channels

How we make money



1. One off implementation fee
2. Recurring licence fee for access to Eagle Eye AIR
3. Transaction fee

Per issuance x pence – linked to value

Per redemption 3–5 times issuance

OR

Interaction fees (earn and burn of points) for loyalty services replaces issuance and redemption

DELIVERING ON OUR GROWTH STRATEGY

1. Win, Transact and Deepen

Win

Bring more customers on to the Eagle Eye AIR platform

Progress

A record year for new wins included **Woolworths Group** in Australia and New Zealand, **Staples US Retail** in North America and our first client in the food services sector, **Vermaat** in the Netherlands.

We were pleased to confirm our role as a key technology provider for **Virgin Red**, Virgin's new rewards club.

Transact

Drive higher redemption and interaction volumes through the platform

Progress

Chargeable AIR redemption and interaction volume **grew by 11% to 952m** (FY20: 856m), primarily reflecting an increased number of loyalty transactions following the successful launch of new customer programmes.

Deepen

Encourage our customers to adopt more of our product portfolio as they become more adept at digital marketing

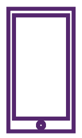
Progress

Our 'Deepen' pipeline continues to grow with several new customers having commenced transacting in the Year, including **Pret a Manger** and **Virgin Red** in the UK and with our international customers also continuing with their roll-outs.

Multi-year contract renewals include **IMO Car Wash**, leisure operator **Azzurri Group** and the restaurant group, **Giggling Squid**.

2. Innovation

Innovation continues to lie at the heart of our proposition, investing in the capabilities of our flexible Eagle Eye AIR platform to find new ways to deliver value to our customers, and their consumers.



Mobile App
Rollout of our app across additional eight countries

Message at Till
Targeted promotions printed on receipt

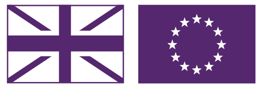
Load to Card
Data-driven personalised offers via website/app

POS Connect
Real-time basket analysis to apply promotions and rewards at checkout

3. International growth

We have continued to deliver on our international growth strategy in the Year, winning new customers, and strengthening our positions in our new territories. Revenue from international customers **grew by 32% to £9.3m** (FY20: £7.0m).

UK and Europe



Canada and USA

Australia and New Zealand

4. Better, simpler, cheaper

We have developed a proven business model to grow our EBITDA margin whilst also investing as we 'Win' in sales and marketing to generate new opportunities for growth, enhancements to the product to add value to our customers and the 'spine of the business' to ensure the health of Eagle Eye.

30%
improvement in API response times

Introduced
Site Reliability Engineering
principles

ISO27001
recertification and added our Canadian, Australian and US businesses

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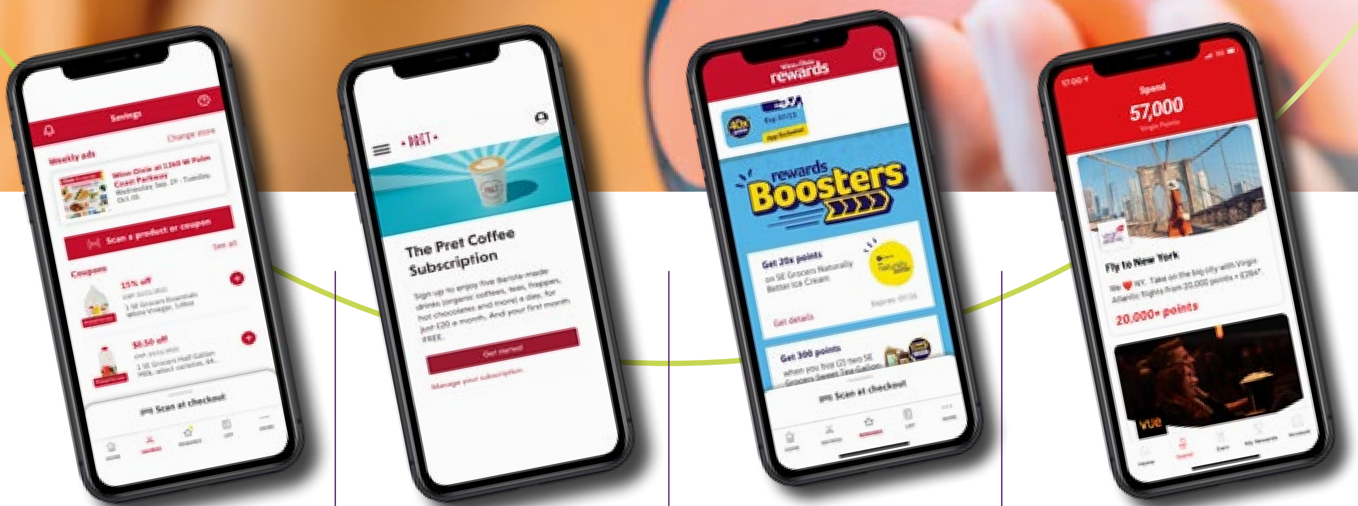
Delivering value to our customers



Personalised points & discounts

Personalisation is the most economical way of driving the customer behaviour you seek. AIR provides businesses with the capability to incentivise and reward their customers as individuals at unrivalled scale, truly unlocking the power of omnichannel personalisation.

Subscription perks

Create committed customer engagement and meet customer needs by delivering convenience, value for money and exclusivity by offering omnichannel subscription schemes with a range of subscriber-only perks.

Gamified loyalty

Gamification tactics can be used as both short and long-term incentives to drive customers up a pre-defined value chain. Challenges can be set with customers competing against either themselves or each other to chase the rewards promised at every level of the game.

Coalition loyalty

Harness the power of partnerships by extending your loyalty offering beyond your four walls and into partner businesses. AIR provides the capability to set unique rules per partner, e.g. earn only/spend only/earn and spend etc. so that you can manage your coalition in the best way for everyone involved.

Our comprehensive digital toolkit for retail marketing

The Eagle Eye AIR platform unlocks the power of omnichannel personalisation. Retailers using our comprehensive digital marketing toolkit can create multiple ways to engage with their consumers from personalised offers to full-scale loyalty initiatives, subscription programmes and coalition loyalty schemes.

This allows retailers to develop their own unique range of promotions and loyalty tactics which work for their business.

This is how we do it

It's our dedicated team of people that is key to driving Eagle Eye's business potential.

All the value we create is thanks to our people. Our goal is to be an exceptional place to work, which will lead us to deliver exceptional results.

We aim to enrich the lives of everyone we come into contact with by creating exceptional value for them and by being kind, thoughtful, friendly, generous and considerate. We passionately believe that the culture we have created sets us apart.

Through our amazing people

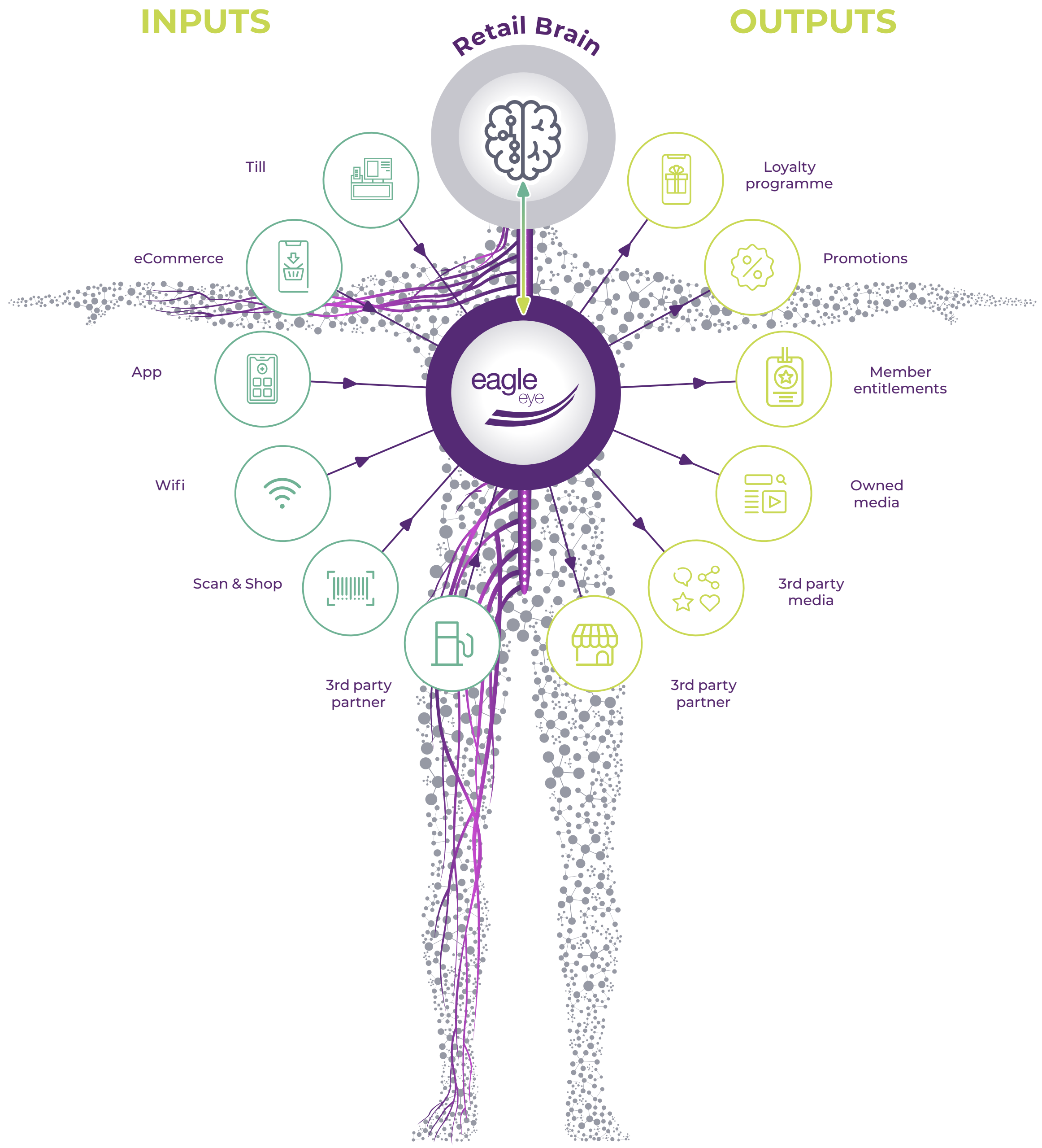
Eagle Eye

The Eagle Eye AIR platform has been designed to be a central 'retail nervous system', working in tandem with a retailer's analytical and data science capabilities, their 'brain', to enable the personalised, omnichannel execution of all data-driven insights. Our positioning not only enables these personalised outbound actions to happen, but also delivers the inbound flow of data back into the 'brain' so that the impact of every initiative can be measured and optimised.

24/7, real time connection between the Brain and the Nervous System

The Nervous System passes **data inputs** into the Brain from all **connected channels**

Personalised decisions are passed from the Brain to the Nervous System to be **executed.**



The retail nervous system

The 'AIR' platform

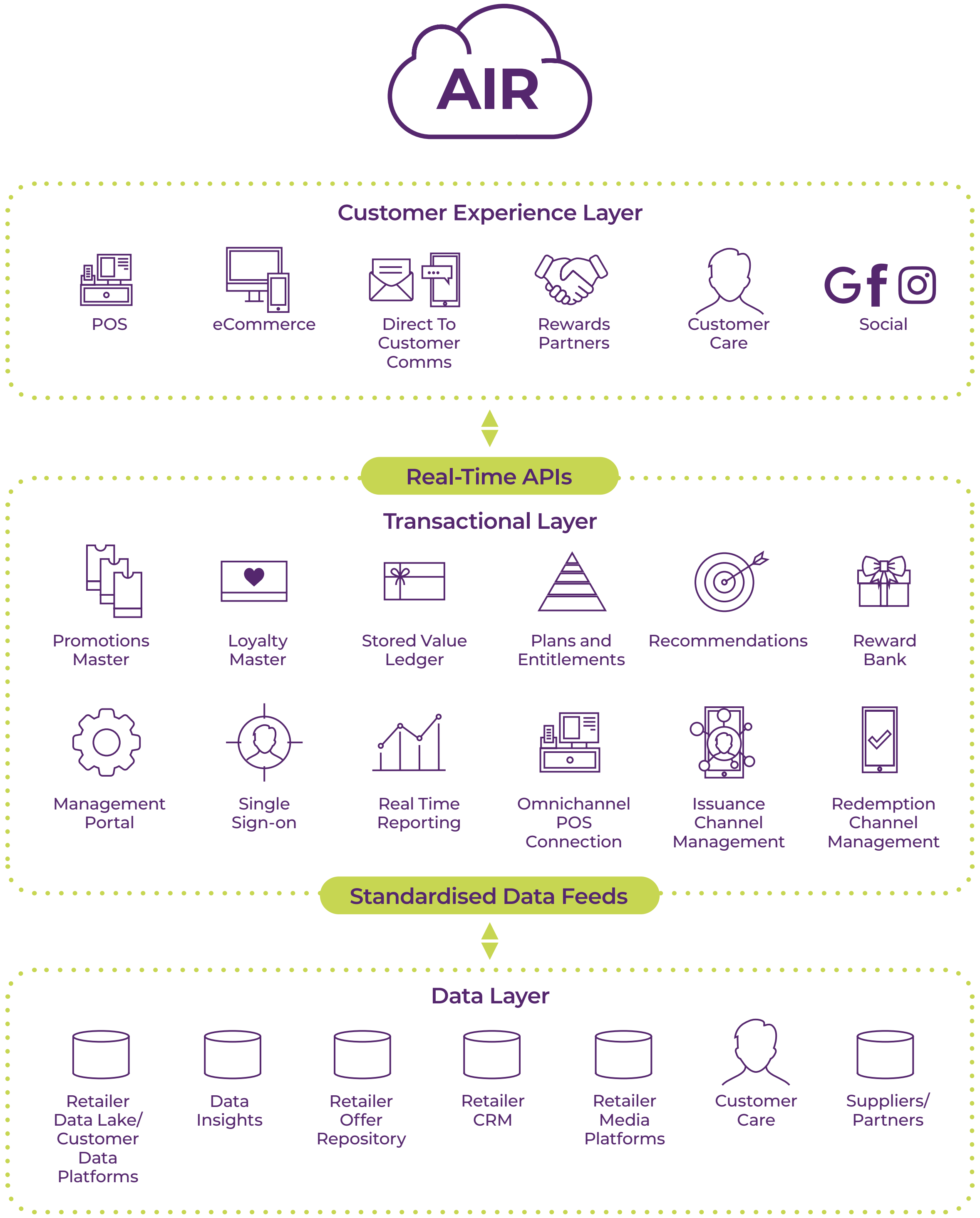
AIR is a collection of services that power compelling and flexible use cases.

Eagle Eye AIR is our leading, API-based SaaS platform which provides the most flexible, scalable and future-proofed promotions, loyalty and gifting capability in the world.

AIR solves the primary problem faced by leading businesses when trying to build deeper, more personalised relationships with their customers – connection.

We work with the world's leading retailers, providing them with the technology to connect all aspects of the customer journey in real time.

By using Eagle Eye as the transactional layer to connect your data layer and customer experience layer, your existing marketing operations will be streamlined and you will unlock the full power of personalisation.



What it is we do

CHAIRMAN'S STATEMENT

Another year of achievement and growth

REVENUE OF
£22.8m

> *"Eagle Eye has entered FY22 with a considerably expanded underlying business and positive trajectory"*

I am pleased to be in a position to update shareholders on a year of achievement and growth at Eagle Eye, against what has been a challenging backdrop for all.

With the lockdown measures introduced to tackle the COVID-19 pandemic impacting approximately 10% of Group revenues at the time and elongating sales cycles, it would be natural to expect the business to hunker down and enter protection mode to ride out the storm. However, that is not the Eagle Eye way.

What I have seen in the Eagle Eye team has been an enhanced sense of passion and purpose to support enterprises through these difficult times, helping them to connect with their customers in new and exciting ways. This passion has seen the business continue to add innovative new functionality to the Eagle Eye AIR platform, increasing the attractiveness of the platform and as a result, winning new customers around the world. New customers secured in the Year included the pioneering Pret a Manger coffee subscription service, the winning of a five-year contract with Woolworths Group, the largest retailer in Australia, and securing Staples US Retail, the Group's second US customer. It is particularly encouraging to note that the Woolworths programme has gone live in August 2021, following the end of the year, just ten months since contract signing, representing a remarkable achievement by the joint team.

As a result of these wins, our key contracts moving into the next stage of their lifecycle and the relaxation of COVID-19 restrictions, the Group enjoyed a strong close to the year, delivering 27% growth in Q4 FY21 revenues as compared with Q4 FY20, and importantly entered the new financial year with positive momentum.

Financial Results

Overall, the benefits of the Group's high quality SaaS business model can be seen in the robust financial performance in the Year. The Group's high levels of recurring revenue (approx. 74% of revenues), low customer churn and increased win rate meant Eagle Eye delivered double digit revenue growth of 12% to £22.8m (FY20: £20.4m). Careful management of the cost base, in line with the Group's revenue profile, alongside continued investment in the product and sales and marketing, resulted in an increase in adjusted EBITDA for the Year of 29% to £4.2m (FY20: £3.3m), and an increased adjusted EBITDA margin of 18% (FY20: 16%), ahead of market expectations. The Group is pleased to report a maiden full year profit before tax for FY21 of £0.1m (FY20: loss of £0.3m).

The Group continues to have access to its £5m banking facility which, combined with the Group's net cash, is sufficient to support its existing growth plans. Following the year end, the Group has extended the term of the facility to November 2022.

CHAIRMAN'S STATEMENT CONTINUED

ESG and Our People and Values

Over the past year, we have seen a rapid acceleration in the importance of Environmental, Social and Governance issues for businesses, consumers and investors with the pandemic highlighting to all the importance of these topics. As a Board, we are committed to high standards of ESG and we are already seeing the early progress made by our initiatives, building on our existing foundation of responsible business practice. We are measuring our progress through KPIs and comparing to the market median to allow focus on areas of improvement.

Eagle Eye is a business which places the success and happiness of its people at its heart. The themes of the Company's recent Annual Company Day, which I was delighted to attend, were value creation by enriching the lives of everyone with whom we come into contact and the introduction of a Purple Women initiative aimed at supporting women through all aspects of their work/home life. This is a key initiative which we will build upon in FY22 as our business strives to become a role model for women in tech by being an excellent place for women to work.

At this event, and throughout the year, I am continually struck by the culture that the team have created, where its people are supported and rewarded and where the management team constantly strive to make Eagle Eye an exceptional place to work. You can read more about the culture of Eagle Eye in our People section within this report and on behalf of the Board, I once again thank the Eagle Eye team for their continued commitment during another challenging year for all. They are exceptional.

As a business, we already have a low environmental footprint and we will continue to identify ways to improve on this. Our offering itself eliminates the use of paper coupons and vouchers. We will maintain our strong corporate governance framework which we have already adopted by following the QCA Code.

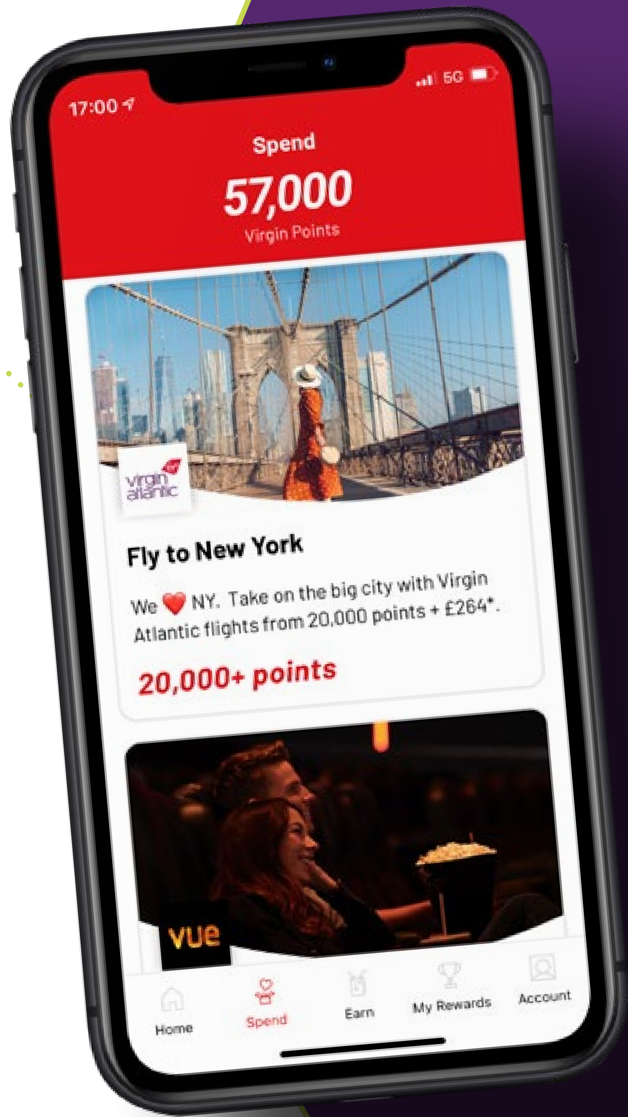
Opportunity

Eagle Eye has entered FY22 with a considerably expanded underlying business and positive trajectory. The impact of the pandemic has been to accelerate the digital engagement strategies of retailers around the world and the proven enterprise capabilities of the Eagle Eye AIR platform position the Group well to capture a growing proportion of this expanding market.

With a growing customer base, including some of the world's largest retailers, and a record sales pipeline, the Board looks to the future with increased confidence.

Malcolm Wall,
Non-executive Chairman

Case Study



Eagle Eye's AIR platform underpins Virgin Red rewards club.

Virgin Red is the new rewards club from Virgin designed to give you access to more of the things you need, want and love from the Virgin family and beyond. Virgin Red members can earn and spend Virgin Points across five different reward categories, bringing together not only the Virgin companies but also partners across retail, energy and entertainment sectors. Virgin Red makes it easy for members to donate their points to good causes too, supporting local communities, charities, the environment or small businesses.

Working as a key part of the Virgin Red technology ecosystem, the AIR platform consolidates all Virgin Points being earnt and spent across the Virgin Group and its partners. Eagle Eye's APIs enable partners to be integrated quickly and easily and for points to be processed in real-time. This also enables members to keep track of their points, which never expire, through the Virgin Red mobile app and website. The flexibility of the platform enables new updates, offers and functionality to be continually added to the programme.

"We are thrilled to be working with Eagle Eye and our teams have worked as one to ensure that the Virgin Red vision becomes a reality. Our purpose is to enable our members to embrace life, get more from every relationship across the Virgin Group and give back to the community and the world around them."

Phil Young,
Chief Technology Officer, Virgin Red

CEO'S STATEMENT

Exceptional performance

GROWTH IN EBITDA
29%
(to £4.2m)

"The success of this Year provides us with a strong position as we enter the new financial year, focused on creating exceptional value for our clients"

I am proud of the exceptional performance and high energy our team has maintained this Year; securing fantastic new retail clients around the world and delivering innovative solutions that create value for our customers, while dealing with the challenges of the pandemic.

The business has delivered a good financial performance, and importantly, we have exited the Year with strong momentum.

The AIR platform sits at the heart of the digital marketing programmes of a growing number of the world's largest retailers. Alongside our long-standing Tier 1 customers in the UK, we can now point to a range of landmark customers internationally, increasing our profile and demonstrating our credentials in an accelerating market, where personalised, digital marketing is coming to the fore.

The success of this Year provides us with a strong position as we enter the new financial year, focused on creating exceptional value for our clients and becoming the most flexible and scalable promotions and loyalty platform in the world.

Market opportunity

In a year in which retailers globally have had to face huge upheaval and change, the shift to digital has continued at pace, with retailers of all kinds developing their omnichannel capabilities to address rapidly changing consumer shopping behaviours.

McKinsey's latest US Consumer Sentiment research shows that 77% of consumers tried new shopping behaviours in the past year, and that they were primarily driven to it by a need for value, convenience, and availability (Source: US consumer sentiment during the coronavirus crisis). ECommerce sales also continue to grow according to a report by eMarketer which showed worldwide retail eCommerce sales had grown 28% in 2020. (Source: Global eCommerce Update 2021 – January 2021).

This shift has, in turn, driven an acceleration of retailers' digital engagement strategies. They have been forced to reassess their marketing spend to ensure they have remained competitive and attractive in the face of growing and new competition, retaining the loyalty of existing customers while seeking to win new ones. They are looking for new ways to harness the increased availability of customer data, machine learning and artificial intelligence to power personalised connections and prosperous long-term relationships.

According to a report by Euromonitor and the National Retail Federation, 72% of retail professionals say COVID-19 has accelerated the company's digital transformation by at least a year (Source: Using Retail Tech Innovation to Enhance the Customer Experience, June 2021).

CEO'S STATEMENT CONTINUED

However, achieving true personalisation is not easy across multiple customer touchpoints as it requires data to be aligned across a retailer's multitude of systems in real time, the analytics to determine the customer message and the transaction capability to deliver personalisation at scale; Eagle Eye enables its clients to address these very issues.

Competitive strength

The proven capabilities of the Eagle Eye AIR platform and the breadth of solutions we are able to offer across loyalty, promotional coupons, apps, subscriptions and gifting; position Eagle Eye well to capture a growing proportion of this expanding digital loyalty and promotions market.

The competitive advantage we offer can be illustrated by the way we solve client pain points. There are vendors in the market that specialise in standalone solutions such as loyalty or gift, but not at the same scale or range of capabilities that our platform offers. Typically, the main competition we face is from retailers who want to try to build a comparable solution to the Eagle Eye AIR platform in-house. However, by choosing to work with Eagle Eye, retailers can focus on building the experiences for their end customers whilst we manage the enabling technology. We help clients deploy faster, manage their costs, control the risk and ensure security and data compliance.

The Eagle Eye platform unlocks the power of omnichannel personalisation, removing any existing channel or technology limitations on the scale at which retailers can deploy personalised communications and offers. We are also able to create multiple ways for retailers to engage with their consumers, from full-scale loyalty initiatives to cashback programmes, digital stamp cards, charity donations and more. This allows retailers to develop their own unique range of promotions and loyalty tactics which work for their business.

Our platform can automate feeds into finance systems to create a single source of truth for supplier funds and also consolidate a retailer's array of legacy systems, centralising all loyalty and promotions set-up and execution onto one platform which then creates a single customer view rather than having data in silos across multiple systems. As a real time platform, Eagle Eye enables retailers to react faster, providing the capability for them to view and respond to customer interactions as they happen.

These capabilities have led Eagle Eye to become one of the most proven and flexible loyalty platforms in the world, powering some of the largest and most sophisticated marketing and loyalty programmes globally.

We are pleased to be gaining recognition from industry analysts, with Eagle Eye referenced in two different sector reports in recent months. In May 2021, we were included in Loyalty360's 2021 Technology Today Report where Eagle Eye was listed as an 'all in one supplier' within the grocery, retail and c-store sectors and in August 2021 we were delighted to be included in Forrester's Now Tech: Promotions and Offer Management Providers, Q3 2021 Report where we were included in both the loyalty standalone and loyalty embedded functionality segments within the grocery, retail, and hospitality vendor market focuses. Inclusion in these two reports reinforces the value and commitment Eagle Eye delivers to clients.

Strategic Partnerships and Collaborations

Eagle Eye AIR has the ability to sit across the entire marketing ecosystem, connecting all the elements required to deliver personalised marketing at scale. As part of our growth strategy, we will continue to create partnerships and collaborations with other businesses in the industry, using their expertise to strengthen our offering and leveraging their marketing reach.

New partnerships in the year include Oracle MICROS Simphony POS System (to deliver YourPret Barista); Outra, a predictive data science business, to help retailers, hospitality operators and branded CPG (Consumer Packaged Goods) to enhance the effectiveness of their promotional marketing investments; and artificial intelligence provider Peak to help retailers leverage customer data for loyalty and promotional campaigns. We have continued to build out our own brand capabilities with CPGs by bringing on partners such as Gladcloud, Engage Interactive, X Influence and Voxly who all use our APIs to create consumer facing digital experiences that help brands to engage with consumers and drive transactions. We partnered with Chargebee, initially to help retail and hospitality operators drive customer engagement and recurring revenue through subscription services; we are now engaged on joint sales and marketing initiatives.

During the year, the Liberty omnichannel gift programme was enabled through our integration with Salesforce Commerce Cloud, a powerful eCommerce solution from the world's largest CRM provider which enables Eagle Eye to deploy our solutions quickly to the wider Salesforce customer base. We recently signed our first client in the food services sector, Vermaat in the Netherlands. Vermaat has over 20 STACH coffee shops that are currently using the Eagle Eye app and the integration with our partner Qikserve to enable click and collect for food and beverage orders.

We are continuing to harness relationships to optimise our expansion into the US. Our partnerships and collaborations with Neptune Retail Solutions (previously News America Marketing) the premier marketing services company in the US and Canada, Ecrebo, the receipt marketing technology provider and dunnhumby, a global leader in customer data analytics, all continue to progress well.

We are encouraged by the increasing number of opportunities entering our sales pipeline via our partners and maintaining these relationships will be a key focus for us as we continue to scale internationally.

Delivering against all elements of our growth strategy

I am pleased to report the following progress across all four elements of our growth strategy:

1. 'Win, Transact and Deepen'

Our customer strategy is to:

- 'Win': bring more customers on to the Eagle Eye AIR platform;
- 'Transact': drive higher redemption and interaction volumes through the platform; and
- 'Deepen': encourage our customers to adopt more of our product portfolio as they become more adept at digital marketing.

Our high level of customer retention means that each new customer win significantly adds to our growth prospects, with revenue from our largest revenue-generating customers typically increasing by a multiple of over three times by the end of their third year on the AIR platform, through both increased use of the platform and the addition of new services.

Win

During the Year we saw an increase in win rate both in the UK and internationally. New customers secured in the Year included a five-year contract with Woolworths Group in Australia & New Zealand; a three-year contract with Staples US Retail in North America; and we signed our first client in the food services sector, Vermaat, which included the launch of an app to enable digital loyalty stamp cards for coffee and sandwiches at their STACH coffee shops in the Netherlands. Wins in the UK included a three-year contract with Liberty Retail Limited, the luxury department store, to support their omnichannel gift programme and a two year contract with Robinsons Brewery, who have approximately 260 pubs, inns and hotels across the North West of England and North Wales, to run their gift programme.

We were pleased to confirm our role as a key technology provider for Virgin Red, Virgin's new rewards club during the past year. The Eagle Eye platform was chosen to support Virgin Red because of its ability to process and manage the billions of Virgin Points being earned and spent across multiple organisations globally, bringing together the Virgin companies and beyond, across multiple sectors. Our platform has also successfully helped transition Virgin Atlantic Flying Club miles to Virgin Points and since March 2021, Virgin Trains Ticketing has been added to the programme, where members can earn points when booking train tickets within the UK.

We have been delighted by the success of the Pret Coffee Subscription. Now a year old, this was the UK's first ever in-shop coffee subscription, allowing subscribers to enjoy up to five barista-prepared drinks per day for a fixed monthly fee, including the first month for free. The service was built on the Eagle Eye AIR platform as part of Pret A Manger's new digital infrastructure and was Pret's first major step in delivering against its new digitally-led, omnichannel strategy.

A first for the UK high street, the new in-shop digital service capability is providing Pret with new data-led customer insights. Since launch in September 2020, we are pleased that Pret have been utilising more of the capabilities of the AIR platform which has assisted in the start of an international rollout of subscriptions starting in the US. We continue to work closely with them as they seek to drive customer engagement as a digitally-led, multichannel omnichannel business.

The increased win rate demonstrates the range of capabilities being delivered by the Eagle Eye AIR platform, with the ways in which businesses are using Eagle Eye AIR increasing at pace, providing us with a strong base for future expected growth.

Transact

Chargeable AIR redemption and interaction volumes, a key measure of usage of Eagle Eye AIR, grew by 11% to 952m (FY20: 856m), primarily reflecting an increased number of loyalty transactions following the successful launch of new customer programmes, including for Southeastern Grocers ('SEG') and the full Year effect of Sainsbury's, offset by the impact of COVID-19.

The Year saw an 88% increase in SMS volumes to 85m (FY20: 45m) driven by the growth of Click & Collect offerings at a selection of our high-street retail customers during the pandemic and also from supporting clients following the UK Government's Test and Trace guidelines. We do not anticipate similar growth rates in SMS volumes moving forward and overall expect SMS to represent a decreasing proportion of revenues in coming years.

CEO'S STATEMENT CONTINUED

Brands & Audiences

The Eagle Eye AIR platform is also used by brands to run campaign activations across our growing Retailer, Operator and Audience Network. This was one of the key areas of the business impacted by the COVID-19 lockdown. Overall, the revenue from branded drinks campaigns decreased to £0.1m (FY20: £0.3m), which was effectively delivered during the still heavily restricted periods of Q1 FY21 and Q4 FY21. Affiliate revenue held steady at £0.5m (FY20: £0.5m), bringing total brand and audience revenue to £0.6m (FY20: £0.8m).

We now have over 7,100 hospitality venues connected to the Eagle Eye AIR platform, creating an attractive platform for Brands to exploit once lockdown restrictions are lifted, as they seek the means to recapture lost revenue and strengthen their businesses.

Deepen

COVID-19 has caused some contract expansion to be delayed and lower transactional volumes in our Food and Beverage clients which, together with its effect on brand revenue, has impacted circa 10% of the Group's pre COVID-19 revenue base. However, throughout the Year, we have continued to have a wide range of discussions across our customer base as they consider how to continue on their journey towards personalised omnichannel loyalty, promotion and gift offerings. Our 'Deepen' pipeline continues to grow with several new customers having commenced transacting in the Year, including Pret A Manger and Virgin Red in the UK and, with our international customers also continuing with their roll-outs, we anticipate our recurring, transactional revenues to increase in future periods.

Pleasingly, our long-term contract customer churn rate by value remains very low at 0.3% (FY20: 0.9%), with good levels of renewals taking place, including multi-year contracts with 16 customers.

2. Innovation and the AIR platform

Innovation

Innovation continues to lie at the heart of our proposition, investing in the capabilities of our flexible Eagle Eye AIR platform to find new ways to deliver value to our customers, and their consumers.

POS Connect

Last year, we launched our POS Connect capability, a next generation approach to enable us to enhance the way we integrate with our clients' Points of Sale systems. POS Connect was designed to provide retailers with greater flexibility in their ability to provide their customers with a diverse range of offer types (e.g. points and discounts), executed in real time and at huge scale.

During the year, we have continued to invest in this area, providing our clients with new and innovative ways to engage with their customers using our cloud-based adjudication service. Using this service, we are able to execute incredibly complex calculations in real time at the POS, using Eagle Eye AIR to adjust customers' basket totals based on any valid discount, points, multibuy or other promotions that are available to them. These calculations can be complex and involve millions of permutations which previously would not have been possible to handle by retailers' existing POS systems. Using POS Connect, retailers are set free from the limitations they would have faced regarding the number and/or type of offers they could deliver to their customers, thus unlocking the power of true omnichannel personalisation.

Message At Till

In the Year we launched our new, personalised Message At Till capability, enabling the delivery of real-time, relevant and targeted promotions to customers at the till, through physical coupons or digital coupons, SMS and in-app push notifications following a transaction, based on their customers' basket content and buying behaviour.

This functionality is particularly important in the US, acting as a digital replacement for the widely prevalent receipt-based couponing market, adding further capability for our US enterprise customers while opening-up a new segment of the US retail market.

Load to Card

Our Load to Card functionality is now live and in use at Southeastern Grocers. This allows retailers to leverage data analytics and artificial intelligence ('AI') to recommend and issue personalised digital rewards via digital channels such as a website or an app. A consumer is able to select the offers they wish to redeem and load them to their digital loyalty card.

App

Our app solution is now used in more countries across the world as IMO rolled out their car wash app in an additional seven countries and Vermaat launched their STACH coffee app in the Netherlands.

3. International growth

We have continued to deliver on our international growth strategy in the Year, winning new customers, and strengthening our positions in our new territories. Revenue from international customers grew by 32% to £9.3m (FY20: £7.0m).

North America

In December 2020, we were pleased to secure our second US customer, Staples US Retail.

We are making great progress with Southeastern Grocers (SEG) since signing them in December 2019, helping them connect with customers on a personal level, whether that is in stores or through digital platforms. Eagle Eye and dunnhumby are collaborating to enable the personalisation of promotions for SEG, and to provide the retailer with a deeper understanding of its customers' behaviours and preferences. Once fully integrated, it is expected to produce more than 200 million digital offers, coupons and recommendations to customers monthly.

We have now gone live with six media channels, with further channels to follow. We have also modernised SEG's loyalty offering and become their points master, enabling SEG to execute more types of campaigns and support their wider personalised media objectives.

Through the success of this customer programme we have demonstrated our ability to manage the digital marketing needs of US retailers.

In Canada, our relationship with Loblaw Companies Ltd ('Loblaw') continues to strengthen. During the Year, Eagle Eye supported the launch of their PC Health app which provides live chat to members with registered nurses and dietitians, plus the opportunity to earn PC Optimum™ rewards through custom digital health programmes. More recently, we supported both the Holiday Insiders and Summer Insiders programmes which are highly anticipated programmes used to introduce new and exciting products to Canadians and give customers the opportunity to earn points through the PC Optimum programme. We also supported the launch of the PC Money Account, a new, no monthly fee account that lets customers earn PC Optimum points for their everyday banking.

Australasia

In November 2020, we secured a five-year agreement with Woolworths Group, Australia's largest retailer; the Group operates 1,400 stores in Australia and New Zealand. Woolworths are using Eagle Eye AIR to support their personalised real-time digital marketing programme. Eagle Eye's services allows Woolworths Group to enable the end-to-end management of real-time personalised digital promotions and support its transition to a digitally led rewards programme. Woolworths deploys the proposition across touchpoints including its app, its eCommerce business and various other digital media. Eagle Eye AIR is also used to enable a real-time integration with a network of partners. Implementation commenced on contract signature and our local team in the region is supporting Woolworths to deploy our Eagle Eye AIR platform across Woolworths' network of Australian and New Zealand stores.

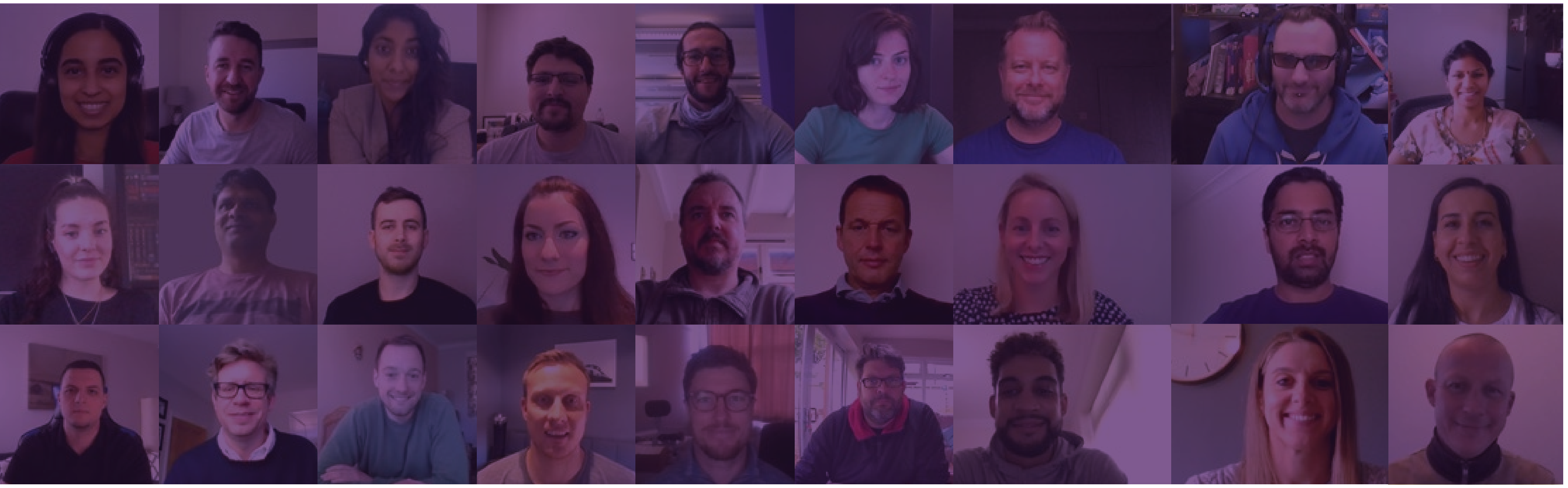
Post our financial year end, the programme went live in August 2021, just 10 months after contract signing, to the members of the Everyday Rewards loyalty scheme, following a successful pilot. This marked the point at which Eagle Eye's full fees were payable and the start date of the five-year agreement announced on 10 November 2020.

We continued our work with The Warehouse Group, one of the largest retailing groups in New Zealand. The Warehouse Group is successfully piloting an app-first loyalty programme within its largest retail brand, The Warehouse.

With two of the largest retailers in the Australasia region now as customers, we are investing in the team as a platform for Eagle Eye's entry into the wider Asia Pacific region. The Group believes there to be a good level of enterprise-level prospects in the region.

Eagle Eye provides digital loyalty and personalised promotion services to several of the world's leading grocers, we are uniquely strong in the U.K. food and beverage sector and we have added new clients such as Virgin Red and Pret A Manger opening up the travel and QSR sector alongside the likes of JD Sports and others. We have established a management structure in EMEA, North America and APAC where the regional heads and their teams are using our diverse and loyal existing client base as proof points to build a strengthened pipeline around the world.

CEO'S STATEMENT CONTINUED



4. 'Better, Simpler, Cheaper'

We have developed a proven business model to grow our EBITDA margin whilst also investing as we 'Win' in sales and marketing to generate new opportunities for growth, enhancements to the product to add value to our customers and the 'spine of the business' to ensure the health of Eagle Eye is maintained. This agility means we can control our costs through periods of adversity and prosperity.

Our agility extended to our operational approach at the time of the COVID-19 pandemic, enabling us to swiftly implement home working and the change of working practices required to ensure its successful execution. As we now hopefully emerge from the pandemic, we remain agile and are moving to a hybrid model of working for our employees, allowing them to work effectively from home some of the time but ensuring that when they do come to the office that it was worth the commute. We will ensure that going to the office meets the three Cs: Culture – it helps to grow the Eagle Eye culture and improve teamwork; Collaboration – it allows our teams to take part in brainstorming and blue sky thinking sessions to aid innovation and kick off meetings for new projects to ensure everyone is aligned; and Coaching – to continue to enhance the skills capabilities of our employees.

Our new agile methodologies have enabled us to supplement our local teams by our global resource pool, enabling us to open up these geographies in a cost-efficient and scalable manner.

The performance of Eagle Eye AIR continues to benefit from our move to Google Cloud. We are improving the speed and scale of the AIR platform as API response times at the POS improved by 30% and volumes increased by 11%. We were, therefore, able to increase our scalability and flexibility, being able to grow compute power as we sign up new customers and as our existing customers require it. This has seen our direct IT infrastructure costs increase by only 5% despite an 11% increase in volumes.

We have now introduced site reliability engineering (SRE) with a major focus on customers in order to be more scalable, automated, reliable, standardised and secure. We have created a Customer Reliability Engineering team who follow SRE principles that allow us to focus on reducing manual or repetitive tasks, automating our platforms with a focus on keeping our services running, making them better and faster. It is our intention to introduce the SRE concepts and principles across the business and to our clients.

During the year we have achieved ISO27001 recertification and added our Canadian, Australian and US businesses to the certification. SOC 2 Type 2 has also been completed and extended to cover all of our offices in all geographies, providing our enterprise clients with assurance around the quality of our systems and the safeguarding of data.

Our People and Beliefs

Creating value for our customers sits at the heart of Eagle Eye and we believe this is the foundation of our successful business. We aim to enrich the lives of everyone we come into contact with by creating exceptional value for them and by being kind, thoughtful, friendly, generous and considerate. We passionately believe that the culture we have created sets us apart.

We are committed to delivering value to our clients by partnering with them to solve their problems in the 'Purple way.' By collaborating with clients to deliver solutions that solve their pain points and to help maximise their return on investment, we secure customer loyalty. New customer collaboration initiatives recently commenced include the implementation of Professional Services Satisfaction Reports and Net Promoter Scores, to monitor how we are performing.

All the value we create is thanks to our people. Our goal is to be an exceptional place to work, which will lead us to deliver exceptional results. We measure our success via our employee NPS scores, as well as our annual stress survey tool, and annual Company Day vision and strategy survey. Our June 2021 NPS scores were +47 (How likely is it that you would recommend Eagle Eye as a place to work?) and +56 (How likely is it that you would recommend Eagle Eye's products and services?), which are above the industry standard where a score over 30 is considered good. By training well and rewarding our employees, we are better able to create and deliver more value to our customers. To promote our values we have introduced Company Value Awards, Purple Awards and quarterly communications on financial and operational Company performance. Having had a successful and popular Company day for years we have now introduced quarterly communications sessions where we promote our values, give awards for purple performance and update on financial and operational progress. We also meet for 30 minutes every Monday at a meeting called 'Tea with Teams' where we keep everyone up to date on achievements and reasons to celebrate.

Last year we launched Employee Resource Groups (ERGs) where employee volunteers can update their friends and colleagues on events that are important to them; through this, we have learnt from our black colleagues what 'BLM' means to them, we've also learnt about Diwali, Ramadan and Passover. In conjunction with the progress of our ERGs launched last year we have also built upon its success by launching a 'Purple Women's Group' which every woman in the Company has voluntarily attended. The key areas where we strive to make a difference for women are by providing a platform for their voice; supporting them through their career journey; developing family friendly policies/benefits; creating more diversity through encouraging more women in tech; and looking to tackle important health issues that impact people in the workplace.

We have strengthened our compensation reviews to incorporate loyalty and to reward our people based on the value they bring, in addition to our normal annual review process. We believe this will only further increase engagement and strengthen our retention which is currently at 91%.

Looking forward to FY22 we have partnered with 52 Lives, a charity built around the concept of 'kindness' who find people who need help and then deliver it. We believe that this partnership will make Eagle Eye a better place and if we are successful not only will we help 52 Lives to help more people but create a model for them to expand their charity and help even more people. Working with our charity committee, this is a whole Company effort to team build, be more kind, and raise important funds for those in need within our communities.

Outlook

Following record new client wins during the Year, Eagle Eye enters FY22 with a considerably expanded underlying business and positive trajectory. In addition to securing new enterprise customers across multiple geographies, we have increased our engagement with existing customers and expanded the AIR platform, while carefully managing our cost base and cash resources, delivering a maiden full year profit before tax. We have proven the strength of our business model, growing revenues and profits, during a challenging year. Our recurring revenues, breadth of customer base, strong customer retention, extent of pipeline and growing market need have all kept driving the business forward.

Trading in the current year is in line with Board expectations and the Board is confident in achieving a positive year of growth in FY22.

The pandemic has accelerated the digital engagement strategies of retailers around the world. We have seen personalised marketing coming to the fore which plays to our strengths. Our proven capabilities in enterprise retail, food and beverage and new sectors won in the year combined with our increased international presence positions us well to capture a growing proportion of this expanding market. We will continue to invest in our people and offering, in line with revenue growth, to ensure that we remain at the forefront of this growing industry.

Our people are key to the success of Eagle Eye and with the challenges presented through the Year their support and cooperation has been paramount. They have continued to successfully deliver value for our clients, and I would like to put on record my thanks and gratitude to each and every one of them.

We have entered the new financial year with a record sales pipeline and we look to the future with confidence.

Tim Mason,
Chief Executive Officer

FINANCIAL REVIEW

Growing profitability following record win performance

MAIDEN PBT
£0.1m

With successful client implementations in Q4 2021 the revenue growth rate on exiting the year was 27%

Key Performance Indicators

Financial

	FY21 £000	FY20 £000
Revenue	22,800	20,421
Recurring revenue	16,913	14,916
Adjusted EBITDA[1]	4,215	3,278
Profit/(loss) before tax	126	(332)
Net cash[2]	813	1,519
Cash and cash equivalents	1,713	1,519
Short-term borrowings	(900)	–

Non-financial

	FY21	FY20
AIR volumes	951.6m	855.8m
Recurring revenue:		
Licence revenue	£7.9m, 34%	£7.7m, 38%
AIR transaction revenue	£2.6m, 12%	£1.2m, 6%
SMS transaction revenue	£6.4m, 28%	£6.0m, 29%
Total recurring revenue	£16.9m, 74%	£14.9m, 73%
Long-term contract customer churn by value	0.3%	0.9%

1. Adjusted EBITDA excludes share-based payment charges along with depreciation, amortisation, interest and tax from the measure of profit and is reconciled to the GAAP measure of profit before taxation in note 21 to the consolidated financial statements.
2. Net cash is cash and cash equivalents less borrowings.

FINANCIAL REVIEW CONTINUED

Group results

Revenue

Revenue growth for the Group was 12% for the Year (FY20: 21%), reflecting an increased win rate in the Year, offset by the continuing impact of the COVID-19 pandemic. However, with successful client implementations in Q4 2021 the revenue growth rate on exiting the year was 27% compared to Q4 2020.

COVID-19 saw many of the Group's clients in the UK shut or only partially open throughout the Year, impacting circa 10% of the Group's pre COVID-19 revenue base. The impact of this was on brand and F&B transactional revenue but there was also an impact on the continued deepening of client accounts that we would traditionally see.

Chargeable AIR redemption and interaction volumes, a key measure of usage of the Eagle Eye AIR platform, grew by 11% year-on-year to 951.6m for the year (FY20: 855.9m) with AIR revenue increasing to £20.2m (FY20: £19.2m). As expected, UK non-grocery volumes were significantly impacted by COVID-19, but the gradual relaxation of restrictions from late March 2021 onwards and increased international transactions as those clients ramped up their services helped drive 20% quarter-on-quarter volume growth in Q4 2021.

SMS messaging revenue grew by 110% to £2.6m (FY20: £1.3m), reflecting changing consumer shopping habits during the pandemic from clients where the Group is integrated for both their High Street stores and their eCommerce offering, as well as use of the Group's SMS messaging platform to support clients in following the UK Government's Test & Trace guidelines. As pandemic restrictions ease, SMS is expected to represent a decreasing proportion of the business in future years.

Overall, £16.9m of revenue was generated from subscription fees and transactions over the network, representing 74% of total revenue (FY20: 73%, £14.9m). The balance, £5.9m, relates to implementation fees for new customers or new services for existing customers and represents 26% of total revenue (FY20: 27%, £5.5m). The increase in implementation fees primarily reflects contract wins in North America, including the full year effect of Southeastern Grocers, and Australia.

In addition to winning new business and deepening existing accounts, the Group successfully maintained an extremely low rate of long-term contract customer churn by value at 0.3% (FY20: 0.9%). This reflects the scale and breadth of the AIR platform in meeting our customers' needs.

Gross profit

Gross profit grew 8% to £20.7m (FY20: £19.1m), although gross margin fell to 91% (FY20: 94%). The underlying gross margin from AIR platform revenues increased to 98% (FY20: 97%) but this was offset by the impact of the increased share of revenue from the lower margin SMS messaging business which accounted for 4% of gross profit (FY20: 2%).

Costs of sales include the cost of sending SMS messages, revenue share agreements and outsourced, bespoke development work. All internal resource costs are recognised within operating costs, net of capitalised development and contract costs.

Adjusted operating expenses

The global uncertainties caused by the COVID-19 pandemic have meant that the Group has chosen to carefully manage its cost base, in line with our revenue profile in particular internationally, whilst continuing to invest in the product and sales & marketing. This has seen growth in adjusted operating expenses limited to just 4% at £16.5m (FY20: £15.8m). This cost represents sales and marketing, product development (net of capitalised costs), operational IT, general and administration costs.

The 7% increase in staff costs to £13.0m (FY20: £12.1m) reflected standard annual pay awards and increased commission/bonus reflecting the increased new customer win rate and the Group's strong EBITDA performance. Average headcount for the year was 141 (FY20: 139). We continue to invest in the product and sales and marketing; within staff costs, gross expenditure on product development increased to £4.3m (FY20: £4.0m) and sales and marketing spend was £2.8m (FY20: £2.9m).

The benefits of the migration of our environments to Google Cloud continue to be felt. Although transaction volumes grew by 11% and further infrastructure investment was required to support new international clients, infrastructure costs increased by just 2% to £4.5m (FY20: £4.4m). Reflecting the Group's agile investment strategy and cost control measures during COVID-19, marketing, travel and administration costs were 13% lower than in FY20 at £1.8m (FY20: £2.1m).

Capitalised product development costs were £2.2m (FY20: £2.4m), whilst amortisation of capitalised development costs was £2.2m (FY20: £2.0m). Contract costs (including costs to obtain contracts and contract fulfilment costs), recognised as assets under IFRS 15, were £0.7m (FY20: £0.5m) and amortisation of contract costs was £0.6m (FY20: £0.5m).

Adjusted EBITDA and Profit before tax

The growth in revenue, continued tight control of costs and net furlough receipts of £0.1m have resulted in a significant increase in adjusted EBITDA which was up 29% at £4.2m (FY20: £3.3m) for the year, with EBITDA margin improving to 18% (FY20: 16%). To provide a better guide to the underlying business performance, adjusted EBITDA excludes share-based payment charges along with depreciation, amortisation, interest and tax from the measure of profit. The GAAP measure of operating profit before interest and tax was £0.2m (FY20: £0.04m loss) reflecting the EBITDA profit achieved in the year, offset by increased amortisation and the non-cash share-based payment charge of £0.9m (FY20: £0.5m), reflecting the successful EBITDA performance this year and the strong position the Group is now in to deliver increased revenue and profits which are reflected in future performance related vesting assumptions.

The Group is pleased to report a maiden full year profit before tax for FY21 of £0.1m (FY20: loss of £0.3m) reflecting the improved profit before interest and tax and a reduction in finance expense to £0.1m (FY20: £0.3m) due to lower utilisation of the Group's revolving loan facility during the year as expected following careful working capital management and improved operating performance.

EPS and dividend

The Group's international businesses have continued to grow successfully and as a result, overseas tax charges increased to £0.4m (FY20: £0.3m). The impact of this is partially mitigated in the UK by the continued successful R&D tax claims and the deferred tax asset recognised in relation to a proportion of the historic losses brought forward.

As a result, loss after taxation was £0.1m (FY20: £0.5m) and reported basic and diluted loss per share improved by 88% to 0.22p (FY20: loss per share 1.77p).

Group Statement of Financial Position

The Group had net assets of £5.4m at 30 June 2021 (30 June 2020: £4.4m), including capitalised intellectual property of £3.6m (30 June 2020: £3.7m). The movement in net assets reflects the improved EBITDA performance in the year and the exercise of share options during the year.

Current assets increased by £1.8m primarily due to higher revenue in the year and the timing of significant receipts, including the research and development tax credit of £0.2m received in July 2021. Liabilities increased by £0.7m due to the value of the drawdown of the Group's revolving credit facility, offset by a lower overseas corporate tax creditor due to payments made on account during the year.

Cashflow and net cash

The Group ended the year with net cash of £0.8m (30 June 2020: net cash of £1.5m) being better than the Board's expectations. During FY20, the Group made use of a number of COVID-19 linked schemes in order to manage its working capital, including the deferral of VAT and PAYE in the UK.

As a result, £1.7m of cash outflow was deferred from FY20 to FY21 with a further £0.4m deferred to FY22 in line with agreed payment plans. Stripping out the impact of these schemes, the underlying net cash inflow for the year was £0.9m (FY20: £0.8m inflow).

Overall net cash outflow for the year was £0.7m (FY20: inflow of £2.8m).

The main components to the net cash inflow (unadjusted for the impact of COVID-19 deferral schemes) were the operating cash inflow of £2.4m (FY20: inflow of £6.1m), reflecting the EBITDA profit of £4.2m (FY20: £3.3m), a working capital outflow of £1.2m (FY20: £2.6m inflow), including COVID-19 deferral repayments, and net tax payments of £0.6m (FY20: £0.2m net receipt), offset by capital investment in the AIR platform and other infrastructure of £2.4m (FY20: £2.4m), contract costs capitalised under IFRS 15 of £0.6m (FY20: £0.5m), payments in respect of leases £0.1m (FY20: £0.3m) and interest due on the Group's revolving credit facility with Barclays £0.1m (FY20: £0.2m).

The Board does not feel it appropriate at this time to commence paying dividends and continues to invest in its growth strategy.

Banking facility

The Group has remained comfortably within its banking covenants which relate to available headroom and adjusted EBITDA performance. Following the year end, the Group has extended the term of its £5.0m revolving loan facility with Barclays Bank PLC to November 2022. The Group's gross cash of £1.7m (FY20: £1.5m) and the undrawn £4.1m of the £5.0m facility (FY20: £5.0m undrawn) gives the Group £5.8m of headroom, which the Directors believe is sufficient to support the Group's existing growth plans.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk	Description
Evolution of the market	The Group operates in an evolving market and there is a possibility that the rate of growth in mobile commerce will not match independent predictions or that users of mobile devices will change their behaviour with respect to mobile commerce. The Group's services are new and continually evolving and it is difficult to predict the future growth rates, if any, and the size of these markets. The evolution of the markets in which the Group operates is particularly uncertain due to COVID-19. Even if the market for the Group's products develops as anticipated, the Group may face severe competition from other businesses offering similar products and services and there can therefore be no assurance that the Group will be able to secure customers for its products and services on acceptable terms and conditions, or successfully adjust the Group's strategy to meet the changing market dynamics. The Group is in and continues to enter new international markets and not all of these markets may be at the same stage of development. The Group may face competition from other local businesses in those territories offering similar products and services and there can therefore be no assurance that the Group will be able to secure customers for its services on acceptable terms and conditions, or successfully adjust the Group's strategy to meet the different dynamics of these new markets. These risks are mitigated by the strength and experience of the Group's management team.
Technological changes could overtake the products being developed by the Group	The Group's business is dependent upon technology which could be superseded by superior technology, more competitively priced technology or a shift in retail practices which could affect both the potential profitability and the saleability of the Group's product offering. Staying abreast of technological changes may require substantial investment. The Group's existing software products need to develop continually in order to meet customer requirements. The Group may encounter delays and incur additional development and production costs and expenses, over and above those expected by the Directors, in order to develop suitable technologies and products. The technology used in the Group's products is still evolving and is highly complex and may change rapidly. Research and development by other companies may render any of the Group's products in development, or currently available, obsolete. This risk is primarily mitigated by the quality of the technical staff recruited, investment in defining and refining the product roadmap and the use of the agile development methodology.

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Risk	Description
Protection of intellectual property	The Group's success and ability to compete effectively are in large part dependent upon exploitation of proprietary technologies and products that the Group has developed internally, the Group's ability to protect and enforce its intellectual property rights so as to preserve its exclusive rights in respect of those technologies and products, and its ability to preserve the confidentiality of its know-how. The Group relies primarily on enforcement of its pending and granted patents under applicable patent laws and non-disclosure agreements to protect its intellectual property rights. No assurance can be given that the Group will develop further technologies or products which are patentable, that patents will be sufficiently broad in their scope to provide protection for the Group's intellectual property rights against third parties, or that patents will have been granted in all new territories which the Group enters. Patents pending or future patent applications may not be granted and the lack of any such patents may have a material adverse effect on the Group's ability to develop and market its proposed products. Where patents have been granted the Group may not have the resources to protect any such issued patent from infringement. There is a significant delay between the time of filing of a patent application and the time its contents are made public, and others may have filed patent applications for subject matter covered by the Group's pending patent applications without the Group being aware of those applications. The Group's patent applications may not have priority over patent applications of others and its pending patent applications may not result in issued patents. Even if the Group obtains patents, they may not be valid or enforceable against others. Moreover, even if the Group receives patent protection for some or all of its products, those patents may not give the Group an advantage over competitors with similar products. Furthermore, the Group cannot patent much of the technology that is important to its business. If the Group fails to obtain adequate access to, or protection for, the intellectual property required to pursue its strategy, the Group's competitors may be able to take advantage of the Group's research and development efforts. Once granted, a patent can be challenged both in the patent office and in the courts by third parties. Third parties can bring material and arguments which the patent office granting the patent may not have seen. Therefore, issued patents may be found by a court of law or by the patent office to be invalid or unenforceable or in need of further restriction.
Product risk	The Group's business involves providing customers with highly reliable software and services. If the software or services contain undetected defects when first introduced or enhanced, the Group may fail to meet its customers' performance requirements or otherwise satisfy the contract specifications. As a result, it may lose customers and/or may become liable to them for damages. Whilst the Group has liability insurance in place and endeavours to negotiate limitations on its liability in its customer contracts, this is not always commercially possible. Additionally, the Group is committed to developing products for its customers on a set timeline. However, the pace of progress of the development projects may not be as expected and the Group could fail to meet its customers' timing or performance requirements. Although the Group manages its product delivery using an agile methodology to address these risks, the Group may lose customers, may become liable to those customers for damages and may suffer damage to its reputation.
Infrastructure risk	The Group has service level commitment obligations with some of its customers in which it provides various guarantees regarding levels of service. The Group may not be able to meet these levels of service due to a variety of factors, both inside and outside the Group's control. If the Group fails to provide the levels of service required by the agreements, such customers may be entitled to terminate their contracts or may choose not to enter into new work orders with the Group and this may also damage the Group's reputation and reduce the confidence of the Group's customers in its software and services, impairing its ability to retain existing customers and attract new customers. To mitigate against this risk, the Group has service level agreements in place with key suppliers and has multiple suppliers and operates its services in the cloud to ensure continuity of service to its customers.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk	Description
Reliance on key suppliers	The Group is dependent on a small number of key suppliers for the hosting of its IT infrastructure and delivery of messaging services. A disruptive event affecting any one of these suppliers could mean that the Group is unable to meet its customers' timing or performance requirements. As a result of these risks, the Group may lose customers, may become liable to those customers for damages and may suffer damage to its reputation. To mitigate against this risk, the Group has service level agreements in place with these key suppliers and has multiple suppliers and sites, including a live disaster recovery site, to ensure continuity of service to its customers.
Online security breaches, data loss and fraud	Security breach and fraud remain key concerns in the online payments world and any security breach or fraud event might deter consumers from purchasing goods via online voucher and offer content or using a Digital Wallet. Any move away from the mobile channel for purchasing goods could have a negative impact on the Group's growth prospects and revenues. Security breach and fraud may also lead to regulatory investigations, sanctions (including fines) and litigation with clients and consumers. Any regulatory investigation or litigation may be costly and may divert efforts and attention of the Group's key management and other personnel and resources, may cause wider reputational damage to the Group and may result in existing clients terminating contracts and deter potential new clients from becoming actual clients. Any compromise of the Group's systems, security breaches or data loss may result in the temporary inability of the Group to operate its services and clients' mobile sites and applications and therefore may have a detrimental impact on the Group's revenues, both directly through the inability of the Group's clients to trade or of the Group to authenticate offers, and indirectly through loss of confidence in the security of the Group's platform. In line with its ISO 27001 accredited and SOC 1 compliant procedures, the Group uses third party security and data compliance services to monitor and mitigate against this risk, in addition to client specific security testing, and has robust business continuity procedures in place.
Dependence on key customers and sectors	The Group is dependent on a number of key contracts and partner relationships for its current and future growth and development. A limited number of clients account for a large percentage of the Group's revenue, although this reliance is being diluted as new enterprise clients are won, aided by the continuing low rate of client churn. Whilst the Group endeavours to enter and renew long term agreements with its clients, there can be no assurance that clients will continue to be secured on acceptable terms and conditions. The Group is also focused on the Grocery, Food and Beverage and Retail sectors. Although a downturn in each of these sectors can result in increased demand for the Group's services, as discounts and offers are used to encourage footfall, a long term downturn could have a negative impact on the Group's growth prospects and revenues. Although, this risk is mitigated by entry into additional territories and refinement of the Group's products for entry into new sectors, there has been a significant impact on the Group's Food & Beverage and brand clients from COVID-19. Although clients are trading again, future COVID-19 waves and associated restrictions could have a negative impact on the Group's revenues.

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Risk	Description
Employee recruitment and retention	The ability to continue to attract and retain employees with the appropriate expertise and skills cannot be guaranteed. Finding and hiring top talent can be costly and might require the Group to grant significant equity awards or other incentives, which could adversely impact its financial results. The Group's future development and prospects depend to a significant degree on the experience, performance and continued service of its senior management team. Effective product development and innovation, upon which the Group's success is dependent, is in turn dependent upon attracting and retaining talented technical and marketing employees, who represent a significant asset and serve as the source of the Group's technological and product innovations. In addition, to continue to expand the Group's customer base, increase sales and achieve growth generally, the Group will need to hire additional qualified sales personnel as well as in administrative and operational support functions. Although the Group benchmarks salaries and has developed a remuneration policy which rewards loyalty and has the culture and people of the business at its heart, if the Group is unable to hire, train and retain such talent in a timely manner an undue burden could be placed on existing employees, the development and introduction of the Group's products could be delayed and its ability to sell its products and otherwise to grow its business could be impaired, which may have a detrimental effect upon the overall performance of the Group.
Changes in applicable laws and regulations	Laws and regulations governing internet-based services, related communication services and information technology, eCommerce, the processing of personal data, the processing of payment card data and mobile commerce in the United Kingdom and other territories continue to evolve and, depending on the evolution of such regulations, may adversely affect the Group's business. This risk is mitigated for the Group by the Compliance Manager who is responsible for ensuring that all applicable laws and regulations related to the digital services provided by the Group are understood and addressed.
Exchange rate risk	As the Group's international operations continue to grow, exchange rate fluctuations could have a material effect on the Group's profitability or the price competitiveness of its services. The Group continues to review its exposure to such fluctuations and assesses the appropriateness of its strategies to mitigate this risk on a continual basis. However, there can be no assurance that the Group would be able to compensate or hedge against such adverse effects and therefore negative exchange rate movements could have a material adverse effect on the Group's business, prospects and financial performance.

Employee involvement

The Group recognises and seeks to encourage the involvement of its employees, with the aim being the recruitment, motivation and retention of quality employees throughout the Group. The Group encourages employee performance through employee remuneration packages, including by granting share options, and by promoting its core values to employees. The Group ensures that employees are fully aware of financial and economic factors affecting its performance.

The Group's employment policies, including the commitment to equal opportunity, are designed to attract, retain and motivate employees regardless of sex, race, religion or disability. Equality of treatment includes full and fair assessment of applications and extends to training and continuing career development.

The Group is committed to ensuring and communicating the requirements for a safe and healthy working environment for all employees, consistent with health and safety legislation and, where practicable, gives full consideration to applications for employment from disabled persons.

The Group's Section 172 report can be found on pages 36 to 37.

By order of the Board

Lucy Sharman-Munday,
Company Secretary
5 New Street Square
London, EC4A 3TW

21 September 2021

Eagle Eye is committed to

New structure for 2021 with a focus on materiality, building on the existing foundations in place

Environmental

Our **Environmental footprint is low:**

- Eliminate paper with our digital solution
- Key tech suppliers take Environmental targets seriously
- New working practices reduce travel but have a commitment to plant trees to offset our carbon footprint

Social

Big focus on the area of **Social:**

- Our goal is to make this a great place to work – **people are our greatest asset**
- People focused Committees: Values, Mental Health, Charity, Sports, Music
- New: Employee Resource Groups and Purple Women

Governance

Building on our **strong Governance Framework:**

- QCA code followed
- KPIs to assess and monitor key aspects of ESG

People and Beliefs

Constantly striving to make Eagle Eye an exceptional place to work

Committed to delivering value to clients by solving problems in our **'Purple way'** – securing customer loyalty

Deliver **exceptional results**, measured via Professional Services Satisfaction Reports and Net Promoter Scores to monitor how we're performing

Introduction of Company Value Awards, Purple Awards and quarterly communications on financial and operational Company performance to **promote our values**

Partnered with **52 Lives**, a charity built around kindness

Purple Women

Our purpose is 'To make Eagle Eye a great place for our Purple Women to work'

We have set our **4 areas** where we strive to make a difference:

1. Giving our women a **platform for a voice**
2. Supporting the **career journey from start to finish:** being at your **best,** helping **career progression,** whilst ensuring gender equality on pay etc
3. Support our women around **Family** (starting, raising and specifically not being held back by maternity)
4. Educate and make it easier around **Women related health issues:** Menopause, Endometriosis, PND, Dysmenorrhea and Illness etc

We established Purple Women following a speech I did for International Women's Day this year to represent the incredible ladies in our business. The ERG group was driven by the overwhelming messages of support following this day. I realised we have a real opportunity to create something very special at Eagle Eye to support and grow our Purple Women. This community for me is everything from a friendship group and support network, to a platform for us to develop our women and allow them to reach their full potential. I am very proud of how we are progressing and am excited about what we can achieve together in FY22. I would like to thank Claire, our HR Director, in her support making our vision a reality.

Lucy Sharman-Munday,
Chief Financial Officer

"For me, Purple Women is all about learning from each other and supporting each other to give their best and be purple."

"The Purple Women initiative helps address some of the health issues we have to cope with not only on a daily basis but especially in work! Some of which can have an impact on our performance."

"As a working mum, the Purple Women group is very important to me, as it gives me the opportunity to use my experience to both support and advocate for other working parents, ensuring they are fully encouraged and valued."

"Purple Women to me is an ERG committed to empowering Eagle Eye women's personal and professional growth through building an inclusive and supportive culture."

high ESG standards

SECTION 172 STATEMENT

The Directors are aware of their duty under Section 172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to the:

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

The ways in which these duties are addressed is set out opposite:

The Group is committed to high standards of ESG and has implemented a new structure during FY21 with a focus on materiality, building on the existing foundations in place. The work is summarised as follows:

Our Environmental footprint is low:

- We eliminate paper with our digital solution
- Key tech suppliers take Environmental targets seriously
- New working practices reduce travel but we have a commitment to plant trees to offset our carbon footprint

There is a big focus on the area of Social:

- Our goal is to make Eagle Eye a great place to work – people are our greatest asset
- People focused Committees: Values, Mental Health, Charity, Sports, Music
- New ERG initiatives for the year include 'Purple Women'

Building on our strong Governance Framework:

- QCA code is followed
- Malcolm Wall sponsors the ESG initiative and Lucy Sharman-Munday is the executive owner
- KPIs are used to assess and monitor key aspects of ESG

We will continue in the year ahead to build on the work initiated in FY21.

Stakeholders	How we engage	Significant events
Employees	See "Take into account wider stakeholder and social responsibilities and their implications for long-term success" on page 40 of the Corporate Governance Statement.	On the guidance from Government, COVID-19 required a move to remote working for all employees; in line with local requirements, this has continued throughout the year. Management have maintained high levels of communication with employees to keep them abreast of Company updates. Following on from employee survey results, the senior management of the business have received training in a number of areas to improve their leadership skills. Employee driven initiatives to look after the wellbeing of our staff include a variety of Employee Resource Groups covering mental health, racial diversity and 'Purple Women', making Eagle Eye a great place to work for women.
Shareholders	See "Seek to understand and meet shareholder needs and expectations" on page 40 of the Corporate Governance Statement.	COVID-19 meant that it was no longer possible to hold face to face meetings with shareholders, but the Group has continued to make use of video conferencing to communicate with shareholders and interim and preliminary results presentations are recorded and published on the website. The Board continues to review and revise its objectives on at least a quarterly basis to address the rapidly changing environment in which the Group operates and to ensure that investment is made where it will have the biggest return.
Customers	See "Take into account wider stakeholder and social responsibilities and their implications for long-term success" on page 40 of the Corporate Governance Statement.	The Group has continued to support its customers in the sectors worst affected by COVID-19, agreeing extended payment terms and reduced fees where applicable. In addition, the Company innovated and launched their 'Text and Trace' service to satisfy local prevention requirements. The pandemic has accelerated retailers' move to digital and our customers need a relevant digital marketing solution. Therefore we continue to invest c15% of our revenue into the product in order to maximise value for our customers.
Suppliers	See "Take into account wider stakeholder and social responsibilities and their implications for long-term success" on page 40 of the Corporate Governance Statement.	During the year our contract with our existing cloud infrastructure supplier was renewed following a competitive bid process. They were chosen for their relationship with Google, international reach and price competitiveness.
Community	The Group has a charity committee which is responsible for organising events and identifying opportunities where the Group and its employees can assist those in need. The Group engages with its landlords and neighbouring businesses to address local issues and share successes.	During FY21 we donated old laptops to local schools to aid pupils' remote learning during the COVID-19 pandemic. We also explored the options for a Group charity that we can fundraise for and support during FY22. The Group has chosen 52 Lives which is aligned with our values and has kindness at its heart.

Strength in our leadership

Tim Mason

Chief Executive Officer

Tim joined as chairman in January 2016, later moving to CEO in September 2016. Tim has over 30 years' experience within the grocery and retail industries, with a strong background in strategic marketing and customer loyalty. Previously Tim was a managing director at Sun Capital Partners and is currently a Non-executive Director at Gousto. Prior to that he was Deputy CEO at Tesco from January 2010 to December 2012. He held a number of other roles within the Tesco Group including CMO for Tesco and CEO of Fresh & Easy LLC. Whilst at Tesco, Tim was instrumental in the creation of Clubcard, Express, Personal Finance and Tesco.com.

Lucy Sharman-Munday

Chief Financial Officer and Company Secretary

Lucy joined the Group in 2014, her prior experience being in the technology sector. Her core role encompasses finance, governance and strategic growth, in addition this year she has set up the 'Purple Women' initiative. She is also currently Non-executive Director at Fonix Mobile Plc. Prior to joining Eagle Eye, she was the CFO of the 5one group, helping retailers achieve a customer centric strategy through analytics and software. She also worked for Adapt Group Ltd, a managed services company, and in 2006 iSOFT plc was an integral part of the turnaround team that successfully sold the business to IBA Health Group at the end of 2007. Lucy began her career at KPMG in 1999 and is a member of the Institute of Chartered Accountants in England and Wales.

Steve Rothwell

Founder and Chief Technology Officer

Steve's passion for building technology solutions for retailers and seeing them in action led to the creation of the Eagle Eye Group in 2003. Steve is responsible for the product vision, development and roadmap for creating technology to help retailers delight their customers. Steve previously also founded the successful software consultancy Eagle Eye Technology Limited. As a software engineer by trade, Steve has operated as a developer and technical consultant for Consult Hyperion operating in the payment and media industries. With a B.Eng in Electrical and Electronic engineering from the University of Leicester and trained as a software engineer by Ericsson.

Malcolm Wall

Non-executive Chairman

Malcolm joined the Group as a Non-executive Director in 2014, taking the role of Chairman in September 2016. He was previously CEO, and then advisor to the board, of Abu Dhabi Media Company. He is also the former Chief Executive, Content for Virgin Media where he ran Virgin's television proposition, the Virgin Media portal and their television channel groups. Malcolm joined Virgin from United Business Media, where he was Chief Operating Officer. He has also worked in senior executive roles for a number of ITV companies, including Granada, Anglia and Southern. Malcolm is currently Chairman of Dock10 Limited, Factory 42 Ltd, River Media Partners Ltd and the Harlequin Foundation.

A R

Bill Currie

Non-executive Director

Bill joined the Group as a Non-executive Director in 2011. He is the founder of the William Currie Group of companies. Previously, he was a top ranked City investment analyst, serving as Joint Managing Director of Charterhouse Securities and Director of Research at BZW. Bill and his wife, Kate were cofounders of The Fragrance Shop Ltd. His current directorships include MyEnergi Ltd, Orcha Health Ltd, Syrenis Ltd, and Belvedere Schools Ltd.

A

Sir Terry Leahy

Non-executive Director

Sir Terry joined the Group as a Non-executive Director in 2011. He became a Senior advisor to the CD&R funds in 2011 and serves as Chairman of BUT International and a Director of Motor Fuel Group. In his 32-year career at Tesco plc, Sir Terry helped to transform the company into the third-largest retailer in the world, serving in a number of senior positions including CEO from 1997 to 2011. During his CEO tenure, Tesco quadrupled both sales and profits, and expanded into new products, store formats, lines of business, and geographies. Sir Terry was chancellor of UMIST, his alma mater, from 2002 until 2004, when he became a co-chancellor of the newly-formed University of Manchester. He was honoured with a doctorate of Science from Cranfield University in June 2007.

Robert Senior

Non-executive Director

Robert joined the Group as a Non-executive Director in 2018. He was previously Worldwide CEO of Saatchi & Saatchi. Robert is a partner at Redrice Ventures, Chairman of Boys & Girls, a Dublin based independent advertising agency and is Chairman of the Durham University Campaign Board. He is on the speaker circuit and sits on the Castore sportswear board.

R

Board Committee Membership

A – Audit Committee R – Remuneration Committee

CORPORATE GOVERNANCE STATEMENT

Principles of Corporate Governance

The Directors recognise the importance of sound corporate governance and confirm that the Group is complying with the QCA Corporate Governance Code (as devised by the QCA in consultation with a number of significant institutional small company investors). The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. The Directors have explained how each principle is applied below. The Directors consider that the Group does not depart from any of the principles of the QCA Code.

Establish a strategy and business model which promote long-term value for shareholders

The Group's strategy is reviewed by the Board on an annual basis at a full day strategy event. The Group's strategy is to drive long-term value for shareholders from:

- Continued development of the Group's product offering;
- Revenue growth from both new and existing accounts;
- Realising opportunities in relevant new sectors and geographies; and
- Scaling the cost base efficiently with the objective of growing EBITDA in a controlled manner allowing for investment to drive revenue growth and then moving to cash generation in line with management expectations.

Seek to understand and meet shareholder needs and expectations

In addition to shareholders being welcomed and provided the opportunity to speak to the Directors at the Annual General Meeting, the Group has a series of events designed to educate and listen to shareholders as set out below. Due to the impact of COVID-19, a number of these events continue to be held online.

- Private investor sessions held twice per year for significant shareholders;
- Roadshows held twice per year for institutional investors;
- Annual event held covering general developments in the market and our business; and
- Equity analyst and sell-side briefings held throughout the year for broader investor insight.

Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Group's key stakeholders are its shareholders (see "Seek to understand and meet shareholder needs and expectations" above), employees, customers and suppliers. Each has their own communication and interaction strategy:

- **Employees:** The Group operates a weekly video-conference 'town hall' for all employees that provides a business update and a forum to celebrate success and for employees to ask questions. There are also additional quarterly briefings to update employees on Company performance in the previous quarter and objectives for the next quarter. This is supplemented by an annual 'Company Day' which is attended by all employees, providing strategic direction and Company objectives for the year ahead, a look back at progress and performance in the year and a recognition of those employees who have best demonstrated the Group's values.

  As part of the Group's values, we encourage employees to 'get involved'. The Group's clubs and societies such as netball, golf, theatre and hackathons all provide opportunities to do good and benefit society. The Group also has a charity committee which is responsible for organising events and identifying opportunities where the Group and its employees can assist those in need. The Group has recently chosen 52 Lives as its partner charity for the 2022 financial year. The Group has encouraged the formation of Employee Resource Groups and these include: mental health first aiders who are responsible for encouraging employee wellbeing and others promoting racial diversity and gender equality (our 'Purple Women').
- **Customers:** All customer accounts have an assigned account management team who meet regularly with their respective clients to understand their business needs and how the Group can assist them in meeting their objectives. The Group regularly issues an NPS (Net Promoter Score) survey and a working committee ensures that key take outs from the survey are acted upon. The Group holds a number of differently themed webinars during the year which give customers a flavour of what is on the product roadmap and examples of real-life uses of the Group's products. This is supplemented by an email newsletter sent to all customers.
- **Suppliers:** The Group's largest suppliers are for hosting and recruitment services. The relationships for suppliers in these categories are owned by the Chief Operating Officer/Chief Technology Officer and HR Director respectively. It is their role to meet the key suppliers on a timely basis to communicate the Group's business needs and the supplier's performance against expectations. A number of the Group's suppliers are also invited to join and present during customer webinars.

Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Directors are responsible for the Group's system of internal controls and reviewing its effectiveness.

Although no system of internal control can completely eliminate the risk of failure to achieve business objectives or provide absolute assurance against material misstatement or loss, the Group's controls are designed to provide reasonable assurance over the reliability of financial information and the Group's assets.

The key controls are as follows:

- The Executive Directors have a close involvement with the day to day operations and, with the involvement of staff, identify business risks and monitor controls;
- There is a comprehensive process of financial reporting based on the annual budget that is approved by the Board. Monthly financial results are reported with analysis of key variances against expectations;
- The Corporate risk register is owned by the executive leadership team and is reviewed by the Board on a quarterly basis. The risk register considers the impact, probability, controls in place and any mitigating factors to be considered for each risk. Where applicable, it also sets out the risk treatment plan;
- In addition, the key risks are, where applicable, reflected in the Group's ISO 27001 statement of applicability which is monitored by the Group's Security Management Team and Information Security Committee; and
- Employees are encouraged to report any new risks through the Group's internal reporting procedures.

The Group's principal risks and uncertainties are set out on pages 30 to 33.

There is currently no internal audit function as the Board and Audit Committee considers that given the Group's current stage of development, it is not necessary but this will be reviewed annually as the Group evolves.

Maintain the Board as a well-functioning, balanced team led by the Chair and ensure that between them, the Directors have the necessary up-to-date experience, skills and capabilities

The Board is responsible to shareholders for the proper management of the Group. A statement of Directors' responsibilities is set out on page 52 and the interests and experience of the Board are set out on pages 38 and 39. The Non-executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered.

The Board comprises of the Non-executive Chairman, who was independent at the time of appointment, three Executive Directors and three other Non-executive Directors. Of the Non-executive Directors, the Board considered two to be independent Directors (Robert Senior and Malcolm Wall). The Non-executive Directors have retail, media, advertising and technology business expertise.

The executive leadership team includes three members of the Board, the Chief Executive Officer (who has a retail background), the Chief Technology Officer (who has a technology background) and the Chief Financial Officer (who has a finance in technology businesses background).

The Board holds regular meetings and is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions and overseeing the Group's progress towards its goals. Each year, the Non-executive Directors are required to attend 10–12 Board and Board committee meetings as well as a whole day offsite strategy session, which helps to shape the Group's strategy for the coming year and beyond.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Board Committees

The Board has two Committees with clearly defined terms of reference which are set by the Board. The role, work and members of the committees are outlined on page 43.

Meetings of the Board and its committees held during the year and the attendance of the Directors are summarised below:

	Board meetings		Audit Committee		Remuneration Committee	
	Possible	Attended	Possible	Attended	Possible	Attended
Tim Mason	11	11	–	–	–	–
Steve Rothwell	11	11	–	–	–	–
Lucy Sharman-Munday	11	11	–	–	–	–
Bill Currie	11	11	2	2	–	–
Sir Terry Leahy	11	11	–	–	–	–
Robert Senior	11	11	–	–	4	4
Malcolm Wall	11	11	2	2	4	4

The Board has a schedule of regular business, financial and operational matters and each Board committee has compiled a schedule of work to ensure that all areas for which the Board has responsibility are addressed and reviewed during the course of the year. The Company Secretary compiles the Board and committee papers which are circulated to Directors prior to meetings. The Company Secretary provides minutes of each meeting and every Director is aware of the right to have any concerns minuted and to seek independent advice at the Group's expense where appropriate.

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board carries out an annual 360° Board assessment that assesses the objectives, strategy and remit of the Board, performance management, risk management and the experience, skills and capabilities of the Directors to manage the business. This assessment is owned by the Chairman who uses the feedback to improve reporting processes and oversight. The executive leadership team has objectives that are fed from the Group's annual strategy session. Appraisals are held twice per annum and are discussed at the Remuneration Committee.

Promote a corporate culture that is based on ethical values and behaviours

The Group has six core values that employees are recruited by (as well as skill) and are remunerated by (as well as achievement of objectives). These are:

- Excellence
- Innovation
- Integrity
- Passion
- Kindness
- Teamwork

Excellence encapsulates what the Group calls 'the Purple Standard' and is what is looked for on a day to day basis from the Group's employees and suppliers.

The Board believes that a culture based on these values provides a competitive advantage and is consistent with fulfilment of the Group's strategy. The culture is monitored through the biannual employee appraisal process and through the use of a satisfaction and engagement survey which is performed annually. The executive leadership team reviews the key findings of the survey and determines whether any action is required.

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

In addition to the Board and its committees referred to under "Maintain the Board as a well-functioning, balanced team led by the Chair and ensure that between them, the Directors have the necessary up-to-date experience, skills and capabilities" and set out in more detail below, the Group operates a number of sub-boards, each of which has a Chairman and an Executive Director sponsor and are attended by a wider cross-section of key senior managers from across the business.

- The executive leadership team reviews the day to day operations against the business objectives set within the Group's strategy;
- The Sales and Operations Board monitors the sales, strategic partnerships and project delivery required to achieve the targeted revenue growth;
- The Product Board monitors the product delivery against the roadmap and takes customer and market feeds to drive the innovation of the product that is discussed, debated and prioritised within this forum; and
- The People Board discusses all employee related matters, including reward and benefits, talent attraction and retention strategy, employee relations and recruitment.

Remuneration Committee

The Remuneration Committee is currently chaired by Robert Senior and consists of two Non-executive Directors, Robert Senior and Malcolm Wall. The Committee is expected to meet no less than twice a year. Executive Directors may attend meetings at the Committee's invitation.

The Remuneration Committee is responsible for determining and agreeing with the Board the broad policy for the remuneration and employment terms of the Executive Directors, Chairman and other senior executives and, in consultation with the Chief Executive Officer, for determining the remuneration packages of such other members of the executive management of the Group as it is designated to consider. The Committee is also responsible for the review of, and making recommendations to the Board in connection with, share option plans and performance related pay and their associated targets, and for the oversight of employee benefit structures across the Group.

The remuneration of Non-executive Directors is a matter for the Board. No Director may be involved in any decision as to their own remuneration. This Remuneration Committee report includes a summary of the remuneration policy and the Annual Report on Remuneration.

Audit Committee

The Audit Committee is chaired by Bill Currie, and consists of two Non-executive Directors, Bill Currie and Malcolm Wall. The Audit Committee meets formally not less than twice every year and otherwise as required. The external auditors are invited to each meeting and the Chief Executive Officer and Chief Financial Officer (together with members of the finance team as appropriate) attend by invitation.

The Committee assists the Board in meeting its responsibilities in respect of corporate governance, external financial reporting and internal controls, including, amongst other things, reviewing the Group's annual financial statements, reviewing and monitoring the extent of the non-audit services undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Group's internal controls and risk management systems.

In fulfilment of these objectives the Committee:

- reviews the Group's financial statements and finance-related announcements, including compliance with statutory and listing requirements. Compliance is reviewed each year with the Chief Financial Officer and enhancements are made as appropriate;
- considers whether these statements and announcements provide a fair, balanced and understandable view of the Group's strategy and performance, and of the associated risks. Further consideration of these matters is also provided by the Board as a whole;
- considers the appropriateness of accounting policies and significant accounting judgements and the disclosure of these in the financial statements;
- reviews the effectiveness of financial controls and systems. The Group does not have an internal audit function and the Committee continues to be of the view that the Group is not yet of a size and complexity to warrant the establishment of such a function; and
- oversees the relationship with and performance of the external auditors.

Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Communications with shareholders are set out above under "Seek to understand and meet shareholder needs and expectations". Meetings with analysts and institutional shareholders are held following the interim and full year results and on an ad-hoc basis. These meetings are usually held by the CEO and the CFO. There is an opportunity at the annual general meeting for individual shareholders to raise general business matters. Notice of the annual general meeting is provided at least 21 days in advance of the meeting being held.

Additionally, communications with other relevant stakeholders are set out above under "Take into account wider stakeholder and social responsibilities and their implications for long-term success". The Group's informative website contains information to be of interest to new and existing investors. In addition, the Group retains the services of a financial PR consultancy, providing an additional contact avenue for investors.

REMUNERATION COMMITTEE REPORT

Directors' remuneration policy

The Group's remuneration policy is formulated to attract and retain high-calibre executives and motivate them to develop and implement the Group's business strategy in order to optimise long-term shareholder value. It is the intention that this policy should conform to best practice standards and that it will continue to apply for 2022 and subsequent years, subject to ongoing review as appropriate.

The policy is framed around the following key principles:

- total rewards will be set at levels that are sufficiently competitive to enable the recruitment and retention of high-calibre executives;
- total incentive-based rewards will be earned through the achievement of performance conditions consistent with shareholder interests;
- the design of long-term incentives will be prudent and will not expose shareholders to unreasonable financial risk;
- in considering the market positioning of reward elements, account will be taken of the performance of the Group and of each individual Executive Director; and
- reward practice will conform to best practice standards as far as reasonably practicable.

When formulating the quantum and structure of remuneration, the Remuneration Committee takes account of a number of different factors including market practice and external market data of the level of remuneration offered to directors of similar role and seniority in other companies whose activities and size are similar, as well as the experience and performance of both the Executive Directors and the Group. In addition, the pay and employment conditions of employees are also considered when determining Directors' remuneration. The Remuneration Committee may also seek advice from external consultants where appropriate and the services of Korn Ferry were retained during the year. No Director was involved in deciding the level and composition of their own remuneration.

The Executive Directors receive an amount of fixed pay made up of a base salary, and in some cases a benefits package and pension contribution.

Short term performance for senior executives is incentivised using an annual bonus scheme based on the achievement of profitability, revenue and personal strategic goals. Long term performance is incentivised by way of a long term incentive plan ('LTIP') based on the achievement of performance goals aligned to the Company's business strategy and measured over a three-year period.

Employees of the Group are rewarded for excellent performance by the award of EMI options. Vesting of these options is based on the achievement of certain revenue and profit targets to be achieved three years after the grant of the options.

These various schemes provide the Board with tools to help it to continue to strengthen the alignment of employee and shareholder interests.

As a Company listed on AIM, the Company is not required by the Companies Act 2006 to prepare a Directors' Remuneration Report. The following parts of the Directors' remuneration report are not subject to audit.

Executive Directors' remuneration for 2021

2021 base salaries

The Executive Directors' base salaries were increased in the year effective from 1 January 2021 by 3%. Salary is considered as well as the overall remuneration packages of the Executive Directors, their relative responsibilities and the performance of the Group during the previous 12 months.

	Salary 1 January 2020 £000	Salary 1 January 2021 £000
Tim Mason	334	344
Steve Rothwell	193	199
Lucy Sharman-Munday	193	199

2021 Annual bonus

The Executive Directors have a maximum annual bonus opportunity of 100% of salary with performance measured on both personal objectives linked to the strategic direction of the business (maximum opportunity 25% of annual salary) and revenue and EBITDA achievement (maximum opportunity 75% of annual salary, split equally between revenue and EBITDA). The combined target bonus opportunity is 50% of salary. The delta between the target (50%) and the maximum (100%) represents the stretch target.

The revenue target range was between £21.1m and £27.3m; the outturn being £22.8m and the EBITDA target range between £3.5m and £4.8m with the outturn being £4.2m. This resulted in a combined payout of 31.5% (out of a maximum of 75%) for all Executive Directors. Personal Objectives are set and monitored on a quarterly based. These are based both on KPIs and objectives linked to the strategic focus of the business in the areas of responsibility for each Director.

The total bonus payable to the Executive Directors in respect of both the financial (revenue and EBITDA) and personal objective performance in FY21 was determined as set out below:

	Maximum performance	Actual performance	Actual bonus payable
Tim Mason	100% of salary payable	56.5% of salary payable	£194,478
Steve Rothwell	100% of salary payable	56.1% of salary payable	£111,598
Lucy Sharman-Munday	100% of salary payable	56.5% of salary payable	£112,344

REMUNERATION COMMITTEE REPORT CONTINUED

LTIP award granted in FY21

On 8 April 2021 LTIP awards were granted as nominal cost options under the Eagle Eye LTIP Share Option Scheme to the Executive Directors subject to the following performance targets to be met during the performance period of three financial years ending 30 June 2023.

Performance targets for FY21 LTIP awards

Performance measures	Threshold vesting	Target vesting	Stretch vesting	Super Stretch
	35% of salary (23.3% of max)	62.5% of salary (41.6% of max)	100% of salary (66.6% of max)	150% of salary
Revenue – 50% of award	£29.600m	£31.400m	£33.300m	£35.300m
Adjusted EBITDA – 50% of award	£5.800m	£6.300m	£6.700m	£7.100m

1. There is linear vesting in between each of the vesting points.
2. The Committee may scale back the level of vesting if it considers at the time of vesting that the formulaic level of vesting does not reflect the overall underlying performance of the Company or investor experience taking into account, among other matters, share price.
3. The LTIP award has a value at the date of grant of 100% of salary. To manage dilution through share awards, achievement of the Super Stretch target is likely to be satisfied with cash with no link to share price movement from the date of grant.

LTIP awards with performance period ending in FY21

The LTIP awards granted in 2019 as nominal cost options will vest as set out in the table below, to the extent the targets set were met during the performance period of three financial years ending 30 June 2021.

Performance targets	Threshold performance	Target performance	Stretch performance	Superstretch performance	Actual performance	% of award vesting
Revenue (50% of award)	£22.200m	£24.900m	£27.600m	£30.300m	£22.800m	20%
Adjusted EBITDA (50% of award)	£3.350m	£3.850m	£4.350m	£4.750m	£4.214m	45%

	Date of grant	Maximum number of shares	Number of shares vesting	Total value of LTIP award vesting[1]
Tim Mason	8 January 2019	472,500	240,345	£ 1,198,841
Steve Rothwell	8 January 2019	267,750	136,196	£ 679,346
Lucy Sharman-Munday	8 January 2019	267,750	136,196	£ 679,346

1. Value of award uses three-month average share price to 30 June 2021 of £4.998 and nominal cost exercise price of £0.01 per share as the share price on the actual date of vesting is not known.

The Committee has reviewed and is comfortable with the underlying performance of the Company and considers that no scale back of vesting levels is necessary. Given the appreciation in share price of 522.5% since the options were granted, despite the impact of COVID-19, the Committee has exercised its discretion in awarding a higher level of vesting for performance, allowing an additional 10% of the options granted to vest.

Outstanding LTIP awards

	FY	Date of grant	Type of award	Number of shares granted	Exercise price £	Vested during the year	Exercised during the year	Lapsed during the year	Vested unexercised	Total 30 June 2021	Performance period ends
Tim Mason	2016	4 January 2016	LTIP	443,165	0.01	–	108,695	–	334,470	334,470	N/A
	2017	21 September 2016	LTIP appointment award	221,388	0.01	–	–	–	153,606	153,606	N/A
	2018	9 November 2017	LTIP appointment award	221,679	0.01	–	–	–	153,808	153,808	N/A
	2018	9 November 2017	LTIP	83,871	0.01	62,408	–	21,463	62,408	62,408	N/A
	2019	8 January 2019	LTIP appointment award	221,679	0.01	–	–	–	221,679	221,679	N/A
	2019	8 January 2019	LTIP	472,500	0.01	–	–	–	–	472,500	30 June 2021
	2020	13 February 2020	LTIP	188,775	0.01	–	–	–	–	188,775	30 June 2022
	2021	8 April 2021	LTIP	142,662	0.01	–	–	–	–	142,662	30 June 2023
				1,995,719		62,408	108,695	21,463	925,971	1,729,908	
Steve Rothwell	2014	4 April 2014	EMI	292,696	0.51	–	92,696	–	–	–	N/A
	2014	4 April 2014	Unapproved	229,759	0.51	–	–	–	229,759	229,759	N/A
	2015	16 December 2014	EMI	51,545	0.51	–	51,545	–	–	–	N/A
	2016	12 January 2016	LTIP	45,926	0.01	–	–	–	45,926	45,926	N/A
	2017	21 September 2016	LTIP	96,242	0.01	–	–	–	61,497	61,497	N/A
	2018	9 November 2017	LTIP	47,527	0.01	35,365	–	12,162	35,365	35,365	N/A
	2019	8 January 2019	LTIP	267,750	0.01	–	–	–	–	267,750	30 June 2021
	2020	13 February 2020	LTIP	109,050	0.01	–	–	–	–	109,050	30 June 2022
	2021	8 April 2021	LTIP	82,412	0.01	–	–	–	–	82,412	30 June 2023
				1,222,907		35,365	144,241	12,162	372,547	831,759	
Lucy Sharman–Munday	2015	17 July 2014	EMI	62,500	1.55	–	55,000	–	7,500	7,500	N/A
	2015	3 November 2014	EMI	62,500	1.55	–	–	–	62,500	62,500	N/A
	2016	12 January 2016	LTIP	39,383	0.01	–	–	–	39,383	39,383	N/A
	2017	21 September 2016	LTIP	91,582	0.01	–	–	–	58,520	58,520	N/A
	2018	9 November 2017	LTIP	47,527	0.01	35,365	–	12,162	35,365	35,365	N/A
	2019	8 January 2019	LTIP	267,750	0.01	–	–	–	–	267,750	30 June 2021
	2020	13 February 2020	LTIP	109,050	0.01	–	–	–	–	109,050	30 June 2022
	2021	8 April 2021	LTIP	82,412	0.01	–	–	–	–	82,412	30 June 2023
				762,704		35,365	55,000	12,162	203,268	662,480	

1. Tim Mason made a gain of £487,000 on the exercise of share options during the year. A gain had previously been recognised in the Total Directors' Remuneration table under Long-term incentives on vesting of the options.
2. Steve Rothwell made a gain of £572,000 on the exercise of share options during the year. A gain had previously been recognised in the Total Directors' Remuneration table under Long-term incentives on vesting of the options.
3. Lucy Sharman-Munday made a gain of £161,000 on the exercise of share options during the year. A gain had previously been recognised in the Total Directors' Remuneration table under Long-term incentives on vesting of the options.

REMUNERATION COMMITTEE REPORT CONTINUED

Performance targets for FY20 LTIP awards

Performance measures	Threshold vesting	Target vesting	Stretch vesting	Super Stretch vesting
	35% of salary (23.3% of max)	62.5% of salary (41.6% of max)	100% of salary (66.6% of max)	150% of salary
Revenue – 50% of award	£28.300m	£30.700m	£33.100m	£35.500m
Adjusted EBITDA – 50% of award	£5.700m	£6.100m	£6.600m	£8.400m

1. There is linear vesting in between each of the vesting points.
2. The Committee may scale back the level of vesting if it considers at the time of vesting that the formulaic level of vesting does not reflect the overall underlying performance of the Company or investor experience taking into account, among other matters, share price.
3. The LTIP award has a value at the date of grant of 100% of salary. To manage dilution through share awards, achievement of the Super Stretch target is likely to be satisfied with cash with no link to share price movement from the date of grant.

Company Chairman and Non-executive Directors

The Non-executive Directors' fees were reviewed with effect from 1 January 2021 with no changes being made. The fee for the Company Chairman was held at £60,000, the Non-executive Directors' base fee at £30,000 with additional fees for chairing the Remuneration Committee and Audit Committee at £5,000.

Total Directors' Remuneration

The table below sets out the total remuneration payable to the Directors:

30 June 2021	Salary and fees £000	Annual bonus[1] £000	Other benefits[2] £000	Pension £000	Long-term incentives[3] £000	Total £000
Tim Mason	339	194	15	–	1,199	1,747
Steve Rothwell	196	112	22	7	679	1,016
Lucy Sharman–Munday	196	112	27	7	679	1,021
Malcolm Wall[4]	60	–	–	–	–	60
Robert Senior	35	–	–	–	–	35
Terry Leahy	30	–	–	–	–	30
Bill Currie	35	–	–	–	–	35
	891	418	64	14	2,557	3,944

1. The annual bonus shown in the table above for FY21 is in respect of performance for FY21 (and is paid in FY22).
2. Benefits represent allowances payable, including car allowance.
3. The performance period for the FY19 LTIP awards (granted January 2019) ended on 30 June 2021. The awards are valued using the average share price for the last 3 months of the financial year (as the date of vesting is after approval of this report).
4. Malcolm Wall fulfilled the role as Remuneration Committee chair during the period from July 2018 to November 2019 in addition to his role as Chairman.

30 June 2020	Salary and fees £000	Annual bonus[5] £000	Other benefits £000	Pension £000	Long-term incentives[6] £000	Total £000
Tim Mason	329	168	15	–	98	610
Steve Rothwell	190	92	2	6	55	345
Lucy Sharman–Munday	190	98	5	9	55	357
Malcolm Wall[4]	63	–	–	–	–	63
Robert Senior	35	–	–	–	–	35
Terry Leahy	30	–	–	–	–	30
Bill Currie	35	–	–	–	–	35
	872	358	22	15	208	1,475

5. The annual bonus shown for FY20 is in respect of performance for FY20 and was paid in FY21.
6. The value of the LTIP awards has been updated from last year's disclosure to reflect the actual share price on vesting.

Application of remuneration policy for FY22

Base salaries

The Executive Directors base salaries will be reviewed by the Remuneration Committee during the course of the year with any increases effective from 1 January 2022.

Annual bonus

The Executive Directors annual bonus opportunity will follow the same format as FY21 with a maximum annual bonus opportunity of 100% of salary with performance measured both on personal objectives linked to the strategic direction of the business (maximum opportunity 25% of annual salary) and revenue and EBITDA achievement (maximum opportunity 75% of annual salary, split equally between revenue and EBITDA). The combined target bonus opportunity is 50% of salary. The delta between the target (50%) and the maximum (100%) represents the stretch target.

LTIP awards

The Committee intends to grant LTIP awards to the Executive Directors over shares with a value equivalent to up to 150% of salary, subject to achievement of stretching Revenue and EBITDA targets measured over three financial years to 30 June 2024. The targets will be determined prior to awards being granted and will be disclosed in the FY22 Remuneration Report.

Company Chairman and Non-executive Directors

The fees for the Company Chairman and Non-executive Directors will be reviewed during the course of the year with any increases effective from 1 January 2022.

Shares held by Directors

	Beneficially owned shares 30 June 2020	Beneficially owned shares 30 June 2021	Unvested subject to performance targets 30 June 2020	Unvested subject to performance targets 30 June 2021	Vested unexercised 30 June 2020	Vested unexercised 30 June 2021
Tim Mason	241,839	318,534	745,146	803,937	972,258	925,971
Steve Rothwell	1,511,672	1,355,913	424,327	459,212	481,423	372,547
Lucy Sharman-Munday	39,982	39,982	424,327	459,212	222,903	203,268
Malcolm Wall	37,529	37,529	–	–	–	–
Robert Senior	27,190	27,190	–	–	–	–
Bill Currie	3,413,322	3,413,322	–	–	–	–
Terry Leahy	2,420,970	2,420,970	–	–	–	–

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2021.

Principal activities, business review and future developments

The principal activity of the Group is enabling businesses to create digital connections enabling personalised real-time marketing, through the provision of its marketing technology software as a service solution.

Corporate Status

Eagle Eye Solutions Group plc (the 'Company') is a public limited Company domiciled in the United Kingdom and was incorporated in England & Wales with Company number 8892109 on 12 February 2014. The Company has its registered office at 5 New Street Square, London EC4A 3TW. The principal places of business of the Group are its offices in Guildford, Manchester and London and it also operates in Toronto, Canada, Melbourne, Australia and Jacksonville, Florida, USA.

Directors

Tim Mason
Steve Rothwell
Lucy Sharman-Munday
Bill Currie
Sir Terry Leahy
Robert Senior
Malcolm Wall

The Company has agreed to indemnify its Directors against third party claims which may be brought against them and has put in place a Directors' and officers' insurance policy.

The market price of the Company's shares at the end of the financial year was £5.23 and the range of the market price during the year was between £1.69 and £5.48.

Substantial Shareholdings

At 20 September 2021, the Directors have been notified of the following beneficial interests in excess of 3% of the issued share capital of the Company (excluding those shares held in treasury).

	Total shares	%
Bill Currie *	3,413,322	13.08
Canaccord	3,400,218	13.03
Sir Terry Leahy *	2,420,970	9.28
Andrew Sutcliffe *	1,593,133	6.10
Stonehage Fleming Investment Limited	1,537,001	5.89
Steve Rothwell	1,355,913	5.20
Christopher Gorell Barnes	1,344,866	5.15
Julian Reiter	1,318,000	5.05
Timothy Miller	814,010	3.12

* Includes shares held by family members

Research and Development

Details of the Group's policy for the recognition of expenditure on research and development of its Eagle Eye AIR platform and other products are set out in note 1 of the consolidated financial statements.

Risk Management Objectives and Policies

Details of the Group's financial risk management objectives and policies are set out in note 16 of the consolidated financial statements. The key non-financial risks that the Group faces are set out on pages 30 to 33 of the Strategic Report.

Related Party Transactions

Details of the Group's transactions and year end balances with related parties are set out in note 20 of the consolidated financial statements.

Dividends

The Directors do not recommend the payment of a dividend (2020: £nil).

Strategic report

The Company has chosen in accordance with Companies Act 2006, section 414C (11) to set out in the Company's Strategic Report on pages 14 to 37 information required to be contained in the Directors' Report by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7, where not already disclosed in the Directors' Report, including trends and factors affecting the Group and an analysis of the development and performance of the business, including key performance indicators.

Events after the reporting period

There are no events after the end of the reporting period which need to be reported.

Statement as to disclosure of information to the auditor

The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditor

RSM UK Audit LLP were appointed for the year ended 30 June 2021 and have indicated their willingness to continue in office.

By order of the Board

Lucy Sharman-Munday,
Company Secretary
5 New Street Square
London
EC4A 3TW

21 September 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors have elected under company law to prepare Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and have elected under company law to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group financial statements are required by law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position and performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

(a) select suitable accounting policies and then apply them consistently;

(b) make judgements and accounting estimates that are reasonable and prudent;

(c) for the Group financial statements, state whether they have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and for the Company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements;

(d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EAGLE EYE SOLUTIONS GROUP PLC

Opinion

We have audited the financial statements of Eagle Eye Solutions Group Plc (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2021 which comprise the consolidated statement of profit or loss and total comprehensive income, consolidated and Company statements of financial position, consolidated and Company statements of changes in equity, consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard 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. Our evaluation of the Directors' assessment of the Group's and parent Company's ability to continue to adopt the going concern basis of accounting included review of the reasonableness of financial forecasts prepared by the Directors covering at least 12 months from the signing of accounts, assessment and challenge of management assumptions utilised in those forecasts and applying appropriate sensitivities to assess the availability of adequate headroom within the Group's banking facilities to support the going concern basis.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern for a period of at least 12 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF EAGLE EYE SOLUTIONS GROUP PLC

Summary of our audit approach

Key audit matters	**Group** · Revenue recognition No key audit matters are identified in respect of the parent Company
Materiality	**Group** · Overall materiality: £283k (2020: £193k) · Performance materiality: £212k (2020: £144k) **Parent Company** · Overall materiality: £170k (2020: £97k) · Performance materiality: £127k (2020: £72k)
Scope	Our audit procedures covered 100% of revenue and 94% of net assets

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no parent Company key audit matters to communicate in our report.

Revenue recognition

Key audit matter description	(Refer to page 63 regarding the accounting policy in respect of revenue recognition, page 68 in respect of critical judgements and estimates applied by the Directors and note 3 to the financial statements on page 69). Appropriate and accurate revenue recognition in accordance with the requirements of IFRS 15 'Revenue from Contracts with Customers' is required to be applied by the Directors to ensure that revenue is fairly stated in the financial statements. There are risks that customer contracts and the inherent performance obligations and their transaction prices are not appropriately identified and/or that revenue recognised in the period does not reflect the stage of service delivery. These risks could result in material errors in the revenue recognised. The audit team itself also spent considerable time and effort to gain sufficient comfort over this area. As such revenue recognition considered a key audit matter.
How the matter was addressed in the audit	We have performed detailed testing on revenue taking into consideration the required revenue recognition for different contract performance obligations. A sample of sales recognised in the period were agreed back to the underlying contracts and sales invoices. The amounts invoiced were then recalculated based on the terms in the contracts and compared to the revenue reported to determine if it had been recognised in line with the Group's accounting policies and the requirements of IFRS 15. The recognition of accrued and deferred income applying the principles of IFRS 15 and the Group's accounting policies was considered and tested as was the treatment sales commissions and set-up costs to ensure they had been treated appropriately. Significant new contracts and modifications to existing contracts were separately reviewed to determine if revenue recognition was in accordance with the IFRS 15 as per the Group's stated accounting policies. Controls testing was undertaken to determine the completeness of revenue recognised in the period.
Key observations	The distinction as to the nature of development services and resulting conclusion as to whether a separate performance obligation exists in relation to these services is noted as a key judgement as disclosed on page 68.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

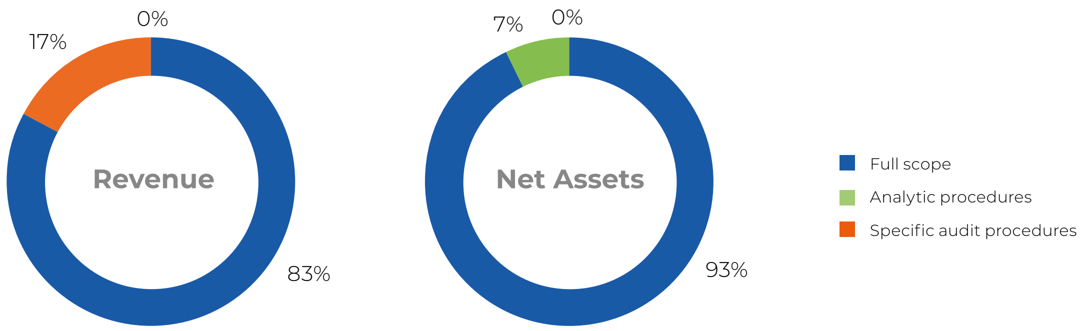
	Group	Parent Company
Overall materiality	£283k (2020: £193k)	£170k (2020: £97k)
Basis for determining overall materiality	7% of Adjusted EBITDA*	1% of total assets
Rationale for benchmark applied	Adjusted EBITDA* is considered to be the key indication of the performance of the business by its major stakeholders.	Total assets in the non-trading parent Company is considered to be the key indication of the value of trading subsidiary companies.
Performance materiality	£212k (2020: £144k)	£127k (2020: £72k)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £14,100 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £8,500 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

* Adjusted EBITDA excludes share-based payment charges along with depreciation, amortisation, interest and tax from the measure of profit.

An overview of the scope of our audit

The Group consists of 6 components, of which three are based in the UK, two are based in North America and one is based in Australia.

The coverage achieved by our audit procedures was:



Full scope audits were performed for two components and analytical procedures were performed at Group level for the remaining four components. No separate component auditors were involved on these audits.

Other information

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

INDEPENDENT AUDITOR'S REPORT CONTINUED
TO THE MEMBERS OF EAGLE EYE SOLUTIONS GROUP PLC

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement set out on page 52, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk 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 and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the Group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the Group and parent Company operate in and how the Group and parent Company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team included:
IFRS, FRS 102 and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklists to identify areas of non-compliance.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	Please refer to key audit matters section of the audit report for further details on the testing performed on this key audit matter.
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

Alastair John Richard Nuttall (Senior Statutory Auditor),
For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants
3 Hardman Street
Manchester
M3 3HF

21 September 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 £000	2020 £000
Continuing operations			
Revenue	3	22,800	20,421
Cost of sales		(2,134)	(1,318)
Gross profit		20,666	19,103
Operating expenses		(20,432)	(19,145)
Adjusted EBITDA[1]		4,215	3,278
Share-based payment charge		(877)	(464)
Depreciation and amortisation		(3,104)	(2,856)
Operating profit/(loss)	4	234	(42)
Finance income	6	–	1
Finance expense	6	(108)	(291)
Profit/(loss) before taxation		126	(332)
Taxation	7	(183)	(122)
Loss after taxation for the financial year		(57)	(454)
Foreign exchange adjustments		(100)	(98)
Total comprehensive loss attributable to the owners of the parent for the financial year		(157)	(552)
Loss per share from continuing operations			
Basic and diluted	8	(0.22)p	(1.77)p

1. Adjusted EBITDA excludes share-based payment charge, depreciation and amortisation from the measure of profit.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	2021 £000	2020 £000
Non-current assets			
Intangible assets	9	6,527	6,494
Contract fulfilment costs	10	196	209
Property, plant and equipment	11	826	903
Deferred taxation	15	121	121
		7,670	7,727
Current assets			
Trade and other receivables	12	6,194	4,840
Current tax receivable		221	–
Cash and cash equivalents	16	1,713	1,519
		8,128	6,359
Total assets		15,798	14,086
Current liabilities			
Trade and other payables	13	(8,575)	(7,879)
Financial liabilities	14	(900)	–
		(9,475)	(7,879)
Non-current liabilities			
Other payables	13	(928)	(1,783)
Total liabilities		(10,403)	(9,662)
Net assets		5,395	4,424
Equity attributable to owners of the parent			
Share capital	17	261	257
Share premium	17	17,503	17,256
Merger reserve	17	3,278	3,278
Share option reserve		3,997	3,525
Retained losses		(19,644)	(19,892)
Total equity		5,395	4,424

These financial statements were approved by the Board on 21 September 2021 and signed on its behalf by:

L Sharman-Munday
Director

T Mason
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Share capital £000	Share premium £000	Merger reserve £000	Share option reserve £000	Retained losses £000	Total £000
Balance at 1 July 2019	255	17,066	3,278	3,236	(19,515)	4,320
Loss for the financial year	–	–	–	–	(454)	(454)
Other comprehensive income						
Foreign exchange adjustments	–	–	–	–	(98)	(98)
	–	–	–	–	(552)	(552)
Transactions with owners recognised in equity						
Exercise of share options	2	190	–	–	–	192
Fair value of share options exercised in the year	–	–	–	(175)	175	–
Share-based payment charge	–	–	–	464	–	464
	2	190	–	289	175	656
Balance at 30 June 2020	257	17,256	3,278	3,525	(19,892)	4,424
Loss for the financial year	–	–	–	–	(57)	(57)
Other comprehensive income						
Foreign exchange adjustments	–	–	–	–	(100)	(100)
	–	–	–	–	(157)	(157)
Transactions with owners recognised in equity						
Exercise of share options	4	247	–	–	–	251
Fair value of share options exercised in the year	–	–	–	(405)	405	–
Share-based payment charge	–	–	–	877	–	877
	4	247	–	472	405	1,128
Balance at 30 June 2021	261	17,503	3,278	3,997	(19,644)	5,395

Included in Retained losses is a cumulative foreign exchange loss balance of £(69,000) (2020: profit £31,000).

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	2021 £000	2020 £000
Cash flows from operating activities		
Profit/(loss) before taxation	126	(332)
Adjustments for:		
Depreciation	297	370
Amortisation	2,806	2,487
Share-based payment charge	877	464
Finance income	–	(1)
Finance expense	108	291
Increase in trade and other receivables	(1,233)	(1,222)
(Decrease)/increase in trade and other payables	(15)	3,793
Income tax paid	(563)	(180)
Income tax received	–	389
Net cash flows from operating activities	2,403	6,059
Cash flows from investing activities		
Payments to acquire property, plant and equipment	(221)	(68)
Payments to acquire intangible assets and contract fulfilment costs	(2,826)	(2,815)
Net cash flows used in investing activities	(3,047)	(2,883)
Cash flows from financing activities		
Net proceeds from issue of equity	251	192
Proceeds from borrowings	2,200	2,000
Repayment of borrowings	(1,300)	(4,600)
Capital payments in respect of leases	(104)	(224)
Interest paid in respect of leases	(38)	(44)
Interest received	–	2
Interest paid	(71)	(248)
Net cash flows from financing activities	938	(2,922)
Net increase in cash and cash equivalents in the year	294	254
Foreign exchange adjustments	(100)	(98)
Cash and cash equivalents at beginning of year	1,519	1,363
Cash and cash equivalents at end of year	1,713	1,519

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Accounting policies

Basis of preparation

These consolidated financial statements have been prepared on a going concern basis under the historical cost convention, and in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and the International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) that are effective or issued and early adopted as at the date of these financial statements and in accordance with the provisions of the Companies Act 2006.

Adjusted EBITDA (see note 21) is presented in the income statement as the Directors consider this performance measure provides a more accurate indication of the underlying performance of the Group and is commonly used by City analysts and investors.

The preparation of financial statements requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 2.

The presentational and functional currency of the Group is Sterling. Results in these financial statements have been prepared to the nearest £1,000.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2020 and not early adopted

The IASB and IFRIC have issued the following relevant standards and interpretations with effective dates as noted below:

Standard	Key requirements	Effective date (for annual periods beginning on or after)
Annual Improvements 2018–2020	The amendment provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification.	1 June 2021
IFRS 17, 'Insurance contracts' as amended in June 2020 by amendments to 'IFRS 17, Insurance Contracts'	The standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.	1 January 2023
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	The amendments affect the presentation of liabilities in the statement of financial position, but not the amount or timing of recognition of any asset, liability, income or expense.	1 January 2021

There are no other IFRSs, IFRIC interpretations or amendments that are not yet effective that would be expected to have a material impact on the Group.

Going concern

As part of their going concern review the Directors have followed the guidelines published by the Financial Reporting Council entitled 'Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks- Guidance for directors of companies that do not apply the UK Corporate Governance Code'.

The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of approval of these consolidated financial statements. In developing these forecasts, the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period. A number of forecasts have been produced which take into consideration different assumptions on the timing and extent of recovery from COVID-19, including the likely different recovery profiles of the different sectors in which the Group's services are offered.

On the basis of the above projections, and although the Group has net current liabilities at 30 June 2021, the Directors are confident that the Group has sufficient working capital and available funds to honour all of its obligations to creditors as and when they fall due. In reaching this conclusion, the Directors have considered the forecast cash headroom, including the impact of the extension of the revolving credit facility with Barclays Bank plc and the covenants associated with it, the resources available to the Group and the potential impact of changes in forecast growth and other assumptions, including the potential to avoid or defer certain costs and to reduce discretionary spend as mitigating actions in the event of such changes. Accordingly, the Directors continue to adopt the going concern basis in preparing these consolidated financial statements.

Basis of consolidation

The consolidated financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 30 June each year. Subsidiaries are entities where the Company has: power over the entity; exposure, or rights, to variable returns from its involvement with the entity; and the ability to use its power over the entity to affect the amount of its returns. The Group generally obtains and exercises control through voting rights.

The results of subsidiaries acquired are consolidated from the date on which control passed under the acquisition method. This involves the recognition at fair value of the assets, liabilities and contingent liabilities of the subsidiary at the acquisition date. These fair values are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from contracts with customers for the provision of the Group's services, excluding any applicable sales taxes, and is recognised at the point that the performance obligations to the customer have been satisfied, as set out below.

Products and Services	Nature and timing of satisfaction of performance obligations and significant payment terms
Development and set up fees	The Group uses an Agile methodology in its development. When delivering services to certain clients the nature of this development is that the exact form and functionality of the final solution is agreed through consultation with the client as the development progresses. In these circumstances, the development phase of the project which is not integral to the provision of the basic Software as a Service (SaaS) solution is a separate performance obligation, which is delivered over the period of development, with revenue recognised based on the number of hours worked. In other cases, where the client has purchased the Group's standard product, there is a single performance obligation– the delivery of a SaaS solution. In these circumstances, the development and set up fees will be recognised over the period from when the SaaS solution is launched to the client to the end of the contract period.
Subscription fees	Subscription fees covering, inter alia, licences, hosting and support services, form part of the SaaS performance obligation and are recognised over time from when the SaaS solution is made available to the end of the contract period. Generally for the provision of a SaaS solution, such revenue is recognised on a straight line basis. Subscription fees are invoiced on a monthly, quarterly, bi-annual or annual basis. Where invoices are raised in advance of the performance obligation being satisfied, a portion is recognised in deferred income in the Statement of Financial Position.
Transactional fees	Transactional fees are linked to transactional volumes and are recognised as the transactions occur, due to the inherent unpredictability of their timing and volume.

Where the services provided to a client represent a single performance obligation the entire transaction price is allocated to that performance obligation. In determining the transaction price, consideration is given to any amounts collected on behalf of third parties, which are not included within the transaction price, and whether there is any financing component. The Group's credit terms offered to its clients mean that there is no finance component to amounts charged to clients.

Where a contract covers multiple performance obligations, such as where the development phase of a project and the delivery of the SaaS solution represent separate performance obligations, the transaction price for each individual performance obligation will be determined by considering a number of factors including the stand alone selling price for the services provided to satisfy the performance obligation, any variable consideration and the properties of any associated licences.

Cost of sales

The Group's cost of sales includes costs directly attributable to distinct sales including the cost of sending SMS messages, revenue share agreements and outsourced bespoke development work.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 Accounting policies continued

Operating profit/(loss)

Operating profit/(loss) comprises the Group's revenue for the provision of services, less the costs of providing those services and administrative overheads, including depreciation and amortisation of the Group's non-current assets.

Property, plant and equipment

Purchased property, plant and equipment is stated at cost less accumulated depreciation and any provision for impairment losses.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged so as to write off the costs of assets over their estimated useful lives, on the following bases:

Right of use assets	In line with term of lease
Computer equipment	2 to 3 years, straight-line
Office furniture and fittings	3 to 5 years, straight-line

The economic lives of assets are reviewed by the Directors on at least an annual basis and are amended as appropriate.

Intangible assets

Goodwill

Goodwill arising on business combinations represents the difference between the consideration for a business acquisition and the fair value of the net identifiable assets acquired, less any accumulated impairment losses. The consideration for a business acquisition represents the fair value of assets given and equity instruments issued in return for the assets acquired. Goodwill is not amortised but is subject to an impairment review which is performed at least annually.

Costs to obtain contracts

The Group recognises the incremental costs of obtaining contracts with customers as an asset if those costs are expected to be recoverable, and records them in 'intangible assets' in the Consolidated Statement of Financial Position. Incremental costs of obtaining contracts are those costs that the Group incurs to obtain a contract with a customer that would not have been incurred if the contract had not been obtained and are amortised over the expected initial period of the client relationship. The Group does not reinstate costs previously expensed should the recognition criteria be met in a later period.

Internally-generated development intangible assets

An internally-generated development intangible asset arising from the Group's product development is recognised as intellectual property if, and only if, the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- its intention to complete the intangible asset and use or sell it
- its ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- its ability to measure reliably the expenditure attributable to the intangible asset during its development

Internally-generated development intangible assets are amortised in the statement of comprehensive income on a straight-line basis over their estimated useful lives of three years.

Where no internally-generated intangible asset can be recognised, research and development expenditure is recognised as an expense in the period in which it is incurred.

Contract fulfilment costs

The Group recognises the costs incurred in fulfilling future performance obligations for contracts with customers, where those costs are directly associated with the contract, as an asset if those costs are expected to be recoverable, and records them in 'other assets' in the Consolidated Statement of Financial Position. Costs associated with fulfilment of future performance obligations are amortised over the period that those specific performance obligations are performed.

Impairment of non-current assets

The Group reviews the carrying amounts of its assets annually to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group 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 at least annually and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. In the case of a cash-generating unit, any impairment loss is charged first to any goodwill in the cash-generating unit and then pro rata to the other assets of the cash-generating unit.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contracted rights to the cash flows from the financial asset expire or when the contracted rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets

(a) Trade and other receivables

Trade and other receivables are recognised initially at their fair value and then at amortised cost using the effective interest method. Appropriate provisions for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the assets are impaired. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits held on call with banks. The Group does not consider cash received on behalf of and due to the Group's clients as cash and cash equivalents. These amounts are held within other debtors.

Financial liabilities and equity

(c) Trade and other payables

Trade payables are recognised initially at their fair value and then amortised cost.

(d) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

(e) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 Accounting policies continued

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract is a lease, the Group assesses whether:

- The contract involves the use of an identified asset;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the contracted fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to £nil.

Short term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets which the Group considers to be any lease with an annual cost of less than £5,000. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Employee benefits

The Group operates a defined contribution auto-enrolment personal pension scheme for employees of the Group. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension costs charged in the income statement are the contributions payable to the scheme in respect of the accounting period.

Current and deferred income tax

Current tax

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Share-based payments

The Company issues equity-settled share-based remuneration to certain employees as consideration for services. Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted calculated using the Black-Scholes model. The fair value determined at the grant date of equity-settled share-based payments is recognised as an expense over the vesting period on a straight-line basis, based on the Group's estimate of the number of instruments that will eventually vest with a corresponding adjustment to equity. The expected life used in the valuation, based on the Directors' best estimate, takes account of the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting and market vesting conditions are taken into account when estimating the fair value of the options at grant date. Service and non-market vesting conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

When the options are exercised the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

Equity

Equity comprises the following:

- Share capital, representing the nominal value of issued shares of the Company;
- Share premium, representing the excess over the nominal value of the fair value of consideration received for shares, net of expenses of the share issue;
- Merger reserve, representing the excess of the Company's investment over the nominal value of Eagle Eye Solutions Limited's shares acquired using the principles of merger accounting;
- Share option reserve, representing the cost of equity-settled share-based payments until such share options are exercised or lapse; and
- Retained losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2 Critical accounting estimates and judgements

The preparation of these consolidated financial statements requires the Directors to make judgements and estimates that affect the reported amounts of assets and liabilities at each reporting date and the reported amounts of revenue during the reporting periods. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates. Information about such judgements and estimations are contained in individual accounting policies. The key judgements and sources of estimation uncertainty that could cause an adjustment to be required to the carrying amount of assets or liabilities within the next accounting period are outlined below:

Capitalisation of internally-generated intangible assets

Careful judgement by the Directors is applied when deciding whether the recognition requirements as defined within IAS 38 Intangible Assets for development costs have been met. This is necessary as the economic success of any product development is uncertain until such time as technical viability has been proven and commercial supply agreements are likely to be achieved. Judgements are based on the information available at each reporting date which includes contracts signed, pipeline conversations and results of QA testing. In addition, all internal activities related to research and development of new products are continuously monitored by the Directors through the Product Board. The Directors exercise judgement in determining the costs to be capitalised and will use estimates to determine the useful economic life to be applied to the asset.

Impairment of internally-generated intangible assets

The Group reviews the carrying value of its assets annually to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists a review of the recoverable value of the asset is performed. This review involves the use of judgement to consider the future projected income streams that will result from the aforementioned costs. The expected future cash flows are modelled and discounted over the estimated expected life of the assets in order to test for impairment. In the years represented in these consolidated financial statements no impairment charge was recognised as a result of these reviews. The carrying value of internally generated intangible assets at 30 June 2021 is £4.1 million (2020: £4.0 million).

Impairment of goodwill

The Group determines whether goodwill arising on acquisitions is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires the Directors to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The Group's patented, proprietary technology and service offering are unique and there are therefore no direct competitors against whom forecast growth and discount rates can be compared. Therefore the growth and discount rates are selected based on comparison with those of the Group's partners and those companies that the Group is compared with by City analysts and investors.

The actual cash flows may be different from the Directors' estimates, which could impact the carrying value of the goodwill and therefore operating results negatively. The carrying value of goodwill at 30 June 2021 is £2.7 million (2020: £2.7 million).

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a client and is recognised when the performance obligations specified in a contract are transferred to a client, which may be at a point in time or over time.

For the Group's largest clients, the initial stage of engagement will often include scoping and rescoping of the solution, working in consultation with our clients under an agile methodology. In this case revenue for the implementation services will be recognised as the scoping and development of the solution is completed. Otherwise, the performance obligation is the delivery of a SaaS solution and the implementation is an integral part of this. The associated revenue will therefore be recognised over the period that the service is live, post implementation. Therefore the Directors must exercise their judgement in determining those instances where the implementation services form a separate performance obligation for the client.

Revenue related to implementation services in the year to 30 June 2021 was £5,887,000 (2020: £5,505,000).

Once a service is live for a client there is generally only one performance obligation– the provision of the SaaS solution. This meets the criteria to be recognised over time and, because the SaaS solution should be provided on a continuing basis, the Directors have exercised their judgement that it is appropriate to recognise this revenue on a straight-line basis, reflecting the passage of time.

Contract costs

Costs associated with winning new contracts, such as sales commission for the Group's 'Win' sales team, are capitalised within intangible assets and amortised over the longer of the contract period or the expected term of the client relationship, where significant further costs are not expected to be incurred for renewal. Costs associated with implementation of the Group's SaaS solution are capitalised as Contract fulfilment costs and amortised over the period of the performance obligation. The Directors exercise judgement in determining the costs to be capitalised and use estimates to determine the expected term of the client relationship. Contract costs capitalised in the year to 30 June 2021 were £654,000 (2020: £463,000).

Share-based payment charge

The Group issues share options to certain employees. The Black-Scholes model is used to calculate the appropriate charge for these options. The choice and use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate risk-free interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge. In addition, the Directors estimate the percentage of options that are expected to vest considering the likelihood of achieving performance targets and employee churn rates. Should more options vest than estimated the charge would increase.

The total charge recognised in the year to 30 June 2021 is £877,000 (2020: £464,000). Further information on share options can be found in note 18.

Deferred tax asset recognition

The Directors' judgement is required to determine the amount of tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Although the tax losses brought forward are not expected to expire and despite the Group's increased EBITDA profit in the Year, given the impact of COVID-19, the Group's history of recent taxable losses and continued investment for growth, an asset is only expected to be probable for two years from the date of these financial statements and therefore in the judgement of the Directors the tax losses carried forward over and above expected profits for the next two years do not meet the 'probable' definition criteria for an asset within IAS 12. The value of the unrecognised tax losses at 30 June 2021 was £22.4 million (2020: £22.4 million). The value of the deferred tax asset not recognised at 30 June 2021 was £5.6 million (2020: £4.3 million). Further information on the Group's deferred tax position can be found in note 15.

3 Revenue analysis

The Group is organised into one principal operating division for management purposes. Therefore the Group has only one operating segment and segmental information is not required to be disclosed. All non-current assets are held in the United Kingdom.

Revenue is analysed as follows:

Service	2021 £000	2020 £000
Development and set up fees	5,887	5,505
Subscription and transaction fees	16,913	14,916
	22,800	20,421

Product	2021 £000	2020 £000
AIR revenue	20,164	19,165
Messaging revenue	2,636	1,256
	22,800	20,421

Timing	2021 £000	2020 £000
Services transferred over time	22,800	20,421

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3 Revenue analysis continued

In the year to 30 June 2021, revenue from three of the Group's customers represented more than 10% of the Group's revenue. Revenue related to those customers was £5,396,000, £4,159,000 and £2,501,000 respectively. In the year to 30 June 2020, revenue from two of the Group's customers represented more than 10% of the Group's revenue. Revenue related to those customers was £6,101,000 and £5,121,000 respectively.

All revenues are from external customers. Continuing revenues can be attributed to the following geographical locations, based on the customer's location:

	2021 £000	2020 £000
United Kingdom	13,495	13,398
North America	7,857	6,706
Rest of Europe	116	159
Asia Pacific	1,332	158
	22,800	20,421

The amount of revenue recognised in 2021 from performance obligations satisfied (or partially satisfied) in previous periods is £nil (2020: £nil).

Transaction price allocated to the remaining performance obligation

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	2022 £000	2023 £000	2024 £000	Total £000
Development and set up fees	3,963	712	89	4,764
Subscription fees	17,597	3,805	84	21,486
	21,560	4,517	173	26,250

No consideration from contracts with customers is excluded from the amounts presented above.

4 Operating profit/(loss)

Operating profit/(loss) is stated after charging to the statement of comprehensive income:

	2021 £000	2020 £000
Depreciation of owned tangible assets	121	149
Depreciation of right of use assets	176	221
Amortisation of intangible assets	2,324	2,112
Amortisation of contract fulfilment costs	482	375
Net employee costs (see note 5)	10,172	9,281
IT infrastructure costs	4,176	3,760
Expenses relating to short-term leases	261	243
Auditor's remuneration		
Audit of parent and consolidated accounts	30	35
Audit of the Company's subsidiaries	33	33
Non-audit services		
Other non-audit services[1]	35	52
Research and development	413	661

1. Other non-audit services includes tax services of £Nil (2020: £15,000) and Sarbanes Oxley compliance costs for Eagle Eye Solutions Canada Limited of £35,000 (2020: £33,000).

5 Particulars of staff

The average number of persons employed by the Group, including Executive Directors, during the year was:

	2021 No	2020 No
Product development	50	52
Operations	53	49
Sales and administration	38	38
	141	139

The aggregate payroll costs of these persons were:

	2021 £000	2020 £000
Wages and salaries	10,456	10,149
Share-based payment charge	877	464
Social security costs	1,310	1,148
Pension costs-defined contribution plan	355	335
	12,998	12,096
Less: amounts capitalised as intellectual property	(2,172)	(2,352)
Less: amounts capitalised as contract costs	(654)	(463)
	10,172	9,281

Key management remuneration

Remuneration of the key management team, which includes the executive leadership team including Directors, during the year was as follows:

	2021 £000	2020 £000
Aggregate emoluments including short-term employee benefits	1,714	1,738
Share-based payment charge	752	395
Pension costs-defined contribution plan	27	29
Social security costs	236	240
	2,729	2,402

Directors' remuneration

Remuneration of Directors during the year was as follows:

	2021 £000	2020 £000
Aggregate emoluments including short-term employee benefits	1,373	1,252
Pension costs-defined contribution plan	14	15
	1,387	1,267

The remuneration of the highest paid Director during the year was:

	2021 £000	2020 £000
Aggregate emoluments including short-term employee benefits	548	512

The highest paid Director made a gain of £487,000 on the exercise of share options during the year. A gain had previously been recognised in the Total Directors' Remuneration table in the Remuneration Committee report under Long-term incentives on vesting of the options.

The remuneration of individual Directors is disclosed in the Remuneration Report on page 48. Retirement benefits are accruing to two (2020: two) Directors. There were no other share options exercised by Directors during the year (2020: nil).

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6 Finance income and expense

	2021 £000	2020 £000
Interest receivable on bank deposits	–	1

	2021 £000	2020 £000
Interest payable on revolving credit facility	70	247
Interest on lease liability	38	44
	108	291

7 Taxation

	2021 £000	2020 £000
Current tax		
UK Corporation tax at 19.00% (2020: 19.00%)	–	–
Overseas tax	404	274
Adjustments in respect of prior years	(221)	(31)
	183	243
Deferred tax		
In respect of current year	80	(121)
In respect of prior years	(80)	–
	–	(121)
Tax on profit/(loss) on ordinary activities	183	122
Tax reconciliation		
Profit/(loss) before tax	126	(332)
Tax using UK corporation tax rate of 19.00% (2020: 19.00%)	24	(63)
Non-deductible expenses	24	2
Employee share acquisition relief	(265)	(56)
Share-based payments	167	88
Temporary timing differences	(35)	129
Overseas tax	104	274
Unrelieved tax losses	205	(74)
Change in deferred tax rate	(29)	–
Research and development tax credit claim	(12)	(178)
Tax on profit/(loss) on ordinary activities	183	122

8 Loss per share

The calculation of basic and diluted loss per share is based on the result attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares for the purpose of calculating the basic and diluted measures is the same. This is because the outstanding share options would have the effect of reducing the loss per ordinary share and therefore would be anti-dilutive. Basic and diluted loss per share from continuing operations is calculated as follows:

	2021			2020		
	Loss per share pence	Loss £000	Weighted average number of ordinary shares	Loss per share pence	Loss £000	Weighted average number of ordinary shares
Basic and diluted loss per share	(0.22)	(57)	25,850,194	(1.77)	(454)	25,659,034

9 Intangible assets

	Goodwill £000	Costs to obtain contracts £000	Intellectual property £000	Total £000
Cost				
At 1 July 2019	2,664	326	11,401	14,391
Additions	–	96	2,352	2,448
At 30 June 2020	2,664	422	13,753	16,839
Additions	–	185	2,172	2,357
At 30 June 2021	2,664	607	15,925	19,196
Amortisation				
At 1 July 2019	–	162	8,071	8,233
Charge for the year	–	102	2,010	2,112
At 30 June 2020	–	264	10,081	10,345
Charge for the year	–	124	2,200	2,324
At 30 June 2021	–	388	12,281	12,669
Net book value				
At 30 June 2021	2,664	219	3,644	6,527
At 30 June 2020	2,664	158	3,672	6,494
At 1 July 2019	2,664	164	3,330	6,158

The Group's intellectual property relates to its internally developed AIR platform and the acquired intellectual property of 2ergo Limited which consisted of a then stand-alone messaging platform and an app and customer interface loyalty solution, both of which have now been integrated within the AIR platform. Costs to obtain contracts relates to the incremental costs of obtaining contracts which would not have otherwise been incurred.

The Group's goodwill relates to its acquisition of 2ergo Limited on 16 April 2014. Following the successful integration of the acquired 2ergo business, the Group has one identifiable cash generating unit in the UK. An annual impairment review of the goodwill arising on the 2ergo acquisition has therefore been performed for the UK cash generating unit. The recoverable value of the unit has been based on its value in use. The cash flow projections, which were based on 3 year forecasts approved by the Directors and then extended to cover a 5 year period with a terminal value assumed, supported the carrying value of goodwill and the Group's intellectual property with no impairment required.

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9 Intangible assets continued

2021 Cash generating unit	Carrying value of goodwill £000	Period over which cash flows have been projected	Growth rate beyond management approved forecasts	Pre-tax discount rate for cash flow projections
UK	2,664	5 years	1.5–2.0%	11%

2020 Cash generating unit	Carrying value of goodwill £000	Period over which cash flows have been projected	Growth rate beyond management approved forecasts	Pre-tax discount rate for cash flow projections
UK	2,664	5 years	1.5%	12%

As the acquired 2ergo business is fully integrated, the smallest cash generating unit which the goodwill relates to is the UK cash generating unit.

The key assumptions underlying the forecast are the continued success in winning new business and the discount rate applied. These assumptions are based on management's experience, the current pipeline and the historical success of the cash-generating unit. As the Group's SaaS AIR platform is a unique solution in the marketplace there are no directly comparable companies to compare against when estimating the discount and growth rates to be applied. The rates chosen are estimated considering those used by the Group's partners, other entities that the Group is compared with by City analysts and investors and other entities with similar characteristics to the Group.

The forecast for the unit provides sufficient headroom over the value of goodwill and intangible assets attributed to the cash-generating unit. No reasonable change in assumptions would lead to an impairment and therefore no sensitivities have been disclosed. The Group has no intangible assets with indefinite useful lives other than goodwill.

10 Contract fulfilment costs

	2021 £000	2020 £000
At 1 July	209	217
Additions	469	367
Amortisation	(482)	(375)
At 30 June	196	209

Costs to fulfil contracts are charged to the income statement as amortisation over the period of satisfaction of the performance obligations that those costs relate to.

11 Property, plant and equipment

	Right of use assets £000	Computer equipment £000	Office furniture and fittings £000	Total £000
Cost				
At 1 July 2019	1,497	422	311	2,230
Additions	–	68	–	68
Disposals	–	(4)	–	(4)
At 30 June 2020	1,497	486	311	2,294
Additions	–	220	–	220
Disposals	–	(3)	–	(3)
At 30 June 2021	1,497	703	311	2,511
Depreciation				
Al 1 July 2019	484	336	205	1,025
Charge for the year	221	85	64	370
Disposals	–	(4)	–	(4)
At 30 June 2020	705	417	269	1,391
Charge for the year	176	102	19	297
Disposals	–	(3)	–	(3)
At 30 June 2021	881	516	288	1,685
Net book value				
At 30 June 2021	616	187	23	826
At 30 June 2020	792	69	42	903
At 1 July 2019	1,013	86	106	1,205

There is only one class of Right of use assets, being Buildings.

12 Trade and other receivables

	2021 £000	2020 £000
Trade receivables	4,790	3,679
Less: Provision for expected credit losses	(127)	(164)
	4,663	3,515
Prepayments	696	521
Accrued income	443	464
Other assets	392	340
	6,194	4,840

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12 Trade and other receivables continued

The ageing of trade receivables that were not impaired at 30 June 2021 was:

	2021 £000	2020 £000
Not past due	4,159	2,989
Up to 3 months past due	462	411
More than 3 months past due	42	115
	4,663	3,515

Accrued income and other receivables are not past due (2020: not past due).

The Group trades only with recognised, credit-worthy third parties. Receivable balances are monitored on an ongoing basis with the aim of minimising the Group's exposure to credit losses. The Group has reviewed in detail all items comprising the above not past due and overdue but not impaired trade receivables to ensure that no impairment exists. In addition to assessing the recoverability of each debt invoice individually, the Group also assesses whether it is appropriate to make any general provision for expected credit losses taking into account such factors as historic collection rates and the general economic conditions for clients in each of the sectors the Group serves.

As at 30 June 2021, trade receivables of £127,000 (2020: £164,000) were impaired and provided for. £127,000 (2020: £101,000) of these were more than 3 months old, with the balance in 2020 relating to specific debtors which had been significantly impacted by COVID-19. The amount of the provision was £127,000 as at 30 June 2021 (2020: £164,000). Movements on the provision for impairment of trade receivables are as follows:

	2021 £000	2020 £000
At 1 July	164	22
Provision for expected credit losses charged	–	142
Receivables written off during the year	(37)	–
At 30 June	127	164

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk for trade and other receivables at the reporting date is the carrying value of each class of receivable disclosed above.

Significant changes in the accrued income balances during the period are as follows:

	2021 £000	2020 £000
At 1 July	464	730
Transfers from accrued income recognised at the beginning of the period to receivables	(464)	(700)
Increases as a result of progress made against performance obligations, excluding amounts recognised as revenue during the year	443	434
At 30 June	443	464

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2021 £000	2020 £000
Sterling	4,416	3,674
Canadian Dollars	587	806
Australian Dollars	289	140
US Dollars	902	220
	6,194	4,840

13 Trade and other payables

	2021 £000	2020 £000
Current		
Trade payables	1,721	1,591
Accruals	3,417	2,539
Lease liabilities	214	104
Deferred income	1,708	1,163
Overseas corporate tax	–	160
Other liabilities	1,515	2,322
	8,575	7,879
Non-current		
Lease liabilities	489	704
Deferred income	439	1,079
	928	1,783

Significant changes in the deferred income balances during the period are as follows:

	2021 £000	2020 £000
At 1 July	2,242	1,796
Revenue recognised that was included in the deferred income balance at the beginning of the year	(1,163)	(1,622)
Increases due to cash received, excluding amounts recognised as revenue during the year	1,068	2,068
At 30 June	2,147	2,242

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2021 £000	2020 £000
Sterling	8,961	9,152
Canadian Dollars	317	317
Australian Dollars	191	176
US Dollars	35	17
	9,503	9,662

14 Financial liabilities

	2021 £000	2020 £000
Short-term borrowings	900	–

The £5.0m revolving credit facility from Barclays Bank PLC expires on 16 November 2022, having been extended after the year end. As security for the facility, Barclays Bank PLC holds fixed and floating charges over the assets of the Group, including the intellectual property and trade debtors of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15 Deferred tax asset

The elements of deferred taxation are as follows:

	2021 £000	2020 £000
Accelerated capital allowances and intellectual property	235	201
Tax losses	(356)	(322)
	(121)	(121)

Movement in deferred tax:

	Accelerated capital allowances & intellectual property £000	Tax losses £000	Total £000
At 1 July 2019	(261)	261	–
Credited to income statement	60	61	121
At 30 June 2020	(201)	322	121
(Charged)/credited to income statement	(34)	34	–
At 30 June 2021	(235)	356	121

No deferred tax asset is recognised for unused tax losses and deferred taxation arising on share options across the Group of £22.4 million (2020: £22.4 million) due to uncertainty over the timing of their recovery.

16 Financial instruments and financial risk management

The Group is exposed to a variety of financial risks that arise from its use of financial instruments: credit risk, liquidity risk, foreign exchange risk and capital risk.

Principal financial instruments

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

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

	2021 £000	2020 £000
Financial assets		
Trade and other receivables	5,106	3,979
Cash and cash equivalents	1,713	1,519
	6,819	5,498
Financial liabilities		
Trade and other payables	7,356	7,260
Financial liabilities	900	–
	8,256	7,260

The fair values of all financial assets and financial liabilities equals their carrying value.

Disclosures in respect of the Group's financial risks are set out below:

Financial risk management

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from trade receivables from customers and cash deposits with financial institutions. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Credit checks are performed on new and potential customers and receivable balances are monitored on an ongoing basis with the aim of minimising the Group's exposure to bad debt. The Directors consider the above measures to be sufficient to control the credit risk exposure.

The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk. At the reporting date, the Group's cash held on short-term deposit with Barclays Bank plc in the United Kingdom was £873,000 (2020: £1,247,000), with Investec Bank plc in the United Kingdom was £28,000 (2020: £nil), with HSBC Bank plc in the United Kingdom was £1,000 (2020: £1,000), with HSBC Bank Canada in Canada was £347,000 (2020: £265,000), with Citizen's Bank in the United States of America was £67,000 (2020: £6,000) and with ANZ Bank in Australia was £397,000 (2020: £nil).

The carrying amount of financial assets recorded in the consolidated financial statements represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained. In the Directors' opinion there have been no impairments of financial assets in the period, other than in relation to trade receivables written off of £nil (2020: £nil). The Group assesses whether it is appropriate to make any general provision for bad debt taking into account such factors as historic collection rates and the general economic conditions for clients in each of the sectors the Group serves. The Group's trade receivables and contract assets do not contain significant financing components and therefore the Group uses the Simplified Approach to calculating expected credit losses under IFRS 9. The size of the bad debt provision at 30 June 2021 has been increased to reflect the potential impact and uncertainty of COVID-19 on certain of the Group's clients, in particular those operating in the Food and Beverage sector.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages its cash flows to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Group's reputation.

The Group has extended the term of its £5.0 million revolving loan facility with Barclays Bank plc to 16 November 2022, secured on the Group's assets. At 30 June 2021, £0.9 million of this facility had been utilised (2020: £nil) leaving headroom of £5.8 million (2020: £6.5 million).

The Directors manage liquidity risk by regularly reviewing the Group's cash requirements by reference to short-term cash flow forecasts and medium-term working capital projections prepared by management.

Foreign exchange risk

The majority of the Group's revenues and costs are in Sterling (the Company's functional currency) and involve no currency risk. Activities in currencies other than Sterling are funded as much as possible through operating cash flows, mitigating foreign exchange risk. Funds held in foreign currencies and not required for operating expenses in the local currency are converted to Sterling on a prompt basis taking into consideration prevailing foreign exchange rates at the time of receipt. The Group's revolving credit facility is denominated in Sterling.

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16 Financial instruments and financial risk management continued

Financial risk management continued

Foreign exchange risk continued

The Group has the following cash and cash equivalent deposits:

	2021 £000	2020 £000
Sterling	789	1,233
Canadian Dollars	352	277
Australian Dollars	458	3
US Dollars	86	6
Singapore Dollars	28	–
	1,713	1,519

The gross value of receivables and payables by currency is disclosed in notes 12 and 13 respectively. The Group has the following net other financial instruments:

	2021 £000	2020 £000
Sterling	(3,733)	(4,162)
Canadian Dollars	324	560
Australian Dollars	95	111
US Dollars	867	210
	(2,447)	(3,281)

A 5% change in the currency translation rate between Sterling and overseas currencies would have the following effect on the Group's net assets and profit/(loss) before tax:

Canadian Dollars	2021 £000	2020 £000
Net assets	39	36
Profit/(loss) before tax	21	165

Australian Dollars	2021 £000	2020 £000
Net assets	28	4
Profit/(loss) before tax	(7)	(24)

US Dollars	2021 £000	2020 £000
Net assets	36	10
Profit/(loss) before tax	27	25

Maturity of financial assets and liabilities

All of the Group's financial assets and financial liabilities at each reporting date are either receivable or payable within one year, other than in respect of the Group's leases (see note 19).

Capital management

The Group's capital structure is comprised of shareholders' equity and debt raised through the revolving credit facility with Barclays Bank plc. The objective of the Group when managing capital is to maintain adequate financial flexibility to preserve its ability to meet its financial obligations, both current and long term. The capital structure is managed and adjusted to reflect changes in economic conditions. The Group funds its expenditures on commitments from existing cash and cash equivalent balances, primarily received from operating cash flows, issuances of shareholders' equity and from the revolving credit facility with Barclays. There are no externally imposed capital requirements. Financing decisions are made by the Directors based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Group's commitments and development plans.

17 Share capital and reserves

The authorised share capital of the Company at 30 June 2021 is 26,096,563 ordinary shares of 1p each.

	Number of shares issued and fully paid	Share capital £000	Share premium £000
At 1 July 2019	25,466,927	255	17,066
Issue of share capital	268,528	2	190
At 30 June 2020	25,735,455	257	17,256
Issue of share capital	361,108	4	247
At 30 June 2021	26,096,563	261	17,503

On 17 September 2020, the Company issued 1p ordinary shares pursuant to the exercise of employee share options. The total number of shares issued on this date was 16,472.

On 13 November 2020, the Company issued 1p ordinary shares pursuant to the exercise of employee share options. The total number of shares issued on this date was 10,000.

On 16 March 2021, the Company issued 1p ordinary shares pursuant to the exercise of employee share options. The total number of shares issued on this date was 16,700.

On 19 March 2021, the Company issued 1p ordinary shares pursuant to the exercise of employee share options. The total number of shares issued on this date was 317,936.

Merger reserve

The acquisition of its principal subsidiary, Eagle Eye Solutions Limited, by the Group in 2014 did not meet the definition of a business combination and therefore fell outside the scope of IFRS 3. The acquisition was therefore accounted for in accordance with the principles of merger accounting.

The consideration paid to the shareholders of Eagle Eye Solutions Limited was 13,641,384 ordinary shares of 1p each. A merger reserve arises on consolidation being the difference between the nominal value of the shares issued on acquisition and the net assets acquired.

18 Share option schemes

The Company has a share option scheme for certain employees and Directors of the Group. Options are generally exercisable at a price equal to the market price of the Company's shares on the day immediately prior to the date of grant. Options are forfeited if the employee or Director leaves the Group before the options vest. The service and performance criteria relating to the options are the continuing employment of the holder and the achievement of certain earnings based performance criteria and in the case of the LTIP Share Option Scheme, may include the overall underlying performance of the Company, taking into account, among other matters, the Company's share price (as set out on pages 46 to 48).

	2021		2020	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the year	4,536,896	0.59	4,404,419	0.65
Granted during the year	470,865	0.01	611,965	0.01
Exercised in the year	(361,108)	(0.69)	(268,528)	(0.72)
Lapsed in the year	(76,126)	(0.24)	(210,960)	(0.10)
Outstanding at the end of the year	4,570,527	0.27	4,536,896	0.59
Exercisable at the end of the year	1,743,426	0.33	1,939,152	0.61

In the year ended 30 June 2021, options were granted on 8 April 2021. The aggregate of the estimated fair value of the options granted on that day was £2,180,000 and the share price on that date was £4.64.

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18 Share option schemes continued

In the year ended 30 June 2020, options were granted on 13 February 2020. The aggregate of the estimated fair value of the options granted on that day was £1,310,000 and the share price on that date was £2.15.

In the year ended 30 June 2021, options were exercised as follows:

Date of exercise	Share price
17 September 2020	£2.720
13 November 2020	£3.930
16 March 2021	£4.660
19 March 2021	£4.670

In the year ended 30 June 2020, options were exercised as follows:

Date of exercise	Share price
19 July 2019	£1.805
19 September 2019	£1.735
31 January 2020	£2.140
3 February 2020	£2.090
6 February 2020	£2.160
7 February 2020	£2.160

Options outstanding under the Company's share option schemes were as follows:

Name of scheme	2021 No of options	2020 No of options	Calendar year of grant	Exercise period	Exercise price per share
EMI Share Option Scheme	44,588	191,529	2014	2014–2024	£0.51
EMI Share Option Scheme	120,000	175,000	2014	2014–2024	£1.55
EMI Share Option Scheme	63,808	63,808	2015	2015–2025	£2.07
EMI Share Option Scheme	41,000	71,472	2015	2015–2025	£2.23
EMI Share Option Scheme	105,000	105,000	2016	2016–2026	£1.32
EMI Share Option Scheme	10,000	30,000	2016	2016–2026	£1.06
EMI Share Option Scheme	63,193	63,193	2017	2017–2027	£2.69
EMI Share Option Scheme	125,000	132,500	2017	2017–2027	£2.33
EMI Share Option Scheme	50,000	50,000	2019	2019–2029	£1.00
LTIP Share Option Scheme	693,402	802,097	2016	2016–2026	£0.01
LTIP Share Option Scheme	319,190	376,066	2017	2017–2027	£0.01
LTIP Share Option Scheme	1,626,539	1,634,507	2019	2019–2029	£0.01
LTIP Share Option Scheme	608,183	611,965	2020	2020–2030	£0.01
LTIP Share Option Scheme	470,865	–	2021	2021–2031	£0.01
Unapproved Share Option Scheme	229,759	229,759	2014	2014–2024	£0.51

The weighted average remaining contractual life of these options is 6.8 years (2020: 7.3 years).

The fair value of the employees' services received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted. Fair value is determined by reference to the Black-Scholes option pricing model.

The inputs into the option pricing model are as follows:

	2021	2020
Weighted average exercise price	£0.27	£0.59
Expected volatility	25.3%–44.4%	25.3%–44.4%
Expected life	5–8 years	5–8 years
Risk free interest rate	0.2%–1.9%	0.2%–1.9%
Expected dividends	Nil	Nil

The volatility of the Company's share price on each date of grant is calculated as the average of the annualised standard deviations of daily continuously compounded returns on the Company's stock.

The Group recognised a charge of £877,000 (2020: £464,000) related to equity-settled share-based payment transactions in the year

19 Leases

The following expenses relating to leases were recognised during the period.

	2021 £000	2020 £000
Depreciation charge for right of use assets	176	221
Interest expense on lease liabilities	38	44
Short-term lease expense	261	243
Total cash outflow for leases	142	268

The carrying value of and, where applicable, additions to the Group's right of use assets are disclosed in note 11.

At 30 June, the Group had aggregate minimum lease payments under non-cancellable leases for office and other sites under IFRS 16 as follows:

	2021 £000	2020 £000
Due within 1 year	214	145
Due within 2–5 years	552	766
	766	911

The Group's Guildford office lease agreement can be cancelled at the end of its initial 10 year term, which commenced in July 2015. The lease for the Group's Manchester office can be cancelled at the end of its initial 10 year term, which commenced in December 2013. There are no options for extension or termination and there are no residual value guarantees.

20 Related party transactions

The remuneration of the Directors and key management personnel is disclosed in note 5.

During the year the Group acquired sub-contractor technical development services to the value of £49,000 (2020: £61,000) from Eagle Eye Technology Limited, a Company in which Stephen Rothwell, a Director of the Company, holds an interest. At 30 June 2021, £3,000 (2020: £3,000) was outstanding in respect of these services.

None of the key management personnel of the Group owe any amounts to any Company within the Group (2020: £nil), nor are any amounts due from any Company in the Group to any of the key management personnel (2020: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21 Alternative performance measure

EBITDA is a key performance measure for the Group and is derived as follows:

	2021 £000	2020 £000
Profit/(loss) before taxation	126	(332)
Add back:		
Finance income and expense	108	290
Share-based payments	877	464
Depreciation and amortisation	3,104	2,856
EBITDA	4,215	3,278

22 Net cash/(debt)

	30 June 2020 £000	Cash flow £000	Foreign exchange adjustments £000	30 June 2021 £000
Cash and cash equivalents	1,519	294	(100)	1,713
Financial liabilities	–	(900)	–	(900)
Net cash/(debt)	1,519	(606)	(100)	813

The cash flow above includes £1.6m of COVID-19 repayments relate to government schemes allowing deferral of certain taxes due to the economic impact of the COVID-19 pandemic.

23 Ultimate controlling party

The Directors do not consider there to be an ultimate controlling party due to no individual party owning a majority share in the Company. See page 50 for information on percentage shareholdings.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	2021 £000	2020 £000
Non-current assets			
Investments in subsidiaries	4	8,796	7,919
Current assets			
Trade and other receivables	5	10,020	9,623
Cash and cash equivalents		13	10
		10,033	9,633
Total assets		18,829	17,552
Current liabilities			
Trade and other payables	6	(200)	(182)
Short term borrowings		(900)	–
Total liabilities		(1,100)	(182)
Net assets		17,729	17,370
Equity attributable to owners of the parent			
Share capital	7	261	257
Share premium	7	17,503	17,256
Share option reserve		3,997	3,525
Retained losses		(4,032)	(3,668)
Total equity		17,729	17,370

The Company has not presented its own income statement as permitted by section 408 (4) of the Companies Act 2006. The loss for the financial year dealt with in the accounts of the Company is £769,000 (2020: £738,000).

These financial statements were approved by the Board on 21 September 2021 and signed on its behalf by:

L Sharman-Munday
Director

T Mason
Director

Company number: 08892109

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Share capital £000	Share premium £000	Share option reserve £000	Retained losses £000	Total £000
Balance at 1 July 2019	255	17,066	3,236	(2,930)	17,627
Loss for the financial year	–	–	–	(738)	(738)
Transactions with owners recognised in equity					
Exercise of share options	2	190	–	–	192
Fair value of share options exercised in the year	–	–	(175)	–	(175)
Share-based payment charge	–	–	464	–	464
	2	190	289	–	481
Balance at 30 June 2020	257	17,256	3,525	(3,668)	17,370
Loss for the financial year	–	–	–	(769)	(769)
Transactions with owners recognised in equity					
Exercise of share options	4	247	–	–	251
Fair value of share options exercised in the year	–	–	(405)	405	–
Share-based payment charge	–	–	877	–	877
	4	247	472	405	1,128
Balance at 30 June 2021	261	17,503	3,997	(4,032)	17,729

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 Accounting policies

Basis of preparation

These financial statements have been prepared on a going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. These financial statements conform to FRS 102.

The preparation of financial statements requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 2.

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements;

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
- Section 26 'Share-based Payment' – Sections 26.18(b), 26.18 and 26.23
- Section 33 'Related Party Disclosures' – Compensation for key management personnel

The presentational and functional currency of the Company is Sterling. Results in these financial statements have been prepared to the nearest £1,000.

Going concern

As part of their going concern review the Directors have followed the guidelines published by the Financial Reporting Council entitled 'Guidance on Risk Management and Internal Control and Related Financial and Business Reporting'.

The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of approval of these consolidated financial statements. In developing these forecasts the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period.

On the basis of the above projections, the Directors are confident that the Group has sufficient working capital and available funds to honour all of its obligations to creditors as and when they fall due. In reaching this conclusion, the Directors have considered the forecast cash headroom, the resources available to the Group and the potential impact of changes in forecast growth and other assumptions, including the potential to avoid or defer certain costs and to reduce discretionary spend as mitigating actions in the event of such changes. This means that the Company expects to be able to recover its intercompany receivables. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

Investments

Investments held by the Company are stated at cost less any provision for impairment in the Company's financial statements. The cost includes the non-cash impact of Group settled share-based payment arrangements.

Impairment of investments

The Company reviews the carrying values of its investments annually to determine whether there is any indication that those investments have suffered an impairment loss. If any such indication exists, the recoverable amount of the investment is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the investment for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount.

Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contracted rights to the cash flows from the financial asset expire or when the contracted rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

1 Accounting policies continued

Financial instruments continued

Financial assets

(a) Trade and other receivables

Trade and other receivables are recognised initially at their fair value and then at amortised cost. Appropriate provisions for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the assets are impaired.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits held on call with banks.

Financial liabilities and equity

(c) Trade and other payables

Trade payables are recognised initially at their fair value and then amortised cost.

(d) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of issue costs.

Current income tax

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

Share-based payments

The Company issues equity-settled share-based remuneration to certain employees of the Group as consideration for services. Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted, calculated using the Black-Scholes model. The fair value determined at the grant date of equity-settled share-based payments is recognised as an expense for employees of the Company, or as an investment in the subsidiary entity employing the relevant employees otherwise, over the vesting period on a straight-line basis, based on the Directors' estimate of the number of instruments that will eventually vest with a corresponding adjustment to equity. The expected life used in the valuation, based on the Directors' best estimate, takes account of the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting and market vesting conditions are taken into account when estimating the fair value of the options at grant date. Service and non-market vesting conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

When the options are exercised the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Equity

Equity comprises the following:

- Share capital, representing the nominal value of issued shares of the Company;
- Share premium, representing the excess over the nominal value of the fair value of consideration received for shares, net of expenses of the share issue;
- Share option reserve, representing the cost of equity-settled share-based payments until such share options are exercised or lapse; and
- Retained losses.

2 Critical accounting estimates and judgements

The preparation of these financial statements requires the Directors to make judgements and estimates that affect the reported amounts of assets and liabilities at each reporting date. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates. Information about such judgements and estimations is contained in individual accounting policies. The key judgements and sources of estimation uncertainty that could cause an adjustment to be required to the carrying amount of assets or liabilities within the next accounting period are outlined below:

Impairment of investments

An impairment review of the Company's investments in its subsidiaries is undertaken at least annually. This review involves the use of judgement to consider the future projected income streams that will result from those investments. The expected future cash flows are modelled and discounted over the expected life of the investments in order to test for impairment. In the years represented in these financial statements no impairment charge was recognised as a result of these reviews.

Share-based payment charge

The Company issues share options to certain employees of the Group. The Black-Scholes model is used to calculate the appropriate charge for these options. The use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge. In addition, the Directors estimate the percentage of options that are expected to vest considering the likelihood of achieving performance targets and employee churn rates. Should more options vest than estimated the charge would increase.

The total charge recognised by the Company in the year to 30 June 2021 is £nil (2020: £nil) with a capital contribution in a subsidiary company of £877,000 (2020: £464,000). Further information on share options can be found in note 18 to the consolidated financial statements.

3 Particulars of staff

The Company had no staff during the year or the prior year, other than Directors. Details of Directors' remuneration are contained in note 5 to the consolidated financial statements.

4 Investments

Investments in subsidiaries and joint ventures

	£000
Cost and net book value	
At 1 July 2019	7,630
Fair value of options exercised in the year	(175)
Share-based payment charge	464
At 30 June 2020	7,919
Share-based payment charge	877
At 30 June 2021	8,796

Investment	Principal activity	Country of incorporation	Class and percentage of shares held and voting rights
Eagle Eye Solutions Limited[1]	Digital loyalty services	England & Wales	Ordinary 100%
Eagle Eye Solutions (North) Limited[1]	Dormant	England & Wales	Ordinary 100%
Eagle Eye Solutions Canada Limited[2]	Digital loyalty services	Canada	Ordinary 100%
Eagle Eye Solutions Australasia Pty Limited[3]	Digital loyalty services	Australia	Ordinary 100%
Eagle Eye Solutions Inc[4]	Digital loyalty services	United States	Ordinary 100%

1. The registered office address of this entity is 5 New Street Square, London, EC3A 4TW, UK
2. The registered office address of this entity is 400-725 Granville Street, Vancouver, BC, V7Y 1G5, Canada
3. The registered office address of this entity is Level 21, 55 Collins Street, Melbourne 3000, Vic, Australia
4. The registered office address of this entity is 251 Little Falls Drive, Wilmington, DE 19808-1674, USA

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

5 Trade and other receivables

	2021 £000	2020 £000
Amounts due from Group undertakings	10,009	9,613
Prepayments and accrued income	11	10
	10,020	9,623

The Company's receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable disclosed above. All of the Company's receivables are denominated in Sterling.

6 Trade and other payables

	2021 £000	2020 £000
Current		
Trade payables	132	107
Accruals and deferred income	68	75
	200	182

7 Share capital

The authorised share capital of the Company at 30 June 2021 is 26,096,563 ordinary shares of 1p each.

	Number of shares issued and fully paid	Share capital £000	Share premium £000
At 1 July 2019	25,466,927	255	17,066
Issue of share capital	268,528	2	190
At 30 June 2020	25,735,455	257	17,256
Issue of share capital	361,108	4	247
At 30 June 2021	26,096,563	261	17,503

On 17 September 2020, the Company issued 1p ordinary shares pursuant to the exercise of employee share options. The total number of shares issued on this date was 16,472.

On 13 November 2020, the Company issued 1p ordinary shares pursuant to the exercise of employee share options. The total number of shares issued on this date was 10,000.

On 16 March 2021, the Company issued 1p ordinary shares pursuant to the exercise of employee share options. The total number of shares issued on this date was 16,700.

On 19 March 2021, the Company issued 1p ordinary shares pursuant to the exercise of employee share options. The total number of shares issued on this date was 317,936.

8 Related party transactions

The remuneration of the Directors is disclosed in note 5 to the consolidated financial statements.

9 Ultimate controlling party

The Directors do not consider there to be an ultimate controlling party due to no individual party owning a majority share in the Company. See page 50 for information on percentage shareholdings.

NOTICE OF ANNUAL GENERAL MEETING

Company no. 8892109

EAGLE EYE SOLUTIONS GROUP PLC

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the fourth annual general meeting **('AGM')** of Eagle Eye Solutions Group plc (the **'Company'**) will be held at the offices of Taylor Wessing at 4 New Street Square, London, EC4A 3TW at 1.00 pm on 18 November 2021.

The AGM will be held in order to consider and, if thought fit, pass the following resolutions which will be proposed as special or ordinary resolutions as indicated.

ORDINARY BUSINESS

Ordinary resolutions

1. THAT the report of the Directors, the financial statements and the report of the auditors for the Company's financial year ended 30 June 2021, be received and adopted.
2. THAT William Currie, who retires by rotation and is eligible for re-election pursuant to article 19 of the Company's articles of association, be re-appointed as a Director of the Company.
3. THAT Tim Mason, who retires by rotation and is eligible for re-election pursuant to article 19 of the Company's articles of association, be re-appointed as a Director of the Company.
4. THAT:

(a) RSM UK Audit LLP of 9th Floor, 3 Hardman Street, Manchester M3 3HF be re-appointed as auditors of the Company to hold office from the conclusion of the AGM until the conclusion of the next annual general meeting of the Company at which financial statements are laid before the Company's shareholders; and

(b) the Directors be authorised to determine the auditors' remuneration.

SPECIAL BUSINESS

Ordinary resolutions

5. THAT the Directors be generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the **'Act'**) to exercise all the powers of the Company to:

(a) allot shares in the Company and grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £86,988.54; and

(b) allot equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £173,977.08 (such amount to be reduced by the nominal amount of any shares allotted or rights granted under paragraph (a) of this resolution 5) in connection with an offer by way of a rights issue to:

(i) the holders of ordinary shares in the Company in proportion (as nearly as may be practicable) to the respective numbers of ordinary shares held by them; and

(ii) holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the Directors of the Company otherwise consider necessary,

and so that the Directors of the Company may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter.

These authorities shall apply in substitution for all previous authorities (but without prejudice to the validity of any allotment pursuant to such previous authority) and expire at the end of the next annual general meeting of the Company or, if earlier, 15 months after the date of this resolution, save that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or rights granted to subscribe for or convert any security into shares after such expiry and the Directors may allot shares or grant such rights in pursuance of any such offer or agreement as if the power and authority conferred by this resolution had not expired.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

SPECIAL BUSINESS continued

Special resolutions

6. THAT, subject to the passing of resolution 5, the Directors be generally and unconditionally empowered for the purposes of section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash:

   (a) pursuant to the authority conferred by resolution 5; or

   (b) where the allotment constitutes an allotment within the meaning of section 560(2)(b) of the Act, in each case as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to:

   (i) the allotment of equity securities in connection with an offer of equity securities (but in the case of an allotment pursuant to the authority granted under paragraph (b) of resolution 5, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue only) to:

   (A) the holders of ordinary shares in the Company in proportion (as nearly as may be practicable) to the respective numbers of ordinary shares held by them; and

   (B) holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the Directors of the Company otherwise consider necessary,

   and so that the Directors of the Company may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

   (ii) the grant of options to subscribe for shares in the Company, and the allotment of such shares pursuant to the exercise of options granted under the terms of any share option scheme adopted or operated by the Company and the allotment of shares pursuant to any share incentive plan ('SIP') adopted or operated by the Company; and

   (iii) the allotment of equity securities, other than pursuant to paragraphs (i) and (ii) above of this resolution, up to an aggregate nominal amount of £26,096.56.

   This power shall (unless previously renewed, varied or novated by the Company in general meeting) expire at the conclusion of the next annual general meeting of the Company following the passing of this resolution or, if earlier, on the date 15 months after the passing of such resolution, save that the Company may before the expiry of this power make any offer or enter into any agreement which would or might require equity securities to be allotted, or treasury shares sold, after such expiry and the Directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired.

By order of the Board

Signed:

Lucy Sharman-Munday,
Company Secretary

For and on behalf of Eagle Eye Solutions Group plc
21 September 2021

Registered Office:
5 New Street Square,
London EC4A 3TW

Notes:

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting and at any adjournment of it. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. If a proxy appointment is submitted without indicating how the proxy should vote on any resolution, the proxy will exercise his discretion as to whether and, if so, how he votes.
2. A proxy need not be a member of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.
3. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand by Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA no later than 1.00 p.m. on 16 November 2021 (or, in the event of any adjournment, no later than 1.00pm on the date which is two days before the time of the adjourned meeting (weekends and public holidays in England and Wales excluded), together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a duly certified copy of that power or authority.
4. The return of a completed proxy form will not prevent a member attending the meeting and voting in person if he/she wishes to do so.
5. A vote withheld option is provided on the form of proxy to enable you to instruct your proxy not to vote on any particular resolution, however, it should be noted that a vote withheld in this way is not a 'vote' in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
6. To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 6.30pm on 16 November 2021 (or, in the event of any adjournment, no later than 6.30pm on the date which is two days before the time of the adjourned meeting (weekends and public holidays in England and Wales excluded). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
8. If a member submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
9. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

COMPANY INFORMATION

Directors	Malcolm Wall Tim Mason Steve Rothwell Lucy Sharman-Munday Bill Currie Sir Terry Leahy Robert Senior
Secretary	Lucy Sharman-Munday
Company number	8892109
Registered office	5 New Street Square London EC4A 3TW
Nominated Adviser and Broker	Investec Bank plc 30 Gresham Street London EC2V 7QN
Bankers	Barclays Bank plc 27 Soho Square London W1D 3QR
Solicitors	Taylor Wessing LLP 5 New Street Square London EC4A 3TW
Independent auditor	RSM UK Audit LLP Chartered Accountants Ninth Floor 3 Hardman Street Manchester M3 3HF

eagleeye.com

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