sopheon

2021 Annual Report

Single innovation system

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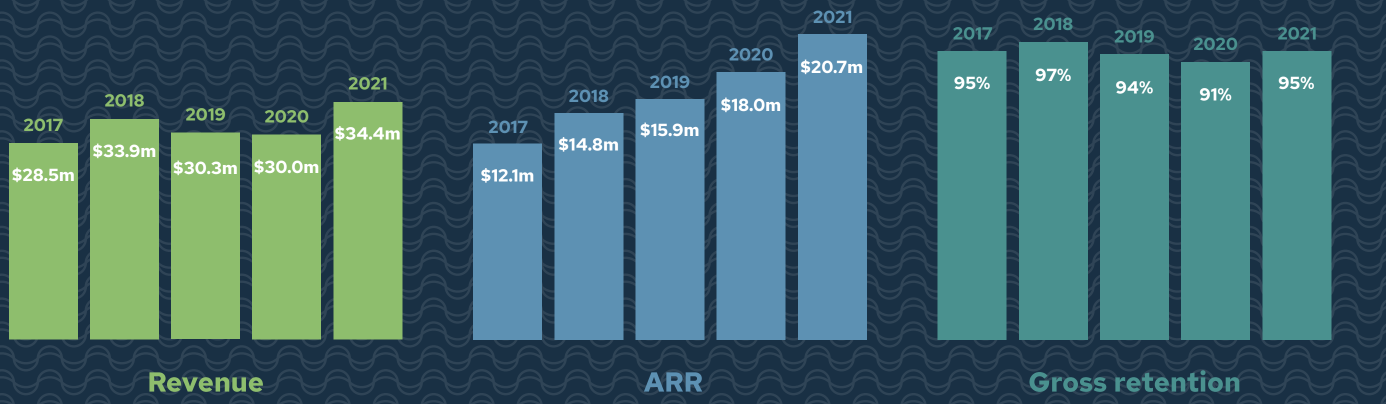
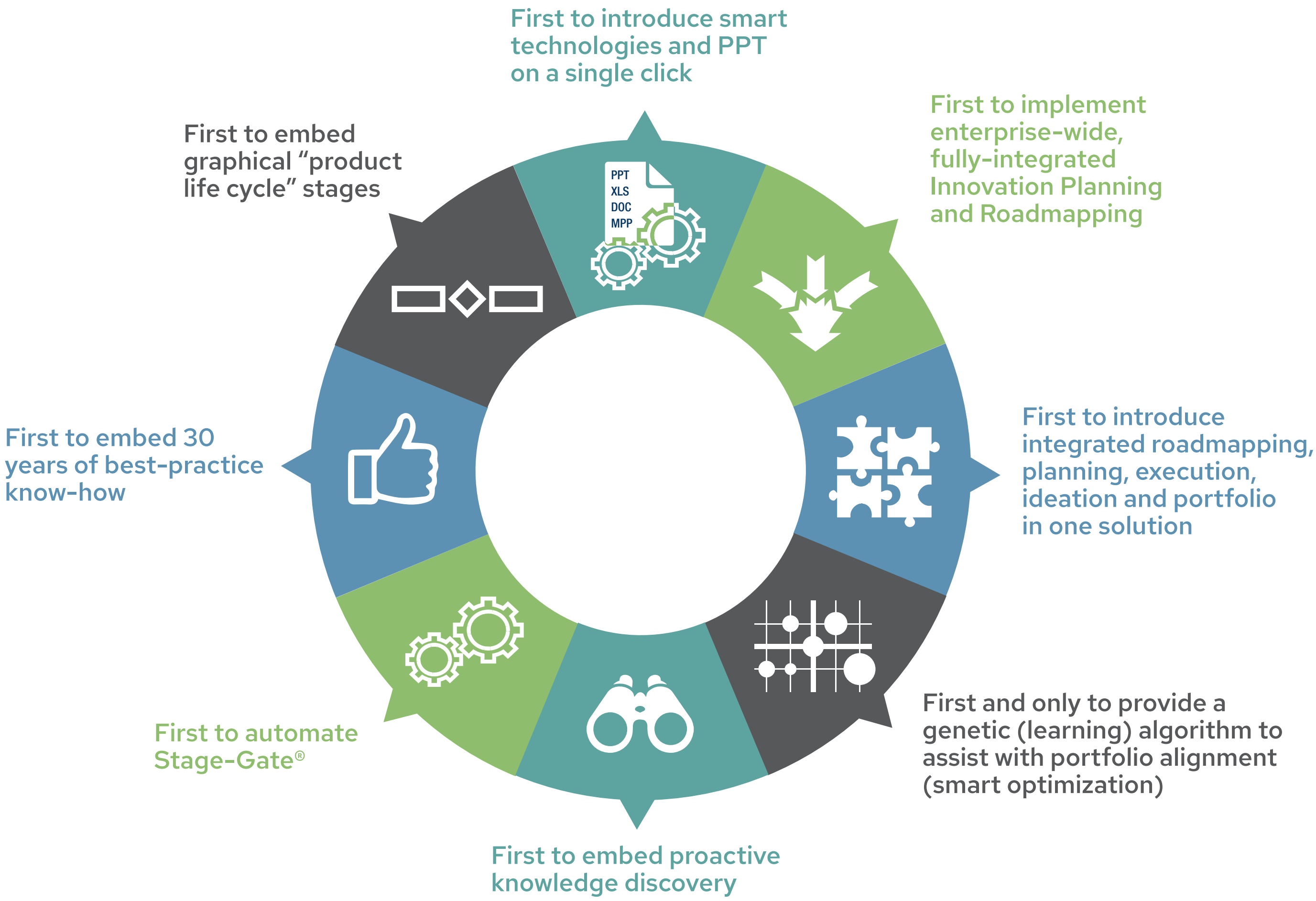
Sopheon solutions deliver an **innovation decision command center** that gives companies **complete visibility**, **smarter decision-making**, and **better time to value**.

In these times of dramatic change, enterprises are **prioritizing innovation and product development** initiatives that enable them to get and keep competitive advantage. But identifying, evaluating, and successfully executing against the right strategic priorities isn't easily done.

Enriched by experience with hundreds of longstanding, blue-chip customers, Sopheon provides the ability to **more effectively and efficiently control and manage innovation and new product development** programs and pipelines.

Innovation is about getting your most powerful ideas to market. That's why we're here. Sopheon sets the standard in developing the tools you need to capture the ideas in front of you that have the highest potential (value, adoption, impact), and capitalize on them by efficiently and effectively getting them into customers' hands. **Forever finding new ways forward** is how even the most creative companies keep achieving sustainable, profitable futures.





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Chairman's statement

Our 2021 performance was gratifying both for the strategic progress we made and for exceeding our financial market expectations despite such an uncertain economic environment. It is very pleasing to report revenue growth of 14.6 percent at $34.4m (2020: $30m) and adjusted EBITDA[1] of $6.2m (2020: $5.9m) along with 15 percent growth in ARR[2] to $20.7m at the end of the year (2020: $18.0m). Cash grew to $24.2m (2020: $21.7m).

In addition to our financial results, 2021 was a year of unusually high activity and change for Sopheon. Our new CEO and newly added executive team wasted no time in moving forward with the company's growth strategy and agenda. As detailed in recent years, we have continued pursuing our investment path for growth.

At the time of this report, revenue visibility[3] stands at $25.1m (2020: $24.5m). The consulting services element of visibility is lower than the year before, due to the nature of deals signed in recent months. As previously noted, ARR has grown strongly. We are on a journey of transition from a traditional perpetual on-premise software license business to a higher-quality recurring revenue business, with the goal of delivering more predictable and reliable growth over the medium term and increased value to our shareholders. In the shorter term, this transition is naturally weighing on profits as we accelerate go-to-market investment while simultaneously shifting software revenue recognition from an up-front to a rateable model.

As announced through the year, along with Greg taking on the CEO role, we have also strengthened our leadership team with appointments in key marketing, sales, and product areas. The team has introduced and driven three key programs to support our strategic direction. As noted above, a core goal is to increase ARR; as a percentage of revenue, it now stands at 60 percent of trailing annual revenue compared to 53 percent when we started this journey in 2019.

> ***2021 was a year of new leadership, new processes, new programs, and extensive organizational change, together with solid financial outcomes and an initial acquisition.***

Two initiatives are driving this key program – first, moving our perpetual customer base to a Software-as-a-Service ("SaaS") through a targeted cloud uplift program; and second, we have completed the transition of our new sales go to market approach to a SaaS first model. By value, almost 90 percent of our pipeline for new software opportunities is for SaaS business.

The second key program, equally important to our growth strategy is the increased investment being made in product, with the expectation to generate higher rates of growth. Last year, our development organization embraced fundamental directional, and process change with expectations to step up the pace of product releases. We are also moving towards a multi-product future, expanding beyond our enterprise Accolade solution. We have ambitious plans in the product investment area which will take patience and time. Our goals here are to:

- Continue to advance our flagship Accolade enterprise solution and maintain our market leadership. During 2021, three new versions were released, and we plan an ongoing pace of four per year going forward.
- Introduce new cloud-based applications providing value to individual and workgroup users in the corporate ecosystem, alongside Accolade's enterprise value proposition. Initial market introduction of the first application is planned for mid-2022. These applications are intended to be stand-alone solutions that solve individual productivity needs in addition to creating future upsell opportunities for Accolade.

- Rapidly integrate acquired products to support extension sales generated from acquisitions. This journey is very active with the ROI Blueprints ("ROIB") acquisition completed in December 2021, and already playing a material role with both existing and new customer opportunities.

The third key program is our investment in go-to-market strategies and programs, with the expectation to expand our market reach and generate higher growth rates. We have stepped up marketing programs significantly in 2021, tracking metrics for market reach, prospect engagement and ultimately lead generation. We expect to see continued activity and results in the coming year. We are also adjusting our strategy to reduce our reliance on a smaller number of large customers and thereby improve scalability and predictability.

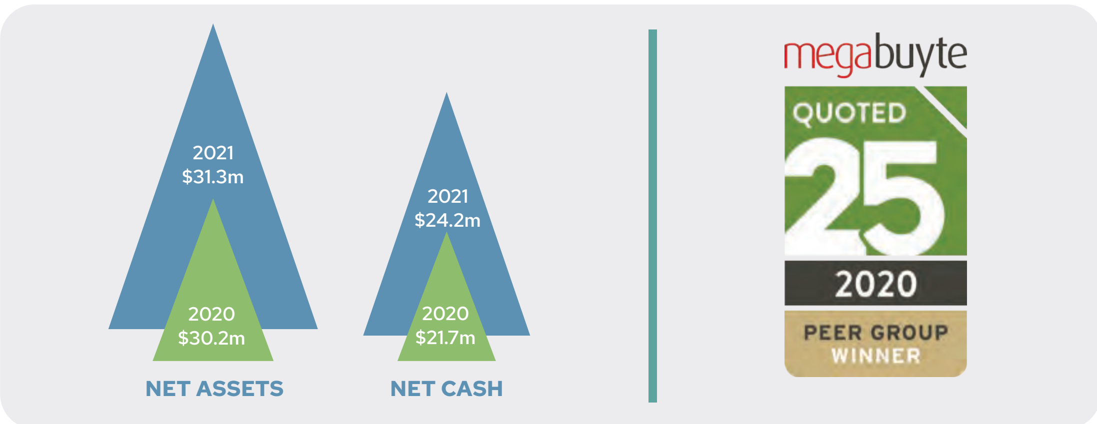
We have previously shared our intention to engage in M&A, so it was very pleasing to close our ROIB acquisition last December. Integration is under way with focus on achieving key time-based milestones. We are actively researching additional acquisition opportunities to improve time-to-realization for our transformation and growth ambitions.

2021 was a year of new leadership, new processes, new programs, and extensive organizational change, together with solid financial outcomes and an initial acquisition.

With the initiation of change behind us and the organizational structure and leadership in place, 2022 is very much focused on accelerating and operationalizing the effectiveness of this change. I believe that the future is bright for Sopheon and for Sopheon shareholders.

Andy Michuda
Executive Chairman

23 March 2022



[1] *Adjusted EBITDA is defined and reconciled in Note 5 to the financial statements.*

[2] *ARR is defined as annual recurring revenue at a point in time, being the value of recurring SaaS, maintenance and hosting revenue streams normalized to a one-year period.*

[3] *Revenue visibility comprises revenue expected from (i) closed license orders, including those which are contracted but conditional on acceptance decisions scheduled later in the year; (ii) contracted services business delivered or expected to be delivered in the year; and (iii) recurring SaaS, maintenance, and hosting streams. The visibility calculation does not include revenues from new sales opportunities expected to close during the remainder of the year.*

Chief executive statement

Both externally and internally, 2021 was a year of change for Sopheon. While I joined Sopheon in late 2020, it was an honor to succeed Andy Michuda as CEO in early 2021 and lead Sopheon's continued success through these changes. At the time, the coronavirus pandemic was continuing to affect all sectors of the economy. Despite the challenges of a global pandemic and its impact on every business worldwide and on their related investments in their businesses in many areas, Sopheon continued to gain net new customers and expand our relationships with existing customers. Innovation expenditures, even during times of crisis, proved to be resilient. Market spending in the innovation management space was estimated to be over $1.026B and growing at a CAGR of 16.9 percent *(Markets and Markets, Innovation Management Market with COVID-19 Impact Analysis Global Forecast to 2026, September 2021)*.

We started 2021 with several key objectives:

- to increase the pace with which we deliver new and unique value to our customers in both product and services.
- to accelerate our transition to a SaaS model for our flagship product, Accolade, while steadily extending the company's reach towards a more user-centric product, underpinned by cloud-native, multitenant delivery.
- and finally, to identify and integrate capabilities through acquired intellectual property.

We achieved all these goals while achieving our financial goals. How?

- Over the year, we continued the movement of customers to a cloud-hosted solution; all of our new customers were SaaS or hosted, and an additional six existing on-premise customers were migrated, bringing us to 53 percent of our customers in the cloud, and while also investing in a true cloud-native version of our product.
- We increased our scheduled development pace to four times a year, delivering three releases of our flagship product Accolade on this new pace during 2021, along with 10 point releases and more than a dozen new features. These new capabilities increase value to our customers and allow us to be more competitive in gaining new customers.
- We defined a clear market strategy based on knowledge from customers, prospects, sales, and industry analysts, and identified companies for licensing, partnering, and acquisition. As a result, we accomplished our first acquisition in many years, ROI Blueprints, and initiated integration immediately.

Sopheon achieved its financial goals in 2021 despite the many economic challenges we faced during the pandemic, and we also retooled the company to invest and prepare for the future. As the great economist and Harvard business professor Ted Levitt stated: The purpose of a business is to get and keep a customer. Sopheon continued to do just that in 2021, and will continue to do so with its people, processes, and products in the future.

Market trends

Sopheon is a company that continues to transform to meet the promise of the market it serves: innovation. That has been our journey for the past year. We continue to understand that, as a provider of innovation solutions, we must also innovate and even transform our business while building on our foundation of success. To this end, we have defined and begun to execute on our updated three-year strategy for Sopheon. This strategy is informed by our customers, the innovation market, and our people.

Some of the most valuable 'assets' we have are the foundation of our well-recognized, brand-name customers across many industries; our proven product; our ability to deliver our innovation and new product development expertise to make customers successful; and the go-to-market operations that create awareness and relationships with customers. Moreover, we have a wonderful team of people. At our core, all 'Sopheonites' (as we call ourselves) bring this strategy together and drive towards the goals we set. Sopheon has been and will continue to be a proven and trusted partner for innovation.

It's not just us 'telling us.' It's the marketplace telling us. In a poll by MarketsandMarkets, a leading global market research and consulting company, Sopheon was ranked number one in the innovation management marketplace. It's tough being number one in any marketplace, but we are, and we are beating companies that are larger than us. With that said, we realize the new norm is "constant change," and to continue our position of leadership and market relevance; we must continue to change. We believe the best time to examine and adjust an organization's strategy is from a position of strength.

Here are the market drivers we are responding to as we transform our business:

- **How customers want to buy has changed.** Business to Business (B2B) buyers are self-educating about products that interest them and demanding self-service where they experience the product with no assistance from the company. They don't want to be informed from outbound marketing and set up an appointment with a salesperson to get educated. At a minimum, it's happening much later in the sales process.
  - According to a survey by the *Corporate Executive Board*, "On average – and with little variation among industries – customers will contact a sales rep when they independently complete about 57 percent of the purchasing decision process."
- **The person making the decision about what to buy is changing.** Decision making – even enterprise decision making – is moving rapidly from the executive buyer to the 'end user' as an initial purchasing step. The end-users want to get their hands on the product immediately, either through a free trial or some type of "freemium" offering - the product itself becomes the primary driver of customer acquisition ("product led growth" or "PLG").
  - Since 2012, according to the *OpenView 2020 SaaS Product Benchmarks Report*, the number of US public software companies operating on this model grew from one to 27.
- **Customers want to purchase for very specific capabilities that solve more immediate problems.** Customers care about the quality and velocity with which you deliver useful product features and experiences through digital means. The better you are at this, the more satisfied your customers will be.
  - In the article *"The Death of Big Software,"* while tightly bundled, standardized software made some sense back in the day, it makes little or no sense in the era of *digital transformation* where disruptive business processes and business models are seen as necessary paths to competitiveness.

" We achieved our goals: the three BUs work now in a single consolidated, harmonized system. That is really added value for our company, allowing us to speed-up time to market, especially for cross-regional and cross-BU projects. "

– Dr. Joachim Dohm
Former Global Vice President & Head of Innovation Process & Portfolio Management

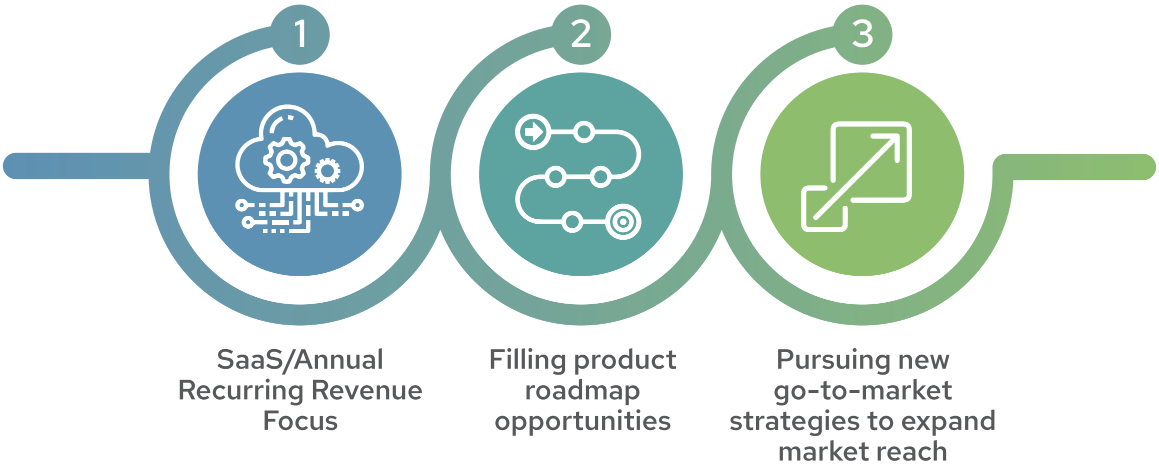
- **And specifically in our market of innovation, two major trends are happening:**
  - Innovation processes are changing. We have traditionally focused on automating the Stage-Gate process as a core competency for our customers. However, we recognize that there is a bureaucracy governing Stage-Gate processes that can impede speed and agility. Companies –even our traditional physical product customers in consumer-packaged goods and chemicals—have discovered that newer 'Agile' methods lead to improved project speed, decision-making, and communication. Stage-Gate has become less prominent as a process to automate because speed is more important today. New digital tools have sped up innovation, the lessons of Stage-Gate have been learned, and companies are now looking to make their innovation process faster and less rigid.
  - Digital/Software tools are coming into our market. All companies are becoming software companies. In 2011, ***Marc Andreessen famously wrote a prescient claim that "software is eating the world."*** His prediction was that software companies would disrupt traditional industries, and since then, we've seen industries transform, and companies fold in response to Amazon, Netflix, Airbnb, and more. We are seeing early-stage companies with point products in product development coming into our markets and appearing at our customers as they hire software developers to work in their businesses.

As the market leader, Sopheon recognizes these trends and is responding. We see many opportunities for us in these changes to the innovation market.

Our response

So how do we respond to these?

Sopheon has put together the following three-point strategy, supported by five "action" themes.



Our three-point strategy to meet the market needs is:

1 SaaS/annual recurring revenue focus

The SaaS model is an approach in which a business makes profits by offering cloud-based capabilities to clients. Customers can access SaaS applications over an internet network remotely, from any device and place, which can be more advantageous than traditional software business models. In these situations, the software provider is responsible for building, installing, configuring, and updating the application. When using the SaaS model, companies provide cloud applications to customers on a subscription payment basis. Organizations follow a SaaS framework to reduce costs, increase accessibility, improve customer satisfaction, and expand their financial success. Sopheon has transitioned 10 of its on-premise customers to the SaaS model, and we have also completed the shift to go-to-market with Accolade foremost as a SaaS service for new customers. Combined with a high gross retention rate of 95 percent and a high Net Promoter Score (NPS) of 45, we are already starting to see the benefits from the SaaS business model of greater financial stability, high scalability, and predictable revenue leading to better quality of earnings. This transition will continue in 2022.

2 Filling out the product roadmap

Last year, our development organization embraced fundamental directional and process change with expectations to step up the pace of product releases while also moving the company towards a multi-product future, reducing our reliance on Accolade alone. We have ambitious plans in the product investment area which will take patience and time. Clearly, our flagship Accolade enterprise solution underpins our business, and we will continue to invest and extend it, maintaining our market leadership. During 2021, three new versions of Accolade were released, and we plan an ongoing pace of four releases per year going forward.

In parallel, we will introduce new cloud-based applications providing value to individual and workgroup users in the corporate ecosystem, alongside Accolade's enterprise value proposition. Initial market introduction of the first application is planned for mid-2022. Our gateway to the PLG approach, these applications are intended to drive lead generation for Accolade, as well as being stand-alone solutions that solve individual productivity needs. Integration with Accolade itself will be an essential element of these applications.

In addition, we have defined areas where licensing, partnering, or acquisition can strengthen our market position, drive competitive differentiation, reduce customer acquisition costs, increase retention and customer lifetime value, and create the opportunity for more revenue per customer. This past year we improved our competitive position by acquiring ROI Blueprints. ROI Blueprints is a SaaS project and portfolio management product enabling customers to manage project schedules, costs, resources, risks, and deliveries easily and effectively. This has long been a capability that customers have asked for and a capability we would formerly have to deliver through third-party integration. We expect that ROIB will add revenue and increase our overall competitiveness. Finally, it also fits well into our plans for a future end-user-focused offering in this space.

3 Pursuing new go-to-market strategies to expand market reach

Sopheon has a well-defined marketing strategy for our industry-leading Accolade solution. We have grown by focusing on key verticals such as Food & Beverage, Chemical, Aerospace & Defense, and Industrial Manufacturing. Servicing these markets will continue to be a strength of ours moving forward. But we also see an opportunity to grow beyond these verticals, as the market for innovation is growing at even a faster rate than we have historically performed and faster than even market growth rates in innovation.

We have stepped up our investment in marketing communications, where we have historically been more conservative, to ensure we are creating improved results in reach, engagement and leads required to continue to grow our customer base. Also, these marketing activities will lay the foundation for connections with the new individual and work group buyer of our software with our cloud-native PLG offering, in turn creating upsell opportunities for our Accolade enterprise solution. Finally, we are also establishing new business and technology partnerships. With more and better partnerships, we can expand our capabilities, benefitting customers, differentiating from competitors, both without taking on the full costs.

Throughout its history, Sopheon has tackled the large innovation challenges of some of the world's largest companies. This experience has allowed us to prosper and gain many remarkable 'blue chip' customers. While we focused on meeting many of their highly unique needs, we sacrificed building a product that could meet a larger market need. Historically, this was not unusual in the enterprise software market; many Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) products faced the same challenges.

Given the stated Corporate Enterprise industry trends and shifts discussed above, we find ourselves in a unique opportunity to introduce a product that not only continues to meet the Enterprise requirements but also addresses the new market requirements.

> *" The beauty of this Accolade implementation is that we really are creating one single source of truth, not only for having all our products, but also for managing our portfolio resources in the same location. "*
>
> **– Andre Dias Alves da Silva**
> Director Innovation I2M for Mondelèz International

How we execute our plans

As we look to transform Sopheon and execute this strategy, we have created five themes to support the activity that needs to take place for us to succeed. For Sopheonites, these themes are not just words on paper; they have been turned into specific Objectives and Key Results (OKRs) – a collaborative goal-setting methodology used by teams and individuals to set challenging, ambitious goals with measurable results – by each department leader with specific Key Performance Indicators (KPIs) that will allow us to focus on achieving our goals.

They are:

Growth: Repeatable, scalable, profitable growth through increased net new customers and strong customer retention.

More: Broadening of product offerings and market solutions, company/technology acquisition, and delivering differentiated value.

Speed: Faster time-to-value for our customers.

Visibility: Greater awareness of Sopheon and expressed interest for our products and services.

People: Attract, retain, and grow our employees to best accomplish our company's goals.

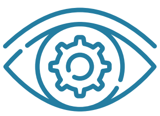
Let's take a deeper look at each one:

Growth: Sopheon will continue to focus on gaining more new customers and maintaining our high retention rate. That's how we are measuring growth. We have energized our marketing and Americas sales organization with new leadership and team members to generate more new accounts. We have also started to build out a customer success organization to focus on customer health and ensure their continued satisfaction with Sopheon.

More: We also know we can't get there selling just one product. It's why we have increased the pace and delivery of our development organization, releasing three product releases last year with more than twelve new capabilities and eighty enhancements. It's also why acquisitions are essential to our strategy; as we add more products, more prospects can find us, and customers can purchase from us. Finally, we are broadening our service offerings to meet our customers' needs, create closer relationships with our customers, and deliver more value to them and their usage of Accolade.

Speed: Our customers are moving faster, and as a result, we need to do the same by delivering more capabilities from our products and services every day. Our customers look to us to enable them in their innovation speed and successful time to market. And they have shared with us they no longer have years to deliver new product ideas and innovations, but just a few months at best. This 'test and learn' approach to their innovations has been inspired by Agile methods and processes. Customers are requiring their key partners like Sopheon to provide them speed in decision-making about new products, portfolio decisions, strategy/execution processes, and more that will enable them to compete faster in their markets.

In addition to delivering more capabilities faster, we have also delivered better approaches to address customer concerns. We introduced a "zero-based" approach to innovation in our product last year, which was inspired by working closely with our customers to improve their innovation speed. Anywhere we can decrease customer time-to-value, our products and services can create more value for our customers. When customers can make innovation decisions faster, is a win for them and for us.



Visibility: Sopheon, in many ways, is a best-kept secret, and we have an opportunity to change that, both with our new marketing leadership and the marketing investments we have made. Today's B2B buyer is savvier than ever before. They start their search for a product or service online. Not only do they check a company's website, but they search social media, reviews, and news stories about the business. With increased market visibility activities and a strong social media presence – as well as credibility through media stories about Sopheon – we reach more prospects interested in our products and services. These activities benefit our current business and are essential for our nascent cloud-native business. We have engaged our employees to help in this effort, which also aids in recruiting new talent. Finally, we established the role of Chief Evangelist and elevated Paul Heller, a long-time Sopheon leader, and well-known innovation market expert. He is the public face of Sopheon in this role. Paul hosts a weekly podcast called InnovationTalks, where he talks innovation issues with other innovation market experts. In just a year, Paul has hosted 65 episodes that have been listened to a total of 8,800 times and have helped drive our market awareness, as demonstrated by a 65 percent growth in engagement in 2021 from 2022.

Our Culture

As a company and as individuals we value integrity, honesty, openness, inclusion, personal excellence, continual self-improvement and mutual respect. These core values contribute to a culture that sets us apart. At a time when technology companies are experiencing unprecedented turnover, Sopheon is proud of our employee retention of almost 90 percent. The many employees whose tenure is 10 years or longer contributes in a unique and critical way to instilling our cultural values into the mentoring of new Sopheonites as they undergo onboarding.

“Our willingness to work together and support each other”

“A company that can be trusted”

“Belonging”

“Do whatever it takes to succeed for our customer”

“Going the extra mile to help a customer”

"Feel empowered"

“No egos. Everyone wants to help with personal and customer success”

“I know the company, my team, my boss will be behind me ready to defend my work and assist me when required”

“Culture of sharing and helping”

People: Throughout the working world, a phenomenon called the “Great Resignation” has emerged. More than ever before, people are voluntarily leaving their jobs. While some people have left the workforce entirely, job security and better pay are top concerns for others. Sopheon is not immune from the realities of the post-pandemic world, and like many corporations, we continue to navigate the ripple effects from the pandemic.

As experienced professionals, we deeply understand and respect that the software business is all about people and that innovation expertise is a ‘special sauce’ that our customers value and prospects see as a differentiator. We have made significant changes to our work this past year with flexible work policies – including “work from anywhere” – and by emphasizing our shared purpose and values so team members can understand their contributions directly, ensure competitive compensation, and more. We believe that by building a culture where employees know they are making a difference every day, and are rewarded for it, yields retention and growth that benefits our customers and allows us to win in the market.

As you can read, we have a clear pathway forward.

- We recognize the market trends that impact our business now and, in the future.
- We have a structured framework and strategy to address these trends.
- We have built a set of objectives and goals around key themes that will allow us to achieve our strategy.

We remain confident in our growth trajectory and work with passion to achieve the unique market opportunities ahead. We have recognized the trends that impact our business and understand how to convert these into opportunities where we are uniquely positioned to benefit. We introduced significant change into Sopheon in 2022 in anticipation of capitalizing on the unique opportunity we see in new market trends for future success through the execution of our themes and OKR’s.

A summary of the principal risk areas facing the business is set out in the Directors' Report.

Approved by the board and signed on its behalf by:

Greg Coticchia
CEO

23 March 2021

Financial report

In this report, our CFO Arif Karimjee provides further analysis of Sopheon's financial results during 2021, our financial position at the end of the year, and an overview of key corporate developments.

Trading performance

Overall revenue grew strongly to $34.4m up from $30.0m the year before. This comprises $24.0m of software revenue (2020: $20.3m) showing growth of 18 percent, and $10.4m of consulting services (2020: $9.7m) representing growth of 7 percent. Behind this headline performance, ARR grew to $20.7m, an increase of 15 percent compared to the prior year at $18.0m. This key aspect of our migration continues to show good movement and is discussed in more detail below.

Total license order volume (including SaaS deals) grew substantially to 72 (10 new) license transactions compared to 43 (10 new) the year before; and moreover 39 were SaaS compared to 22 the year before. A higher volume was offset by lower average deal value – we saw fewer million dollar deals signed in 2021, but we are reassured that overall a higher volume of smaller orders is good evidence of market traction. SaaS naturally lends itself to smaller initial orders followed by the promise of future expansion as reflected in the substantially higher volume of extension orders. The combination of higher volume but lower deal value led to total TCV coming in modestly above 2020 levels. Within that, the TCV of SaaS business rose to $7.3m (2020: $6.6m).

We entered 2022 with a lower consulting services backlog, due to the nature of deals signed in recent months. Nevertheless, supported by our ARR transition, revenue visibility for the year now stands at $25.1m compared to $24.5m at this time a year ago.

SaaS and ARR

As Andy and Greg have noted above, we continued to make progress on our two core steps to move the business to SaaS first introduced in 2020. For new customers, the sales team now only offers SaaS unless, by exception, the customer makes an explicit requirement for a perpetual license. As noted elsewhere, the make-up of the pipeline has shifted. At the end of 2020, approximately 75 percent of our new license opportunity by value was SaaS related. Today, this is almost 90 percent. For existing perpetual customers, in particular those that do not host with Sopheon, we have developed a "Cloud Lift" program to encourage them to upgrade their perpetual license to a SaaS license, delivering good return on investment by taking on hosting and certain managed services, and we have implemented this change for 10 customers so far. This is being further enhanced with new pricing models designed to offer additional inducements for customers to switch to SaaS. In addition to the four perpetual customers that took advantage of Cloud Lift during 2020, we added a further six in 2021. We believe this program will continue to gain momentum as we progress through our transition and continue to improve the value of our cloud offering. Furthermore, approximately 50 percent of the license transactions signed during 2021 were for SaaS contracts, and the value of SaaS bookings was more than double that of perpetual contracts.

> *At the end of 2020, approximately 70 percent of our new license opportunity by value was SaaS related. Today, this is almost 90 percent.*

As highlighted by the metrics above, the conversion of Sopheon's revenue model to SaaS continued during the year while delivering overall growth in revenues, highly unusual while going through this revenue transition. This was also supported by a solid improvement in gross retention which returned to historic levels of 95 percent (2020: 91.5 percent). Our customer base continues to report high satisfaction levels, with our net promoter ("NPS") surveys recording an all-time high NPS score of 45 in 2021. A score of 45 is considered excellent for B2B enterprise software. We continue to ensure that our customers are on new releases, with almost 80 percent of them on Accolade versions 13 and 14, the current supported releases.

Seasonality and geography

The sensitivity of revenue to calendarization has started to come down, which is something we expected to happen as our recurring revenue began to rise more steeply. The second half of the year accounted for 52 percent of revenues (2020: 54 percent and 2019: 55 percent). Unlike previous years, we also saw less seasonality in the booking experience; while overall bookings were higher in 2021, whereas 2020 saw 44 percent of TCV signed in the final quarter, in 2021 the final quarter represented 20 percent of the total.

Revenues to customers in our core markets of North America and Europe were 60 percent and 31 percent of total respectively (2020: 61 percent and 32 percent). Following several signings in the Asia-Pacific region in 2020 and also in 2021, revenues outside our core regions rose by $1m to make up the remaining 9 percent (2020: 7 percent). Our activities in the Pacific region continue to be managed through partners while the broader Americas, Europe and Middle East markets are addressed by our direct sales teams.

> ***As highlighted by the metrics above, the conversion of Sopheon's revenue model to SaaS continued during the year while delivering overall growth in revenues, highly unusual while going through this revenue transition. This was also supported by a solid improvement in gross retention which returned to historic levels of 95 percent (2020: 91.5 percent).***

Gross margin

Gross margin was 72.6 percent, compared to 69.8 percent in 2020. This remains well within the historical range. Gross margin is calculated after deducting the cost of our consulting organization – both payroll and subcontracted; costs and charges associated with our hosting activities, some license royalties due to OEM partners and costs and credits relating to certain indirect taxes. The change in margin last year was driven largely by the dynamics of our services organization. Although total consulting revenue rose in absolute terms, it both fell as a percentage of total revenues and also improved its own gross margin largely through higher staff utilization and better hourly recovery rates. Headcount in this area actually fell compared to 2020.

Research and development expenditure

Overall expenditure in product development in 2021 increased by approximately $1.7m to $8.6m. These amounts can be compared to the headline research and development reported in the income statement showing an increase from $5.9m to $7.3m; the differences are due to the effects of capitalization and amortization of development costs. Headcount in this area went up by four on a yearly average basis, with significant strengthening in product management in particular. In addition, we added eight offshore FTEs in the second half. This continued expansion of resources supports the multi-product strategy mentioned in the Chairman's statement. We are maintaining investment in our core enterprise Accolade solution, while also developing cloud-native applications that will bring multiple benefits in the short and medium term. Looking ahead, we will add investment in the ROIB solution. Greg explains the strategic ambition that underpins these multiple product tracks in his report. As we note later, we offset delays in hiring staff through the addition of greater subcontracting resources.

Overall, the amount of 2021 research and development expenditure that met the criteria of IAS 38 for capitalization was $4.3m (2020: $3.7m) offset by amortization charges of $3.0m (2020: $2.7m). The higher capitalization rate reflects the greater resources referred to above; the consequent impact on amortization will come through over time as the products are released. Capitalized costs in 2021 are largely attributable to the group's investment in the Accolade 13.3, 14.0, 14.1 and 14.2 versions, as well as our foundation cloud-native platform. The first three releases were issued during 2021; Accolade 14.2 in early 2022, and our first cloud native application is expected in 2022. This will initially be marketed on a "freemium" model whereby users can download the application at no charge with the future option to purchase higher subscription tiers to access greater functionality.

> *This continued expansion of resources supports the multi-product strategy mentioned in the Chairman's statement. We are maintaining investment in our core enterprise Accolade solution, while also developing cloud-native applications that will bring multiple benefits in the short and medium term. Looking ahead, we will add investment in the ROIB solution.*

Other operating costs

Payroll costs continue to represent over 80 percent of our cost base. Sopheon has a relatively mature and highly qualified blend of staff, reflecting the professional and intellectual demands of our chosen market. In 2020, we froze our previously ambitious hiring plans due to the onset of the pandemic. In 2021, we reintroduced recruitment targets but were once again somewhat thwarted, this time by the incidence of higher staff churn as the impact of the recovery and the "great resignation" took hold. Salary pressures have also been marked during 2021, consistent with the rest of the technology sector. Accordingly, we ended last year with 167 staff, compared to 169 at the end of 2020. Average headcount for the year was also 167 (2020: 164). Several recruits during 2020 were senior including several new members of the management team. Excluding variable pay, staff costs as reported in Note 7 of the financial statements increased by approximately $1.25m due to all these factors. A further $0.25m was due to currency effects. Variable pay also increased, reflecting higher commissions and bonuses tied to the stronger financial performance during the year. We have modified the corporate bonus scheme, applicable to all non-sales staff in the company, adding a material element of ARR goal to our historical focus on EBITDA. The bonus is paid in the following year. In parallel, subcontracting costs rose by approximately $0.4m. This is primarily linked to increases in our offshore team working in India, which rose by 8 for a total of 18 FTEs during the second half of 2021. The offshoring is achieved through an outsourcing firm and supports both consulting and development efforts. Non-payroll costs, which fell in 2020, increased by approximately $0.9m before exchange, interest, tax and depreciation. The main components of the increase were expanded marketing program costs; staff training and infrastructure costs associated with our transition plans; and deal related expenses in connection with the acquisition of ROIB. These were offset to some degree by very low travel costs.

Taking a functional view, specific comments regarding consulting operations and research and development costs are noted above. Overall costs in the sales and marketing area increased by approximately $1.9m including variable compensation. This mainly reflects the higher variable component, addition of new leadership, and the significantly higher investment in marketing programs referenced earlier in this report. Administration costs – which include infrastructure costs - have risen by approximately $1.1m. This area includes all other overheads, office costs, regulatory and compliance costs, and depreciation, as well as the full impact of the notional charge for share option grants, which is allocated entirely to this caption. Roughly half the increase came from higher share option costs as well as exchange losses arising on stronger sterling; the balance reflecting additional resources in training and IT in line with our transition investments, as well acquisition related expenses.

With regard to foreign exchange, historically the group has aimed to incorporate a natural hedge through broadly matching revenues and costs within common currency entities, reducing the need for active currency management. In recent years this has become somewhat less balanced as our cost base has become increasingly dollar driven, while revenues remain roughly two thirds dollar and one third euro or sterling. This has led to a build-up of Euro balances. Following the recent reversal of Euro strength, we are now gradually shifting this into dollars.

> *" Through our partnership with Sopheon, we can now quickly implement and sustain systematic, best-practice approaches that will accelerate the development and commercialization of new products that the market is ready for. "*
>
> **– Kim Cunningham**
> Chief Commercial Officer of Mother Parkers

Results and corporate tax

Adjusted EBITDA (Earnings before Interest, Tax, Depreciation, Amortization and Share based payments) is a key indicator of the underlying performance of our business, commonly used in the technology sector. It is also a key metric for management and the financial analyst community. This measure is further defined and reconciled to profit before tax in Note 5. The combined effect of the revenue and cost performance discussed above has resulted in Sopheon's Adjusted EBITDA performance for 2021 rising to $6.2m, from $5.9m in 2020. Due mainly to the incidence of higher share based payment charges, as well as higher amortization, profit before tax reduced to $1.2m (2020: $1.7m).

The tax charge of $0.4m (2020: $0.2m) reported in the income statement comprises two main elements. Although Sopheon benefits from accumulated tax losses in several jurisdictions including at the US federal level, this is not universal, and accordingly a current tax charges of approximately $0.2m each was incurred in Germany and for state taxes in the US. In addition, a $2.6m deferred tax asset is recognized at both 31 December 2020 and 2021, of a total potential asset of $11.7m (2020: $11.1m).

Altogether this leads to a profit after tax of $0.8m (2020: $1.5m). This has also resulted in profit per ordinary share on a fully diluted basis of 7.47 cents (2020: 14.06 cents).

Statement of compliance with Section 172 of the Companies Act 2006

Legislation requires that directors include a separate statement in the annual report that explains how they have had regard to wider stakeholder needs when performing their duty under Section 172(1) of the Companies Act 2006. This duty requires that a director of a company must act in the way he or she considers, 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 have regard (amongst other matters) to:

a) the likely consequences of any decision in the long term;

b) the interests of the company's employees;

c) the need to foster the company's business relationships with suppliers, customers and others;

d) the impact of the company's operations on the community and the environment;

e) the desirability of the company maintaining a reputation for high standards of business conduct; and

f) the need to act fairly as between members of the company.

Guidance recommends that in connection with its statement, the board describe in general terms how key stakeholders, as well as issues relevant to key decisions, are identified, and also the processes for engaging with key stakeholders and understanding those issues. It is the board's view that these requirements are addressed in the corporate governance disclosures we have made in the Directors' Report, which are themselves more extensively discussed on the company's website.

Guidance also recommends that more detailed description is limited to matters that are of strategic importance in order to remain meaningful and informative for shareholders. The board believes that three decisions taken during the year fall into this category and engaged with internal and external stakeholders on this. These are:

- The decision to acquire ROI Blueprints alongside our own investments in a cloud-native platform. As described in our announcements at the time of the acquisition, the board believes that integrating the ROIB solution with Sopheon's Accolade product will extend the value of Sopheon's offering and expand market reach. It will also further accelerate Sopheon's migration towards cloud and SaaS. In addition to the cross-selling opportunities, these attributes will further underpin the Group's solid retention metrics.
- The decision to move the business decisively towards a full flexible working model, whereby staff are encouraged to work at home or in the office as suits their personal preference. This decision following overwhelming support for such a move from the staff in general, and in the face of very real risks to staff retention if mandatory office working was reinstated once countries opened up following the pandemic. It reflects trends in the technology industry; will expand the pool of candidates that we can recruit; and we believe it will enhance the well being of staff. In parallel with this change of approach we have also introduced several other policies to underpin staff development, well-being and culture under a more remote working model.
- The decision to significantly expand investment in marketing programs. As noted above our spend in this area broadly doubled in 2021, and this level of spend will continue in 2022. The change last year was funded through underspend in several areas notably travel costs as the pandemic continued to prevent movement. The board believes that our shift towards SaaS and product led approaches, together with changes in corporate buying behavior to a more self-research model, require new forms of lead generation that in turn rely on a bigger marketing presence. We expect this to result in stronger lead generation with consequent impact on sales down the line.

Dividend

The board is pleased to maintain Sopheon's dividend at 3.25 pence per share for the year ended 31 December 2021 (2020: 3.25p). We believe this level strikes the right balance between a business going through a complex SaaS transition, while still delivering positive revenue growth, cash generation and balance sheet strength. Subject to approval by the company's shareholders at the annual general meeting scheduled for 9 June 2022, the dividend will be paid on 8 July 2022 with a record date of 10 June 2022.

> ***The board is pleased to maintain Sopheon's dividend at 3.25 pence per share for the year ended 31 December 2021. We believe this level strikes the right balance between a business going through a complex SaaS transition, while still delivering positive revenue growth, cash generation and balance sheet strength.***

Facilities and assets

We continued to be cash generative during 2021 in spite of the tough environment, with cash rising to $24.2m (2020: $21.7m) as detailed below. This provides a strong platform for growth as well as M&A. Furthermore, our relationship with Silicon Valley Bank remains strong, with potential established for funding arrangements in connection with corporate activity if required.

Intangible assets stood at $11.9m (2020: $7.9m) at the end of the year. This includes (i) $8.1m being the net book value of capitalized research and development (2020: $6.8m) (ii) acquired technology and intellectual property rights of $2.3m arising on the acquisition of ROIB; and (iii) an additional $1.6m (2020: $1.0m) being goodwill arising on acquisitions, including $0.6m for ROIB arising in 2021.

As stated above in our discussion of research and development costs, capitalization and amortization were broadly in balance for a number of years; however, recently capitalization has accelerated, and amortization has yet to catch up, as development resources have expanded over the last few years. Our spend on tangible fixed assets was held to $0.4m last year (2020: $0.4m) whereas depreciation was approximately $0.3m (2020: $0.4m), resulting in net book value rising to $0.6m at the end of the year (2020: $0.5m).

With respect to the acquisition of ROIB, as detailed in Note 14 we have estimated approximately 88 percent of the contingent consideration will become payable during the earnout period, resulting in a total net acquisition cost of $2.8m. Of this, $2.3m has been allocated to technology and intellectual property rights, with the balance being treated as goodwill.

As described in Note 2, IFRS 16 requires lessees to recognize a lease liability that reflects future lease payments and a "right-of-use asset" in all lease contracts within scope, with no distinction between financing and operating leases. This has resulted in net book value of right-of-use assets of $0.8m (2020: $1.0m) and corresponding lease liabilities of $0.8m (2020: $1.1m) at 31 December 2021. Notional amortization and interest charges in connection with the above recognized in the income statement were approximately $0.7m (2020: $0.7m).

Consolidated net assets at the end of the year stood at $31.3m (2020: $30.2m), an increase of $2.1m and including net current assets of $15.7m (2020: $18.7m). Within the net current asset position, net cash at 31 December 2021 amounted to $24.2m (2020: $21.7m). Approximately $5.6m was held in US Dollars, $15.2m in Euros and $3.4m in Sterling. The group has no debt (excluding notional debt from the adoption of IFRS 16).

Approved by the board and signed on its behalf by:

Arif Karimjee
CFO

23 March 2022

Directors and advisors

Directors	Andrew L. Michuda	Executive Chairman
	Gregory M. Coticchia	Chief Executive Officer
	Arif Karimjee ACA	Chief Financial Officer
	Barry K. Mence	Non-executive Director
	Stuart A. Silcock FCA	Non-executive Director
	Daniel Metzger	Non-executive Director
	Please refer to the inside back cover of this report for details of the professional background of each director.	
Secretary	Arif Karimjee ACA	
Registered office	Dorna House One 50 Guildford Road West End, Surrey GU24 9PW	
Registered name and number	Sopheon plc Registered in England and Wales No. 03217859	
Auditors	BDO LLP City Place Gatwick RH6 0PA	
Principal bankers and financiers	Silicon Valley Bank 3003 Tasman Drive Santa Clara, CA 95054 United States	Silicon Valley Bank Alphabeta 14-18 Finsbury Square London EC2A 1BR
	Rabobank Amsterdam Van Baerlestraat 102-106 1071 BC Amsterdam The Netherlands	Commerzbank Rheinstrasse 14 64283 Darmstadt Germany
Solicitors and attorneys	Squire Patton Boggs 7 Devonshire Square Cutlers Gardens London EC2M 4YH	Briggs and Morgan 2200 IDS Center, 80 South 8th Street Minneapolis, MN 55402 United States
	Loyens & Loeff Fred Roeskestraat 100 1076 ED Amsterdam The Netherlands	
AIM nominated adviser and broker	finnCap Limited 60 New Broad Street London EC2M 1JJ	
Registrars	Link Asset Services 65 Gresham Street London EC2V 7NQ	

Board committee report

Remuneration committee

The remuneration committee of Sopheon plc is responsible for oversight of the contract terms, remuneration and other benefits for executive directors, including performance-related bonus schemes. The committee comprises three non-executive directors, Barry Mence, Daniel Metzger and Stuart Silcock, and is chaired by Barry Mence. The committee makes recommendations to the board, within agreed parameters, on an overall remuneration package for executive directors and other senior executives in order to attract, retain and motivate high quality individuals capable of achieving the group's objectives. The package for each director consists of a basic salary, benefits and pension contributions, together with performance-related bonuses and share options on a case-by-case basis. Consideration is given to pay and employment policies elsewhere in the group, especially when considering annual salary increases. From time to time, the remuneration committee may take advice from appropriate remuneration consultants or consult benchmarking data.

Contracts

Service contracts between the company and the executive directors are terminable on three to nine months' notice.

Fees for non-executive directors

The fees for non-executive directors are determined by the board. The non-executive directors are not involved in any discussions or decisions about their own remuneration.

Directors' remuneration

Set out below is a summary of the fees and emoluments received by all directors during the year, translated where applicable into US Dollars at the average rate for the period. Benefits primarily comprise healthcare insurance and similar expenses. Details of directors' interests in shares and options are set out in the Directors' Report. Mr. Coticchia was appointed to the board on 31 March 2021 but was employed by the group for the whole year and the remuneration disclosed is for the whole year. Mr Mence became a non-executive director on the same date.

	Pay and Fees 2021 $'000	*Bonus 2021 $'000*	*Benefits 2021 $'000*	*Total 2021 $'000*	*Pay and Fees 2020 $'000*	*Bonus 2020 $'000*	*Benefits 2020 $'000*	*Total 2020 $'000*
Executive Directors								
A.L. Michuda	349	147	12	508	339	82	11	432
G.M Coticchia	260	93	-	353	-	-	-	-
A. Karimjee	222	73	6	301	204	38	9	251
Non-executive Directors								
B.K Mence	112	23	11	146	211	50	13	274
S.A. Silcock	37	-	-	37	34	-	-	34
D. Metzger	37	-	-	37	34	-	-	34
	1,017	336	29	1,382	822	170	33	1.025

The remuneration committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid. With the principal exception of members of Sopheon's sales teams, for whom incentives are tied to individual or territory results, the committee concluded that the cash incentive should be tied to the financial performance of the group as a whole. In 2020 these objectives were set with regard to Adjusted EBITDA performance. In 2021, three quarters of the incentive remained tied to Adjusted EBITDA, with the remaining quarter tied to Annual Recurring Revenue. These measures were applied to all members of the executive board and management committee of the group, as well as the majority of the group's employees.

In addition to the amounts disclosed above, pension contributions are made to individual directors' personal pension schemes. During 2021 contributions of $2,000, $7,000, $10,000 and $2,000 (2020: $6,000, $Nil, $10,000 and $9,000) were paid respectively to the pension schemes of Andy Michuda, Greg Coticchia, Arif Karimjee and Barry Mence.

Performance graph

The following graph shows the company's share price performance on AIM since January 2014, in British pounds Sterling, compared with the performance of the FTSE AIM All Share index, which has been selected for this comparison as it is a broad-based index which the directors believe most closely reflects the performance of companies with similar characteristics as the group's. Historical share prices have been adjusted to reflect the net 20:1 share consolidation performed by the group during 2013.

Directors' interests

The interests of the directors, who held office at the end of the year, in the share capital of the company were as follows:

At 31 December	*Share Options* 2021	2020	*Ordinary Shares* 2021	2020
A.L. Michuda	320,000	320,000	64,120	84,155
G.M Coticchia	100,000	20,000	-	-
A. Karimjee	93,000	85,500	70,000	82,493
B.K. Mence	-	24,250	1,895,958	2,228,537
S.A. Silcock	-	-	279,490	520,318
D. Metzger	-	-	5,000	5,000

With respect to the interests stated above for Barry Mence, Stuart Silcock and Arif Karimjee, their respective spouses are the beneficial owners of 13,825, 6,875 and 20,000 ordinary shares each. Accordingly, the personal interest of Barry Mence is in 1,882,133 ordinary shares, Stuart Silcock in 272,615 ordinary shares and Arif Karimjee in 50,000 ordinary shares.

The following table provides information for each of the directors who held office during the year and held options to subscribe for Sopheon ordinary shares. All options were granted without monetary consideration.

	Date of Grant	*Exercise Price*	*At 31 December 2020*	*Granted During Year*	*Exercised During Year*	*At 31 December 2021*
A.L. Michuda	29 September 2012	105p	100,880	-	(100,880)	-
A.L. Michuda	5 December 2013	85p	49,000	-	(49,000)	-
A.L. Michuda	8 April 2016	87.5p	15,120	-	(15,120)	-
A.L. Michuda	15 February 2017	467.5p	25,000	-	-	25,000
A.L. Michuda	11 February 2018	565p	50,000	-	-	50,000
A.L. Michuda	4 July 2018	900p	50,000	-	-	50,000
A.L. Michuda	13 July 2020	775p	30,000	-	-	30,000
A.L. Michuda	14 May 2021	900p	-	165,000	-	165,000
G. Coticchia	19 October 2020	785p	20,000	-	-	20,000
G. Coticchia	14 May 2021	845p	-	80,000	-	80,000
A. Karimjee	29 September 2012	105p	3,125	-	(3,125)	-
A. Karimjee	5 December 2013	85p	26,875	-	(26,875)	-
A. Karimjee	8 April 2016	87.5p	5,850	-	(5,850)	-
A. Karimjee	15 February 2017	467.5p	11,650	-	-	11,650
A. Karimjee	11 February 2018	565p	15,000	-	-	15,000
A. Karimjee	4 July 2018	900p	15,000	-	-	15,000
A. Karimjee	13 July 2020	775p	8,000	-	-	8,000
A. Karimjee	14 May 2021	900p	-	43,350	-	43,350
B.K. Mence	29 September 2012	105p	6,125	-	(6,125)	-
B.K. Mence	5 December 2013	85p	18,125	-	(18,125)	-

Vesting of all of the above share options which were outstanding at 31 December 2021 is in evenly over the three years from the date of grant and all such options expire on the tenth anniversary of the date of grant. The mid-market price of Sopheon ordinary shares at 31 December 2021 was 935p. During the financial year the mid-market price of Sopheon ordinary shares ranged from 790p to 985p. Save as disclosed above, no director (or member of his family) or connected persons has any interest, beneficial or non-beneficial, in the share capital of the company.

Audit committee

The Audit Committee, which includes all of the non-executive directors and is chaired by Stuart Silcock, considers and determines actions regarding any control or financial reporting issues they have identified, or that have been raised by the auditors. During the year, the Audit Committee met twice, and the external auditor and executive directors were invited to attend these meetings. Consideration was given to the external auditor's post-audit reports and these provide opportunities to review the accounting policies, internal control and financial information contained in both the annual and interim reports, as well as the independence of the external auditor. The committee chair is also able to meet with the auditors independently if required.

Approved by the board on 23 March 2022 and signed on its behalf by:

A. Karimjee
Director

Directors' report

The group's principal activities during the year continued to focus on the provision of software and services for complete Enterprise Innovation Management solutions. The Chairman's Statement on page 6 includes reference to the group's future prospects. In view of the fact that approximately two-thirds of the group's revenues and staff are based in the United States, the group's financial statements are presented in US Dollars. The board is pleased to recommend a final dividend in respect of the year ended 31 December 2021 of 3.25 pence per share (2020: 3.25 pence per share), amounting to £342,000 (2020: £332,000).

Directors

The directors who served during the year are disclosed in the Board Committee Reports.

Corporate governance

The Sopheon board is committed to maintaining high standards of corporate governance. In accordance with AIM Rule 26, AIM quoted companies are required to adopt and give details of the corporate governance code which they have adopted and to show how they are following it. In September 2018, the board adopted the Quoted Companies Alliance's (QCA) Corporate Governance Code for small and mid-size quoted companies (the "QCA Code").

Of the recognized codes generally adhered to by AIM companies, the QCA Code has been drafted with smaller businesses in mind, with a pragmatic and principles-based approach. It was therefore deemed by the board to be the most suitable.

The board had previously established an internal project to update its internal risk management procedures with a new enterprise risk framework based on the provisions proposed by COSO (Committee of Sponsoring Organizations of the Treadway Commission) with a view to incorporating a formal risk review agenda point in each board meeting. Key principles of the QCA Code have been incorporated into this risk management process.

Solid corporate governance is the foundation on which the business is managed, and this is supported by the range of talents of the directors. Biographies of the directors appear inside the back cover and demonstrate a range of experience and caliber to bring the right level of independent judgment to Sopheon's business. Ensuring financial strength alongside growth objectives is a key guiding principle, supported by an effort to ensure solid communication with shareholders.

The chairman is responsible for leading the board and for its overall effectiveness in directing the group. They ensure that the board implements, maintains and communicates effective corporate governance processes and promotes a culture of openness and debate designed to foster a positive governance culture throughout the group.

The board is responsible for the group's system of internal control and for reviewing its effectiveness. Such a system can only provide reasonable, but not absolute, assurance against material misstatement or loss. The board believes that the group has internal control systems in place appropriate to the size and nature of its business. The board is satisfied that the scale of the group's activities does not warrant the establishment of an internal audit function.

The board is also responsible for identifying the major business risks faced by the group and for determining the appropriate course of action to manage those risks. Formal meetings are held quarterly to review strategy, management and performance of the group, with additional meetings between those dates convened as necessary. During 2021, all directors attended all quarterly meetings either in person or by conference call.

The QCA Code identifies ten principles that focus on the pursuit of medium- to long-term value for shareholders without stifling entrepreneurial spirit. Sopheon's adoption of the QCA principles is summarized in the table below. Further details are made available on our website at **www.sopheon.com/board-governance**.

QCA principle	Sopheon adoption
1. **Establish a strategy and business model which promote long-term value for shareholders**	Sopheon's mission is to help our customers achieve exceptional long-term growth and profitability through sustainable innovation. Our guiding philosophy is to balance aggressive growth strategies with a focus on profitability, while also ensuring long-term financial stability. We believe the combination of these three factors will maximize long-term value for shareholders. Full information on the group's strategy and business model can be found in the Strategic Report on page 26.
2. **Seek to understand and meet shareholder needs and expectations**	The board engages with shareholders and the broader investment community via a variety of channels and activities including the annual general meeting, updates to shareholders via reporting and the regulatory news service, and institutional presentations. The Chairman and CFO are the primary contacts for investor interaction alongside finnCap, with the CEO ensuring availability to meet investors when visiting Europe from his US base.
3. **Take into account wider stakeholder and social responsibilities and their implications for long-term success**	Sopheon's culture is very open and this includes reaching out and seeking feedback and insights from our various stakeholders. In addition to the investor outreach described above, key practical elements of this philosophy for other stakeholders include having a flat organization with few tiers of management, meeting regularly; all-hands communications via web-meetings; customer engagement through account management, satisfaction surveys and user forum events; and broader market engagement through close relationships with sector analysts such as Gartner and Forrester Research.
4. **Embed effective risk management, considering both opportunities and threats, throughout the organization**	The board is responsible for identifying the major business risks faced by the group and for determining the appropriate course of action to manage those risks. In 2017 the board adopted a framework for the effective identification, assessment, and management of risks to the achievement of corporate objectives. The risk management process is managed in Accolade and is embedded in our quarterly meeting cycle. The risks that the board consider to be principal risks to the group's business are set out on page 26.
5. **Maintain the board as a well-functioning, balanced team led by the chair**	The QCA Code requires that boards have an appropriate balance between executive and non-executive directors and that each board should have at least two independent directors. The board is made up of three executive directors and three non-executive directors. The non-executive directors are mature, experienced and independent persons who have each succeeded in their own businesses and are not dependent upon income from the group. They have developed a strong and detailed understanding of the business, and are prepared and able to intervene and challenge the executive directors.
6. **Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities**	Details of the background and experience of the directors of the company are set out inside the back cover of this report. These demonstrate that our team collectively has the necessary skills and experiences, as well as the required caliber, to carry out the group's strategy and business model effectively. The non-executive directors comprise a financial specialist, an industry specialist, and a general business specialist. All three have experience of working in a public company environment. Furthermore, one is America based and two Europe based, reflecting the geographical footprint of the group.
7. **Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**	A board self-evaluation process led by the chairman takes place in July every three years, using a QCA-sponsored questionnaire and process. Low scoring or divergent scoring responses are discussed, with gaps and actions for improvement identified. This was last performed formally in 2019.
8. **Promote a corporate culture that is based on ethical values and behaviors**	Sopheon's core values statement and guiding principles, developed by the extended management team, support the group's culture with a strong footing in ethical values. These are reinforced in the staff handbook and the staff appraisal and development process, which formally embeds cultural and ethical considerations as part of each employee's self-evaluation.
9. **Maintain governance structures and processes that are fit for purpose and support good decision-making by the board**	Formal board meetings are held quarterly to review strategy, management and performance of the group, with additional meetings between those dates convened as necessary. We have two board committees, the Audit Committee and the Remuneration and Appointments Committee. The terms of reference of both these committees of the board have been revised to reflect the principles of the QCA Code and are available online.
10. **Communicate how the company is governed and is performing by maintaining a dialog with shareholders and other relevant stakeholders**	The group's approach to investor and shareholder engagement is described under Principle 2 above. Annual reports, Annual General Meeting notices, regulatory announcements, trading updates and other governance-related materials since the year 2000 are available from the group's website.

Post balance sheet events

There are no post balance sheet events that warrant disclosure in the financial statements.

Research and development

A summary of research and development activities and the key benefits and enhancements to the Sopheon Accolade solution is set out in the Strategic Report. A summary of the expenditure incurred and the accounting treatment thereof is set out in the Financial Review of the Strategic Report.

Principal risk areas

As with any business at its stage of development, Sopheon faces a number of risks and uncertainties. The board monitors these risks on a regular basis. The key areas of risk identified by the board are summarized below.

Sopheon's markets are emerging and this means that Sopheon's growth may be erratic. The broad market for Sopheon's software products continues to emerge and evolve, and the timing and size of individual sales can have a substantial impact on performance in a given period. Sopheon has formalized processes for soliciting input to product strategy from analysts and customers, while also capitalizing on the group's leadership in key market areas. Sopheon also seeks to improve revenue predictability by introducing specific initiatives to balance efforts between new customer acquisition and meeting the needs of existing customers. Sopheon's consistently growing recurring revenue base should also improve revenue predictability.

Sopheon's prospects for achieving sustained and growing profitability are dependent on correctly aligning investments with sales. Sopheon's ability to continue to finance its investments at the optimal pace is dependent on the group maintaining profitability and sales growth alongside its investment strategy or having appropriate financial resources in place to invest with confidence. Sopheon has sought to focus its resources on the sub-segments that it believes offer the best opportunities for growth. Sopheon management carefully monitors short- and medium-term financing requirements and has regularly raised additional funding resources to meet requirements.

Some of Sopheon's competitors and potential competitors have greater resources than Sopheon. Sopheon remains a relatively small organization by global standards. Its resources are small compared to those of many larger companies that are capable of developing competitive solutions and it can be difficult to overcome the marketing engine of a large global firm. Sopheon seeks to compete effectively with such companies by keeping its market communications focused, clear and consistent with its product and market strategy, and working to deliver first class quality of execution so that the customer base is as referenceable as possible. Sopheon's use of an agile development methodology with deep customer involvement is a key plank in this approach.

Sopheon is dependent upon skilled personnel, the loss of whom could have a material impact. While service agreements have been entered into with key executives, retention of key members of staff cannot be guaranteed and departure of such employees could be damaging in the short term. In addition, the competition for qualified employees continues to be difficult and retaining key employees has remained challenging. As a relatively small business, Sopheon is more exposed to this risk than some of its larger competitors. Sopheon management checks staff remuneration against recognized benchmarks and other industry sources and seeks to maintain pay at competitive levels appropriate to its business.

Sopheon will require relationships with partners who are able to market and implement its products. Historically, Sopheon has devoted substantial resources to the direct marketing of its products, and its strategy to enter into strategic alliances and other collaborative relationships to widen the customer base and create a broad sales and implementation channel for its products is not yet mature. The successful implementation of this strategy is crucial to Sopheon's prospects and its ability to scale effectively. However, Sopheon cannot be sure that it will select the right partners, or that the partners it does select will devote adequate resources to promoting, selling and becoming familiar with Sopheon's products. Over the years, Sopheon has built up a network of both resellers and consulting partners, however this has yet to mature and the revenues delivered through these relationships remain a relatively modest part of the total.

Sopheon could be subject to claims for damages in connection with its products and services. Sopheon may be exposed to claims for damages from customers in the event that there are errors in its software products, should support and maintenance service level agreements fail to meet agreed criteria, or should the security features of its software or hosting services fail. Sopheon has sought to protect itself from such risks through excellent development methodologies and high-quality operating procedures, its contract terms and insurance policies. Sopheon has never had any such claims.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to ensure that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware. A resolution to reappoint BDO LLP as auditors will be put to the members at the Annual General Meeting.

Financial instruments

Details of the group's financial instruments and its policies with regard to financial risk management are given in Note 22 to the financial statements.

Brexit

The United Kingdom ('UK') formally left the European Union ('EU') on 31 January 2020. This was followed by a transition period until 31 December 2020, during which trade and border arrangements, citizens' rights, and jurisdiction on matters such as dispute resolution, remained broadly unchanged, in accordance with the UK-EU Withdrawal Agreement and the EU (Withdrawal Agreement) Act 2020. Shortly before the expiry of the transition period, on 24 December 2020, the UK and the EU agreed upon a comprehensive Trade and Cooperation Agreement, which incorporated a free trade agreement, a partnership for citizens' security and a horizontal agreement on governance.

The effects of the UK's withdrawal from the EU and entering into the Trade and Cooperative Agreement with the EU has not had a significant impact on the group and company's operations, due to the global geographical footprint of the business and the nature of its operations. However, the directors and management continue to monitor the situation to manage the risk of the return of volatility in the global financial markets and impact on global economic performance.

War in Ukraine

In February 2022, Russia invaded Ukraine leading to a strong sanction response by many jurisdictions around the world including by the UK, USA and EU. Sopheon is committed to honouring the sanctions imposed on Russia, named individuals, and business entities. In addition, Sopheon, like many companies worldwide, has suspended all business activity with Russian entities. Although Sopheon does not have any active customers in Ukraine or Russia, prior to the invasion the group was involved in a small number of material sales opportunities within the territory, which have been suspended. This is not expected to have any impact on the group's ability to continue as a going concern.

COVID-19

The directors have continued to monitor and respond to the effects of the global COVID-19 pandemic on the group and took rapid steps to ensure there was no material impact on the company's operations and working capital. In particular, in March 2020 the board implemented an immediate work from home policy and travel restrictions, supported by well-defined virtual working practices, as well as assuring continuity of business operations and cloud services through co-location and Azure based infrastructure. This went smoothly, and the group continues to operate virtually today. Future working practices after the pandemic has receded are expected to include a blend of home and office working. Some limited rationalization of office space has already been undertaken as leases permit, and this is expected to continue.

Going concern

The board believes that the business is able to navigate through the continuing impact of the pandemic due to the strength of its customer proposition, its statement of financial position and the net cash position of the group. As further detailed in Note 2 to the financial statements, the group's going concern assessment is based on forecasts and projections of anticipated trading performance. The assumptions applied are subjective and management applies judgement in estimating the probability, timing and value of underlying cash flows. The Directors confirm that they have a reasonable expectation that the group will have adequate resources to continue in operational existence and settle liabilities as they fall due for the next 12 months from approval of these financial statements. Accordingly these financial statements are prepared on a going concern basis, with no material uncertainty over going concern.

Greenhouse gas emissions

The 2018 Regulations introduced requirements under Part 15 of the Companies Act 2006 for quoted companies to disclose their annual energy use and greenhouse gas emissions, and related information. However, the group has applied the option permitted to exclude any energy and carbon information relating to its subsidiaries which the subsidiaries would not themselves be obliged to include if reporting on their own account. This applies to all subsidiaries within the group. Sopheon plc itself consumed less than 40MWh during the reporting period, and therefore as a low energy user, it is not required to make the detailed disclosures of energy and carbon information but is required to state, in its relevant report, that its energy and carbon information is not disclosed for that reason.

Substantial shareholdings

The directors are aware of the following persons who as at 23 March 2022 were interested directly or indirectly in 3 percent or more of the company's issued ordinary shares:

	No. of Ordinary Shares	*percent Issued Ordinary Shares*
Name		
Rivomore Limited and Myrtledare Corp.	2,074,308	19.7
B.K. Mence (director)	1,895,958	18.0
Canaccord Genuity Wealth Group Limited	1,121,193	10.6
Universal-Investment-GmbH	927,586	8.8
Chelverton Asset Management Limited	670,238	6.4

Barry Mence's interests represent direct beneficial holdings as well as those of his family.

Approved by the board on 23 March 2022 and signed on its behalf by:

A. Karimjee
Director

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with UK adopted International Financial Reporting Standards (IFRSs). 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 company and of the profit or loss of the group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company’s transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report is made available on a website. Annual reports are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors’ responsibility also extends to the ongoing integrity of the annual reports contained therein.

Independent auditors' report to the members of Sopheon plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Sopheon plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company cash flow statements, the consolidated and company statements of changes in equity, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

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 and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We assessed the appropriateness of the approach and model used by management when performing their going concern assessment, including assessing and challenging the assumptions to determine whether there was adequate support for the assumptions underlying the forecasts and performing sensitivity analysis to consider cash flow changes if the level of revenue decreases or costs increase.
- We challenged the underlying data and key assumptions, being the level of sales and staff costs, used to make the assessment and comparing these to historical performance, post year end results and the Group's sales pipeline analysis.
- Additionally we reviewed and challenged the results of management's stress testing to assess the reasonableness of economic assumptions in light of the ongoing impact of COVID-19 and the Ukraine conflict and their effect on the Group's solvency and liquidity position.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Overview

Coverage[1]	99.8 percent (2020: 94.1 percent) of Group profit before tax 99.1 percent (2020: 99.8 percent) of Group revenue 99.8 percent (2020: 95.1 percent) of Group total assets		
Key audit matters		2021	2020
	Revenue recognition	✔	✔
	Intangible assets Development costs, capitalisation, amortisation and useful life	✔	✔
Materiality	*Group financial statements as a whole* $344,000 (2020: $300,000) based on 1 percent (2020: 1 percent) of revenue		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group consists of eight entities based in Europe and North America. There are three entities based in the UK, one being the holding company. Further to this there are two trading entities incorporated in Europe based in Germany and The Netherlands, with the remaining three trading entities incorporated in the USA.

Based on our assessment of the Group, we focused our Group audit scope primarily over the significant components, being Sopheon plc and Sopheon Corporation, Minnesota. The significant components in all territories were subject to full scope audits by the Group audit team, with the financial information of the remaining non-significant components subject to analytical procedures performed by the Group audit team. Detailed testing was also performed over material financial statement areas within each of the insignificant components.

At the parent entity level we also tested the consolidation process including consolidation adjustments and journals, and performed work on all key judgements areas.

The figures in the table above illustrate the coverage from our full scope audit work performed over the significant components within the Group for total assets and profit before tax. With regards to revenue, the coverage was obtained through detailed testing performed on each component within the Group that had a material revenue balance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		***How the scope of our audit addressed the key audit matter***
Revenue Recognition See accounting policy in Note 2 on page 42 and Revenue from contracts with customers in Note 4 on page 48.	The Group, as a software business, generates revenue primarily from the sale of licenses either on a perpetual licence basis or under a Software-as-a-Service ("SaaS") model, related maintenance/support contracts and service income. We considered there to be a significant audit risk arising from inappropriate or incorrect recognition of revenue. The key audit matters related to revenue recognition are as follows: The risk of material misstatement around the year end, particularly in relation to license sales and consulting and implementation service contracts due to the level of judgement involved in determining the satisfaction of performance obligations. There is a risk revenue could be recorded inappropriately or prematurely before the distinct performance obligation has been met.	Our procedures included the following: • We assessed the appropriateness of the revenue recognition policy, in line with the requirements of applicable accounting standards. • In relation to perpetual license contract revenue, we reviewed the terms of a sample of binding contracts that were entered into during the year and tested that the revenue was recognised in the correct period by checking that the delivery of the licence key, which provides the customer with access to the Accolade software, occurred before year end. • For a sample of recurring contracts (being maintenance, software subscriptions and hosting services) we tested that the revenue was recognised in line with the contractual terms of the agreement with the customer. This being the recognition of revenue over the lifetime of the contract. • For each contract selected we assessed, with reference to the terms of the contract, whether the customer had the right to access the software under a SaaS arrangement or whether the customer had the right to use and control the software meaning it should be classed as a perpetual licence contract. This was then compared against management's treatment of the contract. • For a sample of contracts involving multiple performance obligations, we obtained management's assessment of the different performance obligations and the allocation of the transaction price against each distinct performance obligation. We then reviewed the supporting contract and calculations behind this assessment to verify that the performance obligations were in line with the distinct services outlined in the signed contract and that the transaction price had been allocated correctly based on appropriate measures. We also checked that revenue was only being recognised when the distinct performance obligations were satisfied by agreeing to supporting documentation regarding the delivery of the various performance obligations. • We performed testing over revenue recorded for a defined period before and after year end by verifying back to underlying agreements and relevant supporting documentation to check that revenue was recognised in the correct period in line with the performance obligations. ***Key observations:*** Based on the work performed did not identify any matters to suggest that the recognition of revenue was inappropriate.

Key audit matter		*How the scope of our audit addressed the key audit matter*
Intangible Assets: Development costs - capitalisation and useful life See accounting policy in Note 2 on page 44 and intangible assets in Note 14 on page 54.	The Group capitalises costs in relation to the development of the software provided to its clients, being the Accolade platform as described on page 8. In accordance with the requirements of the applicable accounting standard, management's policy is to capitalise development expenditure on internally developed software products if the costs can be measured reliably and the resulting asset meets the criteria per the standard. The key audit matters related to this financial statement area are as follows: • Development costs not satisfying the above capitalisation criteria and expenditure on the research phase of internal projects are not recognised in the income statement as incurred. • The asset's estimated useful life is inappropriate.	Our procedures included the following: • Discussions were held with the Group's technology team to understand the Group's processes, procedures and projects in relation to development costs. • Tested the accuracy of the contractor and payroll data, on a sample basis, included in the calculations for capitalised costs to supporting documentation including employment contracts and agreements with contractors. • Considered the proportion of time allocations for employees and contractor roles to different projects, capital and non-capital, to assess the appropriateness of cost capitalisation. We corroborated management's explanations to supporting evidence. • Assessed management's estimate of the amortisation period applied to the asset by considering relevant industry benchmarks and specific knowledge of the Group's product. • Assessed the ability of the asset to generate future economic benefits for the business, which at least exceed its carrying value by assessing the use of the technology platforms in the performance of the Group's obligations to customers and management's future forecasts for revenue generation. ***Key observations:*** Based on the procedures performed, we did not identify any matters to suggest that the capitalisation and useful life of the intangible assets were inappropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		**Parent company financial statements**	
	2021 *$*	*2020* *$*	*2021* *$*	*2020* *$*
Materiality	344,000	300,000	240,000	195,000
Basis for determining materiality	1 percent of revenue	1 percent of revenue	1 percent of revenue restricted to 70% of Group materiality	65 percent of revenue restricted to 70% of Group materiality
Rationale for the benchmark applied	We considered revenue to be the most appropriate benchmark as this is the primary KPI which is used to assess the performance of the Group by the board and an important performance based metric to the users of the financial statements.		We considered revenue to be the most appropriate benchmark as this is the primary KPI which is used to assess the performance of the Parent Company by the board and an important performance based metric to the users of the financial statements. Materiality was capped at 90% of Group materiality given the assessment of the component's aggregation risk.	
Performance materiality	241,000	211,000	168,000	136,500
Basis for determining performance materiality	Performance materiality was set at 70 percent due to the facts that there are multiple components within the Group. Additionally there are a select number of areas included in the accounts which are subject to estimates.		Performance materiality was set at 70 percent due to the fact there are a select number of areas included in the accounts which are subject to estimates.	

Component materiality

We set materiality for each component of the Group based on a percentage of between 75 percent and 100 percent of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from $240,000 to $344,000. In the audit of each component, we further applied performance materiality levels of 70 percent of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of $14,000 (2020: $12,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	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 Statement of directors' responsibilities, 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.

Extent to which the audit was capable of detecting irregularities, including fraud.

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

- We obtained an understanding of the legal and regulatory laws and regulations that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework, rules of the London Stock Exchange for companies trading securities on AIM, the Companies Act 2006 and relevant tax compliance regulations;
- We understood how the Group is complying with those frameworks by making enquiries of management, those charged with governance, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee;
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management from across the Group to understand where they considered there was a susceptibility to fraud;
- Our audit planning identified fraud risks in relation to management override and inappropriate or incorrect recognition of revenue (revenue recognition assessed as a Key Audit Matter above). We obtained an understanding of the processes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors these processes and controls; and
- With regards to the fraud risk in management override, our procedures included journal transaction testing, with a focus on large or unusual transactions based on our knowledge of the business, by agreeing to the supporting documentation. We also performed an assessment on the appropriateness of key judgements and estimates, for example the capitalisation of development costs (the risks associated with the capitalisation of development costs has been assessed as a Key Audit Matter above), which are subject to managements' judgement and estimation, and could be subject to potential bias.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. The engagement partner has assessed and confirmed that the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

Michael Philp (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick, UK

23 March 2022

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

Consolidated income statement for the year ended 31 December 2021

	Notes	2021 $'000	2020 $'000
Revenue	3, 4	34,356	29,996
Cost of sales		(9,416)	(9,057)
Gross profit		24,940	20,939
Sales and marketing expense		(10,991)	(9,092)
Research and development expense		(7,329)	(5,894)
Administrative expense		(5,293)	(4,178)
Operating profit		1,327	1,775
Finance income	8	(34)	25
Finance expense	9	(66)	(93)
Profit before tax	5	1,227	1,707
Income tax charge	10	(410)	(211)
Profit for the year		817	1,496
Earnings per share			
Basic (US cents)	12	7.82c	14.68c
Fully diluted (US cents)	12	7.47c	14.06c

Consolidated statement of comprehensive income for the year ended 31 December 2021

	2021 $'000	2020 $'000
Profit for the year	817	1,496
Other comprehensive (expense)/income		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(734)	693
Total comprehensive income for the year	83	2,189

The notes on pages 41 to 68 form part of these financial statements.

Consolidated and company statement of financial position at 31 December 2021

		Group		Company	
	Notes	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Assets					
Non-current Assets					
Property, plant and equipment	13	605	528	-	-
Right-of-use assets	21	752	1,027	-	-
Intangible assets	14	11,950	7,863	-	-
Investments in subsidiaries	15	-	-	8,247	8,353
Deferred tax asset	10	2,557	2,557	-	-
Other receivables	16	19	19	16,793	16,793
Total non-current assets		15,883	11,994	25,040	25,146
Current Assets					
Trade and other receivables	17	13,182	14,566	137	109
Cash and cash equivalents	18	24,193	21,718	7,375	4,547
Total current assets		37,375	36,284	7,512	4,656
Total assets		53,258	48,278	32,552	29,802
Liabilities					
Current Liabilities					
Trade and other payables	19	7,668	5,077	477	396
Lease liabilities	21	474	515	-	-
Contract liabilities	4	13,505	11,985	-	-
Total current liabilities		21,647	17,577	477	396
Non-current Liabilities					
Lease liabilities	21	305	546	-	-
Total non-current liabilities		305	546	-	-
Total liabilities		21,952	18,123	477	396
Net assets		31,306	30,155	32,075	29,406
Equity					
Share capital	23	3,219	3,133	3,219	3,133
Capital reserves	24	10,500	9,398	10,500	9,398
Translation reserve		(32)	702	(1,587)	(1,361)
Retained profits		17,619	16,922	19,943	18,236
Total equity		31,306	30,155	32,075	29,406

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The profit dealt with in the financial statements of the parent company for the year ended 31 December 2021 was $1,827,000 (2020: profit of $3,659,000).

Approved by the board and authorized for issue on 23 March 2022.

Andrew Michuda
Director

Arif Karimjee
Director

The notes on pages 41 to 68 form part of these financial statements.

Consolidated and company cash flow statements for the year ended 31 December 2021

	Notes	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Operating activities					
Profit for the year		817	1,496	1,827	3,659
Adjustments for:					
Finance income	8	34	(25)	-	-
Finance costs	9	66	93	4	3
Depreciation of property, plant and equipment	13	341	365	-	-
Depreciation of right-of-use assets	21	635	671	-	-
Amortization of intangible assets	14	2,997	2,669	-	-
Share-based payment expense		880	447	119	79
Income tax charge		410	211	-	-
Operating cash flows before movements in working capital		6,180	5,927	1,950	3,741
Intra-group credits and charges		-	-	118	(331)
Decrease in provisions against intra-group loans		-	-	(3,228)	(4,344)
Decrease/(increase) in receivables		1,244	(1,258)	(28)	(4)
Increase in payables		3,147	2,249	81	13
Net cash generated from/(used in) operating activities		10,571	6,918	(1,107)	(925)
Income taxes paid		(487)	(344)	-	-
Net cash from/(used in) operating activities		10,084	6,574	(1,107)	(925)
Investing activities					
Finance income	8	1	25	-	-
Purchases of property, plant and equipment	13	(435)	(367)	-	-
Development costs capitalized	14	(4,271)	(3,658)	-	-
Acquisition of business	14	(1,450)	-	-	-
Advance of loans to group companies		-	-	(1,336)	(2,369)
Repayment of loans by group companies		-	-	5,220	5,412
Net cash (used in)/generated from investing activities		(6,155)	(4,000)	3,884	3,043
Financing activities					
Issues of shares		648	52	648	52
Lease payments	21	(685)	(664)	-	-
Interest paid		(56)	(93)	(4)	(3)
Dividends paid	25	(460)	(429)	(460)	(429)
Net cash used in financing activities		(553)	(1,134)	184	(380)
Net increase in cash and cash equivalents		3,376	1,440	2,961	1,738
Cash and cash equivalents at the beginning of the year		21,718	19,433	4,547	2,636
Effect of foreign exchange rate changes		(901)	845	(133)	173
Cash and cash equivalents at the end of the year	18	24,193	21,718	7,375	4,547

The notes on pages 41 to 68 form part of these financial statements.

Consolidated and company statements of changes in equity for the year ended 31 December 2021

Group

	Share Capital $'000	*Capital Reserves $'000*	*Translation Reserve $'000*	*Retained Profits $'000*	*Total $'000*
At 1 January 2020	3,126	8,942	9	15,819	27,896
Profit for the year	-	-	-	1,496	1,496
Exchange differences on translation of foreign operations	-	-	693	-	693
Total comprehensive income for the year	-	-	693	1,496	2,189
Issues of shares	7	45	-	-	52
Recognition of share-based payments	-	447	-	-	447
Lapse or exercise of share options and warrants	-	(36)	-	36	-
Dividends paid in year	-	-	-	(429)	(429)
At 1 January 2021	3,133	9,398	702	16,922	30,155
Profit for the year	-	-	-	817	817
Exchange differences on translation of foreign operations	-	-	(734)	-	(734)
Total comprehensive income for the year	-	-	(734)	817	83
Issues of shares	86	562	-	-	648
Recognition of share-based payments	-	880	-	-	880
Lapse or exercise of share options	-	(340)	-	340	-
Dividends paid in year	-	-	-	(460)	(460)
At 31 December 2021	3,219	10,500	(32)	17,619	31,306

Company

	Share Capital $'000	*Capital Reserve $'000*	*Translation Reserve $'000*	*Retained Profits $'000*	*Total $'000*
At 1 January 2020	3,126	8,942	(1,802)	14,970	25,236
Profit and total comprehensive income for the year	-	-	441	3,659	4,100
Issues of shares	7	45	-	-	52
Recognition of share-based payments	-	447	-	-	447
Lapse or exercise of share options	-	(36)	-	36	-
Dividends paid in year	-	-	-	(429)	(429)
At 1 January 2021	3,133	9,398	(1,361)	18,236	29,406
Profit and total comprehensive income for the year	-	-	(226)	1,827	1,601
Issues of shares	86	562	-	-	648
Recognition of share-based payments	-	880	-	-	880
Lapse or exercise of share options	-	(340)	-	340	-
Dividends paid in year	-	-	-	(460)	(460)
At 31 December 2021	3,219	10,500	(1,587)	19,943	32,075

The group translation reserve represents accumulated differences on the translation of assets and liabilities of foreign operations. The company translation reserve arises due to the company's functional currency being different to the presentation currency. Full details of capital reserves are set out in Note 24.

The notes on pages 41 to 68 form part of these financial statements.

1. General information

Sopheon plc ("the company") is a public limited company incorporated in England and Wales. The address of its registered office and principal place of business is set out on page 20. The principal activities of the company and its subsidiaries are described in Note 3. The financial statements have been presented in US Dollars and rounded to the nearest thousand.

2. Significant accounting policies

The financial statements have been prepared in accordance with UK adopted international accounting standards in accordance with the requirements of the Companies Act 2006, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies are set out below. The policies have been applied consistently to both years presented.

A number of other new standards, amendments and interpretations to existing standards have been adopted by the group, but have not been listed, since they have no material impact on the financial statements. None of the other new standards, amendments and interpretations in issue but not yet effective are expected to have a material effect on the financial statements.

While the functional currency of the parent company is Sterling, the group and company's financial statements have been presented in US Dollars. The directors believe this better reflects the underlying nature of the group's operations. Approximately two-thirds of the group’s revenue and operating costs are denominated in US Dollars. The exchange rates used for translation of Sterling amounts are 1.3477 US Dollars to British Pounds Sterling as at 31 December 2021 and 1.3735 US Dollars to British Pounds Sterling as the average rate prevailing during 2021.

Going concern

The consolidated financial statements have been prepared on a going concern basis. The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The Covid-19 pandemic and the war in Ukraine have so far had limited impact on our business, and the board believes that the business is able to navigate through the continued challenges of these events due to the strength of its customer proposition and business partnerships, statement of financial position and the net cash position of the group.

The current economic and geopolitical conditions continue to create uncertainty, particularly over (a) the level of customer and potential customer engagement; and (b) the level of new sales to new customers. The pandemic has had a widespread impact economically, with potential for causing delays in contract negotiations and/or cancelling of anticipated sales and an uncertainty over cash collection from certain customers. As a consequence, the group has carried out detailed forecast stress testing in order to consider how much forecasts have to reduce by in order to cause cash constraints, and also to consider the likelihood of this scenario occurring. This assessment has also included the group’s actual cash holdings as of the date of the approval of these financial statements and financing alternatives available to the group. Overall, these cash-flow forecasts, which cover a period of at least 12 months from the date of approval of the financial statements, foresee that the group will be able to operate within its existing facilities. Nevertheless, there is a risk that the group will be impacted more than expected by reductions in customer confidence. If sales and settlement of existing debts are not in line with cash flow forecasts, the directors have the ability to identify cost savings if necessary, to help mitigate the impact on cash outflows.

Having assessed the principal risks and the other matters discussed in connection with the going concern statement, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and settle liabilities as they fall due. For these reasons, they continue to adopt the going concern basis of accounting in preparing the financial information.

Basis of preparation

The consolidated financial statements incorporate the financial statements of the parent company, Sopheon plc, and the financial statements of the subsidiaries controlled by the group as defined by IFRS 10 Consolidated Financial Statements, as shown in Note 15. Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. The financial statements of all the group companies are prepared using uniform accounting policies. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of a business, whether as a subsidiary through the acquisition of a corporate entity or as the acquisition of the assets and liabilities of a business, is accounted for within the consolidated financial statements using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the business being acquired, together with any costs directly attributable to the business combination. The results of the acquired business is included in the consolidated income statement from the date on which effective control is obtained. The identifiable assets, liabilities and contingent liabilities of the business being acquired that meet the conditions for recognition are recognized at their fair values on the date of acquisition.

Identifiable intangible assets are capitalized at fair value as at the date of acquisition. The useful lives of these intangible assets are assessed and amortization is charged on a straight-line basis, with the expense taken to the income statement within sales and marketing expense (in respect of customer relationships) and research and development expense (in respect of IPR and technology). Intangible assets are tested for impairment when a trigger event occurs. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Details of the acquisition of the business of ROI Blueprints LLC appear in Note 14.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of acquisition. Goodwill is initially recognized at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to those cash-generating units of the group expected to benefit from the synergies of the business combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying value of the unit, the impairment loss is allocated firstly to reduce the carrying cost of any goodwill allocated to the unit and then to any other assets of the unit pro rata to the carrying value of each asset of the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales-related taxes.

Sales of perpetual software licenses are recognized at a point in time once no significant obligations remain owing to the customer in connection with such license sale, in particular that the license does not give the customer significant rights to upgrades and enhancements in the future unless separately contracted. Such significant obligations could also include giving a customer a right to return the software product without any preconditions, or if the group is unable to deliver a material element of the software product by the balance sheet date.

Revenues relating to software subscription, maintenance, and hosting agreements are deferred creating a contract liability at the period end, and recognized evenly over the term of the agreements, due to the customer simultaneously receiving and consuming the benefits of the contractual performance obligation over that term.

Revenues from implementation and consultancy services are recognized as the services are performed, or in the case of fixed price or milestone-based projects, on a percentage basis as the work is completed and any relevant milestones are met, using latest estimates to determine the expected duration and cost of the project. Based on stage of completion and billing arrangement, either a contract asset or a contract liability is created at the period end.

Where the group is acting as a principal, other income includes recoverable costs that have been incurred in the course of business including travel expenses of employees and contractors.

Where a sales contract involves multiple service obligations, the allocation of the transaction price is performed proportionally based on the standalone selling price for each obligation. The way in which management assigns the selling price to each separate performance obligation is based on the cost of satisfying the performance obligation plus an appropriate margin based on experience of standalone sales.

Leases

At inception of a contract, the group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group recognizes a right-of-use asset and a corresponding lease liability at the lease commencement date. The lease liability is initially measured at the present value of the following lease payments:

- fixed payments;
- variable payments that are based on an index or rate;
- the exercise price of any extension or purchase option if reasonably certain to be exercised; and
- penalties for terminating the lease, if relevant.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate.

The right-of-use assets are initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs. The right-of-use assets are depreciated over the period of the lease term, or, if earlier, the useful life of the asset, using the straight-line method. The lease term includes periods covered by an option to extend, if the group is reasonably certain to exercise that option. In addition, the right-of-use assets may during the lease term be reduced by impairment losses, if any, or adjusted for certain re-measurements of the lease liability.

The company has elected not to recognize right-of-use assets and lease liabilities in respect of certain leases of office equipment of low value or of short term. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

On 28 May 2020, the IASB issued final amendments to IFRS 16 related to COVID-19 rent concessions for lessees. The amendments modify the requirements of IFRS 16 to permit lessees to not apply modification accounting to certain leases where the contractual terms have been affected due to COVID-19 (such as rent holidays or other rent concessions). The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. The group did not adopt this standard as no such concessions were applicable.

Interest on borrowings

All interest on borrowings is recognized in the income statement using the effective interest rate method.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. The group does not operate any defined benefit retirement plans.

Foreign currencies

The individual financial statements of each group entity are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at rates approximating to the transaction rates. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are expressed in US Dollars using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period. Exchange differences arising (including exchange differences on intra-group loans where there is no intention that these should be settled) are classified as equity and transferred to the group's translation reserve. The same approach is used to translate the financial statements of the company on a stand-alone basis from Sterling to US Dollars. The equity of the company and group is retranslated into the presentational currency at its historical rate.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized only to the extent that the level and timing of taxable profits can be measured, and it is probable that these will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at tax rates that have been enacted or substantively enacted at the balance sheet date, and that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

Computer equipment and fixtures and fittings are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the costs of assets over their estimated useful lives, using the straight-line method.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the income statement.

The following rates are used for the depreciation of property, plant and equipment:

Computer equipment	20-33 percent on a straight-line basis
Furniture and fittings	20-25 percent on a straight-line basis

Investments

Investments in subsidiaries within the company balance sheet are stated at cost less impairment. Impairment tests are undertaken whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an investment exceeds its recoverable amount, the investment is written down accordingly.

Internally generated intangible assets (research and development expenditure)

Development expenditure on internally developed software products is capitalized if it can be demonstrated that:

- it is technically feasible to develop the product;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the group is able to sell the product;
- sales of the product will generate future economic benefits; and
- expenditure on the product can be measured reliably.

Development costs not satisfying the above criteria and expenditure on the research phase of internal projects are recognized in the income statement as incurred. Capitalization of a particular activity commences after proof of concept, requirements and functional concept stages are complete.

Capitalized development costs are amortized over the period over which the group expects to benefit from selling the product developed. This has been estimated to be four years from the date of code-finalization of the applicable software release. The amortization expense in respect of internally generated intangible assets is included in research and development costs.

Impairment of tangible and intangible assets (excluding goodwill)

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets 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 it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their net 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.

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. An impairment loss is recognized immediately in the administrative expenses line item in the income statement.

Where an impairment loss subsequently reverses, the carrying value of the asset or cash-generating unit is increased to the revised recoverable amount, but so that the increased carrying amount does not exceed the carrying amount which would have been determined had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker of the group, which has been identified as the board of directors.

Share-based payments

The group awards share options in the company, being the parent entity, to certain employees. These are treated as equity-settled share-based payments and are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. This fair value is expensed over the vesting period, based on the group's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Where an option vests in multiple instalments, each instalment is treated as a separate grant with its own vesting period. In the consolidated financial statements, the entire expense is recognized within administrative expenses. At the individual entity level, the expense is transferred to the employing subsidiary and in the company, the benefit transferred is recognized as an increase in investment in subsidiaries, and this increase is then assessed for impairment in accordance with the company's accounting policy.

Financial instruments

1. Financial assets

The group classifies its financial assets in the category of financial assets at amortized cost. Financial assets do not include prepayments.

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognized based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial assets held at amortized cost comprise trade and other receivables, contract assets, and cash and cash equivalents in the consolidated statements of financial position.

2. Financial liabilities

The group classifies its financial liabilities in the category of financial liabilities at amortized cost. All financial liabilities are recognized in the statement of financial position when the company becomes a party to the contractual provision or the instrument.

Financial liabilities measured at amortized cost include:

- Trade payables and other short-dated monetary liabilities, which are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method.
- Bank and other borrowings, and lease liabilities which are initially recognized at fair value net of any transaction costs directly attributable to the acquisition of the instrument. Such interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that the interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest payable while the liability is outstanding.

Unless otherwise indicated, the carrying values of the group's financial liabilities measured at amortized cost represent a reasonable approximation of their fair values.

3. Share capital

Financial instruments issued by the group are treated as equity only to the extent that they do not meet the definition of a financial liability. The group's ordinary shares are classified as equity. For the purpose of the disclosures given in Note 23, the group considers its capital to comprise its ordinary share capital, its capital reserves (as set out in Note 24), and its retained earnings.

Significant accounting estimates and judgments

Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates, and accordingly they are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Depreciation and amortization: Estimates have been adopted for the depreciation and amortization periods relating to property, plant and equipment, externally acquired intangible assets and internally generated intangible assets. These are dealt with in the accounting policy notes set forth above that relate to these areas.

Discount rates: Judgement has been used to determine the assumed discount rate of 9 percent used for recoverability assessment relating to intangible assets referred to in Note 14, and the discount rate of 3.75 percent used in respect of the application of IFRS 16 further described in Note 21. The difference in rate selected reflects assessment of the differing risk profile of the underlying assets.

Credit Loss Provisions: Judgement has also been used in determining that no provision is required for credit losses on trade receivables, based on the quality of the group's customers and historical loss experience as further described in Note 17.

Multiple service obligations: Where the sales contract involves multiple service obligations the allocation of the transaction price is performed proportionally based on the standalone selling price for each obligation. The way in which management assigns the selling price to each separate performance obligation is based on the cost of satisfying the performance obligation plus an appropriate margin.

Deferred taxation: In recognizing deferred tax assets and liabilities management makes judgements about likely future taxable profits. The carrying values of current tax and deferred tax assets and liabilities are disclosed separately in the consolidated statement of financial position.

Capitalization of development costs: Development costs are capitalized based on an assessment on whether they meet the criteria specified in IAS 38 for capitalization. During each reporting period, an assessment is performed by management to determine time spent developing the intangible assets as a proportion of total time spent in the year. This represents an area of judgement and impacts the value of intangible costs capitalized.

Percentage completion of revenue: Consultancy service projects can span period ends. The group's accounting policies for these projects require revenue and costs to be allocated to individual accounting periods and the consequent recognition at period end of contract assets or liabilities for projects still in progress. Management apply judgement in estimating the total revenue and total costs expected on each project. Such estimates are revised as a project progresses to reflect the current status of the project and the latest information available to management. The service teams regularly review contract progress to ensure the latest estimates are appropriate. Further detail on Contract assets and liabilities are reflected per Note 4.

Classification of asset acquisitions: Certain acquisitions of assets qualify as a business combination if the assets collectively include an input and a substantive process that together significantly contribute to the ability to create outputs. Assets that qualify are accounted for in accordance with the accounting policy for business combinations set forth above.

3. Segmental analysis

All of the group's revenue in respect of the years ended 31 December 2021 and 2020 was derived from the design, development and marketing of software products with associated implementation and consultancy services, as more particularly described in the Strategic Report. The business is seen as one cash-generating unit and operates as a single operating segment. For management purposes, the group is organized geographically across two principal territories, North America and Europe. Information relating to this geographical split is outlined below.

The information in the following table provides analysis by location of operations. Inter-segment revenues are priced on an arm's length basis.

Year ended 31 December 2021	*North America $'000*	*Europe $'000*	*Total $'000*
Income Statement			
External revenues	21,088	13,268	34,356
Operating profit before interest and tax	3,092	(1,765)	1,327
Profit before tax*	3,055	(1,828)	1,227
Finance income	1	(35)	(34)
Finance expense	(38)	(28)	(66)
Depreciation and amortization	(3,543)	(429)	(3,973)
Adjusted EBITDA*	7,397	(1,217)	6,180
Balance Sheet			
Fixed asset additions	304	131	435
Capitalization of internally generated development costs	4,271	-	4,271
Total assets	29,930	23,328	53,258
Total liabilities	(15,023)	(6,929)	(21,952)

Year ended 31 December 2020	*North America $'000*	*Europe $'000*	*Total $'000*
Income Statement			
External revenues	18,938	11,058	29,996
Operating profit before interest and tax	2,259	(484)	1,775
Profit before tax*	2,238	(531)	1,707
Finance income	45	(20)	25
Finance expense	(66)	(27)	(93)
Depreciation and amortization	(3,306)	(399)	(3,705)
Adjusted EBITDA*	5,933	(6)	5,927
Balance Sheet			
Fixed asset additions	277	90	367
Capitalization of internally generated development costs	3,658	-	3,658
Total assets	29,408	18,870	48,278
Total liabilities	(11,672)	(6,451)	(18,123)

*Reconciliation from profit before tax to adjusted EBITDA is detailed in Note 5.

Revenues attributable to customers in North America in 2021 amounted to $20,434,000 (2020: $18,332,000). Revenue attributable to customers in the rest of the world amounted to $13,922,000 (2020: $11,664,000) of which $10,765,000 (2020: $9,500,000) was attributable to customers in Europe.

No individual customer accounted for more than 10 percent of the group's revenues in 2021 or 2020.

4. Revenue from contracts with customers

Disaggregation of revenue

Revenue attributable to each of the group's primary geographic markets is analyzed in Note 3 above. The following table provides further disaggregation of revenue in accordance with the IFRS 15 requirement to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

	2021 $'000	*2020 $'000*
Perpetual software licenses	3,931	3,021
Consulting and implementation services	10,390	9,680
Maintenance, software subscriptions and hosting	20,035	17,295
	34,356	29,996

Perpetual licenses are recognized at a point in time. Consulting and implementation services, and maintenance, subscription and hosting services, are recognized over time. Further details of the revenue recognition approaches are described in Note 2.

Contract balances

Contract assets and contract liabilities arise because cumulative billings to customers at each balance sheet date do not necessarily equal the amount of revenue recognized on the contracts. Contract assets, historically described as accrued income, represent performance obligations that have been satisfied but not yet billed at the end of the reporting period. Contract liabilities, historically described as deferred revenue, represent transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period. The group does not have any instances where payment is received in advance for multi-year contracts, all invoicing is annual as per contract terms.

	Contract Assets		*Contract Liabilities*	
	2021 $'000	*2020 $'000*	*2021 $'000*	*2020 $'000*
At 1 January	430	397	11,985	10,337
Transfers in the period from contract assets to trade receivables	(430)	(397)	-	-
Revenue recognized ahead of cash (or rights to cash)	222	430	-	-
Transfers in the period from contract liabilities to revenue	-	-	(11,985)	(10,337)
Cash (or rights to cash) received in advance of revenue recognition	-	-	13,505	11,985
At 31 December	222	430	13,505	11,985

5. Profit for the year

The profit for the year has been arrived at after charging/(crediting):

	2021 $'000	*2020 $'000*
Net foreign exchange losses/(gains)	191	(110)
Research and development costs (excluding amortization)	4,332	3,225
Amortization of intangible assets	2,997	2,669
Depreciation of property, plant and equipment	341	365
Depreciation of right-of-use assets	636	671
Employee share-based payments	880	447

Net foreign exchange gains or losses arise on the translation of cash and trade balances held in currencies other than the functional currency of the entity concerned and are accordingly included in administration expense.

Adjusted EBITDA, which is a company specific measure, defined as earnings before interest, tax, depreciation, amortization, and employee share-based payment charges, is considered to be an important profit measure, since it is widely used by the investment community. See page 17 for further information on the use of this measure. It is calculated as follows:

	2021 $'000	*2020 $'000*
Profit for the year before tax	1,227	1,707
Interest payable	101	93
Interest receivable	(1)	(25)
Amortization of intangible assets	2,997	2,669
Depreciation of property, plant and equipment	341	365
Depreciation of right-of-use assets	636	671
Employee share-based payments	880	447
Adjusted EBITDA	6,181	5,927

6. Auditors' Remuneration

During the year the group obtained the following services from its auditors and associated firms.

	2021 $'000	*2020 $'000*
Audit of the financial statements of the group	93	68
Audit of the financial statements of the UK subsidiary	–	5
Review of interim financial information	23	19
Tax compliance services	23	28

The company has given a guarantee under S479C of the Companies Act 2006 to Sopheon UK Limited in respect of 2021 and that entity is included in the group's consolidated financial statements. Accordingly no audit has been performed in respect of Sopheon UK Limited for 2021.

7. Staff costs

	2021 $'000	2020 $'000
Wages and salaries	21,955	19,208
Social security costs	1,737	1,610
Pension contributions	515	483
Employee benefits expense	1,183	1,060
	25,390	22,361

Included within the above are staff costs capitalized as development expenditure amounting to $4,271,000 (2020: $3,658,000). Included within wages and salaries are bonus and sales commission costs amounting to $3,695,000 (2020: $2,203,000).

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

	2021 Number	2020 Number
Development and operations	114	112
Sales and management	53	53
	167	165

The above staff costs and the numbers of employees during the year include the executive directors.

The remuneration of all directors was as follows:

	2021 $'000	2020 $'000
Fees and emoluments	1,382	1,025
Pension contributions	21	25
	1,403	1,050

There were six directors during the year (2020: five). During the year 225,100 share options (2020: 7,500) were exercised by directors. Pension contributions are to personal defined contribution schemes and have been made for four directors (2020: three) who served during the year.

Full details of directors' remuneration, including share option exercises, are disclosed in the Board Committee Reports on page 21.

Staff costs in the parent company amounted to $578,000 including bonuses (2020: $600,000). The average monthly number of staff of the parent company during the year included one full time and two part time (2020: one and two).

8. Finance income

	2021 $'000	2020 $'000
Income on financial assets measured at amortized cost		
Interest income on bank deposits	1	45
Negative interest income on certain Euro bank balances	(35)	(20)
	(34)	25

9. Finance expense

	2021 $'000	2020 $'000
Interest expense on financial liabilities measured at amortized cost		
Interest on lease liabilities	(45)	(59)
Other interest and finance expense	(21)	(34)
	(66)	(93)

10. Income tax charge

	2021 $'000	2020 $'000
Income tax charge for the year – current tax	(410)	(211)

The charge for the year can be reconciled to the accounting profit as follows:

	2021 $'000	2020 $'000
Profit before tax	1,227	1,707
Tax charge at the UK corporation tax rate of 19 percent (2020: 19 percent)	(233)	(324)
Adjustment for differing rates of corporate taxation in overseas jurisdictions	(72)	(67)
Tax effect of expenses that are not deductible in determining taxable profits	(231)	(156)
Temporary differences arising from the capitalization and transfer of development investments	242	188
Tax losses not relievable against current tax	(663)	(176)
Utilization of prior year losses	547	324
Total income tax expense for the year	(410)	(211)

The current tax expense represents German corporation tax payable by Sopheon GmbH and US state taxes payable by the group's US subsidiaries.

US corporate Alternative Minimum Tax (AMT) has been repealed in respect of tax years beginning on or after 1 January 2018. AMT paid by US corporations in respect of periods prior to that date is refundable over a four-year period to December 2021. An amount of $208,000 of refundable AMT credited in 2018 has been received by Sopheon's US subsidiaries in two equal instalments of $104,000.

There is no tax arising on other comprehensive income.

Deferred tax asset

The group has a potential deferred tax asset arising from its unrelieved trading losses, which has been partially recognized, but the remainder of which has not been recognized owing to uncertainty as to the level and timing of taxable profits in the future.

The deferred tax asset which has been recognized in the financial statements is as follows:

	2021 $'000	2020 $'000
Deferred tax asset at 1 January	2,557	2,557
Amount recognized during the year	–	–
Deferred tax asset at 31 December	2,557	2,557

The unrecognized deferred tax asset is made up as follows:

	2021 $'000	2020 $'000
Shortfall of tax depreciation compared to book depreciation	171	156
Effect of timing differences arising from capitalization of internally generated development costs	(1,704)	(1,420)
Unrelieved trading losses	9,105	8,539
Unrecognized deferred tax asset at 31 December	7,572	7,275

At 31 December 2021, tax losses estimated at $54.2m (2020: $53.1m) were available to carry forward by the Sopheon group, arising from historical losses incurred. These losses have given rise to a deferred tax asset of $2.6m (2020: $2.6m) and a further potential deferred tax asset of $9.1m (2020: $8.5m), based on the tax rates currently applicable in the relevant tax jurisdictions.

Of these tax losses, an aggregate amount of $8.7m, representing $1.8m of the potential deferred tax asset (2020: $8.8m and $1.8m respectively) represents pre-acquisition tax losses of Alignent Software, Inc. The future utilization of these losses may be restricted under Section 382 of the US Internal Revenue Code, whereby the ability to utilize net operating losses arising prior to a change of ownership is limited to a percentage of the entity value of the corporation at the date of change of ownership.

11. Profit dealt with in the financial statements of the parent company

The profit dealt with in the financial statements of the parent company for the year ended 31 December 2021 was $1,827,000 (2020: profit of $3,659,000). The parent company's result includes a partial release of provisions against long-term loans due to the parent company from subsidiaries of $3,228,000 (2020: $4,344,000). Further details of parent company loans to subsidiaries appear in Note 16.

Advantage has been taken of Section 408 of the Companies Act 2006 not to present an income statement for the parent company.

12. Earnings per share

	2021 $'000	2020 $'000
Basic earnings per share		
Profit after tax	817	1,496
	'000s	'000s
Weighted average number of ordinary shares for the purpose of basic earnings per share	10,442	10,193
Earnings per share	7.82c	14.68c
	'000s	'000s
Diluted earnings per share		
Profit after tax	817	1,496
Diluted profit after tax	817	1,496
	'000s	'000s
Weighted average number of ordinary shares for the purpose of basic earnings per share	10,939	10,637
Diluted earnings per share	7.47c	14.06c

For the purpose of calculating the diluted earnings per ordinary share in 2021 and 2020, in respect of the outstanding 940,942 share options (details of which are set out in Note 28), the treasury stock method is used. This assumes that options to subscribe for Sopheon shares at prices below the average share price prevailing during the year are exercised on 1st January of the relevant year (or, if later, on the date of grant) and that the proceeds from exercise of such options are reinvested in treasury shares at the average price prevailing during the year.

13. Property, plant and equipment

Group	*Computer Equipment $'000*	*Furniture & Fittings $'000*	*Total $'000*
Cost			
At 1 January 2020	3,035	586	3,621
Additions	356	11	367
Exchange differences	30	10	40
At 1 January 2021	3,421	607	4,028
Additions	404	31	435
Exchange differences	(47)	(15)	(62)
At 31 December 2021	3,778	623	4,401
Accumulated depreciation			
At 1 January 2020	2,637	474	3,111
Depreciation charge for the year	309	56	365
Exchange differences	13	11	24
At 1 January 2021	2,959	541	3,500
Depreciation charge for the year	299	42	341
Exchange differences	(33)	(12)	(45)
At 31 December 2021	3,225	571	3,796
Carrying amount			
At 31 December 2021	553	52	605
At 31 December 2020	462	66	528

Company
The company has no property, plant and equipment.

14. Intangible assets

	Development Costs (Internally Generated) $'000	*Technology & IPR $'000*	*Goodwill $'000*	*Total $'000*
Cost				
At 1 January 2020	29,790	-	1,022	30,812
Additions (internally generated)	3,658	-	-	3,658
At 1 January 2021	33,448	-	1,022	34,470
Additions (internally generated)	4,271	-	-	4,271
Acquisition of business	-	2,250	563	2,813
At 31 December 2021	37,719	2,250	1,585	41,554
Amortization				
At 1 January 2020	23,938	-	-	23,938
Charge for the year	2,669	-	-	2,669
At 1 January 2021	26,607	-	-	26,607
Charge for the year	2,997		-	2,997
At 31 December 2021	29,604	-	-	29,604
Carrying amount				
At 31 December 2021	8,115	2,250	1,585	11,950
At 31 December 2020	6,841	-	1,022	7,863

The amortization period for the internally generated development costs relating to the group's software products is four years. Goodwill that arose in prior periods is not amortized. The residual goodwill arising on historic acquisitions is attributable to the enhanced market position of the group, and the completeness of the solution that Sopheon can offer the market. The recoverable amount of the goodwill can be underpinned on a value in use basis by the expected performance of the group, which is seen as a single cash-generating unit.

The valuation used for this purpose is based on cash flow projections for the next five years, and thereafter for an indefinite period at a growth assumption of 3 percent (2020: 3 percent). The discount rate used was 9 percent (2020: 9 percent). Sensitivity analysis has been performed on these projections, specifically changes in assumed annual revenue growth, profit margin growth and terminal growth rate. This demonstrates significant valuation headroom above the carrying value of goodwill.

On 20 December 2021 the group announced the acquisition of the business and certain assets and liabilities of ROI Blueprints LLC, a cloud-based project and portfolio SaaS solution designed to help organizations drive operational execution management of corporate initiatives. The initial consideration of $1,500,000 comprised cash of $1,460,000 (of which $10,000 was deferred) with the balance satisfied by the assumption of current assets with a fair value of $36,000 and contract liabilities with a fair value of $76,000. Further contingent consideration of up to $1,500,000 is payable pursuant to an earn-out which has been estimated at $1,312,500 based on expectations of performance at the date of this report. The technology and intellectual property rights ("IPR") acquired with the acquisition have been recorded at a fair value of $2,250,000 and the balance of the excess of the consideration over the fair value of the net liabilities acquired of $563,000 has been allocated to goodwill comprising expected synergies and other intangible assets that do not qualify for separate recognition. The technology and IPR will be amortized over 4 years.

Company
The company has no intangible assets.

15. Investment in subsidiaries

	Company $'000
At cost less amounts provided	
At 31 December 2020	8,353
Exchange difference	(106)
At 31 December 2021	8,247

Details of the company's subsidiaries at 31 December 2021 are set out below. Companies marked with an asterisk (*) are held via Sopheon UK Limited. The common stock of Alignent Software, Inc. and Sopheon Corporation, Minnesota, USA are held by Sopheon Corporation, Delaware, USA. The share capital of Sopheon Corporation, Delaware, USA and Sopheon GmbH are held by Sopheon NV.

Name of Company *Place of Incorporation*	*Nature of Ownership*	*Proportion of Voting Rights Held*	*Nature of Business*
Sopheon Corporation 7900 International Drive Bloomington, MN 55425, USA	Common Stock	100 percent	Software sales and services
Sopheon Corporation 6870 W 52nd Avenue Arvada, CO 80002, USA	Common Stock	100 percent	Software development and sales
Alignent Software, Inc. 3001 Metro Drive Bloomington, MN 55425, USA	Common Stock	100 percent	Software sales and services
Sopheon NV Kantoorgebouw Officia 1 De Boelelaan 7, 1083 HJ Amsterdam, The Netherlands	Ordinary Shares	100 percent	Software sales and services
Sopheon UK Limited Dorna House One, 50 Guildford Road West End GU24 9PW, UK	Ordinary Shares	100 percent	Software sales and services
Sopheon GmbH Lise-Meitner-Str. 10, D-64293 Darmstadt, Germany	Ordinary Shares	100 percent	Software sales and services
Applied Network Technology Ltd* Dorna House One, 50 Guildford Road West End GU24 9PW, UK	Ordinary Shares	100 percent	Employee Share Ownership Trust

Under section 479A of the Companies Act 2006 the Group is claiming exemption from audit for its subsidiary company Sopheon UK Limited, registered number 01940849. The parent undertaking, Sopheon plc, registered number 3217859, guarantees all outstanding liabilities to which the subsidiary company is subject at the end of the financial year (being the year ended 31 December 2021 for Sopheon UK Limited). The guarantee is enforceable against the parent undertaking by any person to whom the subsidiary company is liable in respect of those liabilities.

16. Other receivables

	Group		Company	
	2021 $'000	*2020 $'000*	*2021 $'000*	*2020 $'000*
Other receivables	19	19	–	–
Amounts due from subsidiary undertakings (net of provisions)	–	–	16,793	16,793
	19	19	16,793	16,793

The other receivable represents a deposit paid in respect of a property leased by the group.

A partial credit loss provision of $15,962,000 (2020: $19,491,000) has been made against amounts totaling $32,755,000 (2020: $36,284,000) owed to the parent company by subsidiary undertakings, which are due after more than one year and are subordinated to the claims of all other creditors.

The expected credit loss provision against amounts due to the parent company from subsidiary undertakings has been assessed using a Stage 3 approach as detailed below.

	2021 $'000	*2020 $'000*
At 1 January	19,491	33,622
Net repayments	(3,884)	(3,043)
Net management charges	643	699
Partial release of provision	–	(2,000)
Previously provided loans to dormant subsidiary undertakings written off	–	(11,209)
Exchange adjustments	(288)	1,422
At 31 December	15,962	19,491

17. Trade and other receivables

	Group		Company	
	2021 $'000	*2020 $'000*	*2021 $'000*	*2020 $'000*
Trade receivables	11,802	13,163	–	-
Other receivables	26	13	97	82
Total receivables	11,828	13,176	97	82
Prepayments	1,132	960	40	27
Contract assets	222	430	–	-
	13,182	14,566	137	109

The carrying value of trade and other receivables classified at amortized cost approximates fair value.

The group has adopted the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. As further detailed in Note 22, the group's customers almost exclusively comprise major international corporations of good credit standing mostly based in the USA and the EU, and the group's historical credit loss experience is negligible. Accordingly, the trade receivables and contract assets are assessed as homogenous for the purposes of grouping for credit risk, and expected loss rate is expected to be nil leading to no provision for impairment being recorded.

18. Cash and cash equivalents

	Group		Company	
	2021 $'000	*2020 $'000*	*2021 $'000*	*2020 $'000*
Cash at bank	18,261	12,010	7,375	4,547
Short-term bank deposits	5,932	9,708	–	–
	24,193	21,718	7,375	4,547

Cash and cash equivalents comprise cash held by the group, bank current accounts and short-term bank deposit accounts with maturities of three months or less and bearing interest at variable rates. The carrying amount of these assets represents a reasonable approximation to their fair value.

Included in cash at bank of the group is an amount of $68,000 (2020: $69,000) held by the group's employee share ownership trust.

19. Trade and other payables

	Group		Company	
	2021 $'000	*2020 $'000*	*2021 $'000*	*2020 $'000*
Trade payables	858	1,013	26	43
Other payables	1,340	104	138	134
Tax and social security costs	1,753	1,089	–	–
Accruals	3,717	2,871	313	219
	7,668	5,077	477	396

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. Included in other payables is an amount of $1,312,500 representing the fair value of deferred contingent consideration in respect of the acquisition of the business of ROI Blueprints LLC. Tax and social security costs include amounts repayable to the Dutch government in connection with COVID related subsidies received.

The directors consider that the carrying amounts of trade and other payables represent a reasonable approximation to their fair values.

20. Borrowings

The group had no borrowings at 31 December 2021 or at 31 December 2020.

21. Leases

Lease liabilities represent rental payments by the group for leased office properties and leased vehicles.

Right-of-use assets

	Leased Buildings $'000	*Leased Vehicles $'000*	*Total $'000*
At 1 January 2020	1,308	245	1,553
Additions and lease extensions in year	79	68	147
Depreciation	(571)	(100)	(671)
Lease reassessments	(58)	4	(54)
Exchange differences	36	16	52
At 1 January 2021	794	233	1,027
Additions and lease extensions in year	245	162	407
Depreciation	(522)	(113)	(635)
Exchange differences	(26)	(21)	(47)
At 31 December 2021	491	261	752

Lease liabilities

	Leased Buildings $'000	*Leased Vehicles $'000*	*Total $'000*
At 1 January 2020	1,332	247	1,579
Additions in year	79	68	147
Interest expense	53	6	59
Lease payments	(618)	(105)	(723)
Lease reassessments	(57)	4	(53)
Exchange differences	36	16	52
At 1 January 2021	825	236	1,061
Additions in year	245	162	407
Interest expense	35	10	45
Lease payments	(566)	(119)	(685)
Exchange differences	(27)	(22)	(47)
At 31 December 2021	512	267	779

The maturity of the lease liabilities is as follows:

At 31 December 2021	*Carrying Amount $'000*	*Contractual Cash-Flow $'000*	*Less than One Year $'000*	*One to Two Years $'000*	*Two to Five Years $'000*
Leased buildings	513	560	436	124	–
Leased vehicles	268	280	96	85	99
Total	781	840	532	209	99

At 31 December 2020	*Carrying Amount $'000*	*Contractual Cash-Flow $'000*	*Less than One Year $'000*	*One to Two Years $'000*	*Two to Five Years $'000*
Leased buildings	825	862	474	271	117
Leased vehicles	236	251	75	57	119
Total	1,061	1,113	549	328	236

Leased Buildings

Buildings are leased for office space under leases which typically run for a period of 1-5 years and lease payments are at fixed amounts. Some leases for office buildings include extension options exercisable up to one year before the end of the cancellable lease term.

Leased Vehicles

The group leases vehicles for qualifying employees with a standard lease term of 4 years with fixed lease payments. The group does not purchase or guarantee the future value of leased vehicles.

Leased Equipment

The group has a small number of leases of office equipment. The group considers these leases to be of low value or short term in nature and therefore no right-of-use assets or lease liabilities are recognized for these leases.

22. Financial instruments

Categories of financial assets and liabilities

The following table sets out the categories of financial instruments held by the group. All of the group's financial assets are in the category of financial assets measured at amortized cost, and all of its financial liabilities are in the category of financial liabilities measured at amortized cost.

1. Financial assets

		Group		Company	
	Notes	*2021 $'000*	*2020 $'000*	*2021 $'000*	*2020 $'000*
Current Financial Assets					
Trade receivables	17	11,802	13,163	–	–
Other receivables	17	26	13	97	82
Amounts due from subsidiary companies	16	–	–	16,793	14,793
Contract assets	17	222	430	–	–
Cash and cash equivalents	18	24,193	21,718	7,375	4,547
		36,243	35,324	24,265	19,422
Non-current Financial Assets					
Other receivables	16	19	19	–	–

The group does not have any financial assets in any other categories.

2. Financial liabilities

		Group		Company	
	Notes	*2021 $'000*	*2020 $'000*	*2021 $'000*	*2020 $'000*
Current Financial Liabilities					
Trade payables	19	858	1,013	26	43
Other payables	19	1,340	104	138	134
Accruals	19	3,717	2,871	313	219
Lease liabilities	21	474	515	–	–
		6,389	4,503	477	396
Non-current Financial Liabilities					
Lease liabilities	21	305	546	–	–
		305	546	–	–
		6,798	5,049	477	396

Financial instrument risk exposure and management

The group is exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them.

There have been no changes in the group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods, unless otherwise disclosed in this note.

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
- Loans and borrowings
- Lease liabilities

General objectives, policies and processes

The board has overall responsibility for the determination of the group's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the group's finance function. The board receives quarterly reports from the group finance director through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The group's risk management procedures are also reviewed periodically by the audit committee.

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

a) Credit risk

Credit risk arises principally from the group's trade receivables, other receivables and contract assets. It is the risk that the counterparty fails to discharge its obligations in respect of the instrument.

The group's software is principally marketed at major international corporations of good credit standing, and the group's historical bad debt experience is negligible. Due to the potentially large size of certain individual sales, in a particular year one customer can account for a substantial proportion of revenues recorded. However, such concentrations rarely persist for multiple years and therefore the directors do not believe that the group is systematically exposed to credit risk concentration in respect of particular customers. In 2021 no individual customer accounted for more than 10 percent of group revenues (2020: None).

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. At the year-end the group was holding a proportion of its deposits and bank balances with each of Lloyds Banking Group plc, Rabobank Amsterdam, and Silicon Valley Bank.

A feature of recent years is that major corporations have slowed down payments or insist on long credit terms, and this is reflected in the ageing profile of the group's receivables. However, as noted above the group's bad debts experience is negligible. Impairments that do arise are not from credit defaults, but principally from disagreements with a very small number of former customers over their responsibility for renewal fees for maintenance or hosting contracts. Sopheon's policy is to pursue collection of such fees where invoiced and contractually enforceable, but to derecognize revenue if collection is uncertain.

The following is an analysis of the group's trade receivables identifying the totals of trade receivables that are current and those that are past due but not impaired:

	Total $'000	Current $'000	Past Due +30 Days $'000	Past Due +60 Days $'000
At 31 December 2021	11,802	9,577	1,715	510
At 31 December 2020	13,163	11,110	479	1,574

The following is an analysis of the group's provisions against trade receivables, analyzed between the geographical segments in which the group's operations are located:

	2021			2020		
	$'000 Gross Value	$'000 Provision	$'000 Carrying Value	$'000 Gross Value	$'000 Provision	$'000 Carrying Value
Trade receivables						
North America	8,911	–	8,911	8,735	–	8,735
Europe	2,891	–	2,891	4,428	–	4,428
	11,802	–	11,802	13,163	–	13,163

The group records impairment losses on its trade receivables separately from the gross amounts receivable. No impairment losses were recorded during 2021 or 2020. The main factors used in assessing the impairment of the group's trade receivables are the age of the balances and the circumstances of the individual customer.

The company has recognized a proportion of the amounts due to it from its US subsidiaries, taking into account their current profitability and cash holdings. Full details are set out in Note 16 and 27. The company has provided in full for the remaining amounts due from subsidiaries. The company is exposed to credit risk in respect of its cash and cash equivalents, which are held in the form of current and deposit accounts with leading UK, US and European banking institutions.

b) Liquidity risk

Liquidity risk arises from the group's management of working capital and more particularly its ability to be consistently cash generative after finance charges and principal repayments on its debt instruments. It is the risk that the group will encounter difficulties in meeting its financial obligations as they fall due.

The group's policy is to maintain significant cash balances, short-term bank deposits and facilities with a view to having sufficient cash to meet its liabilities when they become due. The board annually approves budgets including cash flow projections for each of the operating companies within the group and receives regular information as to cash balances held and progress against budget.

The following table sets out an analysis of the contractual maturity of the group's and the company's financial liabilities that must be settled gross, based on exchange rates prevailing at the relevant balance sheet date.

Group

At 31 December 2021	*On Demand or Within Six Months $'000*	*Within One Year $'000*	*Within Two Years $'000*	*Within Five Years $'000*	*Total $'000*
Trade and other payables	989	500	625	188	2,302
Lease liabilities – contractual cash-flow	363	169	209	99	840
Total financial liabilities	1,352	669	834	287	3,142

At 31 December 2020	*On Demand or Within Six Months $'000*	*Within One Year $'000*	*Within Two Years $'000*	*Within Five Years $'000*	*Total $'000*
Trade and other payables	1,117	–	–	–	1,117
Lease liabilities – contractual cash flow	306	243	328	236	1,113
Total financial liabilities	1,423	243	328	236	2,230

Company

At 31 December 2021	*On Demand or Within Six Months $'000*	*Within One Year $'000*	*Within Two Years $'000*	*Within Five Years $'000*	*Total $'000*
Trade and other payables	164	–	–	–	164
Total financial liabilities	164	–	–	–	164

At 31 December 2020	*On Demand or Within Six Months $'000*	*Within One Year $'000*	*Within Two Years $'000*	*Within Five Years $'000*	*Total $'000*
Trade and other payables	177	–	–	–	177
Total financial liabilities	177	–	–	–	177

c) Market risk

Market risk arises from the group's use of interest-bearing and foreign currency financial instruments. It is the risk that the future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign exchange rates (currency risk). The group does not have any financial instruments that are publicly traded securities and is not exposed to other price risk associated with changes in the market prices of such securities.

d) Interest rate risk

The group has no borrowings, other than lease liabilities, in respect of which lease payments are fixed and do not carry interest rate risk.

The group invests its surplus cash in bank deposits denominated in US Dollars, Euros or Sterling, which bear interest based on short-term money market rates, and in doing so exposes itself to fluctuations in money market interest rates. The group's surplus cash held in the form of bank deposits at 31 December 2021 was $4,800,000. During 2021 interest rates on money market deposits were zero or negative in respect of Sterling and Euro deposits, and below 0.5 percent in respect of US Dollar deposits. The annualized effect of an increase or decrease of 0.5 percent in the average interest rate received on the group's bank deposits at the balance sheet date would result in an increase or reduction in the group's interest income of $24,000.

The group's cash balances held in bank current accounts do not attract interest, with the exception of certain Euro bank balances on which negative interest rates currently apply. An increase of 0.5 percent in the negative interest rate applicable to these balances at the balance sheet date would result in an increase in negative interest income of $56,000.

The company had no interest-bearing bank deposits at the balance sheet date.

e) Currency risk

The group's policy is, where possible, to allow group entities to settle liabilities denominated in the functional currency with cash generated from their own operations in that currency. The group also maintains cash and bank deposits in the currencies that are the functional currencies of its operating entities, which are the US Dollar, the Euro and Sterling.

The group is exposed to currency risk in respect of foreign currency denominated bank deposits and bank loans. Taking into account the fact that a large proportion of the group's income and expenditure arise in US Dollars and, to a lesser extent, in Euros, the group's policy is not to seek to hedge such currency risk.

Foreign currency risk also arises where individual group entities enter into transactions denominated in currencies other than their functional currency, with fluctuations in exchange rates giving rise to gains or losses in the income statement. Where the foreign currency risk to the group is significant, consideration is given to hedging the risk through the forward currency market and, while this would be an economic hedge of the cash flow risk, the group does not employ hedge accounting.

The following table shows the effects, all other things being equal, of changes to exchange rates on the group's profit after tax and on the exchange differences on retranslation of the assets and liabilities of foreign operations that is recognized directly in equity. It illustrates the effects if the exchange rates for Sterling and the Euro against the US Dollar had been higher or lower than those that actually applied during the year and at the year-end.

	2021	*2020*	*2021*	*2020*
	Increase/ (Decrease) in Profit After Tax	*Increase/ (Decrease) in Profit After Tax*	*Effect on Exchange Differences on Translation of Assets and Liabilities of Foreign Operations*	
	$'000	*$'000*	*$'000*	*$'000*
Strengthening of Sterling in US Dollar terms by 10c	60	25	429	365
Weakening of Sterling in US Dollar terms by 10c	(59)	(24)	(430)	(366)
Strengthening of Euro in US Dollar terms by 10c	158	149	642	466
Weakening of Euro in US Dollar terms by 10c	(157)	(148)	(643)	(467)

The company holds certain assets, mainly bank deposits, and liabilities denominated in the functional currencies of its principal operating subsidiaries, which are the US Dollar, the Euro and Sterling. The following table shows the effects, all other things being equal, of changes to exchange rates at the year-end on the profit after tax of the company. It is based on the company's assets and liabilities at the relevant balance sheet date.

	2021	*2020*
	Increase/(Decrease) in Profit After Tax	
	$'000	*$'000*
Strengthening of Sterling in US Dollar terms by 10c	237	159
Weakening of Sterling in US Dollar terms by 10c	(237)	(159)
Strengthening of Euro in US Dollar terms by 10c	301	161
Weakening of Euro in US Dollar terms by 10c	(301)	(161)

f) Capital

The group considers its capital to comprise its share capital, its capital reserves (as set out in Note 24) and its retained earnings. The group is not subject to any externally imposed capital requirements. In managing its capital, the group's primary objective is to support the development of the group's activities through to the point where they are cash generative on a sustained basis.

The group's share capital is all equity capital and is summarized in Note 23.

23. Share capital

Issued and Fully Paid	*2021 Number*	*2021 $'000*	*2020 Number*	*2020 $'000*
Ordinary shares of 20 pence each	10,512,216	3,219	10,202,888	3,133

Throughout the year, the company has had in issue one class of ordinary shares, which have at no time carried any right to fixed income. During the year, 309,328 ordinary shares were issued in connection with the exercise of options at exercise prices ranging from 85p to 775p.

24. Capital reserves

Group

	Share Premium $'000	*Equity Reserve $'000*	*Special Reserve $'000*	*Total $'000*
At 1 January 2020	2,355	1,514	5,073	8,942
Issues of shares	45	-	-	45
Recognition of share-based payments	-	447	-	447
Lapsing or exercise of share options	-	(36)	-	(36)
At 1 January 2021	2,400	1,925	5,073	9,398
Issues of shares	562	-	-	562
Recognition of share-based payments	-	880	-	880
Lapsing or exercise of share options	-	(340)	-	(340)
At 31 December 2021	2,962	2,465	5,073	10,500

Company

	Share Premium $'000	*Equity Reserve $'000*	*Special Reserve $'000*	*Total $'000*
At 1 January 2020	2,355	1,514	5,073	8,942
Issues of shares	45	-	-	45
Recognition of share-based payments	-	447	-	447
Lapsing or exercise of share options	-	(36)	-	(36)
At 1 January 2021	2,400	1,925	5,073	9,398
Issues of shares	562	-	-	562
Recognition of share-based payments	-	880	-	880
Lapsing or exercise of share options	-	(340)	-	(340)
At 31 December 2021	2,962	2,465	5,073	10,500

The equity reserve comprises the fair value of share-based payments made to employees pursuant to the group's share option schemes, offset by credits from the expiry, lapsing or exercise options.

In addition, investment by the group's employee share ownership trust (the "Esot") in the company's shares is deducted from equity in the consolidated balance sheet as if they were treasury shares, by way of deduction from the equity reserve. At 31 December 2021, the Esot held 36,472 ordinary shares of 20p each in the company (2020: 36,472) which represents 0.4 percent (2020: 0.4 percent) of the company's ordinary share capital. The equity reserve includes a deduction of $46,000 (2020: $46,000) which represents the cost of the shares held by the Esot at 31 December 2021.

The purpose of the Esot is to facilitate the company's policy of offering participation in the ownership of its shares to employees for reward and incentive purposes. At 31 December 2021 and at 31 December 2020, no shares held by the Esot were under option or had been gifted to any employees. Arrangements for the distribution of benefits to employees will be made at the Esot's discretion in such manner as the Esot considers appropriate. Administration costs of the Esot are accounted for in the profit and loss account of the company as they are incurred.

The special reserve is a non-distributable reserve arising from a capital reorganization in 2013, which may be used, amongst other purposes as approved by the court, for the same purposes as if it were a share premium reserve.

25. Dividends

	2021 $'000	*2020 $'000*
Dividends paid in year		
Final dividend for 2020 of 3.25p per share paid in July 2021	460	429

The directors are proposing a final dividend of 3.25 pence per share in respect of the year ended 31 December 2021 amounting to £342,000 ($460,000).

26. Retirement benefit plans

The group operates defined contribution retirement benefit plans which employees are entitled to join. The total expense recognized in the income statement of $515,000 (2020: $483,000) represents contributions paid to such plans at rates specified in the rules of the plans.

27. Related party transactions

Details of transactions between the group and related parties are disclosed below.

Compensation of key management personnel

Details of directors' remuneration are given in Note 7. The total remuneration of executive directors and members of the group's executive management committee during the year was as follows:

	2021 $'000	*2020 $'000*
Emoluments and benefits	3,612	2,792
Pension contributions	66	73
Share-based payments	786	382
	4,464	3,247

Transactions with related parties who are subsidiaries of the company

The following is a summary of the transactions of the company with its subsidiaries during the year:

	2021 *$'000*	*2020* *$'000*
Net amounts repaid by subsidiaries	(3,884)	(3,043)
Net management charges to subsidiaries	643	699

The amounts owed by subsidiary companies to the parent company at 31 December 2021 totaled $32,755,000 (2020: $36,284,000). An amount of $16,793,000 (2020: $16,793,000), due from the group's US and Dutch subsidiary companies, has been recognized in the parent company balance sheet, the balance of amounts due from subsidiaries remaining subject to full provision. Amounts owed by subsidiary companies to the parent company are unsecured and are subordinated to the claims of all other creditors.

During 2021 and 2020, the company granted share options to employees of subsidiary companies. Details of grants of share options are disclosed in Note 28.

Other related party transactions

There were no other related party transactions during the year under review or the previous year.

28. Share-based payments

Equity-settled share option schemes

The group has a number of share option schemes for all employees. Options are exercisable at a price equal to the market price on the date of grant. The normal vesting periods are as set out below.

	Vesting
Sopheon plc (USA) stock option plan	In three equal tranches between the first and third anniversary of grant
Sopheon UK approved share option scheme	On third anniversary of grant
Sopheon UK unapproved share option scheme	Immediate or as per USA plan
Sopheon NV share option scheme	Immediate or as per USA plan

Details of the share options outstanding during 2021 and 2020 are as follows:

	Number of Share Options	*Weighted Average Exercise Price £*
Outstanding at 1 January 2020	868,394	3.72
Options granted in 2020	105,000	7.77
Options exercised in 2020	(28,850)	1.42
Options lapsed in 2020	(2,250)	8.17
Outstanding at 1 January 2021	942,294	4.23
Options granted in 2021	318,350	8.83
Options exercised in 2021	(309,328)	1.51
Options lapsed in 2021	(10,374)	8.27
Outstanding at 31 December 2021	940,942	5.49
Exercisable at 31 December 2021	625,762	5.64
Exercisable at 31 December 2020	812,531	3.66

During 2021, share options were exercised over 318,350 ordinary shares at exercise prices ranging from 85p to 775p. During 2020, share options were exercised over 28,850 ordinary shares at exercise prices ranging from 55p to 150p. The options outstanding at the end of the year have a weighted average contractual life of 7.0 years (2020: 5.6 years).

During the year share options were granted on 14 May 2021, when the exercise prices of options granted were 845p and 900p and the estimated fair value was 500p and 491p respectively, and were also granted on 2 June 2021, when the exercise price of options granted was 875p and the estimated fair value was 518p. During the preceding year share options were granted on 13 July 2020 when the exercise price of options granted was 775p and the estimated fair value was 459p, and on 19 October 2020, when the exercise price of options granted was 785p and the estimated fair value was 465p.

The fair values for options granted are calculated using the Black-Scholes option-pricing model. The principal assumptions used were:

Date of grant	*May 2021*	*May 2021*	*June 2021*	*July 2020*	*October 2020*
Share price at time of grant	845p	845p	875p	775p	785p
Exercise price	845p	900p	875p	775p	785p
Expected volatility	40 percent	40 percent	40 percent	40 percent	40 percent
Risk-free rate	5 percent	5 percent	5 percent	5 percent	5 percent
Expected dividend yield	0.4 percent	0.4 percent	0.4 percent	0.4 percent	0.4 percent

The expected contractual life of the options used was five to ten years. Expected volatility was determined by reference to the historical volatility of the company's share price in the period before the date of grant.

Directors

Andrew Michuda, Executive Chairman. Andy Michuda was appointed chief executive officer of Sopheon in 2000 and then took the role of executive chairman in 2021, handing over the CEO role to Greg Coticchia. From 1997 to 2000, he served as chief executive officer and an executive director of Teltech Resource Network Corporation, which was acquired by Sopheon. Prior to joining Sopheon, Andy held senior leadership positions at Control Data.

Greg Coticchia, Chief Executive Officer. Greg Coticchia joined Sopheon as President in 2020, and was appointed CEO and director in 2021. He is a recognized entrepreneur, business leader and author with over thirty years' experience in software products and services. Most recently Greg established the Master's Program in Product Management at Carnegie Mellon University. He has held executive roles in a number of organizations ranging from startups to $1bn revenue where he has been responsible for driving both organic and acquisition-led growth.

Arif Karimjee, ACA, Chief Financial Officer. Arif Karimjee joined Sopheon as chief financial officer in 2000. Arif served as an auditor and consultant with Ernst & Young in the United Kingdom and Belgium from 1988 until joining Sopheon.

Barry Mence, Non-Executive Director. Barry Mence served as executive chairman of Sopheon since co-founding it in 1993, handing over the chairman role to Andy Michuda in 2021 and reverting to a non-executive role. He remains a and substantial shareholder of the company. From 1976 to 1990, Barry was the major shareholder and group managing director of the Rendeck Group of Companies, a software and services group based in the Netherlands.

Stuart Silcock, FCA, Non-Executive Director. Stuart Silcock has served as a director of Sopheon since its inception in 1993 when he was one of the founding members of the company. Since 1982 Stuart has been a principal Partner in Lawford & Co chartered accountants. Stuart was a non-executive director of Brown and Jackson plc for four years from 2001 and has held a number of other directorships in the United Kingdom.

Daniel Metzger, Non-Executive Director. Dan Metzger was until 1998 Lawson Software's EVP Marketing, where he helped the company grow its revenues from $13m to $400m. Since then he has held similar roles at Parametric Technologies, and also at auxilium and nQuire, subsequently sold to Parametric and Siebel respectively. As a strategy consultant, Dan has helped numerous technology companies reach and exceed their growth objectives.

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