ANNUAL REPORT 21 22

dotdigital GROUP PLC

Content

Strategic report
2 Chairman's report
4 Empowering customers with intelligent tools and people
6 Investment case
8 Key performance indicators
10 Case study – Converse
12 Chief Executive Officer's report and financial review
20 Case study – Kissed Earth
22 Risks, impact and mitigations
27 Environmental, Social and Governance (ESG) Statement

Governance
30 Board of Directors
32 Corporate governance report
35 Audit Committee report
36 Remuneration Committee report
41 Report of the Directors
45 Report of the independent auditor

Financial statements
52 Consolidated income statement
52 Consolidated statement of comprehensive income
53 Consolidated statement of financial position
54 Company statement of financial position
55 Consolidated statement of changes in equity
56 Company statement of changes in equity
57 Consolidated statement of cash flows
57 Company statement of cash flows
58 Notes to the consolidated financial statements
85 Company information

Corporate statement

Dotdigital is a customer engagement platform that helps digital marketers and developers deliver communications across the customer journey. We harness the power of customer data, powering engagement, conversion, and loyalty for brands as they grow and scale. Customers love our easy-to-use platform that connects first-party data across their most valuable business systems, surfacing powerful insights and automating predictive cross-channel messages.

*Revenue	*Adjusted operating profit	*Adjusted EBITDA	Cash position
£62.8m	£14.5m	£21.7m	£43.9m
Up 8% from £58.1m	Up 6% from £13.7m	Up 10% from £19.8m	Up 37% from £32.0m

* Adjusted for continuing operations.

Chairman's statement

"To have successfully delivered a year of strong growth and profitability despite the challenging circumstances is testament to the ability and hard work of our teams, the resilience of our model, and the continuing demand for our products."

John Conoley
Non-Executive Chairman

I became Chairman of Dotdigital Group Plc post-year end on 5 July 2022, replacing Mike O'Leary, who left the business due to health reasons. Mike played an important role in helping the Company navigate the pandemic while continuing to deliver against its strategic objectives and I would first like to wish him all the best in his continued recovery.

A compelling opportunity

There were several reasons I took the role. Firstly, the product is exceptional. The marketing automation technology the Group has developed is among the most powerful and easy to use on the market, capable of delivering outstanding returns on investment and significantly enhancing a brand's reputation.

The second is the quality of the Group's growing customer base. International in nature and comprising a diverse range of blue-chip organisations from different sectors, marketeers at some of the world's biggest brands rely on Dotdigital to power their campaigns.

Thirdly, the Group has an impeccable knowledge of the markets in which it operates. Its' teams understand the direction the digital marketing industry is moving in; they understand the evolving needs of marketeers, they know how to address them through the platform, and they recognise the steps we need to take as a business to grow our competitive advantage.

Finally, the business has immense potential. The Group has firmly established itself as one of the leading firms in the industry, but there is much more to go for. Supported by a robust balance sheet, there are several routes to accelerate growth available to us.

Ending the year on a high

To have successfully delivered a year of strong growth and profitability despite the challenging circumstances is testament to the ability and hard work of our teams, the resilience of our model, and the continuing demand for our products.

The pandemic led to a temporary increase in demand for transactional SMS in the prior year which tempered the year-on-year growth rate, our North American operation was negatively impacted by an unusually competitive labour market in the first half, and the Group was recruiting for a Chairman and Chief Financial Officer (CFO) for much of the second.

I'm pleased to report that those challenges were overcome in the second half, and positive momentum has continued into the new financial year. Crucially, we now have management in place in North America and are having success in both hiring and retaining colleagues in the region. While our teams there continue to embed, the pipeline is building at a healthy rate.

We have also now filled the vacant roles on the Board, adding complementary new skills and abilities and providing the bandwidth for management to return to focusing solely on growing the business and creating shareholder value.

My priorities since joining

The first was to secure a new Chief Financial Officer with the right credentials and ambitions that matched our own. A dynamic finance professional with an impressive track record working in senior roles at private equity-backed technology businesses, Alistair Gurney was the outstanding candidate for the position, and I am delighted we were able to welcome him onto the Board in September 2022.

The second priority was to work with the Board to sharpen the strategy. For several years now, much of Dotdigital's R&D efforts have centred around data functionality

> **“Dotdigital product recommendations have allowed us to get through a few roadblocks that the team faced previously. We struggled to match complex product packages to customers, but that’s where AI has come into play. The fact that we have access to an emerging technology that is proving its potential, is quite thrilling. It enables us to build many capabilities with very low effort and much higher returns.”**

Adam Hollinshead | Chief Digital Officer at winedirect.com.au

as demand for actionable insight in the market grows. As a result, Dotdigital is now the platform of choice for thousands of marketeers around the world looking to design and deliver advanced strategies with personalisation at their core.

The next step is to build out our data capabilities further, ensuring we stay ahead of the curve and granting access to new markets by offering one of the most comprehensive customer data experience platforms (CDXP) available. Plans are in place across our R&D teams to this end, and we are exploring opportunities to accelerate the process through selective acquisitions of adjacent technology. More information on our CDXP ambitions is provided in the Chief Executive Officer’s review in this report.

The third priority, in parallel with the first two, was to engage with the Group and its marketplace and understand the culture of Dotdigital. Over the past few months, I have met with many colleagues from across the Group. I have been impressed by the calibre of talent at our disposal and encouraged by our teams’ enthusiasm for what we as a Group are trying to achieve.

Sustainable foundations

The Board continues to focus efforts on progressing the Group’s Environmental, Social and Governance (ESG) agenda. ESG is central to what we do and have made significant progress on our initiatives in the year.

The Board is also aware that focussing on Dotdigital’s own performance, as well as the technology we provide to our customers, also has a beneficial impact on both the people and our planet. As a business we prioritise our people through wellbeing initiatives, meeting governance expectations through our accreditation of ISO14001 and achieve high standards on data privacy and data security through our accreditations and control systems of ISO27001 and ISO27701.

We have a number of new initiatives underway, including a Board commitment to a net zero emissions target by 2030. Further details of Dotdigital’s environmental initiatives and performance in 2022 are set out on pages 27 to 29.

Dividend

The Board has agreed to maintain a progressive dividend in line with Group EBITDA growth. Therefore, subject to approval at the AGM in December 2022, the Board proposes that the Group pay a final dividend of 0.98p per ordinary share (2021: 0.86p), payable at the end of January 2023.

Looking ahead

We now have in place a strong Board with the right blend of skills and experience, high quality management and support teams across our international markets, a first-class product, growing pipelines, a clear strategy and the financial firepower to accelerate delivery.

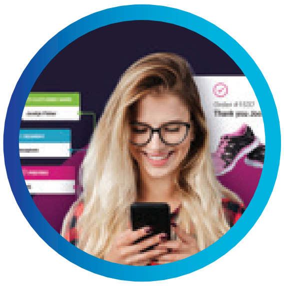
The economic backdrop remains uncertain but, as the pandemic demonstrated, effective engagement with existing and prospective customers is just as important to brands in more challenging times as it is in good, providing Dotdigital a degree of insulation against recessionary pressures.

We know the direction we want to take the business and are focussed on using our cash in the optimal way to capture the wealth of available opportunity. It is early in my tenure, but I am excited about our prospects, and look forward to keeping shareholders updated as we progress towards our goals.

John Conoley
Non-Executive Chairman
15 November 2022

Empowering customers with intelligent tools and people

Dotdigital empowers multidisciplinary teams to plan, test, execute and optimize cross-channel marketing campaigns. We empower 4,000+ brands across 150 countries and help marketeers connect with their target audience at scale, through engaging messages that drive significant customer value.



What does DotdIgital do?

Dotdigital is a Software as a Service (SaaS) based customer engagement platform that harnesses the power of customer data, powering engagement, conversion and loyalty for brands as they grow and scale. Our technology integrates with key existing e-commerce and CRM platforms to create a powerful and robust marketing engine that supports key insight-driven activities and supercharges business growth.

How do we empower marketers?

Customers love our easy-to-use platform that connects first party data across the systems, surfacing powerful insights and automating predictive cross-channel messages.
Data sits at the heart of our platform because it's the key to unlocking engagement at scale. Users can personalise, segment and automate revenue-generating campaigns in minutes with easy, time-saving tools. We help marketeers reach time to value quickly and maximise the returns of every channel including email which has a return on investment of £42/$51 for every £1/$1 spent.

Why do customers choose Dotdigital?

We want our customers to be confident in knowing that our platform is future-proof. Our technology is market leading, and our product managers are passionate about enhancing Dotdigital to make it the best choice for busy marketeers. We are attentive towards customer feedback and industry practice – together they help shape our platform's and customers' future. Service is integral to our customers' delight. We know that sometimes it is easier to outsource tasks when there aren't enough hands on deck. Our experienced professional services team is always on hand to lend a hand – we design, code and build automated campaigns for global brands every day.

The leading customer engagement platform designed for marketeers

Adobe | shopify | salesforce | Microsoft 365 | BIGCOMMERCE

CRM | ERP
CDP | DMP

Zero & first party data

Offline

Behaviour

Connect
Data collection | Data capture | Deduplication | Data enrichment | Profile unification

Empower
Single customer view | Audience analytics | Segmentation | Lifecycle modelling | Experience orchestration
Cross-channel campaign management | Content & creative | Revenue and commerce reporting

Communicate
Email | SMS | Social | Ads | Mobile | Website | Chat | Offline

Outcomes

Grow | Retain | Influence | Brand

Investment case

Dotdigital is a leading, global, cross-channel, SaaS and marketing automation platform that enables our clients to communicate with their customers at the right time, with the right message to the right person through the right channel.

Strategy

Clear and compelling strategy focussed on organic growth complemented with M&A

Focussed on both the B2B and B2C digital experiences for mid-market and enterprise companies.

Rapid product innovation supporting average revenue per customer expansion and driving return on investment for our customers.

International growth based on proven blueprint.

A focussed approach to brand success extended through global strategic partners.

Scalable

Highly scalable platform for all sizes of customers with a predictable financial model

SaaS business model driving high margins.

Predictable and transparent financial model with high levels of recurring revenue.

Diverse customer base from size of business to industries they operate within.

Profitable growth with strong cash balance and no debt.

Growth

Attractive industry growth with a change in sentiment post-COVID-19

Email marketing automation has a proven superior ROI for marketeers from all digital marketing channels.

Global marketing automation spend is, according to Precient and Strategic Intelligence, showing double-digit growth and is predicted to reach $14.2bn by 2030.

Marketeers are predicted to accelerate adoption of omnichannel.

Digital marketing as a proportion of overall marketing budgets continues to accelerate.

"The experience we've had with Dotdigital so far has been fantastic, and one of the reasons is their proactiveness. It's not just about providing us with a service, the advice they offer us around what we could be doing more to take advantage of their platform to better service our customers, has been invaluable."

Briony Kennedy | Founder & CEO at Adorn Cosmetics

Independence

The successful Dotdigital culture

Highly talented and motivated people focussed on customer success.

A culture that is aligned to company objectives and vison.

Unique industry position with many competitors distracted.

Flexible, extendable and effective product that drives retention.

Leadership

Experienced management team

Executive team with a proven track record of success.

Strong Non-Executive Board with experience of scaling businesses of this size.

Wider management team with the motivation to continue the profitable growth story.

All employees aligned to the strategic priorities of geographic expansion, product innovation and building strong strategic partnerships.

Outlook

Strong growth prospects

Innovation to support marketing teams with their data challenges and move to omnichannel using personalisation and intelligence.

Ability to complement organic growth strategy with technology acquisitions to accelerate product expansion.

Attract more global strategic partners to increase addressable market.

New geographic markets with greater potential than the UK alone.

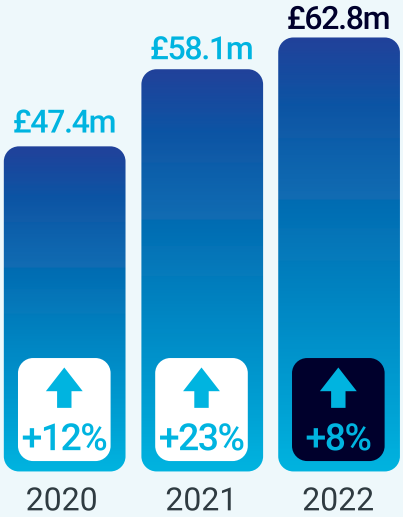
Key performance indicators

We use our key performance indicators (KPIs) to measure our business. These indicators provide us with the visibility of both our strategic and financial performance which is set by the Board at the start of every year.

Financial

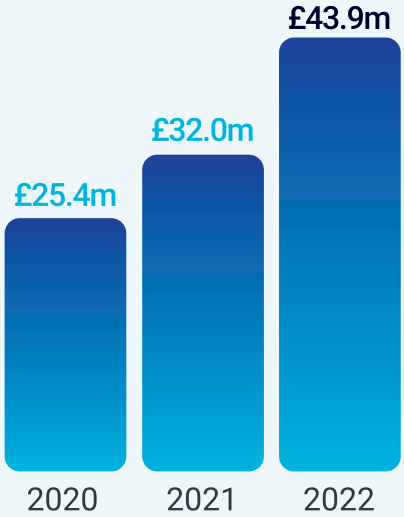
Revenue (continued)

We aim to deliver double-digit organic revenue growth from continuing operations.



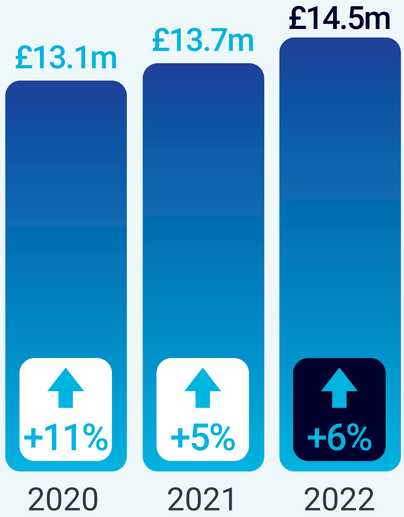
Cash position

We aim to have a strong cash position.



Adjusted operating profit (continued)*

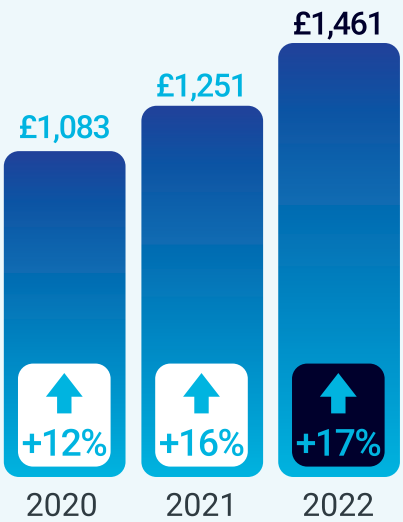
We aim to have strong adjusted operating profit growth from normal business.



Strategic**

ARPC

We aim to continue to grow Average Revenue Per Customer (ARPC).

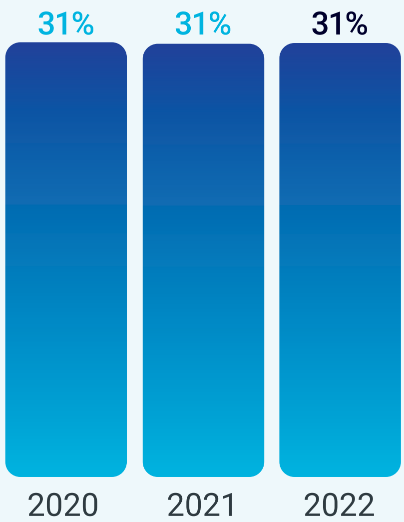


Recurring revenue

We aim to have recurring revenues of over 90%.

International

We aim to expand revenue from outside the UK.



* Adjusted operating profit excludes share-based payment (note 28), exceptional costs (note 5) and amortisation of intangibles on acquisition.

** Does not include the discontinued operations (note 12).

Our non-financial KPIs provide us with an indication of our platform's ability and a measurement of how successful we are in supporting our customers. Both elements are crucial to the success of our business. Employee remuneration is specifically linked to these KPIs.

Non-financial KPIs

Customer Support Satisfaction score (CSAT)

98.5%

2022

98.0% 98.4%

2020 2021

Email delivery rate

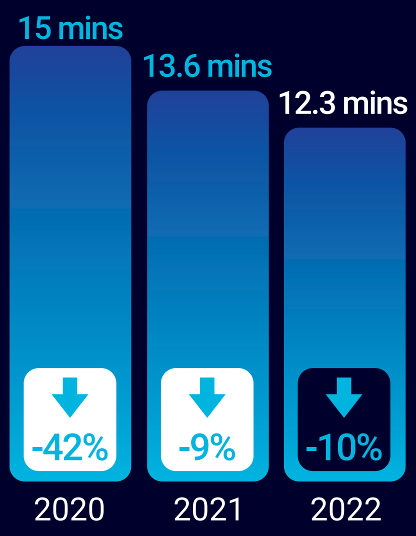
99.0%

2022

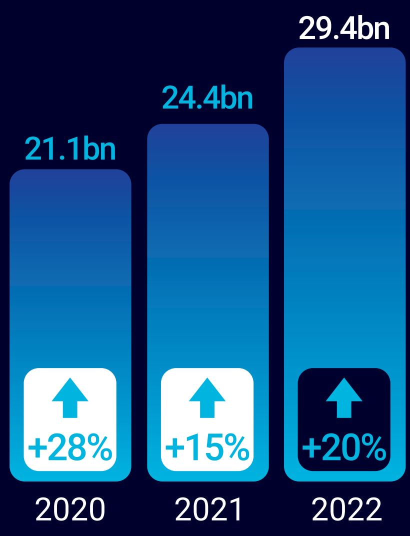
98.9% 99.0%

2020 2021

Mean email delivery time



Message sending volume



Case study

Converse gain greater footing in international markets with the power of live chat

Established in Massachusetts, USA in 1908 as an independent rubber shoe manufacturer, Converse has since grown into one of the most iconic footwear brands in the world — with a rich history that has attracted global audiences generation after generation.

Best known for its Chuck Taylor All Star and One Star styles, Converse now offers a broad range of footwear and apparel designed to celebrate the individuality of every customer.

Challenge

Converse had set its sights on expanding its global presence, particularly in Latin America, and was in search of a marketing automation provider that would support the company as it introduced its shoes and clothing to new customers. Converse knew that personalised, scalable marketing programmes would play a critical role in its efforts to connect with a larger audience.

29% of marketing list captured via live chat

25% of contacts converted into paying customers

300% repeat purchase rate

"Who knew, a simple '¡Hola!, ¿En qué puedo ayudarte?' could go such a long way?"

The Converse Team

Solution

The team at Converse heard that Dotdigital was the leading marketing automation provider for e-commerce platform Magento, and they set up a meeting to learn more about Dotdigital's offerings. During the discussion, Converse quickly discovered everything that the Dotdigital platform had to offer — not to mention the added perk of having on-the-ground support in Spanish. After conferring with its teams, Converse made the decision to use Dotdigital as its marketing automation provider of choice for Converse Mexico.

Converse believed that a personalised experience was key to its efforts to reach more customers across the country — and that one of the most important ways to create that connection was by embracing live chat as a preferred channel of communication. The stats are clear: 44% of consumers consider real-time chat the most important feature of an e-commerce website, and a further 55% say they would abandon a transaction if they can't find the answer to their question. By engaging one-on-one with customers and offering immediate responses, Converse knew that it could remove barriers to sale.

Known for pushing the boundaries, Converse wanted to take engagement a step further. The plan? The team would turn live chat into an acquisition channel to expand their footprint in new markets. Working closely with the Dotdigital team, they developed a strategy to use the Dotdigital live chat tool to not only keep their existing customers happy with top-notch customer service, but also acquire new customers through information obtained in data capture forms in the chat. Along with live chat, Converse used Dotdigital's landing page and form builder to increase customer engagement and interest. These solutions were especially important when it came to limited-edition product launches, like the Bugs Bunny 80th Anniversary collection.

Results

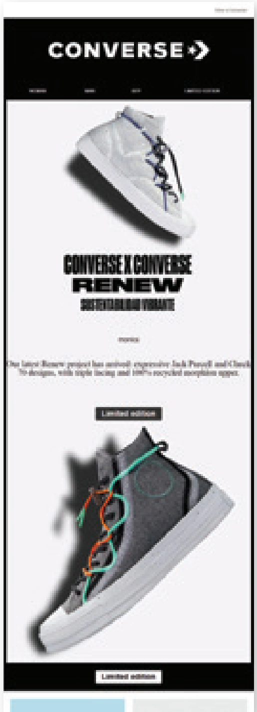
Their strategy was a huge success. Live chat has proven to be an important growth tool for Converse Mexico, with 29% of the company's marketing list now captured via Dotdigital live chat. More than a quarter of these contacts are now paying customers and represent 31% of total orders. What's more, these customers show a greater propensity to buy, with an average purchase window of 13 days, compared to the established 19 days for customers who haven't had the benefit of five-star live chat service.

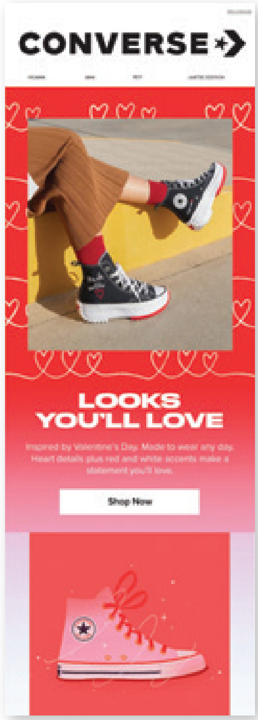
Live chat has set an excellent foundation for Converse to further develop distinct customer cohorts that are ready for retargeting and marketing nurture programmes. In addition, clear segmentation and implementation of an abandoned cart programme have helped the team win over their newly acquired customers, with repeat purchase rates tripling just months after onboarding with Dotdigital.

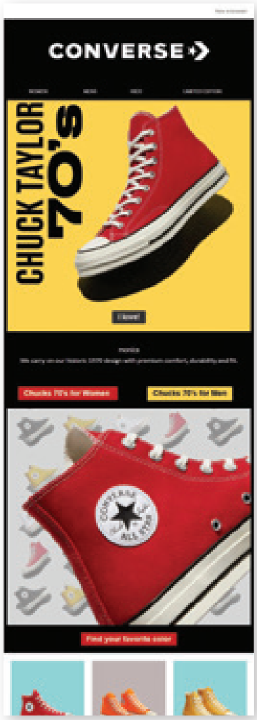
To quote the Converse team, "Who knew, a simple '¡Hola!, ¿En qué puedo ayudarte?' could go such a long way?"

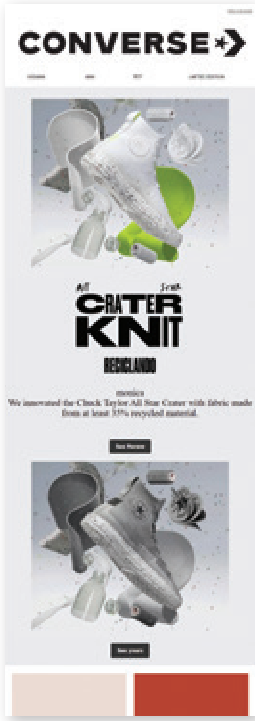
What has also helped Converse accelerate its marketing strategy in the Latin American market is Dotdigital's position as a truly global provider of marketing technology. Visitors to the Converse Mexico website see live chat in Spanish, which means that no opportunity or key information is lost in translation — ensuring their shopping experience is elevated and relevant.

The Converse team benefits too. With round-the-clock assistance from Dotdigital's Spanish-speaking support team, they can get all the answers they need as they build out their international footprint.









Chief Executive Officer's report and financial review

"Giving customers the ability to better utilise customer data is the next frontier of efficiency for digital marketers. Whilst offering leading automation capabilities have been a core strength for some time, we now enter a phase whereby customers can deliver more personalised experiences not just through the channels they adopt, but also through the data they are able to command."

Milan Patel
Chief Executive Officer

Overview

Year of profitable growth and operational enhancements

We are pleased to report a strong year of growth and profitability for Dotdigital, along with significant operational enhancements. These results represent a full financial year since the onset of the pandemic and, despite challenges in the macro environment, compare well against a strong prior year performance that was boosted by one-off pandemic-related SMS revenue. We have cemented our relationships with our customers as a strategic partner, helping them deliver a high return on investment from their digital marketing strategies through a combination of best-of-breed functionality and services.

We have a differentiated and well-integrated offering, including leading orchestration functionality at the heart of the platform, saving our customers time. We have seen sustained business momentum through 2022 as a result of continued execution against each pillar of the Group's growth strategy, namely product innovation, geographic expansion and strategic partnerships, helping us deliver Group organic growth of 8%.

During the year, while some form of normality is returning across the different territories post-COVID-19-related restrictions, we have continued to see an acceleration in the shift towards Digital Marketing and the creation of relevant and personalised experiences to audiences across all industries. The use of data, platform adoption and automation capabilities are all continuing to rise and, from a product development perspective, we continue to enhance the Dotdigital platform to ensure it excels in these areas. By helping launch targeted campaigns in our customers' advanced marketing strategies, ensuring they have an individualised message at every touchpoint with their customer or prospect and a strong return on investment, our product has cemented itself as the platform of choice for both B2B and B2C marketeers.

A lot of progress has been made in the second half of the year rebuilding our team in North America, with management now in place to lead the vision and execution of growth in the region. We continue to see employee retention strengthen and the successful recruitment of new talent as we embed our culture in a hybrid working environment and competitors pause for breath in their hiring efforts. Through these investments we are making the business more scalable, which puts us in a good place to return to double-digit organic growth over the medium-term.

We continue to see the increase in customers adopting an omnichannel approach, with Email Marketing remaining core to their strategies for driving customer acquisition and retention. We saw email volumes grow 20% in the period as budgets continued to increase and verticals/industries started to return to normal volumes post-pandemic.

As we look forwards, with our vision of building out our Customer Data Experience Platform (CDXP), alongside our own research and development efforts, we will look at acquisitions that offer added value and resilience to our business model. This will not only allow us to expand our addressable market with larger customers, but also makes our existing customers stickier.

Business Review

Marketing automation platform underpinned by rich customer data

Dotdigital is focussed on empowering marketeers to connect with customers through its powerful automation platform that unifies all digital channels. Our platform provides tools that enable marketing teams to launch highly targeted, personalised and relevant campaigns to customers and prospects with personalised engagement at every touchpoint – the right message, at the

Key highlights

	30.06.22 (£m)	30.06.21 (£m)	%
Group revenue (Continuing and discontinued)	62.8	60.6	4%
Revenue (Continuing)	62.8	58.1	8%
Adjusted operating profit (Continuing)*	14.5	13.7	6%
Adjusted EBITDA (Continuing)**	21.7	19.8	10%
Net assets	69.8	61.0	14%
Cash	43.9	32.0	37%

* Adjusted operating profit excludes share-based payment, exceptional costs and amortisation of intangibles on acquisition.
**Adjusted EBITDA excludes share-based payment, exceptional costs and amortisation of intangibles on acquisition.

right time, through the right channel to the right person. The result is faster and more effective marketing campaigns with increased engagement and demonstrable ROI.

The use cases of the Group's offering are wide and global, however the Group remains focussed on mid-market and enterprise clients across target verticals including retail, non-profit, education, financial services, sports and travel to name a few. The Group's foundations and particular strengths are in email and deep integrations into strategic partners within e-commerce and CRM.

Results summary

Organic growth and cash generation

The Group generated continuing revenues of £62.8m (2021: £58.1m). This 8% growth was entirely organic, led by larger value customers, existing client growth and improved customer retention in the EMEA region.

Adjusted EBITDA increased by 10% to £21.7m (2021: £19.8m) driven by the contribution from organic growth and improving gross margin due to an increase in email volumes which is a very high margin compared to lower margin channels such as SMS. Statutory operating profit was £13.6m (2021: £12.9 m) including adjusting items of £8.1m (2021: £6.9 m).

Our core growth strategies

Geographic

Product innovation

Strategic partnerships

We have a strong track record of cash generation and this remains a high priority for the Group with net cash increase of £11.6m (2021: £6.5m)in the period.

Market opportunity

Continued march towards digital and heightened focus on personalisation

We operate within the large global Marketing Automation market, estimated to be worth $5.5bn and growing at between 12%-13% year on year. This market comprises three main target segments with technologies and business models optimised accordingly. These segments consist of small/micro companies, mid-market and enterprise. The mid-market and enterprise segments we are primarily focussed on are together estimated to be worth $3bn.

Our target verticals differ slightly depending on region and level of brand awareness. In North America and APAC, where awareness of Dotdigital continues to develop, we focus on e-commerce businesses through our strategic partnerships and integrations. In the EMEA market, where our brand awareness is high, we target all industry types. In what remains a fragmented market, we offer a comprehensive functionality set and range of services to help customers drive a higher ROI.

Digital transformation for marketeers continues at pace in a post-COVID-19 world which has adapted quickly to online experiences. Marketeers' strategies are becoming more sophisticated with the use of data and actionable insights. The Dotdigital platform is well placed to support this, making it easy for customers to make

Chief Executive Officer's report and financial review continued

"There are so many things that we can do now, thanks to Dotdigital. The hardest part is choosing just one area to focus on and grow, because all of it is so exciting."

Ken Holden | Digital Marketing Manager at Sportif USA

use of data while providing drag and drop functionality to automate messaging at all parts of the customer journey.

Email Marketing still generates the highest ROI from all Digital Marketing campaigns and continues to be the marketeers' channel of choice, complemented by other channels to form the overall experience. As the shift to digital progresses, we continue to see an uptake of additional channels, such as push and app messaging, aligned with our move towards building out omnichannel capabilities through the acquisition on Comapi. According to eMarketer, Digital Marketing as a percentage of overall Marketing continues to increase and now represents 66%; as some of the traditional marketing budgets move into digital. We are well placed to capture this growth.

Growth strategy

Focussed execution against long-term vision

Having established a best-in-breed marketing automation platform with omnichannel capability and global scale, we continue to see huge growth potential with our core capabilities as the market moves toward digitally-enabled marketing. At the same time, our financial strength, combined with broad customer reach, provides us with the foundation and resources to build our offering, both organically and through acquisition, in line with our long-term vision of building the most comprehensive CDXP capabilities. CDXP describes the ecosystem by which companies and brands view and seek to influence the customer journey – from connecting and communication with customers and prospects, to retaining and optimising their purchasing decisions. The tools that enable marketeers to have insight into the journey is founded on rich customer data, which is where the Dotdigital Engagement Cloud excels, and provides an opportunity to leverage through core capability enhancements as well as new capabilities in this space. Customer data sits at the core of everything we do, and there is substantial scope to broaden our offering to provide even deeper engagement for our customers across any channel through a unified source of customer intelligence.

This vision is underpinned by our organic growth strategy, which continues to be focussed around three core pillars: product innovation, geographic expansion and strategic partnerships.

Product innovation

We are making good progress in growing the number of customers using enhanced functionality, including an increasing number of data connectors through our IPaaS (Infrastructure Platform as a Service) capabilities, while continuing to enhance our customer data platform launched in the financial year to enable our customers to aggregate data from their business systems for relevancy and personalisation. We continue to educate the market, through live sessions and digital marketing content, on how to adopt new features to enhance messaging. This helped drive an 18% increase in functionality recurring revenue from product updates and enhancement, taken by both existing and new customers, to £22.3m (2021: £18.9m).

The platform continues to go from strength to strength, delivering on the needs of our customers and maintaining our competitive advantage.

Geographic expansion

We continued to successfully grow our presence in international markets in the period, in pursuit of our goal of diversifying revenues outside of the UK. The Group saw revenue growth across all key global regions, despite the wider effects of COVID-19, supply chain issues and a weakening economic backdrop.

In EMEA, revenues grew 8% to £48.2m (2021: £44.6m), helped by retention as we strengthen relationships with our customers and deliver on their ROI metrics. We have continued to see retention improve in the region as we strengthen relationships with our customers and deliver on their ROI metrics. We have also seen continued growth in spend from existing clients as they increase their email message volumes, start to adopt an omnichannel approach and continue to increase the use of our platform features.

Revenues from the Americas were up 3% to $12.9m (2021: $12.5m). Despite headwinds faced in the first half of the financial year from recruitment challenges, we made great progress in the second half. A new management team has now been put in place to lead the execution of the strategy in the region and we were able to step up our recruitment efforts in our go to market teams, which are now embedded and are already starting to gain traction. We saw strong customer wins in the fourth quarter of the financial year and that momentum has continued into FY23.

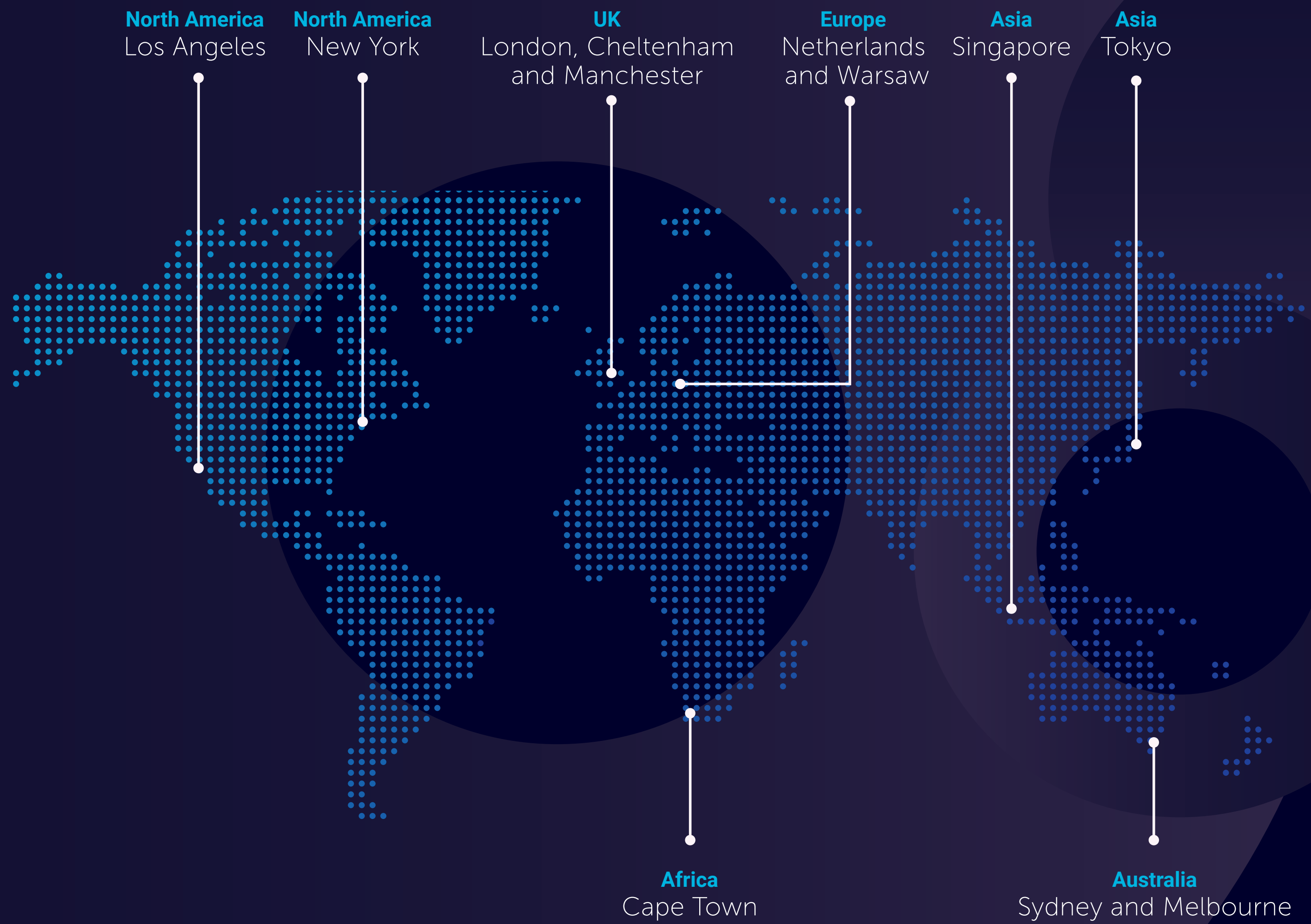
The APAC market saw high levels of growth in the year, with revenues growing 18% to $9.1m (2021: $7.7m). We further increased Dotdigital's presence in the region in the period through expanding our team in Singapore, which has led to encouraging pipeline growth in Japan and the Far East.

Strategic partnerships

Revenues from customers using a data connector from one of our strategic partners grew 14% to £28.9m in the year.

Enhanced brand awareness, alongside additional functionality and new integrations into technology platforms, have allowed us to continue growth in the Magento space. Our respective teams continue to work together on our joint marketing strategy and enhanced development of our integration. During the year we also became

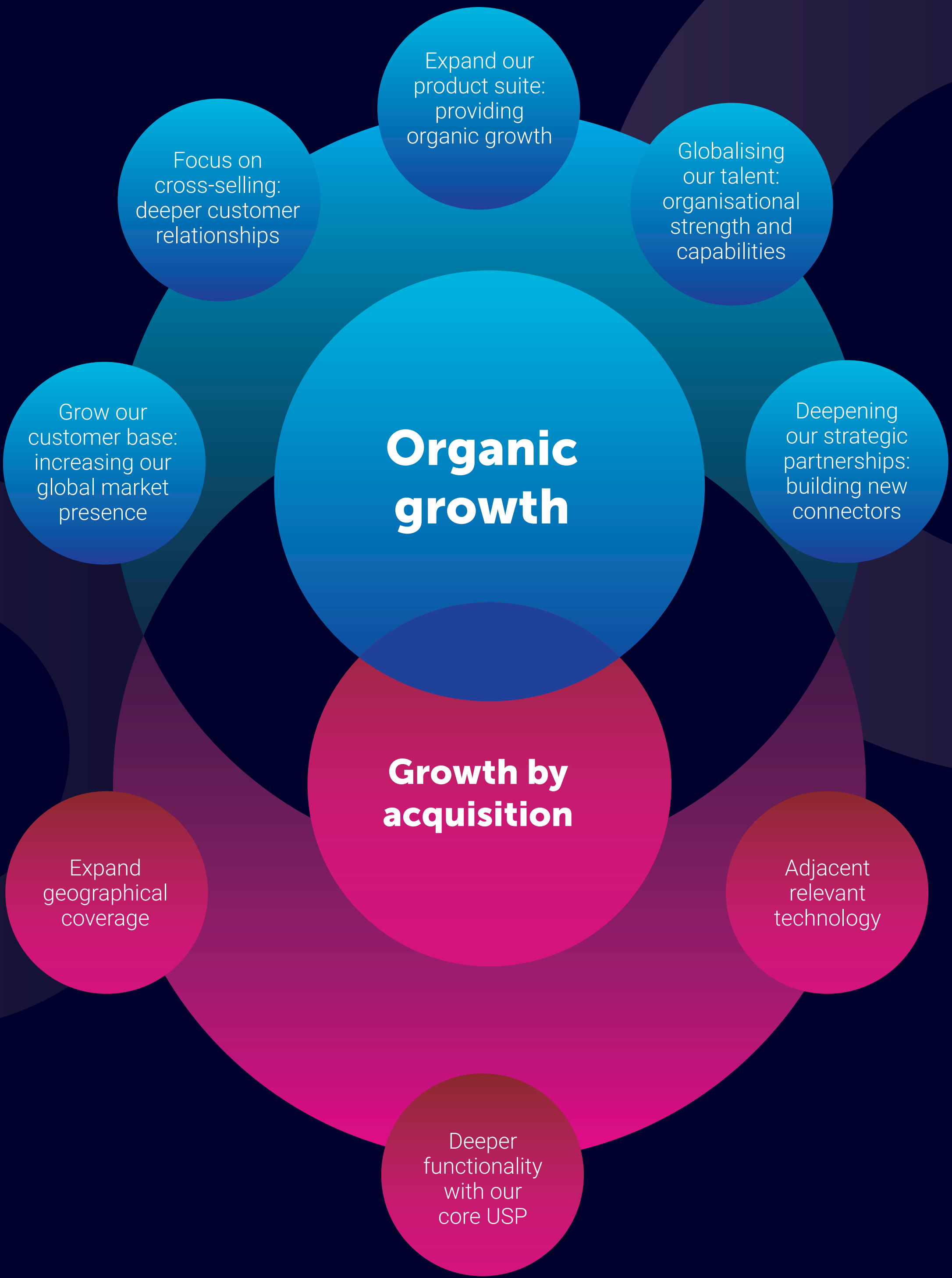
Our people presence



Chief Executive Officer's report and financial review continued

Growth strategy

Our strong financial position and management team mean we are ideally placed to add growth by acquisition



“We’re excited to be working with our platinum partner Dotdigital on a project that gives our joint clients the ability to use Fresh Relevance dynamic, targeted content directly in the Dotdigital editor will improve ease of use and foster a more seamless integration. Together with Dotdigital, we’re committed to taking our partnership to new heights, and this is an important step in that direction.”

Mike Austin | CEO, Fresh Relevance

a premier partner of the Adobe Experience programme. In the year, revenue from Magento customers grew 10% from £14.3m to £15.8m.

Our Shopify relationship continues to go from strength to strength. We have seen an increasing pipeline resulting from the integration we have built with Shopify Flow, which allows e-commerce merchants a seamless connection to easily deploy campaigns from the Dotdigital platform. We continue to build relationships with system integrators in the ecosystem. In the year, revenue from Shopify customers grew 56% from £2.1m to £3.3m.

As BigCommerce’s global partner, we continue to build on the brand awareness within the user base and deepen our strategic relationship, formulating a joint go to market plan and joint marketing efforts to the user base. We saw a 67% increase in revenue from BigCommerce-connected customers in the year to £0.6m (from £0.4m in June 2021).

As part of our commitment to our B2B Marketing customers, we have continued to enhance our integrations into both Microsoft Dynamics and Salesforce CRM as well as building additional functionality specifically for B2B Marketing tactics. Revenues from customers using our CRM connectors increased 7% to £8.0m in the year, from £7.5m in the prior period.

We have recently launched our integration into a new strategic partnership with Zendesk to further enhance Zendesk Sell, bringing the Marketing Automation value proposition to its customer base. This will allow its customers to store conversations that can be used to increase relevancy and personalisation. Albeit early days, we continue to see a growing pipeline.

M&A

Together with our organic growth we intend to create value from acquisitions to help build our position as a global market leader in the growing Marketing Automation sector. We will look to invest in adjacent technology that accelerates development of the platform’s CDXP capabilities. This will allow for average revenue per customer (ARPC) expansion within our existing global customer base but also the ability to enter new addressable markets.

The key categories will remain around the three pillars to our acquisition strategy:

- Adjacent technology to accelerate our CDXP capability;
- Consolidation of the market for talent and brand to expand geographical coverage;
- Specialist functionality for target verticals.

To drive value, we will integrate the core capabilities into the platform to accelerate growth but also manage costs to increase margins and cash generation.

Financial review

Business model

The Group generates most of its revenues from software and annual message plans which are recognised equally over the life of the contract. In addition, we sell upgrade packages to customers, allowing them to use additional modules and platform features. The best value is available to those who take advantage of additional functionality and integrations which help them leverage their customer data. We also have a small amount of professional services revenue.

Revenues

The Group achieved revenue growth of 8% (2021: 23%) to £62.8m (£58.1m 2021). To achieve this against the backdrop of 2021, in which we experienced significant revenue from one off COVID-19 related messaging volumes, is testament to the Group’s focus on contracted SaaS revenues, which grew by 10% to £49.6m in 2022.

Total recurring revenues including contracted messaging plans now comprise 94% of total revenue.

Total recurring revenue has grown with a compound annual growth rate (CAGR) of 17% since 2018, this is driven by our functional recurring revenues which have grown at 26% over the same 4 year period.

International revenues remained at 31% of the Group total.

Gross margin

The gross margin for the period remained at 82%. Whilst the gross margin for email and standard channels remained above 90%, this is always diluted by SMS and professional services, which each have a higher marginal cost of sale. We continue our focus on high margin growth as opposed to driving revenue irrespective of quality.

Operating expenses

Adjusted operating profit from continuing operations grew by 6% from £13.7m to £14.5m as we continued to invest in people in the areas of development, sales and marketing, particularly within the high-growth regional offices, to continue enhancing and adding to the product suite.

Balance sheet

There was strong cash management in the year with net cash generated from continuing operations of £23.4m (2021: £20.7m). The cash balance at the end of the period was £43.9m (2021: £32.0m). The Group continues to be debt free and maintains a healthy balance sheet. A combination of a highly efficient cash collection process and an incentivisation push to move more customers onto Direct Debit and other automated payment collection methods helped with the year-end position.

Trade receivables have reduced by 3% in the year reflecting focussed cash management.

Chief Executive Officer’s report and financial review continued

“The platform does a lot of the heavy lifting in examining the data you have and suggesting segments that make sense and opportunities for targeting them. We could tell very quickly that Dotdigital was a smarter, harder-working tool than what we were using before and compared to other platforms in the digital marketing space.”

Antonia Peterson | Director of Ecommerce, T3 Micro

The Group continues to invest heavily in the platform to increase functionality around marketing automation, increasing the number of messaging channels and surfacing data and providing insights for our customers to provide excellent customer engagement. This continued investment is demonstrated by the increase in product development to £7.6m (2021: £6.8m).

Tax

Profitability from continuing operations continues to grow. This is reflected within the tax charge, which is now £1.2m with an effective tax rate of 9%, with a lower than standard rate due to enhanced R&D tax credits.

EPS

In the year the adjusted basic EPS increased to 4.27p (2021: 3.82p) and adjusted diluted EPS increased to 4.18p (2021: 3.76p), despite the higher effective tax rate of 9%, (2021: 8%). Basic EPS also increased to 3.96p (2021: 3.55p).

Dividend policy

As announced last year, the Board conducted its review of its organic business plan for the following three years. This included evaluating the cash needs required for opportunities in organic growth to increase shareholder value and capital expenditure. The Board decided that it will continue to keep a progressive dividend in line with Group EBITDA growth. Therefore, subject to approval at the AGM in December 2022, the Board proposes that the Group will pay a final dividend of 0.98 pence per ordinary share (2021: 0.86p), to be payable at the end of January 2023.

People

The lifeblood of Dotdigital

John Conoley joined us as Non-Executive Chairman and Board member on 5 July 2022. John brings significant public company experience to the Board as well as industry experience following extensive career spanning various roles within the technology sector. John has established a track record in growing businesses and delivering value creation.

Alistair Gurney also joined us as Chief Financial Officer and Board member on 19 September 2022. Alistair brings significant experience from private equity-backed technology business, M&A and in areas such as financial planning and analysis.

Through the period we continued investing in management across all regions as well as Product Engineering, Sales, Customer Success, and Marketing to bring new experiences and build scale within the teams.

Environmental, Social and Governance (ESG)

Our sustainable foundations

We report on our Scope 1, 2 and 3 Greenhouse Gas (GHG) emission and there was an increase in the period of gross CO_2e by 27% as travel came back post-COVID-19 lockdowns and return to some normalisation to events and face to face meetings. We are incredibly proud that we have offset our CO_2 emission by carbon offsetting to be carbon neutral through the period. We have also continued to adhere to the standard on ISO 14001 Environmental Management systems and continue to support the Terra Carta on environmental matters.

For more information on our ESG priorities and progress see pages 42 to 43.

Current trading and outlook

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

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

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

Milan Patel
Chief Executive Officer
15 November 2022

Alistair Gurney
Chief Financial Officer
15 November 2022

The Dotdigital difference

Trusted

Over 4,000 of the world's leading organisations trust Dotdigital as their partner of choice for delivering exceptional customer experiences, thanks to our uncompromising commitment to service and support. Whether you're a fast-growing business or an established global brand, we provide best-in-class solutions to enhance marketing effectiveness, helping you connect the dots between customer success and business outcomes.

Future-proof

You're constantly thinking about 'what's next?', and so are we. Future-proof your marketing engagements and drive revenue with a platform designed for scale. Dotdigital empowers marketing teams to make data-driven decisions by providing a single customer view, helping you to gain a 360-understanding of your customer's journey.

Connected

When it comes to engaging your audiences, we know there's no one-size-fits-all solution. That's why our marketing platform is designed to service market-specific and global needs, backed by a dedicated support team to help connect you with your customers no matter where they are. We believe in connected systems. The Dotdigital platform is extensible via integrations, giving you solutions that deliver cross-channel experiences and keep your data in sync.

Case study

Kissed Earth uses Dotdigital for stronger customer engagement and database management

Kissed Earth is one of Australia's fastest-growing wellness brands committed to using only the finest quality ingredients. Developed in Australia by Australians, with a team of food and science experts, the products aim to help people around the world stay healthy. Sourced and selected from some of the best ingredients worldwide, Kissed Earth is committed to using the cleanest and most potent foods from nature.

Challenge

Kissed Earth faced two key challenges – a lack of personalised campaigns and a stagnant customer database that resulted in the team overserving existing customers. It also led to a lower conversion rate and customer engagement. In response, the brand partnered with Dotdigital to integrate automated email marketing campaigns to drive better database management, re-engagement, segmentation, and personalisation.

30% increase in database growth

61% customer retention rate for FY22

22% increased re-purchase rate for Cleanse SKU

Solution

The partnership saw Kissed Earth use Dotdigital's expertise to host and run its replenishment campaigns. With the help of Dotdigital, the team was able to tap into key data points and understand the customers' shopping behavior better. Building personalised replenishment programmes per SKU enabled the brand to send timely reminders to customers based on their re-purchase frequency of the products. Furthermore, Shopify order insights provided detailed information on repeat customers for the Cleanse SKU, which helped analyse, segment, and create tailored experiences.

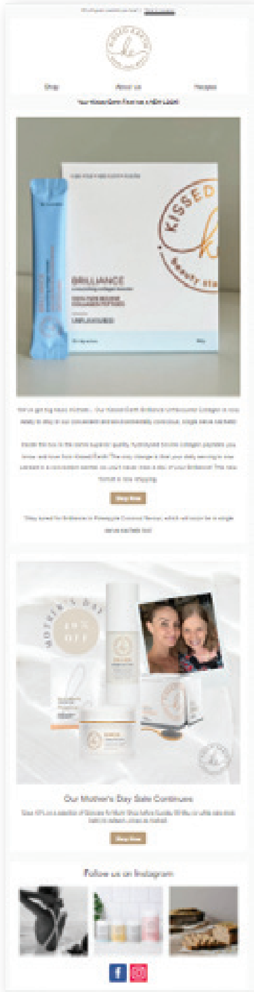
"Before Dotdigital, our digital marketing initiatives were re-marketing and Dynamic Product Ads (DPAs). With Dotdigital's cross-channel platform, we can now reallocate our DPAs ad spends to other channels, maximizing the spend and customer reach," said Amy Goodsell, Head of Marketing at Kissed Earth. "This has allowed us to grow and reach new audiences without losing any existing purchasers, resulting in database growth and higher customer retention." added Amy.

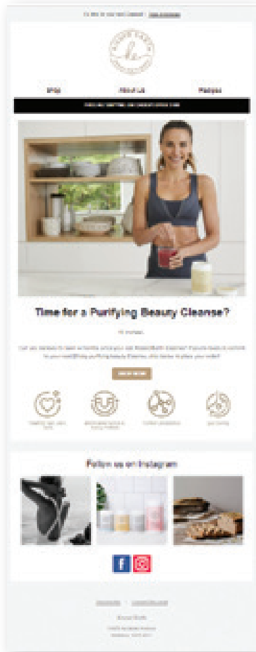
With a significant focus on email marketing as the primary re-targeting channel, Kissed Earth also uses Dotdigital's Google ads and Facebook audience channels for database growth and amplifying its re-targeting efforts. The audience sharing has allowed the team to build a full-funnel sales approach, reaching customers at different stages of the buying journey. The audience-based targeting helps exclude regular customers or site visitors from being targeted with ads before necessary to avoid duplication.

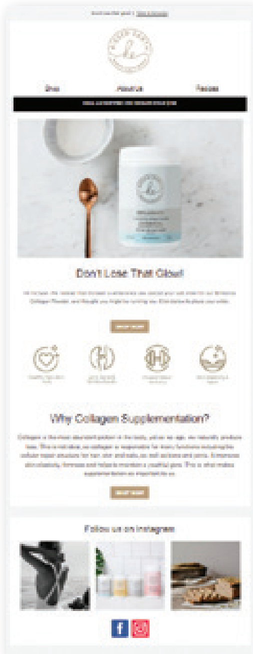
For example, as part of the re-engagement strategy, the team targets customers who ordered the Cleanse product more than four months ago but haven't placed another order, with a triggered reminder email. If the customer doesn't engage with the email or place an order, they are re-targeted using Dotdigital's feed into Facebook and Google, reminding them of their next purchase.

Results

The brand witnessed a 30% increase in database growth year-on-year and recorded a customer retention rate of 61% for FY22. The replenishment email campaigns continue to be effective, logging excellent engagement rates. While the Brilliance SKU saw a 28% open rate and 15% click-to-open rate (CTR), the Cleanse SKU clocked in a 29% open rate and 10% CTR. Cleanse has also become one of the top-performing single SKUs and is growing month-on-month with a re-purchase rate of 22%.







"With Dotdigital's cross-channel platform, we can now reallocate our DPAs ad spends to other channels, maximizing the spend and customer reach."

Amy Goodsell | Head of Marketing, Kissed Earth

Principal risks, impact and mitigations

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

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

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

Risk area	Impact	Mitigation of risk
Global economic disruption Financial Movement: Increased	Disruption caused by global external events, such as pandemics, economic downturns, and war have the potential to impact our financial performance.	• Continued building of recurring contracted revenue stream. • Sufficient liquidity resources so that we can cope for prolonged period of time without accessing the capital markets. • Continuing flexibility for customers around payment terms. • Continued investment into Business Continuity Planning (BCP) to enable staff availability, building accessibility and for hardware failure. • BCP for office and remote staff working in the event that there are energy supply disruptions.
Geography-specific market and political environments Financial and operational Movement: Increased	Reliance on revenues and resources relating to a single region increases the risk to our financial performance if that region were to experience an economic decline, war or political unrest.	• Successful revenue growth in territories beyond the UK, US and ANZ – specifically Singapore and Japan. • Constant review by our Executive team for growth opportunities in additional territories. • Monitoring the market conditions and political environment in regions where we have staff, offices, target prospects and customers. • Continue to distribute critical staff and engineering teams across regions for resilience. • Offer staff relocation to regions that have reduced risk, and evaluate continuing operations in existing regions if the risk becomes too great.
Optimising and growing high-performance teams Operational Movement: Stable	Failure to attract, hire, develop, support and retain high-performing individuals in a timely manner will reduce the ability to achieve our business goals.	• Additional investments made in our Talent Acquisition team. These have been made in the numbers of inhouse recruiters to increase the speed of hiring, and in the continued investment in a dedicated Applicant Tracking System. • Commitment to invest in a new position; Global Learning & Development Manager. It is expected this role will help us; build on tools such as Udemy (L&D Content platform), facilitate and support team internal onboarding and development, and Early Career support for both existing employees and new hires. • Plans being made to roll out an Apprentice and Graduate programme to support the attraction and development of Early Career talent. • Continued development and refinement of our Performance Review and goal setting platform. This provides the basis for performance-related pay increases and Company bonuses. • Continued commitment to organisational structures, internal communication tools and processes to enable cross-team collaboration. • Regular evaluation of staff benefits to ensure market competitiveness, particularly in international regions to ensure these growth areas are supported. • Provided competitive staff remuneration in light of the current macro environment conditions and cost of living increases.

Data privacy Operational Movement: Stable	As we operate in many territories, both as a Data Controller and a Data Processor. The complex Data Protection landscape continues to evolve with additions and alterations to international legislation. There has been, and will continue to be, a focus on the international transfer of personal information with legal challenges of cross-border transfer agreements/frameworks. Failure to keep up with changes, and comply with legal or regulatory requirements may result in reputational damage, fines, or other adverse consequences. Failure to build and adapt privacy-related product features needed for the compliance programmes of customers may result in the loss of business to competitors offering a wider range of features.	• Implementation of an ISO 27701 certified Privacy Information Management System (PIMS), aligning our policies, processes and procedures with the requirements of international Data Protection Legislation. • The ongoing monitoring of Data Protection/Privacy-related risks by our Group Risk Committee. • Provisioning of global instances for our platforms, allowing customers to meet data sovereignty requirements. • The development of product features to help customers with their own compliance obligations. • Maintenance of a public-facing Trust Centre communicating important compliance information for prospects, customers, and partners. • Building a dedicated internal Privacy Operations team. • The appointment of an external Data Protection specialist law firm as the registered Data Protection Officer (DPO). • Providing an ongoing Privacy awareness/training programme for our staff.
Environmental Operational Movement: Stable	The impact of the climate emergency is becoming increasingly apparent around the globe. More environmental legislation is being developed to support local and international emissions targets. As general awareness on the climate change increases, there will be more customer and consumer emphasis on working with sustainability conscious businesses.	• We have set science-based targets to become Net zero by 2030 • Using the Oxford Offsetting Principles, we continue to develop our carbon offsetting and mitigation strategy. We operate as a carbon neutral business and which include additional scopes in our carbon offsetting which include GHG emission scopes 1, 2 and 3 (business travel, data centres, major cloud vendors, remote workers, transmission and distribution (T&D) losses related to office electricity and well-to-tank for fuels including electricity generation and T&D losses). • An ISO 14001 certified Environmental Management System (EMS) continues to be maintained, and is used to assess operational aspects and impacts, set objectives, and drive continual improvement. • We have now migrated the last of the platform infrastructure from physical data centres to industry-leading cloud service providers; meaning all our products now run on 100% renewable energy (completed July 2022). • An internal group (Dotgreen) made up of representatives from around the business own the Environmental Management System, and are empowered to initiate and promote new environmental and sustainability initiatives within the company, with partners and customers, and in the wider community. • Marketing and promotion of our sustainability achievements, including the maintenance of a dedicated sustainability area on the corporate website.

Risks, impact and mitigations continued

Risk area	Impact	Mitigation of risk
Evolving technology and customer requirements Operational Movement: Stable	Failure to anticipate, respond to evolving customer requirements, to introduce competitive enhancements or maintain existing products may impact growth and customer retention.	• A product roadmap that facilitates the implementation of rapidly changing technologies, new enhancements and maintaining the existing products to a high standard both for new business acquisition and retention. • Continued investment into research and development by growing the data science, engineering and product teams. • Increasing the amount of customer feedback of our products by implementing a new iterative release process that proactively involves the customer in the product design. • Quarterly marketing-led releases that enable our customers and prospects to see how our products continue to evolve. • A clear roadmap, aligned to the product vision, focussed towards solving real world customer problems. The roadmap is also focussed on delivering a Customer Data and Experience Platform (CDXP). • Constantly reviewing technology acquisition opportunities that can further strengthen our go-to-market. • A constant focus on enabling customer growth through the breadth, ease of use and flexibility of integrations. Rapid development of new integrations (including to third party platforms such as Zendesk Sell, Netsuite ERP, Trustpilot, Maropost Commerce Cloud, AP21, CommerceTools, Google Sheets and Yotpo Reviews). • Continued evaluation and optimisation of product performance in the technology landscape to reduce maintenance overheads.
Internet service providers (ISPs), reputation, internet browser-related and device risks Strategic Movement: Stable	As a large proportion of our revenue is derived by charging a price per message for sending emails and SMS on behalf of customers and the impact of not being able to deliver these or deliver these without engagement tracking for any reason is significant. If internet browsers detect hyperlinks as a phishing threat, abuse complaints from providers are not dealt with properly, bad customer data generates multiple complaints through ISPs or third-party spam are blocklisted, these impact the platform's overall ability to effectively deliver messages. If manufacturers of computing devices, internet browsers or operating system software make changes to consumer privacy functionality it could negatively affect the ability of our products to perform the originally designed service. .	• Provision of, and investment into, platform functionality to help customers comply with industry best practice, EU, Asia Pacific or US anti-spam regulations. • Demonstration of commitment to anti-abuse through admittance to various industry groups, such as the Messaging, Malware and Mobile Anti-Abuse Working Group (M3AAWG) and the Email Sender and Provider Coalition (ESPC). Additional commitment shown through increased SMS participation. • Continued investment into technology that can proactively block trial account sign-ups and automated bots. • Continued risk-based vetting approach of prospective customers and their data acquisition practises. • The consolidation of the messaging teams with the methods of SMS and email along with continued investment in a deliverability, anti-abuse and compliance team, under the leadership of our messaging operations team. • Continued swift handling of abuse complaints generated by customer messaging, including where necessary account suspension and agreement termination. • Continued exploration and implementation of alternative message routes for upstream providers for channels where this is supported e.g. SMS. • Continued investment into our technology to enable customers to onboard faster, speeding up their time-to-value but without compromise to message delivery and sending reputation. • Continued investment in understanding engagement tracking correlated to message deliverability and how industry change impacts the measurement of success. • Ongoing monitoring of changes to the technology landscape impacting privacy, improvement of risk mitigations and product changes that have been put in place with a focus on continued learning and educating our customers on the changes where necessary.

Risk area	Impact	Mitigation of risk
Competitive environment Strategic Movement: Increased	The sector we operate in is competitive. The impact of competitors having more features, new solutions, increased financial backing, lower pricing, better brand recognition and better global coverage increases the risk to our business. The increasing number of competitors adds further risk. We focus on customers operating across different verticals – e.g. retail, commerce, higher education, not for profit, charities and D2C – by definition make for a large competitive landscape.	• Continually evaluate the maturity curve of our market to stay ahead of the competition and develop products that add differentiation and offerings for markets that are less mature. • Investment in new differentiated product features, best-in-class 24/7 customer support and service offerings, enhanced brand recognition and improved service delivery. • An increased focus on delivering value for customers quickly with a clear value proposition and target customer personas. • Further leverage and definition of our USPs to focus on niches where we can win new customers. • A global marketing presence and PR strategy to attract new customers. • Increasing our partner ecosystem with a new partner programme for both our service and technology partners. • Increasing the number of regional account and customer success teams to drive product adoption, delivering further value for our customers using our product.
Key messaging channel integrations Strategic Movement: Decreased	We are increasingly investing in integration with third-party platforms to provide an enhanced product feature set – for example Meta, Twitter and Google. These platforms all have various contractual bases for access and we maintain our obligations carefully. However, any future change in the terms granting access may impact our continued ability to integrate our product with these platforms.	• Maintain strong relationships with these platforms. • Ensuring our platform policies align with the third parties. • Continuous review of competing functionality from other vendors. • Continued investment into the capabilities of each key integration, to ensure continued relevancy for customers and compliance with any third-party or statutory changes.
Loss of a strategic partnership Strategic Movement: Decreased	Revenues could be impacted if a strategic technology partner was acquired, changed contractual terms, had lost market share or their customers en masse. In such an event, customers may re-platform to a technology partner who we do not have a integration with. If a strategic technology partner significantly changed partner terms, blocked access to or no longer accepted a connection to our products, there is also the risk that customers may leave or migrate to a competitor who has a connection, rather than re-platforming away from the technology partner.	• Dedicated resources for strategic partnerships, development of our partner strategy and programme. • Expansion of our service and technology partner program to support a partner first approach. • Maintained agreements with all key strategic partners. • A product and development strategy that continues to build integrations into leading market share and upcoming e-commerce and CRM platforms, to reduce reliance on a single strategic technology partner. • Continued investment into building integrations into our strategic partners ecosystem of partners.
Use of public cloud service suppliers Technological Movement: Stable	We utilise public cloud suppliers to host our platforms and products. An event resulting in multiple cloud data centres failing, for any significant period, or termination of services by a cloud supplier, may negatively impact our business, operating results and financial condition. The nature of public cloud computing means that the underlying infrastructure is used to host many organisations assets; increasing the likelihood of the infrastructure or cloud service providers being targeted in cyber attacks.	• Informed choice of best-of-breed cloud computing suppliers (we utilise Microsoft Azure, Cloudflare, Amazon AWS, and Google Cloud Platform), the architecture and contracts of which facilitates high uptime Service Level Agreements (SLAs) and a quick recovery in the event of a single region failure. • Resilient global instances of the platform to serve local customers and avoid global customer impact in the event of a regional outage. • Replication of data to secondary facilities within each region. • Hot stand-by databases; resulting in a faster platform Recovery Time Objective (RTO). • Regular simulation of Disaster Recovery plans ensuring the plan continues to meet the defined Recovery Time Objectives (RTO), and Recovery Point Objectives (RPO). • Use of modern platform agnostic technologies; allowing easier migration to alternative cloud service providers. • Due diligence and liaison with cloud computing suppliers on their continuance plans in the event their energy providers are unable to continue supply.

Risks, impact and mitigations continued

Risk area	Impact	Mitigation of risk
Supplier and computer hardware-related risks Technological Movement: Reduced	The infrastructure used to send messages from Dotdigital's platforms is a critical component of our services. An event resulting in the inability to send messages for a prolonged period will result in sub-optimal service, potentially leading to a loss in revenues. In addition, events preventing or obstructing the platform's communication abilities, such as the blacklisting of IP addresses at major internet service providers will incur revenue loss. Similarly, there is a reliance on a range of upstream suppliers to deliver SMS messages. A change in relationship with one or more of these suppliers, or one or more of these suppliers no longer being able to operate, could impact profitability.	• Three separate instances of the sending infrastructure exist, meaning that an issue affecting one region would not impact the ability to send messages from the other regions. • The message sending infrastructure has been migrated away from a physical infrastructure hosted in single region data centres, to virtual systems hosted in highly resilient cloud service providers. • Continual evaluation of suppliers and technologies with the prioritisation of send volume, scalability and resiliency, and business continuity. • Continual investment in, and maintenance of, our sending IP address ranges by a dedicated messaging operations team; ensuring global reputability and use optimisation. • Strong relationships with Mailbox Providers (MBPs) and industry groups have been developed allowing for speedy containment and recovery of IP reputation issues. • Maintained multiple connections with upstream SMS providers, reducing the impact of an issue with individual providers. In addition to this, we frequently review the most profitable upstream supplier routing options, and negotiate contracts regularly based on current and anticipated volume. • Tracking of message metrics regular reviewed and monitored by the Executive team.
Information security and cyber risks Technological Movement: Increasing	The ever-evolving, sophisticated nature of the cyber threat landscape poses an ongoing risk. The brand reputation and financial performance depends on the protection of the Confidentiality, Integrity, Availability (CIA) of data and computer systems. An internal or external incident compromising the CIA of data could significantly impact our ability to function, retain and attract business, as well as potentially result in financial penalties from regulators. The industry in which we operate has been the target of recent attacks with competitors and other technology companies publicly reporting incidents. This together with the guidance from national cyber security agencies (due to the escalating political climate) has resulted in this risk changing from a status of stable last year to Increasing.	• The continual growth and development of the Information Security & Privacy teams. • Our Information Security Management Systems (ISMS) continues to mature, using the ISO 27001 framework to manage risk and to drive continual improvement. • The use of external consultancies to audit our security programme from a people, processes, and technology perspective. • Attainment of the UK government-backed Cyber Essentials Plus Certification. • The proactive testing of security posture through third-party Penetration Testing, Vulnerability Scanning, and social engineering exercises. • The implementation of best practice tools and technology to block malicious connections or files from reaching our systems and staff. • The transference of some risk by the introduction of cyber insurance.

Environmental, Social and Governance (ESG) statement

This year saw a continuation of our investment in our people, customers and communities with sustained investment in learning and development across the board.

Dotdigital remains committed to the further development and implementation of an effective ESG strategy that will be at the centre of what we do.

Dotdigital's objective is to deliver growth which benefits our customers and the communities in which we operate. As we implement our growth strategy ESG remains at the forefront of what we do. We realise the importance of ESG to our customers, employees and shareholders and therefore are fully committed to providing details of these as stated below.

Dotvoice summary - David Aldrich, Chief Human Resources Officer (CHRO)

Our Dotvoice initiative is run by volunteer employees and is made up of four distinct pillars: Dotgreen (environmental), Dotcommunity, dotDEI, and Dotwellbeing.

Each group benefits from an executive sponsor from the leadership team and a budget which is shared between the groups. The past year has been very successful. We have shared information and advice over our global internal channels globally and distribute regular newsletters to help with awareness and recruitment. The remit and goals for each group are summarized on this and the following pages.

Dotwellbeing

Mission: To implement wellbeing initiatives and encourage open discussion, provide support and education and seek to provide employees with the tools to manage their own wellbeing..

Dotwellbeing is an employee-led group that seeks to raise awareness and support employees on all aspects of wellbeing – mental, physical, social, and financial. Over the FY 21/22 Dotwellbeing encourage the use of wellbeing days and the wellbeing reward by sharing personal stories on how these were used to ensure employees were taking full advantage of our wellbeing offerings. Dotwellbeing also hosted R U OK? Day, a national day in Australia. They subsequently made it a global event by encouraging all employees to ask their colleagues twice if they are ok and sharing resources to support this.

Dotwellbeing also hosted an International Stress Awareness Week sharing resources and personal stories on how members de-stress, a free meditation workshop for all employees to partake in, and an early Friday finish to encourage employees to spend some extra time on themselves.

Dotwellbeing also honored the 2nd anniversary of the mandatory 'work from home' announcement by putting together a video of employees' personal and professional achievements in an initiative to boost morale and reflect positively on the challenging two years prior. The group also celebrated 'On Your Feet Dotdigital' in a global initiative that saw employees recording themselves on a walk. It was shared in company-wide Slack channel, asking colleagues from around the world to guess where they were and nominating others to get involved.

The group also recognized Men's Health Week with a video featuring six Dotdigital employees. These employees talked openly about their mental health and maintaining their mental wellbeing to remove the stigma and encourage further open conversation around mental health at Dotdigital.

Dotwellbeing aims to produce a similar video from women around the business and will honor more awareness days such as World Mental Health Day, inviting speakers in, running activities, and having a larger focus on stress management and anxiety.

DotDEI - Diversity, Equality, Inclusion

Mission: To create a diverse, inclusive, and respectful workplace through education, awareness, and conversation.

This year Dotdigital produced its first formal Gender Pay Gap report. To ensure these data points were as relevant as possible, we used the same reporting methodology for the global business, publishing the results internally, and hosting an interactive Q&A session to educate employees on the data and considerations.

As part of the group's goal to make its work as relevant as possible, a company-wide employee survey was completed to capture the main areas of interest and concern. These results were then used as a focus for key projects and education.

As the business continues to grow, attracting and hiring new talent remains a key focus. Our DEI group has worked with our Talent Acquisition team to roll out changes and improvements to the process to support inclusive hiring. This includes technical solutions to parse job descriptions/adverts to avoid negative gender bias, equality statements, and hiring manager guidelines.

Storytelling and sharing are powerful educational tool. We have begun to build awareness of topics such as neurodiversity by sharing employee stories. This has proved an effective route to education and awareness.

Environmental, Social and Governance (ESG) Statement continued

"Sustainability isn't just about adopting the latest technology, it's ensuring that every one of us acts responsibly, making changes in our daily lives. This is something we at Dotdigital are driving towards, enabling our customers and colleagues to take control of their green house gas emissions. As market leaders in responsible marketing, we want this to be our way of life for all who work within us and all we work with."

Steve Shaw | Chief Product and Technology Officer, Dotdigital

The Group also supported employees at UK Pride this year with the production of Pride Packs for employees to attend their local Pride events.

Upcoming plans to further support this key area of the business include:

- Mandatory DEI training to be rolled out to all employees.
- Education and resource centre on the company intranet.
- Additional employee story sessions.
- Launch of a DEI Charter to provide specific guidance to all.

Dotcommunity

Mission: To work on and organize internal events, focusing on improving corporate social responsibility and social mobility by planning fundraising events, partnering with charities, and organizing volunteering days for employees.

dotcommunity

It was important to arrange the in-person employee events for FY 21/22, as it was the first in-person event we had held since 2019. Across the globe, employees came together by attending activities such as the Sydney Bridge Climb, a ping pong tournament, and even hiring a boat in the US! We are looking forward to hosting the party for Christmas 2022.

We were able to host events and raise money for charities including AmnesTEA day to raise money for Amnesty International, Light Up The Night in aid of Marie Curie, and globally celebrating Singapore's Bubble Tea Day. We also raised £5,512 for the Red Cross Appeal, going straight to help causes in Ukraine. In addition, we hosted a Christmas raffle where we raised £500 to donate to the UN World Food Programme to combat global hunger and improve food security.

Looking to the year ahead, we have a new partnership with The Girls' Network, through which we will be implementing a mentorship program with young girls across the UK. We will be attending the Kids Haven Career Expo in South Africa to inform teenagers and young adults about career opportunities and to support personal interactions between young people and working adults. Around 100 students will attend, and we will be there to advise about the world of tech and give out some Dotdigital swag!

At the beginning of the calendar year 2023, we will have planned the important dates throughout the year that our group will be celebrating and raising awareness globally.

DotGreen

Mission: Through our commitment to sustainable marketing, we lead the way in providing the most energy efficient, low emission, environmentally friendly technology for our customers. Ensuring a greener future for generations to come.

dotgreen

1. Carbon neutral

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

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

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

2. Social responsibility with Dotdigital

We provide businesses with the tools needed to better reach and engage with their customers, but our priority is to ensure we enable them to do so responsibly.

We are proud that we have paved the way for other marketing automation companies to follow suit in responsible marketing, and as of July 2022, our platform is now run on 100% renewable energy in all regions across the UK, US, and Australia. We have also created awareness in marketing emails where customers can now create a pre-built block informing audiences that their emails are sent by a carbon neutral supplier.

Case study – Adorn Cosmetics

Australian Mineral Makeup & Natural Skincare

“It is really important to us that companies we use also support the environment and also support their employees so it was really nice to see that Dotdigital was a company that has taken on board the monumental effort to become carbon neutral.”

Briony Kennedy | CEO & Founder, Adorn Cosmetics

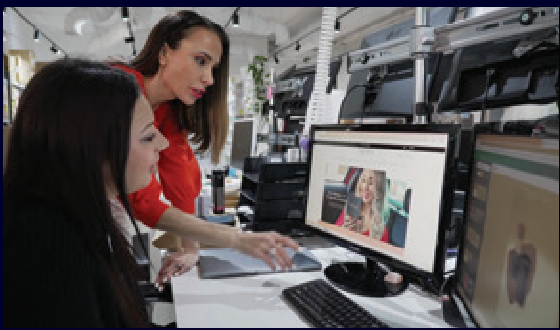


Image from the video case study Australian Mineral Makeup & Natural Skincare - Adorn Cosmetics

Link to the video case study

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

3. Further achievements over the past year

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

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

4. Net zero by 2030

Becoming net zero will help us deliver our commitment to carbon neutrality. This means taking the necessary steps to reduce our emissions on a global scale. The final stages of migrating all three physical data centers in the UK, US, and Australia to utilize Microsoft Azure, which is already carbon neutral and uses renewable energy/RECs, was completed. This milestone was achieved in July 2022 and will reduce GHG emissions in the next reporting period by approximately 24 tonnes of CO2e.

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

5. Terra Carta

As the first carbon neutral cross-channel marketing software, this collaboration with Terra Carta puts our commitment to a greener future and our customers’ needs at the forefront of what we do. It reiterates our dedication to promoting responsible marketing precedent whilst helping to make green marketing practices more accessible.

6. ISO 14001

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

Governance

Our corporate governance framework is well established and the details can be seen on pages 32 to 34 within this report. However, we realise the importance of continuing to meet and exceed the expectation of our customers, employees and shareholders. Therefore, all of our staff are expected to operate in an ethical manner no matter what the situation. Compliance with all applicable laws and regulations is of imperative importance to avoid reputational damage or fines.

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

Dotdigital remains committed to maintaining the highest levels of privacy and security operations for both our employees and our customers hence why we continue to be ISO 27001, ISO 27701 and Cyber Essentials Plus certified.

Strategic report

The Strategic report was approved by a duly authorised committee of the Board of Directors on 15 November 2022 and signed on its behalf by:

Milan Patel
Chief Executive Officer

Board of Directors

Milan Patel FCCA ACA BFPI
Chief Executive Officer

Alistair Gurney FCA
Chief Financial Officer

Milan joined the Group in 2007 and was appointed Group Company Secretary in 2009, CFO in 2015 and CEO in 2016. Milan is a fellow member of the Association of Chartered Certified Accountants (ACCA) and a member of the Institute of Chartered Accountants in England and Wales (ICAEW). He has been responsible for the Group's admission to ISDX (now Aquis - AQSE) and the Group's listing onto AIM.

Milan was responsible for the Group's functions in financial management and reporting, regulatory compliance, legal and corporate governance prior to being made permanent CEO of the Group. He also brings substantial strategic financial and commercial experience to the Board. As well as financial acumen, he has developed a broad range of operational competencies, a grasp of strategic objectives, clear leadership, international business development, mergers and acquisitions and strong decisive management skills.

Milan is now responsible for leading the executive team, its vision and the growth strategy for the business. More specifically Milan is leading our international growth strategy, accelerated product innovation, developing strategic partnerships and executing on the acquisition strategy. He has a strong track record of delivery of performance against plan through the life of the company on the public markets.

Alistair joined the Board on 19 September 2022 as CFO, bringing experience of senior finance leadership roles in international technology businesses. At Dotdigital he will lead the finance and legal teams and use his experience in established but growing tech businesses to drive efficient growth and sound commercial and strategic decisions.

He was most recently Director of Group FP&A at Unit4 Business Software, where he revised the Group's management reporting and business partnering processes. Additionally, he led the financial due diligence process in Advent's sale of the business to TA Associates and Partners Group.

Previously he held a Finance Director role and led the Group Commercial Finance team at Iris Software Group, having supported the sale of the Group in 2018.

Alistair is a Chartered Accountant (FCA ICAEW), having trained in Deloitte's corporate finance practice, working primarily on financial restructuring projects.

John Conoley
Non-Executive Chairman

John was appointed as Non-Executive Chairman of the Board on 5 July 2022, following the resignation of the previous Non-Executive Chairman. He brings significant executive and non-executive Board-level experience of both fully-listed and AIM-quoted businesses.

He began his career in the IT industry with IBM in 1983 where he worked in a range of industries in technical, sales and marketing roles. Since then, John has held general management and director-level roles in small and medium-sized private and public companies. Recent public company roles include Chief Executive Officer of Psion PLC, the fully listed international mobile device company, from April 2008 to October 2012 when it was acquired by Motorola; Non-Executive Director of NetDimensions (Holdings) Limited, the AIM-quoted human capital management software company, from October 2016 to April 2017 when it acquired by Learning Technologies plc. Non-Executive Chairman of Wameja Limited, the AIM and ASX quoted innovative mobile financial services company that was acquired by Mastercard in 2021.
He is currently Executive Chairman of the AIM-listed FireAngel Safety Technology Group PLC.

Boris Huard
Non-Executive Director

Boris joined the Board on 26 March 2019 and is the EMEA Managing Director for GBG Plc, bringing present day experience of running software, big data and analytics businesses – topics of key importance to Dotdigital.

Boris joined GBG in 2020, having previously held roles in the technology industry for 20 years, ranging from divisional Managing Director at Logica, Board Director with Maxima Plc, Chief Executive at Sword CTSpace and UK&I Executive Board at Experian.

During those years, he delivered sustainable organic growth and executed bolt-on acquisitions. From turnaround to successful public to public exit transactions, Boris drove performance through hands-on P&L management, international business development, cross-continents operations, mergers and acquisitions and company restructurings and integrations.

Elizabeth (Liz) Richards FCA
Non-Executive Director

Liz joined the Board on 1 May 2020 and also chairs the Audit Committee. She is a highly experienced executive and Non-Executive Director with a career spanning the Financial Services, Data and Software sectors.
After an early career with Lloyds Bank, Liz qualified as a Chartered Accountant with Ernst & Young.

Liz was Chief Financial Officer for Callcredit (now Transunion), a successful consumer data business, where as a founder member, she oversaw its rapid growth from start-up in 2000 to a £150m revenue business by 2015. During that period, she was instrumental in the purchase and integration of several successful acquisitions and has end-to-end experience of significant private equity and trade corporate transactions.

Liz is also currently a Non-Executive Director and Audit Committee Chair at Tracsis plc, an AIM-listed software business in the transportation sector. She is also a Trustee and Chair of Finance and Investment for Yorkshire Cancer Research. Previous NED and Audit Chair roles have included LINK Scheme, the ATM operator, and Leeds Trinity University.

She brings experience of high-growth acquisitive business, and financial, audit and governance expertise to the Board at Dotdigital.

Corporate governance report

Chairman's introduction to governance

The Board is fully committed to achieving high standards of governance in line with the size and stage of development of the Group and I believe contributes to our ability to deliver long-term shareholder value. As an AIM-quoted company, the Board has elected to comply with the Quoted Companies Alliance (QCA) Corporate Governance Code and will report annually on our compliance with the code and any exceptions. The QCA Code identifies 10 principles to be followed to deliver growth in long-term shareholder value by ensuring that the management framework is efficient, effect and dynamic. This in turn is supported by good stakeholder communication to promote confidence and trust.

The sections that follow describe how the 10 principles of the QCA Code are applied to deliver medium to long-term success without preventing innovation and entrepreneurial spirit, together with any areas on non-compliance.

John Conoley
Non-Executive Chairman

It should also be noted that Michael O'Leary was the Chairman until his resignation on 5 July 2022 when John Conoley took over. Also during the period Paraag Amin resigned as Chief Financial Officer on 31 March 2022.

Compliance statement

1. Establish a strategy and business model which promotes long-term value for shareholders (fully complies)

   The strategy and business operations of the Group are set out in the Strategic report on pages 2 to 29 of the Group's Annual Report. The risk section of the Annual Report is on pages 22 to 26 and deals with the challenges the business faces and how these challenges are mitigated/addressed.

   The Chief Executive is responsible for the leadership and day-to-day management of the Group. This includes formulating and recommending the Group's strategy for Board approval and then executing the approved strategy. You can find a full description of the roles of the Board at www.dotdigitalgroup.com.

   Our simple and transparent business model has consistently delivered value to our shareholders.

2. Seek to understand and meet shareholders' needs and expectations (fully complies)

   The Group seeks regular dialogue with both existing and potential new shareholders, either through the management team, investor relations or through the Company analysts, ensuring its strategy, business model and performance are clearly understood as well as to understand the needs and expectations of shareholders.

   The Chief Executive and Chief Finance Officer meet regularly with investors and analysts via investor roadshows, attend investor conferences and carry out capital markets days to provide them with updates on the Group's business and obtain feedback regarding the market's expectations of the Group through the brokers or direct feedback to the management team.

   The Board invites communication from its private investors and encourages participation by them at the Annual General Meeting (AGM). All Board members are present at the AGM and are available to answer questions from shareholders. Notice of the AGM is at the least 21 clear days and the business of the meeting is conducted with separate resolutions, voted by proxy and with the result of the voting being clearly indicated throughout the meeting. The results of the AGM are subsequently published on the Company's corporate website and are announced through a regulatory information service.

   All Non-Executives are available to shareholders where concerns have not been resolved through the normal channels of communication with the Board and for when such contact would be inappropriate.

   The Board believes that they have successfully engaged with their shareholders in the past and will continue to do so going forward.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success (fully complies)

   We are committed to meeting with customers to seek their regular feedback to ensure a high level of customer service and to improve our platform. We have various channels for customers and prospects to communicate with the Group, whether it be through the messaging channels or the customer success executives. The feedback is then reviewed on a regular basis by the senior management team of the Group.

   The Group is mindful of its corporate social responsibilities and the need to build and maintain strong relationships across a range of stakeholder groups. As a Company, we regard this as a key principle in what we do. The Group has established a Social Committee that consists of employees across all departments and seniority levels to engage with stakeholders to help enrich communities. The Environmental, Social and Governance report can be found on page 27.

   The Group is fully committed to encouraging the 'employee voice' and acting on the feedback we receive. Whether by informal discussion or by our annual employee satisfaction survey, the opinion and feedback provided by our employees is vital to shaping the business. Our employees are at the heart of our business and we consistently strive to train and develop them for career progression.

   The Board closely monitors the results of the Company's Employee Engagement Survey to address where possible any concerns raised and ensure the alignment of interests between the Company and its employees. This alignment is vital to shaping the business.

	Board		Audit Committee		Risk Committee		Remuneration Committee		Nomination Committee	
	Attended	Total	Attended	Total	Attended	Total	Attended	Total	Attended	Total
Executive Directors										
Milan Patel	12	12	1	1	5	5	4	5	2	4
Paraag Amin	7	12	1	1	3	5	–	–	–	–
Non-Executive Directors										
Boris Huard	12	12	1	1	–	–	5	5	4	4
Michael O'Leary	12	12	–	–	–	–	5	5	3	4
Elizabeth Richards	12	12	1	1	–	–	5	5	4	4

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation (fully complies)

The Group's system of internal controls, identification of significant risks and reviewing its effectiveness are the responsibility of the Board. These systems are designed to mitigate the risk of failure to achieve the business objectives. These systems can only provide reasonable, but not absolute, assurance against material misstatement or loss.

There is an ongoing process for identifying, evaluating and managing the Group's significant risks and this is regularly reviewed by the Risk Committee and the Board. The Group also keeps an active risk register which is also formally reviewed by the Committee on a quarterly basis.

The internal control procedures are delegated to Executive Directors and senior management in the Group, operating within clearly defined terms set by the Risk Committee. The Board regularly reviews the internal control procedures in light of the ongoing assessment of the Group's significant risks and is reviewed on a quarterly basis.

On a monthly basis, the management accounts, including a comprehensive financial report, are reviewed by the Board in order to provide effective monitoring of financial performance.

A summary of the principal risks and uncertainties facing the Group, as well as mitigating actions, are set out on pages 22 to 26.

5. Maintain the Board as a well-functioning, balanced team led by the Chair (fully complies)

The Group is managed by a Board of Directors chaired by John Conoley. The Board is responsible for taking all major strategic decisions and also addressing any significant operational matters. In addition, the Board reviews the risk profile along with the Risk Committee of the Group and ensures that an adequate system of internal control is in place. Management information systems are in place to enable the Board to make informed decisions to properly discharge their duties. A formal schedule of Matters Reserved for the Board was adopted as at the Board on 25 August 2021 and will be reviewed in the November 2022 Board meeting.

The Board currently consists of two Executive Directors and three Independent Non-Executive Directors. The Non-Executives spend a minimum of two days a month on Dotdigital Group business matters. The Independent Non-Executive Directors are considered by the Board to be independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement in accordance with the QCA Code.

The Board believes it is appropriate to have a Senior Independent Non-Executive Director and Boris Huard currently fulfils this role. Boris is available to shareholders where concerns have not been resolved through the normal channels of communication with the Board and for when such contact would be inappropriate.

The Board has sufficient members to contain the appropriate balance of skills and experience to effectively operate and control the business.

The roles of the Chairman and the Chief Executive are separate, with their roles and responsibilities clearly defined and set out in writing, and these can be found on the corporate website. The Chairman's main responsibility is the leadership and management of the Board and its governance. He meets regularly and separately with the Chief Executive and the Non-Executive Directors to discuss matters for the Board.

The Chief Executive is responsible for the leadership and day-to-day management of the Group. This includes formulating and recommending the Group's strategy for Board approval and executing the approved strategy.

The Board aims to meet monthly and more frequently if necessary. In addition to this the Board attends an annual strategy meeting which also includes senior managers outside of the Board. The table at the top of this page shows attendance for the period July 2021 to June 2022.

Corporate governance report continued

6. Ensure that, between them, the Directors have the necessary up-to-date experience, skills and capabilities (fully complies)
The Board considers its current composition and overall size to be both appropriate and suitable with the adequate skills, experience and capabilities to make informed decisions, evaluate performance and constructively criticise strategy.

The composition of the Board is reviewed annually by the Nomination Committee. The Board is fully committed to the appointment of the right skill sets that are required to grow shareholder value. One third of the Directors retire at the AGM in rotation in accordance with the Company's Articles of Association, thereby providing shareholders with the ability to decide on the election of the Company's Board. Non-Executive Directors that do not meet the independence criteria will also stand for election annually, which will allow shareholders to voice their opinion. Their biographical details can be found on pages 30 and 31.

The Nomination Committee, through a thorough evaluation of the skills, knowledge and experiences of a proposed new Director, makes recommendations to the Board who then make the final decision on the appointment of a new member.

Throughout the year, the Directors receive updates on corporate governance matters from either the Company Secretary or the Company's nominated advisors.

To ensure that the Board continue to develop their skills and keep up to date with market developments, they have access to independent professional advice, which will be at the expense of the Company. In addition, all members of the Board have access to the support and advice of the Company Secretary who is responsible for the induction programme of new members.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement (partially complies)
The Nominations Committee is responsible for Board evaluation. The Committee in the past has carried out formal Board performance evaluations where questionnaires were circulated to ensure they complied with this principle. The learnings from this process have been discussed by the Board and hence have been addressed. The Committee's intention was to continue to conduct an internal evaluation on an annual basis, with the same process being repeated for each of the Committees of the Board as normal, albeit with some disruption due to the illness of the Chairman prior to his departure. This process will resume now the Chairman is in place.

8. Promote a corporate culture that is based on ethical values and behaviours (fully complies)
We are committed to acting ethically and with integrity in all our business relationships and with all our people. The Company wants the myriad benefits of a diverse workforce and is committed to providing a working environment that is free from discrimination. The Company seeks to promote the principles of equality and diversity in all its dealings with employees, workers, job applicants, clients, customers, suppliers, contractors, agencies and the public. Our people are the difference - hence we aim to hire, retain and train the best. We continue to encourage our unique and supportive culture, which we believe sets us apart from other companies. Our comprehensive set of policies and procedures are regularly updated and communicated to employees to help us to be compliant with our ethical and cultural values.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board (fully complies)
The Board is supported by a Remuneration Committee, Audit Committee and Nomination Committee. Any matters that fall outside of the responsibility of these committees are then dealt with by the Board. The role and responsibilities of the Chairman, Chief Executive and other Directors can be found separately. The details of the Committee are contained within their written terms of reference which can be found on the Group's website.

Throughout the year the Chairman of each committee feeds back to the Board any issues which require further consideration by the Board. Each of the Board committees has the ability to use external advisors as they see fit in furtherance of the duties which are at the Company's expense. Further details of the composition and meetings of these committees can be found within the Annual Report.

10. Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders (fully complies)
The Company is committed to open communication with all its shareholders. Communication with shareholders is predominantly through the Annual Report and AGM. The last AGM results can be found on the Group's website. Other communications are in the form of full-year and half-year announcements, periodic market announcements (as appropriate), one-to-one meetings and investor road shows. The Remuneration Committee report is included on pages 36 to 40.

The Group's website www.dotdigitalgroup.com is regularly updated and users can register to be alerted via email when announcements or details of presentations and events are posted on the website. Annual Reports and notices of meetings for at least the last five years can be found on the Group's website.

Audit Committee report

Responsibilities and scope of the Audit Committee

The Audit Committee is a sub-committee of the Board. The responsibilities of the committee include:

- Reviewing the half-year and full-year accounts and results announcements of the Group and any other formal announcements relating to the Group's financial performance and recommending them to the Board for approval;
- Reviewing the reports from the Group's auditors relating to the systems of internal financial control and risk management;
- Considering the appointment of the external auditors, overseeing the process for their selection and making recommendations to the Board in relation to their appointment; and
- Monitoring and reviewing the effectiveness and independence of the external auditors, agreeing the nature and scope of their audit, agreeing their remuneration, and considering their reports on the Group's accounts.

Composition of the Audit Committee

The Audit Committee comprises Elizabeth Richards as Chair and Boris Huard, with John Conoley, Milan Patel and Alistair Gurney as attendees as appropriate. The Committee meets separately with the external auditors without management being present.

The Secretary to the Committee is the Group Company Secretary George Kasparian.

Main activities of the Audit Committee during the year

At its meeting on 4 November 2022 the Committee reviewed the Group's preliminary announcement of its results for the financial year to 30 June 2022 and the draft report and accounts for that year. The Committee received reports from the external auditors on the conduct of their audit, their review of the accounts, including accounting policies and areas of judgement, and their comments on risk management and control matters.

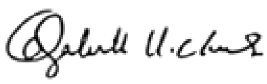
Independence of external auditors

Both the Board and the external auditors have safeguards in place to avoid the possibility that the auditors' objectivity and independence could be compromised. The Group's policy in respect of services provided by the external auditors is as follows:

- Audit-related services – the external auditors are invited to provide services which, in their position as auditors, they must or are best placed to undertake. This includes formalities relating to borrowings, shareholders and other circulars, various other regulatory reports and work in respect of acquisitions and disposals; and
- General consulting – in recognition of public concern over the effect of consulting services on auditors' independence, the Group's policy is that the external auditors are not invited to tender for general consulting work.

Approval

This report was approved by the Board on 15 November 2022 and signed on its behalf by:



Elizabeth Richards
Chairman of the Audit Committee

Remuneration Committee report

Introduction

This report is for the year ended 30 June 2022. It sets out the remuneration policy as well as the remuneration earned and paid to the Executive and Non-Executive Directors.

As an AIM-listed company, we have to disclose this information to fulfil the requirement of AIM Rule 19. Also, whilst not required to comply with the remuneration reporting requirements applicable to fully listed companies in the UK, we are committed to achieving both high governance standards and a transparent and effective remuneration framework.

As a result, the Committee has taken a number of these regulations into account in the preparation of this report as a matter of best practice. The items included in this report are unaudited unless otherwise stated.

Statement from the Chairman of the Remuneration Committee

I am very pleased to present our Directors' Remuneration Report for the year ended 30 June 2022.

In keeping with last year's framework, we have ensured that incentives cover annual and longer term targets, to deliver sustainable and profitable growth.

As such, the Committee is primarily responsible for determining and recommending to the Board the policy for the Executive Directors' remuneration and employment terms. The Committee is also responsible for reviewing and making recommendations to the Board about share incentive plans and performance-related schemes across the Group. Finally, the Committee also considers the remuneration structure below Board level for key employees and potential hires.

For full consultation, the Committee's Terms of Reference, which are reviewed annually to ensure they reflect any changes in legislation, regulation, and best practice, can be found at www.dotdigitalgroup.com.

The Directors' Report on Remuneration, detailed on pages 41 to 44, provides details of the amounts earned in respect of the year ended 30 June 2022 and how the Directors' Remuneration Policy has operated.

The report will be subject to an advisory shareholder vote at the 2022 AGM.

Review of the year ended 30 June 2022

As described earlier in the annual report, the Group has performed well during the year, delivering continuing operations revenue of £62.8 million, a 8% organic revenue growth on the previous year and total profit before tax excluding exceptional costs and share-based payments of £14.5m. Consequently, the Executive Directors earned an annual cash bonus against sliding scale revenue and profit targets equivalent of 34% of salary out of a maximum 100% of salary (0% of potential for the revenue target and 34% for the profit target).

Considering the Chief Executive Officer discharged both the duties of Chief Executive Officer and Chief Financial Officer for the second half of the fiscal year, the committee further applied discretion to the Chief Executive Officer bonus, increasing the amount earned by 50%. The annual cash bonus for the Chief Executive Officer was as a result 51% of his base salary, against a maximum of 100%.

The Performance Share Plan award granted to the Chief Financial Officer in December 2018 vested in December 2021 at 100% against very stretching absolute Total Shareholder Return targets (35% CAGR).

Paraag Amin's departure

On his departure from the business the Chief Financial Officer was treated as a Good Leaver and was also allowed to exercise 50% of his shares with the remaining 50% exercisable in April 2023.

We offered Paraag a six-month salary ex-gratia and paid his notice period in lieu. No further payment was made to Paraag.

Upon vesting of his 2018 award, no further award had been made to the Chief Financial Officer during the year. That award made in December 2018 is therefore the only one ever received by the Chief Financial Officer during his employment with Dotdigital.

On 23 September 2021 the Chief Executive Officer was awarded with 201,458 options pursuant to the scheme. These become exercisable subject to hitting defined performance targets and continued employment. The performance measures are based on the company's total shareholder return and earnings per share in 2024.

Engagement with shareholders

During the 2021/22 financial year, we consulted with the major shareholders in relation to several aspects of executive remuneration for the year ahead.

Outlook for 2023

The Committee remains committed to a fair and responsible approach to executive pay whilst ensuring it remains in line with best practice and appropriately incentivises Executive Directors over the longer term to deliver the Group's strategy.

In respect of operating the Remuneration Policy for 2022/23:

- Following a remuneration benchmarking exercise, and considering practice within companies of similar size and market capitalisations, the Committee determined it was appropriate this time around that base salaries for the Chief Executive Officer and Chief Finance Officer should be increased at the review date; from 1 July 2022, the Chief Executive Officer base salary is £380k and the Chief Financial Officer base salary is £210k.
- Annual bonus provision should remain capped at 100% of salary for the Chief Financial Officer and has been increased to 125% for the Chief Executive Officer, with targets based on revenue and profit before tax. For 2022/23, revenue and profit targets will be weighted equally; with both an on target and a stretched component;
- The Board and Committee intend to make a Performance Share Plan (PSP) award to the Chief Executive Officer and Chief Financial Officer during 2022, as soon as this will be practical in line with corporate guidance and governance. Such awards would be made in accordance with the 2017 PSP and the reward framework communicated in December 2020, with stretching performance targets based on Total Shareholder Return and Earnings Per Share.

Finally, an annual review of the effectiveness of the Committee by both the Board and the Committee itself is underway and changes will be made as a result of feedback from the review.

On behalf of the Board

Boris Huard
Chairman of the Remuneration Committee
15 November 2022

Directors’ Remuneration Policy

This section sets out the Directors’ Remuneration Policy. The Remuneration Committee considers the Remuneration Policy annually to ensure that it continues to underpin the Group’s strategy.

Key principles

The main aim of the Group’s policy is to align the interests of Executive Directors with the Group’s growth strategy and long-term creation of shareholder value. The policy is designed to remunerate the Executive Directors competitively and appropriately and allows them to share in this success and the value delivered to shareholders. The policy is based on the following principles:

- Promote shareholder value creation and support the business growth strategy;
- Ensure that the interests of the Directors are aligned with the long-term interests of shareholders;
- Deliver a competitive level of pay for the Directors sufficient to attract, retain and motivate individuals; and
- Ensure that an appropriate proportion of the package is determined by targets linked to the Group’s performance.

Executive Directors’ Remuneration Policy

Component	Purpose and link to strategy	Operation	Maximum	Performance measure
Base salary	To provide a competitive base salary to attract, motivate and retain directors with the experience and capabilities to achieve the strategic aims.	Reviewed annually against salary surveys for market rate, Group performance, role and experience.	No overall maximum has been set however they are reviewed in the wider context of the Group.	Not applicable
Benefits	To provide a market-competitive benefits package.	Receive benefits in line with market practice, these include company car/allowance, private medical, income protection and death in service insurance.	Set a level deemed appropriate by the Remuneration Committee.	Not applicable
Pension	To provide an appropriate level of retirement benefit.	Executive Directors are eligible to participate in the Group’s pension plan.	5% of base salary.	Not applicable
Annual bonus	To reward performance against annual targets which support the strategic direction of the Group.	Awards are based on annual performance and are normally paid in cash.	125% of salary for Chief Executive Officer 100% of salary for Chief Financial Officer	Sliding scale financial (e.g. revenue and/or profit) and/or personal/strategic targets
PSP	To drive and reward the achievement of longer term objectives, support retention and promote share ownership for Executive Directors.	Awards can be made over conditional shares and/or nil cost or nominal cost share options. Vesting will be subject to the achievement of specified performance conditions, normally over a period of three years. Awards may be subject to malus provisions at the discretion of the Committee.	150% of salary (or 450% of salary where end-to-end awards, rather than annual grants).	Performance metrics will be linked to financial and/or share price and/or strategic performance
Shareholding guidelines	To promote share ownership for Executive Directors.	Executive Directors are expected to build a shareholding in the Group over time.	200% of salary for the Chief Executive Officer and 100% of salary for other Executive Directors.	Not applicable

Remuneration Committee report continued

Directors' Remuneration Policy continued

Explanation of Performance Measures

Performance measures are selected that are aligned with the performance of the Group and the interests of shareholders. Stretching performance targets are set each year for the annual bonus and long-term incentive awards. When setting these performance targets, the Committee will consider several different reference points, which may include the Group's business plan and strategy and the economic environment.

The Committee retains the ability to adjust or set different performance measures if events occur which cause the Committee to determine that the measures are no longer appropriate, and that amendment is required so that they can achieve their original purpose. Awards and options may be adjusted in the event of a variation of share capital in accordance with the rules of the long-term incentive programme (LTIP).

Employee Incentive Schemes

The Company share option plan (CSOP) scheme has now been adopted. The Board considers the performance of staff in conjunction with the Group during the annual review process. Discretionary bonuses are awarded based on individual and Group performance.

Non-Executive Directors' Remuneration Policy

The Remuneration Policy for the Non-Executive Directors is to pay fees necessary to attract an individual of the talent required, taking into consideration the size of the business and the time commitment of the role as follows:

Approach to setting fees	Basis of fees	Other Items
The fees of the Non-Executive Directors are agreed by the Chairman and Chief Executive. Fees are reviewed annually. Fees are set taking into account the level of responsibility, relevant experience and specialist knowledge of each Non-Executive Director.	Fees may include a basic fee and additional fees for further responsibilities. Fees are paid in cash.	Non-Executive Directors do not receive any benefits or pension contributions. Travel and other reasonable expenses incurred in the course of performing their duties are reimbursed.

Details of current Executive Directors' contracts

The Executive Directors each entered a service contract with the Group. Each appointment runs for one year from that date but the appointment automatically renews thereafter. It is also terminable by six months' notice by either party to expire at the end of that year or at any time thereafter. The agreement contains restrictive covenants. Upon termination, no benefits (other than those accruing during the notice period) are due to the Director. The Executive Directors also retire at the AGM in rotation in accordance with the Company's Articles of Association.

Statement of consideration of shareholder views

The Committee considers shareholder feedback received on remuneration matters, including issues raised at the AGM as well as any additional comments received during any other meetings with shareholders.

Remuneration

The Directors' emoluments for the year ended 30 June 2022 were as per the following table. This information has been audited.

Executive Directors	Salary/Fees £'000	Benefits £'000	Bonus £'000	Ex-gratia £'000	Pension £'000	Share-based payment** £'000	Total £'000	Number of outstanding options
P Amin	153	5	52	213	8	50	481	437,500
M Patel	350	2	179	–	18	126	675	1,443,186
	503	**7**	**231**	**213**	**26**	**176**	**1,156**	**1,880,686**

Non-Executive Directors	Salary/Fees £'000	Benefits £'000	Bonus £'000	Ex-gratia £'000	Pension £'000	Share-based payment** £'000	Total £'000	Number of outstanding options
B Huard	48	–	–	–	–	–	48	
M O'Leary	100	–	–	–	–	–	100	–
E Richards	48	–	–	–	–	–	48	–
	196	**–**	**–**	**–**	**–**	**–**	**196**	**–**

** The share-based payment calculation is based on annual share option awards granted to Milan Patel in 2020 and 2021 which are assessed for vesting in the third year of the performance period. Paraag Amin had end to end awards, granted in October 2018, which vested fully in 2021 and were subject to a holding period. Under IFRS 2 Share based payments, the Group must provide an estimate for the costs based on the valuation model called Monte Carlo each year, as if they fully paid out at the end of the performance period in 2023 & 2024 respectively for Milan Patel. To be fully paid out, half the award is based on the Group achieving an annual compounded TSR in the upper quartile of AIM 100 and the other half is based on hitting an EPS target set by the Remuneration Committee.

The Directors' emoluments for the year ended 30 June 2021 were as per the following table. This information has been audited.

Executive Directors	Salary/Fees £'000	Benefits £'000	Bonus £'000	Pension £'000	Share-based payment* £'000	Total £'000	Number of outstanding options
P Amin	190	6	162	10	149	517	875,000
M Patel	310	14	264	16	198	802	1,241,728
	500	**20**	**426**	**26**	**347**	**1,319**	**2,116,728**

Non-Executive Directors	Salary/Fees £'000	Benefits £'000	Bonus £'000	Pension £'000	Share-based payment* £'000	Total £'000	Number of outstanding options
B Huard	45	–	–	–	–	45	
M O'Leary	100	–	–	–	–	100	–
E Richards	45	–	–	–	–	45	–
	190	**–**	**–**	**–**	**–**	**190**	**–**

* The share-based payment calculation is based on the end-to-end share option awards allocated to Milan Patel post the AGM in December 2017 and to Paraag Amin as of October 2018, which could be awarded at the end of a three-year vesting period. These are based on challenging absolute total shareholder return performance targets. Under IFRS 2 share-based payment, the Group must provide an estimate for the costs based on a Black Scholes model valuation each year, as if they fully paid out at the end of the performance period in December 2020 and October 2021 for Paraag Amin. To be fully paid out, the Group must achieve an annual compounded TSR of 35% over a three-year period. In the period, part of the end-to-end share options awarded to Milan vested and the remainder lapsed. A new grant was made by the remuneration committee under the long-term incentive programme with performance measures that are based on the company's total shareholder return and earnings per share in 2024.

Remuneration Committee report continued

Directors' interests

The respective interests, all of which are beneficial, in the shares of the Company for the members of the Board at the year-end are stated below:

	No of shares held	% Holding
M Patel	1,631,182	0.55
B Huard	95.084	0.01
E Richards	42,669	0.01
M O'Leary	50,000	0.01
	1,818,935	**0.58**

Directors' interest in share options

Under the Group's executive share option scheme, the following Directors have the right to acquire ordinary shares:

Director	Grant date	No. of share options granted	Option price (pence)	Date first exercisable	Expiry date
M Patel	19/12/17	935,000	0.5	18/12/22	18/12/24
M Patel	21/12/20	306,728	0.5	21/12/23	21/12/25
M Patel	23/09/21	201,458	0.5	23/09/24	23/09/26

The end-to-end awards granted to Milan Patel can only be exercised at the end of a 3-year vesting period, based on challenging absolute total shareholder return performance targets. Under IFRS 2 Share based payments, the Group must provide an estimate for the costs based on a Black Scholes model valuation each year, as if they fully paid out at the end of the performance period in December 2020 to Milan. To fully vest, the Group must achieve an annual compounded TSR of 35% over a c.3 year period. In the previous period and in the period a grant was made by the remuneration committee under the long-term incentive program with performance measures that are based on the company's total shareholder return and earnings per share in 2023 and 2024 respectively.

Composition of the Remuneration Committee

For the period from 1 July 2021 to 30 June 2022, the Remuneration Committee comprised independent Non-Executive Directors, namely Boris Huard (Chairman), Mike O'Leary and Liz Richards.

From 5 July 2022, the Remuneration Committee comprises independent Non-Executive Directors, namely Boris Huard (Chairman), John Conoley and Liz Richards.

The Committee makes recommendations to the Board on Executive Directors' service agreements and remuneration. In doing so it has undertaken relevant research to ensure that remuneration levels are competitive with the industry average. The Committee met five times during the year.

The Chief Executive attends meetings and provides information and support as requested. He is not present when his remuneration package is considered.

Advisors

The Committee receives independent advice from FIT Remuneration Consultants LLP when required.

Approval

This report was approved by the Board on 15 November 2022 and signed on its behalf by:

Boris Huard
Chairman of Remuneration Committee

Report of the Directors

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

Information relating to principal risks and uncertainties, review of business, key performance indicators and future outlook is included within the Strategic report.

Principal activity

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

Review of business

During the year the Group has shown stable growth from continuing operations in customer numbers, sales and profits. Continuing revenues grew from £58.1m in the year ended June 2021 to £62.8m for the year ended June 2022, an increase of 8%.

Adjusted operating profit grew from £13.7m in the 12 months to June 21 to £14.5m for the year ended June 2022, an increase of 6%.

Dividends

The Board proposes a dividend payment of £2,924,613 comprising an ordinary dividend of 0.98p per ordinary share (2021: £2,563,819 ordinary dividend of 0.86p per ordinary share) to be distributed to shareholders in respect of the Group's reported performance.

The Board's dividend policy will be reviewed annually in line with the cash needs required for opportunities for growth to increase shareholder value and capital expenditure.

Highest paid Director

The Companies Act 2006 requires certain disclosures about the remuneration of the highest paid Director, taking into account emoluments, gains on exercise of share options and amounts receivable under long-term incentive schemes. On this basis, the highest paid Director in the year was Milan Patel and details of his remuneration are disclosed in the Remuneration Committee Report and in Note 26.

Strategic report

The Strategic report covers pages 2 to 29.

Supplier payment policy

The Group's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction and to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment. The average trade creditors for the Group, expressed as a number of days, were 35 days (2021: 13 days).

Directors' interests

The Directors who served during the period and their beneficial interests in the shares of the Group as recorded in the Register of Directors' interests at 30 June 2022, are as follows:

	30.06.22		30.06.21	
Director	Number of shares held	Percentage shareholding %	Number of shares held	Percentage shareholding %
M Patel	1,631,182	0.55	1,575,972	0.53
B Huard	95,084	0.01	22,700	0.01
M O'Leary	50,000	0.01	14,000	0.01
E Richards	42,669	0.01	–	–

The Directors who served during the period and their beneficial interests in share options in the Group, as recorded in the Register of Directors' interests as at 30 June 2022, are as follows:

Director	30.06.22 Number of options held	30.06.21 Number of options held
M Patel	1,443,186	1,241,728

The end-to-end awards granted to Milan Patel can only be exercised at the end of a three-year vesting period, based on challenging absolute total shareholder return performance targets. Under IFRS 2 Share based payment, the Group must provide an estimate for the costs based on a Black-Scholes model valuation each year, as if they fully paid out at the end of the performance period in December 2020 and September 2021 to Milan. To fully vest, the Group must achieve an annual compounded TSR of 35% over a circa three-year period. In the period, part of the end-to-end share options awarded to Milan vested and the remainder lapsed. A new grant was made by the remuneration committee under the long-term incentive programme with performance measures that are based on the Company's total shareholder return and earnings per share in 2023 and 2024.

Substantial interests

On 30 September 2022, the following parties had notified the Group of a beneficial interest that represents 3% or more of the Group's issued share capital at that date:

Shareholder	Number of shares held	Percentage shareholding %
Lion Trust Asset Management	54,702,898	18.32
Tink Taylor, Founder and President	29,776,667	9.97
Octopus Investments	28,041,402	9.39
Slater Investments	15,741,642	5.27
Investec Wealth & Investment	14,177,865	4.75
Highclere International Investors	8,970,269	3.00

Future outlook

The Group provides omnichannel marketing technology and services. Each of these areas has shown market growth significantly above that of the UK economy. The Board believes that our widespread brand recognition and strong product will continue to present opportunities to expand and diversify profitability in the coming year.

Directors

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

P Amin (resigned 31 March 2022)
J Conoley (appointed 5 July 2022)
A Gurney (appointed 19 September 2022)
B Huard
M O'Leary (resigned 5 July 2022)
M Patel
E Richards

Report of the Directors continued

Indemnity of officers

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

Financial instruments

Details of the Group's risk management objectives and policies together with its exposure to financial risk are set out in note 23 to the financial statements.

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

Streamlined energy and carbon reporting

The Group is committed to reducing its environmental impact. The Streamlined Energy and Carbon Reporting (SECR) regulations requires reporting on energy use and Scope 1 & 2 Greenhouse Gas (GHG) emissions. The Group goes further by voluntarily reporting on Scope 3 emissions related to the following impacts and aspects:

- Major compute and infrastructure cloud providers
- Data centres
- Business travel (rail, air and road)
- Employee remote working
- Transmission and distribution (T&D) losses
- Well-to-tank for fuels plus electricity generation and T&D losses

Energy use and GHG Emissions

The Group's Scope 1 and 2 GHG emission sources are from office building energy use as the Group has no business fleet vehicles.

	Current reporting year 1st July 2021 – 30th June 2022 Energy Usage (kWh)	Previous reporting year 1st July 2020 – 30th June 2021 Energy Usage (kWh)
Natural Gas	111,171	133,064
Electricity	391,988	215,145
Other fuels (stationary)	127,500	127,500
Other fuels (mobile)	0	0
Total energy	**630,660**	**475,709**
of which in the UK	**85%**	**N/A**

	GHG emissions (tonnes of CO2e)	GHG emissions (tonnes of CO2e)
Scope 1&2 gross CO2e	**154.2 (+0.3%)**	**153.8**
of which in the UK	**77%**	**N/A**
Scope 3 gross CO2e	**203.1 (+60%)**	**127.3**
Total gross CO2e	**357.3 (+27%)**	**281.1**
Scope 1&2 net CO2e	94.9 (-38%)	153.8
Scope 3 net CO2e	203.1 (+60%)	127.3
Total net CO2e (before carbon offsets)	298 (6%)	281.1
Purchased carbon offsets	300	279
Total net CO2e	-2	+2.1

	Current reporting year 1st July 2021 – 30th June 2022 Intensity Ratios (kilograms of CO2e)	Previous reporting year 1st July 2020 – 30th June 2021 Intensity Ratios (kilograms of CO2e)
Per turnover* Scope 1&2 CO2e gross figure	**2.4547 (-7%)**	**2.6442**
Per turnover* Total CO2e gross figure	5.304 (+9.7%)	4.834
Per employee Scope 1&2 CO2e gross figure**	**427.0 (-8.6%)**	**467.4**
Per employee** Total CO2e gross figure	923 (+8%)	854.4

Intensity measurement

* Scope 1 and 2 emissions in tonnes of CO2e per £'000 of turnover, was chosen as a reference for intensity measurement. Turnover at the end of June 2022 was 62,832 thousands £.

** Additionally, the Group also reports Scope 1 and 2 emissions in tonnes of CO2e per full time equivalent employee (FTEE). FTEE at the end of June 2022 was 361.

Energy and emissions summary

The total energy usage increased by 33% from the previous year, however it was 6% down compared to the baseline year. This is due to:

- Office energy usage of remaining offices returning to normal levels post-COVID-19.
- The closure of leased offices in Amsterdam, Singapore, Cheltenham and Warsaw.
- Natural gas usage was not calculated in 2020/21 for the Minsk and New York offices.

The total gross GHG emissions have increased by 18% compared to the previous year but reduced by 19% compared to the baseline year. Factors additionally to the above:

- Business travel recommencing post-COVID-19
- FTEE numbers have increased
- Inclusion of further Scope 3 GHG emission impacts and aspects in 2020/21 compared to 2019/20
- Fuels and electricity well-to-tank were not included in the 2020/21 and 2019/20 reports.

The Group's Scope 1 and 2 GHG emission sources are from office building energy use as the Group has no business fleet vehicles.

An independent third party is used to help collate the report and is in line with the requirements under streamlined energy and carbon reporting (SECR) highlighted by UK DEFRA and DBEIS and uses the GHG Protocol methodology for GHG emissions reporting.

Initiatives during the reporting period

- Science-based targets set, working towards net zero for 2030 .
- The planting of 25,000 trees by changing the Group's Christmas gifting strategy. .

- The final stages were complete on migrating all three physical data centres in the UK, the US and Australia to utilise Microsoft Azure, which is already carbon neutral and using renewable energy/RECs. Nb: This completed July 2022 and will reduce GHG emissions in the next reporting period by approximately 24 tonnes of CO2e.
- A new sustainable travel flow chart was created for employees to understand more sustainable choices of travel.
- Maintained ISO 14001 certification with zero non-conformities raised.
- Maintained commitment to the Terra Carta and Woodland Trust membership.
- Raised customer and partner awareness on the climate crises on World Earth day by gifting seeds to plant sunflowers https://dotdigital.com/blog/earth-day-at-dotdigital/
- At the request of customers, created awareness in marketing emails where customers can now create a block of text informing everyone that their emails were sent by a carbon neutral supplier. https://support.dotdigital.com/hc/en-gb/articles/4409054185106-Add-a-sustainability-statement-to-your-email-campaigns
- The Dotgreen team produced a Christmas advent calendar with content on how to be more sustainable in the run-up to the 2021 festive period.
- Further work with landlords to ensure that communication with their teams regarding waste recycling is accurate and being followed correctly.
- Increased recycling solutions with the introduction of coffee pod and battery recycling in all UK offices.

Product development

In the markets in which the Group operates, effective development is vital to maintaining competitive advantage and securing future income streams.

Going concern

After making appropriate enquiries, the Directors consider that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Events after the reporting period

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

Listing

The Group's ordinary shares have been traded on the London Stock Exchange Alternative Investment Market (AIM) since 29 March 2011. Canaccord Genuity are the Group's nominated advisor and together with Finncap and Singer are the joint brokers. The closing mid-market share price at 30 June 2022 was 69.6p (2021: 231p).

Related party transactions

Disclosures relating to related party transactions are set out in note 26 to the Consolidated financial statements.

Charitable and political donations

No political donations were made by the Company.

Charitable donations made by the Group in the year were £10,903 (2021: £8,627).

Employees

The number of employees and their remuneration is set out in note 4.

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

The Group complies with all applicable labour laws in the respective jurisdictions in which it operates.

Statement by the Directors in performance of their statutory duties in accordance with s172 (1) Companies Act 2006

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

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

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

The following paragraphs summarise how the Directors fulfil their duties:

Risk management

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

For details of our principal risks and uncertainties, and how we manage our risk environment, please see pages 22 to 26.

Report of the Directors continued

Our People

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

For further details on our people, please see page 18.

Business relationships

Our strategy prioritises organic growth, driven by cross-selling and upselling our services to our existing customers, as well as recommending our partners, to help our customers to drive a better return on investment from their digital marketing and bringing new clients into the group. To do this, we need to develop strong relationships with both the customers and the strong partner ecosystem we have built. We value our suppliers and have multi-year contracts with our key suppliers. We have a goal in the business to make sure we aim to pay all our suppliers within their credit terms to help develop a healthy relationship. For further details on how we work with our clients, please see page 4.

Community and environment

The Group's approach is to use our position of strength to create positive change for the people and communities with which we interact. The Group has maintained its ISO 14001 certificate for a third year with no non-conformities raised and has a fully established Integrated Management System (IMS).

As part of our DotCommunity initiative we aim to raise money and awareness for many charitable causes. In the coming financial year, as well as other initiatives, we will be partnering with The Girl's Network to implement a mentorship programme with young girls.

The Group has continued to operate carbon neutral three years in a row and we aim to achieve this standard into the foreseeable future. Furthermore, as of July 22 our platform is now running on 100% renewable energy. For further details on how we interact with communities and the environment, please see pages 27 to 29.

Shareholders

The Board is committed to openly engaging with our shareholders, as we recognise the importance of a continuing effective dialogue, whether with institutional investors, private or employee shareholders. It is important to us that our stakeholders understand our strategy and objectives, so these must be explained clearly, feedback heard, and any issues or questions raised, properly considered.

For further details on how we engage with our shareholders, please see page 32.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK adopted International Accounting as adopted by the UK. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether the Group and Parent Company financial statements have been prepared in accordance with IFRS as adopted by the UK subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

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

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

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

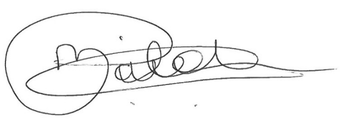
Statement as to disclosure of information to Auditor

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

Auditors

Moore Kingston Smith LLP were appointed as auditors on 11 May 2021 and, having expressed their willingness to continue in office, will be proposed for reappointment at the forthcoming Annual General Meeting in accordance with section 489 of the Companies Act 2006.

The Directors' Report was authorised for issue by the Board of Directors on 8 November 2022 and was signed on its behalf by:



Milan Patel
Chief Executive Director
15 November 2022

Report of the independent auditor

Opinion

We have audited the financial statements of Dotdigital Group Plc (the 'Parent Company' and its subsidiaries (the 'Group') for the year ended 30 June 2022 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and notes to the financial statements, including 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.

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 of 30 June 2022 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.

Basis for opinion

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

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 components of the Group were evaluated by the Group audit team based on a measure of materiality, considering each component as a percentage of the Group's total assets, current assets, revenue, and gross profit, which allowed the Group audit team to assess the significance of each component and determine the planned audit response.

For those components that were evaluated as significant components, either a full scope or specified audit approach was determined based on their relative materiality to the Group and our assessment of the audit risk. For significant components requiring a full scope approach, we evaluated controls by performing walkthroughs over the financial reporting systems identified as part of our risk assessment, reviewed the accounts production process, and addressed critical accounting matters. We then undertook substantive testing on significant transactions and material account balances.

In order to address the audit risks identified during our planning procedures, we performed a full scope audit of the financial statements of the parent Company and of the financial information of Dotdigital EMEA Limited. We performed specific targeted audit procedures, including analytical review, over the other components listed in note 16 of the financial statements. All work was carried out by the Group audit team.

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) 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. This is not a complete list of all risks identified by our audit.

Report of the independent auditor continued

Key audit matters continued

Key audit matters	How our scope addressed this matter
Incorrect revenue recognition	
Revenue is a significant item in the consolidated income statement and impacts a number of management's key judgements, performance indicators and key strategic indicators. There is a risk of incorrect revenue recognition due to fraud or error, arising from: • Recognition of revenue in the wrong period; • Revenue not being recognised in accordance with IFRS 15 'Revenue from Contracts with Customers'; and • Manipulation of revenues around the year-end through management override of internal controls. We therefore identified incorrect revenue recognition as a key audit matter.	Our audit work included, but was not restricted to: Evaluating and critically assessing the Group's revenue recognition accounting policy to determine whether it was in compliance with IFRS 15. Performing tests of detail on a sample of individual revenue transactions throughout the year across the significant revenue streams to evaluate whether revenue was recognised in accordance with the contract terms and IFRS 15, having considered the principles of IFRS 15 and the commercial substance of the contracts. Testing of certain controls identified in relation to revenue. Substantive testing procedures included agreeing revenue transactions selected for testing through to supporting evidence including sales invoice, contracts, and cash receipts. Reviewing material credit notes, invoices, and receipts post year end to ensure they were recorded in the correct accounting period. Performing sales cut off tests to ensure revenue had been recognised in the correct accounting period. Testing accrued and deferred revenue to ensure that items included within these balances had been recognised correctly. In addition, we reviewed the adequacy of the disclosures in the financial statements in accordance with the requirements of IFRS15. *Key observations* From our audit testing, we did not identify any material misstatements of revenue.
Valuation of intangible assets and goodwill	
The directors are required to make an assessment to determine whether there are impairment indicators relating to the Group's intangible assets and goodwill. The Group had intangible assets with a net book value of £17,698,000 as at 30 June 2022 (30 June 2021: £16,134,000). The Group had goodwill with a net book value of £9,680,000 as at 30 June 2022 (30 June 2021: £9,680,000). The process for assessing whether impairment exists under International Accounting Standard (IAS) 36 'Impairment of Assets' is complex. The process of determining the value in use, through forecasting cash flows related to each asset and the determination of the appropriate discount rate and other assumptions to be applied, can be highly judgemental and can significantly impact the results of the impairment review. Based on the judgemental nature of an impairment review, we identified impairment of intangible assets and goodwill as a key audit matter.	Our audit work included, but was not restricted to: Obtaining management's analysis of their assessment of whether there were any indicators of impairment. Critically assessing the impairment review performed by management. This included considering the life cycle, public perception through the share price of the Company and the fair value of intangible assets held by the Group. Critically assessing the key assumptions used in the impairment workings and performing sensitivity analysis through changing the assumptions and re-running the cash flow forecast. Evaluating the accounting policy and detailed disclosures to determine whether the information provided in the financial statements is compliant with the requirements of IAS 36 and consistent with the results of the impairment review. Considering the appropriateness of the amortisation policy for intangible assets. *Key observations* Based on our audit work, we concluded that the intangible assets and goodwill held by the Group are not materially misstated at the reporting date and that management's impairment assessment and reassessment of the useful economic life of intangible assets is appropriate. The analysis undertaken by the directors shows that Group is expected to remain cash generative and profitable based on their technology. We have obtained an understanding of and critically assessed the methodology used by the Directors in performing this analysis and determined it to be appropriate.

Capitalisation and valuation of development costs

During the year, the Group capitalised development costs of £7,686,000 of which £7,599,000 (2021: £6,461,000) was internally generated. These capitalised costs are being amortised over five years. The development cost additions represent resources the Group has invested in for the development of new innovative technology products for marketing professionals.

There is a significant degree of judgement and subjectivity involved in assessing whether the internally generated intangible asset qualifies for capitalisation in accordance with the requirements of IAS 38. We have therefore identified the capitalisation of development costs as a key audit matter.

Our approach was focused on ensuring that the costs capitalised as development costs met the criteria for capitalisation of internally generated intangible assets and were directly attributable to the development of the asset in line with IAS 38. Our audit work included, but was not restricted to:

Using substantive testing to select a sample of projects to ensure that they relate to development costs by review of timesheet data and employee contracts, undertaking focused discussions with project leads and agreeing to other supporting documentation where relevant.

Performing a critical assessment of whether any projects have had a research phase that can be considered separate from the development phase. This included selecting a sample of staff time on spent projects to identify any costs which should not have been capitalised.

Performing substantive analytical review on internal staff costs capitalised by agreeing to payroll reports for the development employees.

Testing a sample of 3rd party development costs to supporting documentation.

Considering whether certain administrative overhead expenditure which had been capitalised was directly attributable to the development of the asset.

The Research & Development claim report prepared by Empower RD was critically assessed and compared to the costs capitalised in the year.

Key observations

Based on our audit work, we concluded that the development costs have been capitalised in accordance with the requirements of IAS38.

Impairment of investments

The directors are required to make an assessment to determine whether the carrying value of the parent Company's investments in subsidiaries is recoverable.

The Company had investments in subsidiaries of £18,363,000 as at 30 June 2022 (30 June 2021: £18,141,000).

The process for assessing whether impairment exists under International Financial Reporting Standard (IFRS) is complex. The process of determining the value in use through forecasting cash flows and the determination of the appropriate discount rate and other assumptions to be applied can be highly judgemental and can significantly impact the results of the impairment review.

Due to the complex nature of this process, we identified impairment of investments as a key audit matter.

Our audit work included, but was not restricted to:

Obtaining management's cash flow forecasts utilised in the impairment assessment.

Reviewing the board minutes and holding discussions with management to understand the strategy for the subsidiaries and expectations going forward.

Challenging management's assumptions utilised in the impairment models, including cash flow forecasts, growth rates and discount rates.

Performing a sensitivity analysis to check whether management's forecasts would leave positive headroom if the assumptions of values increased or decreased.

Comparing the calculated value in use for the investments to the carrying value of the subsidiaries' net assets to check that they are not impaired.

Evaluating the accounting policy and detailed disclosures in the financial statements to check whether information provided in the financial statements is compliant with the requirements of IFRS and consistent with the results of the impairment review.

Key observations

Given the fact that the trade and assets of Dynmark have been transferred to dotDigital EMEA Limited, the investment value in relation to Dynmark has been considered as part of the value of the investment in dotDigital EMEA Limited. Based on our audit work, we concluded that the carrying value of the Company's investments is not materially misstated at year-end and that management's impairment assessment is appropriate.

Report of the independent auditor continued

Our application of materiality

The scope and focus of our audit was influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing, and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Due to the nature of the Group, we considered revenue to be the main focus for the readers of the financial statements, accordingly this consideration influenced our judgement of materiality. Based on our professional judgement, we determined overall materiality for the Group to be £628,320, based on one percent of revenue.

Due to the nature of the Parent company, we considered gross assets to be the main focus for the readers of the financial statements, accordingly this consideration influenced our judgement of materiality. Based on our professional judgement, we determined overall materiality for the parent Company to be £200,770, based on one percent of gross assets.

On the basis of our risk assessment, together with our assessment of the overall control environment, our judgement was that performance materiality (i.e., our tolerance for misstatement in an individual account or balance) for the Group and parent Company was 50% of overall materiality, namely £314,160 and £110,385 respectively.

We agreed to report to the Audit Committee all audit differences in excess of £31,416 for the Group and £10,385 for the parent Company, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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 parent Company's ability to continue to adopt the going concern basis of accounting included a critical assessment of the detailed cash flow projections prepared by the directors which are based on their current expectations of trading prospects and obtaining an understanding of all relevant uncertainties, including those arising as a result of increased cost of living, the energy crisis, the ongoing impact of the COVID-19 pandemic, as well as the ongoing Russia-Ukraine conflict.

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

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

Other information

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

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 there is 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 r equired to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 44, 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities is available on the FRC's website at https://wwww.frc.org.uk/auditors/auditor-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor's-responsibilities-for

This description forms part of our auditor's report.

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK adopted international accounting standards, the rules of the Alternative Investment Market, and UK taxation legislation.
- We obtained an understanding of how the Group and parent Company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

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

Report of the independent auditor continued

Use of our report

This report is made solely to the Group and 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 for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our work, for this report, or for the opinions we have formed.

Moore Kingston Smith LLP

Mital Shah
Senior Statutory Auditor
For and on behalf of

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

15 November 2022

Financial statements

Contents

Financial statements
52 Consolidated income statement
52 Consolidated statement of comprehensive income
53 Consolidated statement of financial position
54 Company statement of financial position
55 Consolidated statement of changes in equity
56 Company statement of changes in equity
57 Consolidated statement of cash flows
57 Company statement of cash flows
58 Notes to the consolidated financial statements
85 Company information

Consolidated income statement

For the year ended 30 June 2022

	Notes	30.06.22 £'000	30.06.21 £'000
Continuing operations			
Revenue from contracts with customers		62,832	58,124
Cost of sales	7	(11,570)	(10,356)
Gross profit		**51,262**	**47,768**
Administrative expenses	7	(36,726)	(34,089)
Operating profit from continuing operations pre share-based payments and exceptional costs		**14,536**	**13,679**
Share-based payments	28	(456)	(625)
Exceptional costs	5	(475)	(188)
Operating profit from continuing operations		**13,605**	**12,866**
Finance costs	6	(57)	(74)
Finance income	6	57	20
Profit before income tax from continuing operations	7	**13,605**	**12,812**
Income tax expense	8	(1,774)	(1,322)
Profit for the year from continuing operations		**11,831**	**11,490**
Loss for the year from discontinued operations	12	**–**	**(899)**
Profit for the period attributable to the owners of the Company		**11,831**	**10,591**
Earnings per share from all operations (pence per share)			
Basic	11	3.96	3.55
Diluted	11	3.88	3.50
Adjusted Basic	11	4.27	3.82
Adjusted Diluted	11	4.18	3.76
Earnings per share from continuing operations (pence per share)			
Basic	11	3.96	3.85
Diluted	11	3.88	3.79
Adjusted Basic	11	4.27	4.12
Adjusted Diluted	11	4.18	4.06
Earnings per share from discontinued operations (pence per share)			
Basic	11	(0.00)	(0.30)
Diluted	11	(0.00)	(0.30)
Adjusted Basic	11	(0.00)	(0.30)
Adjusted Diluted	11	(0.00)	(0.30)

Consolidated statement of comprehensive income

For the year ended 30 June 2022

	Notes	30.06.22 £'000	30.06.21 £'000
Profit for the year		**11,831**	**10,591**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations		333	(87)
Total comprehensive income attributable to: Owners of the parent		**12,164**	**10,504**
Total comprehensive income for the year			
Comprehensive income from continuing operations		12,164	11,403
Comprehensive loss from discontinued operations		–	(899)

Consolidated statement of financial position

For the year ended 30 June 2022

	Notes	30.06.22 £'000	30.06.21 £'000
Assets			
Non-current assets			
Goodwill	13	9,680	9,680
Intangible assets	14	17,698	16,134
Property, plant and equipment	15	3,285	3,972
		30,663	**29,786**
Current assets			
Trade and other receivables	17	13,211	13,350
Cash and cash equivalents	18	43,919	31,951
		57,130	45,301
Total assets		**87,793**	**75,087**
Equity attributable to the owners of the parent			
Called up share capital	19	1,496	1,494
Share premium	20	7,124	7,124
Reverse acquisition reserve	20	(4,695)	(4,695)
Other reserves	20	2,005	3,066
Retranslation reserve	20	296	(37)
Retained earnings	20	63,582	54,081
Total equity		**69,808**	**61,033**
Liabilities			
Non-current liabilities			
Lease liabilities	22	1,758	2,489
Deferred tax	24	2,755	1,207
		4,513	**3,696**
Current liabilities			
Trade and other payables	21	12,654	9,334
Financial liabilities – Interest bearing loans and borrowings		–	–
– Lease liabilities	22	818	934
Current tax payable		–	90
		13,472	**10,358**
Total liabilities		**17,985**	**14,054**
Total equity and liabilities		**87,793**	**75,087**

The financial statements were approved and authorised for issue by the Board of Directors on 15 November 2022 and were signed on its behalf by:

Milan Patel

Director

Company registration number: 06289659 (England and Wales)

Company statement of financial position

For the year ended 30 June 2022

	Notes	30.06.22 £'000	30.06.21 £'000
Assets			
Non-current assets			
Property, plant and equipment		7	4
Investments	16	18,362	18,141
		18,369	**18,145**
Current assets			
Trade and other receivables	17	1,545	140
Cash and cash equivalents	18	163	85
		1,708	**225**
Total assets		**20,077**	**18,370**
Equity attributable to the owners of the parent			
Called up share capital	19	1,496	1,494
Share premium	20	7,124	7,124
Other reserves	20	1,915	1,690
Retained earnings	20	9,400	7,570
Total equity		**19,935**	**17,878**
Liabilities			
Current liabilities			
Trade and other payables	21	142	492
Total liabilities		**142**	**492**
Total equity and liabilities		**20,077**	**18,370**

As permitted by section 408 of the Companies Act 2006, the Parent Company's income statement has not been included in these financial statements. The profit for the Company was £4,163,416 (2021: £3,811,597).

The financial statements were approved and authorised for issue by the Board of Directors on 15 November 2022 and were signed on its behalf by:

Milan Patel

Director

Company registration number: 06289659 (England and Wales)

Consolidated statement of changes in equity

For the year ended 30 June 2022

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Retranslation reserve £'000	Reverse acquisition reserve £'000	Other reserves £'000	Total equity £'000
Balance at 1 July 2020	**1,493**	**45,655**	**6,967**	**50**	**(4,695)**	**1,600**	**51,070**
Transactions with owners							
Issue of share capital	1	–	157	–	–	–	158
Dividends	–	(2,472)	–	–	–	–	(2,472)
Transfer in reserves	–	307	–	–	–	(307)	–
Deferred tax on share options	–	–	–	–	–	1,148	1,148
Share-based payments	–	–	–	–	–	625	625
Transactions with owners (restated)	1	(2,165)	157	–	–	1,466	(541)
Total comprehensive income							
Profit for the year	–	10,591	–	–	–	–	10,591
Other comprehensive income	–	–	–	(87)	–	–	(87)
Total comprehensive income	–	10,591	–	(87)	–	–	10,504
Restated balance as at 30 June 2021	**1,494**	**54,081**	**7,124**	**(37)**	**(4,695)**	**3,066**	**61,033**
Balance as at 1 July 2021	**1,494**	**54,081**	**7,124**	**(37)**	**(4,695)**	**3,066**	**61,033**
Issue of share capital	2	–	–	–	–	–	2
Dividends	–	(2,564)	–	–	–	–	(2,564)
Transfer in reserves	–	234	–	–	–	(234)	–
Deferred tax on share options	–	–	–	–	–	(1,283)	(1,283)
Share-based payments	–	–	–	–	–	456	456
Transactions with owners	2	(2,330)	–	–	–	(1,061)	(3,389)
Profit for the year	–	11,831	–	–	–	–	11,831
Other comprehensive income	–	–	–	333	–	–	333
Total comprehensive income	–	11,831	–	333	–	–	12,164
Balance as at 30 June 2022	**1,496**	**63,582**	**7,124**	**296**	**(4,695)**	**2,005**	**69,808**

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

Retained earnings represents the cumulative earnings of the Group attributable to equity shareholders.

Share premium represents the excess of the amount subscribed for share capital over the nominal value net of the share issue expenses.

Retranslation reserve relates to the retranslation of foreign subsidiaries into the functional currency of the Group.

The reverse acquisition reserve relates to the adjustment required to account for the reverse acquisition in accordance with UK Adopted International Accounting Standards.

Other reserves relate to the charge for the share-based payment in accordance with IFRS 2 and the transfer on the exercise or lapsing of share options.

Company statement of changes in equity

For the year ended 30 June 2022

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Other reserves £'000	Total equity £'000
Balance as at 1 July 2020	**1,493**	**5,924**	**6,967**	**1,372**	**15,756**
Transactions with owners (restated)					
Issue of share capital	1	–	157	–	158
Dividends	–	(2,472)	–	–	(2,472)
Transfer in reserves	–	307	–	–	307
Share-based payments	–	–	–	318	318
Transactions with owners	1	(2,165)	157	318	(1,689)
Total comprehensive income					
Profit for the year	–	3,811	–	–	3,811
Total comprehensive income (restated)	–	3,811	–	–	3,811
Restated balance as at 30 June 2021	**1,494**	**7,570**	**7,124**	**1,690**	**17,878**
Balance as at 1 July 2021	**1,494**	**7,570**	**7,124**	**1,690**	**17,878**
Issue of share capital	2	–	–	–	2
Dividends	–	(2,564)	–	–	(2,564)
Transfer in reserves	–	231	–	(231)	–
Share-based payments	–	–	–	456	456
Transactions with owners	2	(2,333)	–	225	(2,106)
Profit for the year	–	4,163	–	–	4,163
Total comprehensive income	–	4,163	–	–	4,163
Balance as at 30 June 2022	**1,496**	**9,400**	**7,124**	**1,915**	**19,935**

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

Retained earnings represents the cumulative earnings of the Company attributable to equity shareholders.

Share premium represents the excess of the amount subscribed for share capital over the nominal value net of the share issue expenses.

Other reserves relate to the charge for the share-based payment in accordance with IFRS 2 and transfer on the exercise or lapsing of share options.

Consolidated statement of cash flows

For the year ended 30 June 2022

	Notes	30.06.22 £'000	30.06.21 £'000
Cash flows from operating activities			
Cash generated from operations	29	25,162	17,969
Tax paid		(1,761)	(975)
Net cash generated from operating activities		**23,401**	**16,994**
Net cash used in continuing operating activities		23,401	20,710
Net cash used in discontinued operating activities		–	(3,716)
Cash flows from investing activities			
Purchase of intangible fixed assets	14	(7,686)	(6,870)
Purchase of property, plant and equipment	15	(465)	(169)
Proceeds from sale of property, plant and equipment		–	2
Interest received		57	20
Net cash flows used in investing activities		**(8,094)**	(7,017)
Net cash used in continuing investing activities		(8,094)	(7,017)
Net cash used in discontinued investing activities		–	–
Cash flows from financing activities			
Equity dividends paid		(2,564)	(2,472)
Payment of lease liabilities		(1,110)	(1,182)
Proceeds from share issues		2	158
Net cash flows used in financing activities		**(3,672)**	**(3,496)**
Net cash used in continuing financing activities		(3,672)	(3,446)
Net cash used in discontinued financing activities		–	(50)
Increase in cash and cash equivalents		**11,635**	**6,481**
Cash and cash equivalents at beginning of year	30	31,951	25,383
Effect of foreign exchange rate changes		333	87
Cash and cash equivalents at end of year	30	**43,919**	**31,951**

Company statement of cash flows

For the year ended 30 June 2022

	Notes	30.06.222 £'000	30.06.21 £'000
Cash flows from operating activities			
Cash generated from operations	29	2,645	2,006
Net cash generated from operating activities		**2,645**	**2,006**
Cash used in investing activities			
Purchase of property, plant and equipment		(5)	(3)
Net cash flows used in investing activities		**(5)**	**(3)**
Cash flows from financing activities			
Equity dividends paid		(2,564)	(2,472)
Proceeds from share issues		2	158
Net cash flows used in financing activities		**(2,562)**	**(2,314)**
Increase/(decrease) in cash and cash equivalents		**78**	**(311)**
Cash and cash equivalents at beginning of year	30	85	396
Cash and cash equivalents at end of year	30	**163**	**85**

Notes to the consolidated financial statements

For the year ended 30 June 2022

1. General information

Dotdigital Group Plc (Dotdigital) is a public limited company incorporated in England and Wales and quoted on the AIM Market. The address of the registered office is disclosed on the inside back cover of the financial statements. The principal activity of the Group is described on page 41.

2. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the UK (IFRSs as adopted by the UK) and those parts of Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and the IFRS Interpretations Committee effective at the time of preparing the consolidated financial statements.

New and amended standards adopted by the Company

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

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

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

Accounting standards issued but not yet effective

The International Accounting Standards Board (IASB) has issued/revised a number of relevant standards with an effective date after the date of these financial statements. Any standards that are not deemed relevant to the operations of the Company have been excluded. The Directors have chosen not to early adopt these standards and interpretations and they do not anticipate that they would have a material impact on the Company's financial statements in the period of initial application.

		Effective date
IAS 1	Presentation of Financial Statements – *amendments regarding the classification of liabilities*	1 January 2023
IAS 1	Presentation of Financial Statements – *amendments regarding the disclosure of accounting policies*	1 January 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates – *amendments regarding the definition of accounting estimates*	1 January 2023
IAS 12	Income Taxes – *amendments regarding deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023
IFRS 16	Leases – *amendments regarding the classification of liabilities*	1 January 2024

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

Significant accounting policies

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

Basis of consolidation

In the period ended 2009, the Company acquired via a share for share exchange the entire issued share capital of Dotdigital EMEA Limited, whose principal activity is that of providing SaaS via a leading omnichannel marketing automation platform and managed services to digital marketing professionals.

Under IFRS 3 'Business combinations', the Dotdigital EMEA Limited share exchange has been accounted for as a reverse acquisition. Although these consolidated financial statements have been issued in the name of the legal parent, the Company it represents in substance is a continuation of the financial information of the legal subsidiary, Dotdigital EMEA Limited. The following accounting treatment has been applied in respect of the reverse acquisition:

- The assets and liabilities of the legal subsidiary, Dotdigital EMEA Limited, are recognised and measured in the consolidated financial statements at their pre-combination carrying amounts, without restatement to their fair value;
- The retained reserves recognised in the consolidated financial statements for the beginning of the prior period reflect the retained reserves of Dotdigital EMEA Limited to 30 April 2008. However, in accordance with IFRS 3 'Business combinations', the equity structure appearing in the consolidated financial statements reflects the equity structure of the legal parent Dotdigital Group Plc, including the equity instruments issued under the share exchange to effect the business combination;
- A reverse acquisition reserve has been created to enable the presentation of a consolidated balance sheet which combines the equity structure of the legal parent with the non-statutory reserves of the legal subsidiary and;
- Comparative numbers are prepared on the same basis.

The following accounting treatment has been applied in respect of the acquisition of Dotdigital Group Plc:

- The assets and liabilities of Dotdigital Group Plc are recognised and measured in the consolidated financial statements at their fair value at the date of acquisition and;
- The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business

combination are measured initially at their fair values at the date of acquisition, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Subsidiaries

A subsidiary is an entity whose operating and financing policies are controlled by the Group. Subsidiaries are consolidated from the date on which control was transferred to the Group. Subsidiaries cease to be consolidated from the date the Group no longer has control. Intercompany transactions, balances and unrealised gains on transactions between Group companies have been eliminated on consolidation.

The Group applies the acquisition method to account for business combinations. In the statement of financial position, the acquiree's identifiable assets and liabilities are initially recognised at their fair values at the acquisition date.

As a result of applying reverse acquisition accounting since 30 January 2009, the consolidated IFRS financial information of Dotdigital Group Plc is a continuation of the financial information of Dotdigital EMEA Limited.

Revenue recognition

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

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

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

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

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

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

Going concern

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

The Group's business activities together with factors that are likely to affect its future development and position are set out in the Chairman's report, the Chief Executive Officer's report and financial review and the Directors' report. Budgets and detailed profit and loss forecasts that look beyond 12 months from the date of these consolidated financial statements have been prepared and used to ensure that the Group can meet its liabilities as they fall due.

The Directors have made various assumptions in preparing these forecasts, using their view of both the current and future economic conditions that may impact on the Group during the forecast period. The Directors have also considered the continued impact of the COVID-19 pandemic and the impact of the measures taken to contain it, on the Group. Due to the nature of the Group's activities, there has not been a significant ongoing impact on the business (as detailed in the Chief Executive Officer's Review and Risk section).

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

Operating profit

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

Dividends

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

Goodwill

Goodwill represents the excess of the fair value of the consideration over the fair values of the identifiable net tangible and intangible assets acquired and is allocated to cash generating units.

Under IFRS 3 'Business combinations', goodwill arising on acquisitions is not subject to amortisation but is subject to annual impairment testing. Any impairment is recognised immediately in the income statement and not subsequently reversed.

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

2. Accounting policies continued

Investments in subsidiaries

Investments are held as non-current assets at cost less any provision for impairment. Where the recoverable amount of the investment is less than the carrying amount, impairment is recognised.

Intangible assets

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

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

- Domain names

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

- *Software*

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

- *Product development*

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

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

  Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria as detailed in IAS 38 'Intangible Assets' are fulfilled:

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

- *Technology*

  Technology represents the cost that would be incurred to build the entire Comapi platform had the acquisition not occurred. The useful life of this intangible asset is assessed to have a finite life of 10 years. Amortisation is charged on assets with finite lives, and until economic benefit can be received and recognised, this expense is taken to the income statement and useful lives are reviewed on an annual basis. Amortisation is charged from the point when the asset is available for use.

- *Customer relationships*

  This represents the value of high-value customer contracts within Comapi. The useful life of this intangible asset is assessed to have a finite life of three years. Amortisation is charged on assets with finite lives, and until economic benefit can be received and recognised, this expense is taken to the income statement and useful lives are reviewed on an annual basis. Amortisation is charged over the lifetime of the customer contract.

Impairment of non-financial 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 the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Property, plant and equipment

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

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

Right of use assets:	over the term of the lease
Short leaseholds:	over the term of the lease
Fixtures and fittings:	25% on cost
Computer equipment:	25% on cost

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses) or gains in the income statement.

Capital management

The Group manages its capital to ensure it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of cash equivalents and equity attributable to the owners of the parent as disclosed in the statement of changes in equity.

Taxation

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

Current tax

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

Deferred taxation

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

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

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

Leases

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

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

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

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

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

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

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

Extension and termination options

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

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

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

2. Accounting policies continued

Financial instruments

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

Financial assets

The Group's accounting policies for financial assets are set out below.

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

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

Financial assets are classified into the following specified categories: financial assets at FVTPL, 'held-to-maturity' investments, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

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

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

- *Trade receivables*
  Trade receivables are recognised initially at the lower of their original invoiced value and recoverable amount. A provision is made when it is likely that the balance will not be recovered in full. Terms on receivables range from 30 to 90 days.
- *Financial liabilities and equity*
  Financial liabilities and equity are recognised on the Group's statement of financial position when the Group becomes a party to a contractual provision of an instrument. Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of transaction costs.

  The Group's financial liabilities include trade payables, accrued liabilities and lease liabilities.
- *Trade payables*
  Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Terms on accounts payable range from 10 to 90 days.

Foreign currency risk

Currency risk is the risk that the holding of foreign currencies will affect the Group's position as a result of a change in foreign currency exchange rates. The Group has no significant foreign currency risk as most of the Group's financial assets and liabilities are denominated in functional currencies of relevant Group entities. Accordingly, no quantitative market risk disclosures or sensitivity analysis for currency risks have been prepared.

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) All resulting exchange differences are recognised in other comprehensive income.

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

Share premium represents the excess of the amount subscribed for the share capital over the nominal value of the respective shares net of share issue expenses.

Retained earnings represent the cumulative earnings of the Group attributable to equity shareholders.

The reverse acquisition reserve relates to the adjustment required by accounting for the reverse acquisition in accordance with IFRS 3 'Business combinations'.

The retranslation reserve represents the cumulative exchange differences on the retranslation of foreign subsidiaries into the functional currency.

Other reserves relate to the charge for share-based payments in accordance with IFRS 2 'Share-based payments' plus the movement on the exercise or lapsing of share options.

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

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

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

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

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments as identified by the Board of Directors.

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

The Group is mainly exposed to the US Dollar, Australian Dollar, Singaporean Dollar, Euro, Belarusian Ruble, South African Rand, Polish Zloty and Canadian Dollar currencies.

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

	30.06.22 £'000	30.06.21 £'000
US Dollar	60	60
Australian Dollar	14	13
Singaporean Dollar	(37)	(9)
Euro	10	(20)
Belarusian Ruble	(2)	7
South African Rand	(2)	4
Polish Zloty	5	95
Canadian Dollar	1	(1)
	49	**149**

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

Judgements
(a) Capitalisation of development costs – refer to note 14

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

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

2. Accounting policies continued

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

(b) Valuation of goodwill – refer to note 13

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the consolidated income statement.

Judgement is required in determining the fair value of identifiable assets, liabilities and contingent assets and liabilities assumed in a business combination and the fair value of the consideration payable. Calculating the fair values involves the use of significant estimates and assumptions, including expectations about future cash flows, discount rates and the lives of assets following purchase.

(c) Going concern of Australian entity – refer to note 2: Going concern

Management review each of the trading entities operations, particularly when it is loss making to ascertain if it is a going concern and if its assets should be impaired.

Judgement is therefore required to review future looking forecasts and review existing and future sales pipeline within the region. Thereby leading to a decision as to whether the region remains viable.

Estimates and assumptions

(a) Impairment of goodwill

The Directors have carried out a detailed impairment review in respect of goodwill. The Group assesses at each reporting date whether there is an indication that an asset may be impaired, by considering the net present value of discounted cash flow forecasts which have been discounted at 19.75% (2021: 6.2%). This has increased as a result of the increase in the cost equity which was impacted by both the decline in the share price at the year end compared to last year and the increase in dividend growth rate. The cash flow projections are based on the assumption that the Group can realise projected sales. A prudent approach has been applied with no residual value being factored.

Further details on the estimates and assumptions we make in our annual impairment testing of goodwill are included in note 13 to the financial statements. At the period end, based on the assumptions, there was no indication of impairment to the carrying value of goodwill.

(b) Share-based compensation

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

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

Further detail on the estimates and assumptions we make in our share-based compensation are included in note 28 to the financial statements. The charge made to income statement for period is also disclosed there.

(c) Depreciation and amortisation

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

(d) Bad debt provision

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

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

(e) Lease accounting – incremental borrowing rate

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

Exceptional items

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

3. Segmental reporting

In the current year, Dotdigital's single line of business remains the provision of data-driven omni-channel marketing automation. In the previous year Dotdigital had two lines of business; the additional line being communication platform as a service (CPaaS). The chief operating decision maker considers the Group's segments to be by geographical location, this being EMEA, US and APAC operations and by business activity, this being core Dotdigital and CPaaS as shown in the tables that follow:

Geographical revenue and results (from all operations)

	30.06.22			
	EMEA £'000	US £'000	APAC £'000	Total £'000
Income statement				
Revenue	48,191	9,688	4,953	62,832
Gross profit	38,374	8,537	4,351	51,262
Profit/(loss) before income tax	12,444	972	189	13,605
Total comprehensive income attributable to the owners of the parent	**10,967**	**1,049**	**148**	**12,164**
Financial position				
Total assets	83,364	3,498	631	87,793
Net current assets/(liabilities)	42,270	2,204	(816)	43,658

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

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

	30.06.21			
	EMEA £'000	US £'000	APAC £'000	Total £'000
Income statement				
Revenue	47,024	9,264	4,262	60,550
Gross profit	36,878	8,241	3,864	48,983
Profit/(loss) before income tax	11,699	609	(294)	12,014
Total comprehensive income attributable to the owners of the parent	**10,436**	**379**	**(311)**	**10,504**
Financial position				
Total assets	71,566	3,098	423	75,087
Net current assets/(liabilities)	33,942	1,387	(386)	34,943

Revenue from external customers is attributed to the geographical segments noted above based on the customers' location. There were no customers who account for more than 10% of revenue (2020: none).

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

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

3. Segmental reporting continued

Business activity revenue and results

	30.06.22 Core £'000	30.06.22 CPaaS £'000	30.06.22 Total £'000
Income statement			
Revenue	62,832	–	62,832
Gross profit	51,262	–	51,262
Profit/(loss) before income tax	13,655	(50)	13,605
Total comprehensive income attributable to the owners of the parent	**12,214**	**(50)**	**12,164**
Financial position			
Total assets	87,774	19	87,793
Net current assets/(liabilities)	43,640	18	43,658

	30.06.21 Core £'000	30.06.21 CPaaS £'000	30.06.21 Total £'000
Income statement			
Revenue	58,124	2,426	60,550
Gross profit	47,768	1,215	48,983
Profit/(loss) before income tax	12,812	(798)	12,014
Total comprehensive income attributable to the owners of the parent	**11,403**	**(899)**	**10,504**
Financial position			
Total assets	74,976	111	75,087
Net current assets/(liabilities)	34,974	(31)	34,943

4. Employees and Directors

	30.06.22 £'000	30.06.21 £'000
Wages and salaries	24,650	22,005
Social security costs	2,396	2,228
Other pension costs	562	534
	27,608	**24,767**

The average monthly number of employees during the year is as follows:

	30.06.22	30.06.21
Directors	5	5
Sales and marketing product	157	160
Development and system engineers	117	105
Administration	69	69
	348	**339**

Included in the total employees cost above, £6,194,834 (2021: £5,198,785) was capitalised in relation to internally generated development costs.

5. Exceptional costs

Continuing exceptional costs incurred in the year relate to the amortisation of acquired intangibles of £120,000 (2021: £120,000), senior management settlement costs of £355,053 (2021:£nil) and the acquisition costs of Comapi of £nil (2021: £68,095).

6. Net finance income

	30.06.22 £'000	30.06.21 £'000
Finance income:		
Deposit account interest	57	20
Finance cost:		
Finance lease interest	(57)	(74)
	–	**(54)**

7. Operating profit

Costs by nature

Profit from continuing operations has been arrived at after charge and crediting:

	30.06.22 £'000	30.06.21 £'000
Outsourcing and tech infrastructure	11,570	10,356
Total cost of sales	**11,570**	**10,356**

	30.6.22 £'000	30.6.21 £'000
Direct marketing	3,066	2,976
Partner commission	2,125	2,198
Staff-related costs (inc Directors' emoluments)	20,290	19,208
Auditor's remuneration	81	52
Amortisation of intangibles*	6,001	4,675
Depreciation charge*	1,080	1,410
Legal, professional and consultancy fees	1,028	848
Computer expenditure	802	538
Bad debts	682	897
Foreign exchange losses/(gains)	(452)	543
Travel and subsistence costs	119	87
Office running	413	388
Gain on disposal of property, plant and equipment	–	(2)
Staff welfare	432	342
Other costs	1,059	549
Management charge	–	(620)
Total administrative expenses	**36,726**	**34,089**

During the year the Group obtained the following services from the Group's auditor at costs detailed below:

	30.06.22 £'000	30.06.21 £'000
Fees payable to the Company's auditor for the audit of Parent Company and consolidated financial statements	33	28
Fees payable to the Company's auditor for other services		
– audit of Company subsidiaries	45	47
– review of interim accounts	3	5
	81	**80**

* Both amortisation of intangibles and depreciation charge will not agree to the relevant notes as these numbers exclude amounts capitalised as development expenditure, amounts included in exceptional costs and amounts in cost of sales.

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

8. Income tax expense

Analysis of the tax charge from continuing operations:

	30.06.22 £'000	30.06.21 £'000
Current tax on profits for the year	1,180	1,008
Changes in estimates related to prior year	142	(53)
Deferred tax on origination and reversal of timing differences	452	367
	1,774	**1,322**

Analysis of the tax charge from discontinuing operations:

	30.6.22 £'000	30.6.21 £'000
Current tax on profits for the year	–	–
Deferred tax on origination and reversal of timing differences	–	101
	–	**101**

Factors affecting the tax charge:

	30.06.22 £'000	30.06.21 £'000
Profit on ordinary activities from all operations before tax	**13,605**	**12,014**
Profit on ordinary activities multiplied by the average rate of corporation tax suffered globally: 19% (2021: 19%)	2,585	2,283
Effects of:		
Adjustment in respect of prior years	142	(102)
Expenses not deductible	98	673
Research and development enhanced claim	(1,439)	(1,266)
Income not taxable	(21)	(505)
Share options	71	11
Tax rate changes	291	375
Effects of overseas tax rates	38	(36)
Other	9	(10)
Total tax charge for the year	**1,774**	**1,423**

Taxation for each region is calculated at the rates prevailing in the respective jurisdiction.

The main rate of UK corporation tax in the period was 19% (2021: 19%). Finance Act 2021 makes provision for the rate of corporation tax in the UK to increase (from 1 April 2023) from 19% to 25%. UK deferred balances have therefore been recognised at 25% in the period (2021: 25%).

9. Profit of Parent Company

The profit and loss account of the Parent Company is not presented as part of these financial statements. The Parent Company's profit before exceptional items for the financial year was £4,163,416 (2021: £3,879,692)

10. Dividends

Amounts recognised as distributions to equity holders in the period.

	30.06.22 £'000	30.06.21 £'000
Paid dividend for year end 30 June 2021 of 0.86p (2020: 0.83p) per share	2,564	2,472
Proposed dividend for the year end 30 June 2022 of 0.98p (2021: 0.86p) per share	**2,925**	**2,583**

The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

11. Earnings per share

Earnings per share data is based on the consolidated profit using and the weighted average number of shares in issue of the Parent Company. Basic earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares. Adjusted earnings per share is based on the consolidated profit deducting the acquisition related exceptional costs and share-based payment.

A number of non-IFRS adjusted profit measures are used in this Annual Report and financial statements. Adjusting items are excluded from our headline performance measures by virtue of their size and nature, in order to reflect management's view of the performance of the Group. Summarised below is a reconciliation between statutory results to adjusted results. The Group believes that alternative performance measures such as adjusted EBITDA are commonly reported by companies in the markets in which it competes and are widely used by investors in comparing performance on a consistent basis without regard to factors such as depreciation and amortisation, which can vary significantly depending upon accounting methods (particularly when acquisitions have occurred), or based on factors which do not reflect the underlying performance of the business. The adjusted profit after tax earnings measure is also used for the purpose of calculating adjusted earnings per share.

Reconciliations to earnings figures used in arriving at adjusted earnings per share are as follows:

From all operations	30.06.22 £'000	30.06.21 £'000
Profit for the year attributable to the owners of the parent	11,831	10,591
Amortisation of acquisition-related intangible fixed assets (see note 14)	120	120
Other exceptional costs (see note 5)	355	68
Share-based payment (see note 28)	456	625
Adjusted profit for the year attributable to the owners of the parent	**12,762**	**11,404**

Management does not consider the above adjustments to reflect the underlying business performance. The other exceptional costs relate to senior management settlement costs.

	30.6.22 £'000	30.6.21 £'000
Adjusted profit for the year attributable to the owners of the parent for continuing operations	12,762	12,303
Adjusted loss for the year attributable to the owners of the parent for discontinued operations	–	(899)
Adjusted profit for the year attributable to the owners of the parent	**12,762**	**11,404**

	30.06.22		
From all operations	Earnings £'000	Weighted average number of shares	Per share Amount Pence
Basic EPS			
Profit for the year attributable to the owners of the parent	11,831	298,995,582	3.96
Adjusted Basic EPS			
Adjusted profit for the year attributable to the owners of the parent	12,762	298,995,582	4.27
Options and warrants	–	6,222,724	–
Diluted EPS			
Profit for the year attributable to the owners of the parent	11,831	305,218,306	3.88
Adjusted Diluted EPS			
Adjusted profit for the year attributable to the owners of the parent	**12,762**	**305,218,306**	**4.18**
From continuing operations			
Basic EPS			
Profit for the year attributable to the owners of the parent	11,831	298,995,582	3.96
Adjusted Basic EPS			
Adjusted profit for the year attributable to the owners of the parent	12,762	298,995,582	4.27
Options and warrants	–	6,222,724	–
Diluted EPS			
Profit for the year attributable to the owners of the parent	11,831	305,218,306	3.88
Adjusted Diluted EPS			
Adjusted profit for the year attributable to the owners of the parent	**12,762**	**305,218,306**	**4.18**

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

11. Earnings per share continued

From all operations	30.06.21 Earnings £'000	Weighted average number of shares	Per share Amount Pence
Basic EPS			
Profit for the year attributable to the owners of the parent	10,591	298,598,459	3.55
Adjusted Basic EPS			
Adjusted profit for the year attributable to the owners of the parent	11,404	298,598,459	3.82
Options and warrants	–	4,322,868	–
Diluted EPS			
Profit for the year attributable to the owners of the parent	10,591	302,921,327	3.50
Adjusted Diluted EPS			
Adjusted profit for the year attributable to the owners of the parent	**11,404**	**302,921,327**	**3.76**
From continuing operations			
Basic EPS			
Profit for the year attributable to the owners of the parent	11,490	298,598,459	3.85
Adjusted Basic EPS			
Adjusted profit for the year attributable to the owners of the parent	12,303	298,598,459	4.12
Options and warrants	–	4,322,868	–
Diluted EPS			
Profit for the year attributable to the owners of the parent	11,490	302,921,327	3.79
Adjusted Diluted EPS			
Adjusted profit for the year attributable to the owners of the parent	**12,303**	**302,921,327**	**4.06**

From discontinuing operations	Earnings £'000	Weighted average number of shares	Per share Amount Pence
Basic EPS			
Loss for the year attributable to the owners of the parent	(899)	298,598,459	(0.30)
Adjusted Basic EPS			
Adjusted loss for the year attributable to the owners of the parent	(899)	298,598,459	(0.30)
Options and warrants	–	4,322,868	–
Diluted EPS			
Loss for the year attributable to the owners of the parent	(899)	302,921,327	(0.30)
Adjusted Diluted EPS			
Adjusted loss for the year attributable to the owners of the parent	**(899)**	**302,921,327**	**(0.30)**

Weighted average number of shares

	30.06.22 Shares	30.06.21 Shares
Basic EPS	298,995,582	298,598,459
Diluted EPS	305,218,306	302,921,327

12. Continuing and discontinuing operations

The analysis between continuing and discontinued operation is as follows:

Year ended 30 June 2022	Continuing operations £'000	Discontinuing operations £'000	Total £'000
Revenue	62,832	–	62,832
Cost of sales	(11,570)	–	(11,570)
Gross profit	51,262	–	51,262
Administrative expense	(36,726)	–	(36,726)
Shared-based payments	(456)	–	(456)
Exceptional costs	(475)	–	(475)
Operating profit	**13,605**	**–**	**13,605**
Finance income	57	–	57
Finance costs	(57)	–	(57)
Profit before income tax	**13,605**	**–**	**13,605**
Income tax expense	(1,774)	–	(1,774)
Profit for the year	**11,831**	**–**	**11,831**

Year ended 30 June 2021	Continuing operations £'000	Discontinuing operations £'000	Total £'000
Revenue	58,124	2,426	60,550
Cost of sales	(10,356)	(1,211)	(11,567)
Gross profit	47,768	1,215	48,983
Administrative expense	(34,089)	(2,012)	(36,101)
Shared-based payments	(625)	–	(625)
Exceptional costs	(188)	–	(188)
Operating profit	**12,866**	**(797)**	**12,069**
Finance income	20	–	20
Finance costs	(74)	(1)	(75)
Profit before income tax	**12,812**	**(798)**	**12,014**
Income tax expense	(1,322)	(101)	(1,423)
Profit for the year	**11,490**	**(899)**	**10,591**

13. Goodwill

Group

	30.06.22 £'000	30.06.21 £'000
Cost		
At 1 July	13,192	13,192
At 30 June	13,192	13,192
Impairment		
At 1 July	3,512	3,512
At 30 June	3,512	3,512
Net book value	**9,680**	**9,680**

Goodwill is allocated to the Groups cash generating unit (CGU) identified, being Dotdigital.

Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis, or more frequently if there are indications that goodwill may be impaired. Goodwill acquired in a business combination is allocated, at acquisition, to CGUs that are expected to benefit from that business combination.

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

13. Goodwill continued

The carrying amount of goodwill relates to the Group's trading activity and business segment. This has been tested for impairment during the current period by comparison with the recoverable amounts of the CGU. Recoverable amounts for CGUs are based on the higher of value in use and fair value less costs to sell. The recoverable amounts of the CGU have been determined from value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate for the continuing operations of the Group. These long-term growth rates are management's estimates. The discount rates used are pre-tax and reflect specific risks relating to the continuing operations of the Group.

The key assumptions for the value in use calculations are those regarding discount rates, growth rates, and expected changes in margins.

Discount rate

Management estimates discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the CGUs. The pre-tax discount rate used to calculate the value in use is 19.75% (2021: 6.2%). This has increased as a result of the increase in the cost equity which was impacted by both the decline in the share price at the year end compared to last year and the increase in dividend growth rate.

Growth rates

The growth rate is stated as the compound annual growth rates in the initial five years for the continuing operations of the Group which are then used for impairment testing. These are performed using the projected cash flows based on budgets approved by management over a five-year period. Cash flow projections from the sixth year onwards are based on an estimated constant growth rate. The growth rate used to calculate the value in use is 15% (2021: 14%).

Gross profit margin

Changes in income and expenditure are based on experience and expectations of the future changes in the market. The impairment review is based on these estimated gross profit margins which were included with the budgets approved by management over a five-year period. From the sixth year onwards, an assumed constant margin is used. The gross profit margin used to calculate the value in use in 75% (2021: 75%).

The valuations indicate sufficient headroom such that a reasonably possible change in key assumptions would not result in impairment of goodwill.

Sensitivity analysis

The principal variables used, being both the discount rate and growth rates, would need to change before an impairment is required, this being 161% (2021: 225%) discount rate and growth rate of -5% (2021: -21%).

14. Intangible assets

Group

	Customer relationships £'000	Technology £'000	Computer software £'000	Internally generated development costs £'000	Domain names £'000	Totals £'000
Cost						
At 1 July 2021	1,205	1,200	1,023	34,052	46	37,526
Additions	–	–	87	7,599	–	7,686
Exchange diferences	–	–	1	–	–	1
At 30 June 2022	**1,205**	**1,200**	**1,111**	**41,651**	**46**	**45,213**
Amortisation						
At 1 July 2021	1,205	430	874	18,847	36	21,392
Amortisation for the year	–	120	71	5,931	1	6,123
At 30 June 2022	**1,205**	**550**	**945**	**24,778**	**37**	**27,515**
Net book value						
At 30 June 2022	**–**	**650**	**166**	**16,873**	**9**	**17,698**

Group	Customer relationships £'000	Technology £'000	Computer software £'000	Internally generated development costs £'000	Domain names £'000	Totals £'000
Cost						
At 1 July 2020	1,205	1,200	954	27,255	42	30,656
Additions	–	–	69	6,797	4	6,870
At 30 June 2021	**1,205**	**1,200**	**1,023**	**34,052**	**46**	**37,526**
Amortisation						
At 1 July 2020	1,205	310	793	14,255	34	16,597
Amortisation for the year	–	120	81	4,592	2	4,795
At 30 June 2021	**1,205**	**430**	**874**	**18,847**	**36**	**21,392**
Net book value						
At 30 June 2021	**–**	**770**	**149**	**15,205**	**10**	**16,134**

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

Technology represents the cost that would be incurred to build the entire Comapi platform had the acquisition not occurred. Customer relationships represent the value of high-value customer contracts within Comapi.

15. Property, plant and equipment

Group	Right of use assets £000	Short leasehold £'000	Fixtures & fittings £'000	Computer equipment £'000	Totals £'000
Cost					
At 1 July 2021	5,384	725	754	2,614	9,477
Additions	167	–	–	465	632
Disposals	(60)	–	–	–	(60)
Exchange differences	64	6	19	23	112
At 30 June 2022	**5,555**	**731**	**773**	**3,102**	**10,161**
Depreciation					
At 1 July 2021	2,061	526	680	2,238	5,505
Depreciation for the year	983	61	40	236	1,320
Disposals	(45)	–	–	–	(45)
Exchange differences	56	6	16	18	96
At 30 June 2022	**3,055**	**593**	**736**	**2,492**	**6,876**
Net book value					
At 30 June 2022	**2,500**	**138**	**37**	**610**	**3,285**

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

15. Property, plant and equipment continued

Group

	Right of use assets £000	Short leasehold £'000	Fixtures & fittings £'000	Computer equipment £'000	Totals £'000
Cost					
At 1 July 2020	5,458	730	770	2,473	9,431
Additions	115	–	–	169	284
Disposals	(136)	–	(4)	(14)	(154)
Exchange differences	(53)	(5)	(12)	(14)	(84)
At 30 June 2021	**5,384**	**725**	**754**	**2,614**	**9,477**
Depreciation					
At 1 July 2020	1,058	465	632	2,014	4,169
Depreciation for the year	1,091	65	63	244	1,463
Disposals	(66)	–	(2)	(10)	(78)
Exchange differences	(22)	(4)	(13)	(10)	(49)
At 30 June 2021	**2,061**	**526**	**680**	**2,238**	**5,505**
Net book value					
At 30 June 2021	**3,323**	**199**	**74**	**376**	**3,972**

Included in the net carrying amount of property, plant and equipment are the right-of-use assets as follows:

	Properties £'000	Motor vehicles £'000	Totals £'000
Cost			
As at 1 July 2021	5,229	155	5,384
Termination of leases	(60)	–	(60)
Additions	167	–	167
Foreign currency translation	64	–	64
At 30 June 2022	**5,400**	**155**	**5,555**
Depreciation			
As at 1 July 2021	1,942	119	2,061
Depreciation for the year	953	30	983
Termination of leases	(45)	–	(45)
Foreign currency translation	56	–	56
At 30 June 2022	**2,906**	**149**	**3,055**
Net book value			
At 30 June 2022	**2,494**	**6**	**2,500**

	Properties £'000	Motor vehicles £'000	Totals £'000
Cost			
As at 1 July 2020	5,376	82	5,458
Termination of leases	(136)	–	(136)
Additions	42	73	115
Foreign currency translation	(53)	–	(53)
At 30 June 2021	**5,229**	**155**	**5,384**
Depreciation			
As at 1 July 2020	1,015	43	1,058
Depreciation for the year	1,010	81	1,091
Termination of leases	(65)	–	(65)
Foreign currency translation	(18)	(5)	(23)
At 30 June 2021	**1,942**	**119**	**2,061**
Net book value			
At 30 June 2021	**3,287**	**36**	**3,323**

16. Investments

Company

	Shares in Group undertakings 30.06.22 £'000	Shares in Group undertakings 30.06.21 £'000
Cost		
At 1 July	21,660	21,035
Additions	456	625
Disposals	–	–
At 30 June	**22,116**	**21,660**
Impairment		
At 1 July and 30 June	3,519	3,519
Impairment	234	–
At 30 June	**3,753**	**3,519**
Net book value		
At 30 June	**18,363**	**18,141**

The Group's or the Company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiaries	Nature of business	Class of share	Proportion of voting power held directly %
Dotdigital EMEA Limited	Omnichannel communication platform	Ordinary	100
Dotdigital Inc	Omnichannel communication platform	Ordinary	100
Dotdigital APAC Pty Limited	Omnichannel communication platform	Ordinary	100
Dotdigital B.V.	Omnichannel communication platform	Ordinary	100
dotmailer Development Ltd	Holding company	Ordinary	100
dotmailer SA Pty	Development hub	Ordinary	100
dotmailer LLC**	Development hub	Ordinary	100
Dotdigital SG Pte Limited	Omnichannel communication platform	Ordinary	100
Dynmark International Ltd	Omnichannel communication platform	Ordinary	100
Dynmark S.p z.o.o**	Development hub	Ordinary	100
Dotdigital Canada Inc	Consultancy services	Ordinary	100

** These are held indirectly at 100%.

All of the above subsidiaries have been included within the consolidated results, however Dynmark International Ltd was exempt from audit by virtue of s479A of Companies Act 2006 plus Dotdigital Canada Inc was also fully shut down before the year end. Dotdigital EMEA Limited, dotmailer Development Limited and Dynmark International Ltd were incorporated in England and Wales. Dotdigital Inc was incorporated in Delaware (US), Dotdigital APAC Pty Limited was incorporated in New South Wales (Australia), Dotdigital B.V. was incorporated in Netherlands, Dotdigital SG Pte Ltd was incorporated in Singapore, dotmailer SA Pty was incorporated in South Africa, dotmailer LLC was incorporated in the Republic of Belarus, Dynmark S.p. z.o.o. was incorporated in Poland and Dotdigital Canada Inc was incorporated in British Columbia (Canada).

Subsidiary	Registered office
Dotdigital EMEA Ltd	No.1 London Bridge, London SE1 9BG
Dynmark International Ltd	No.1 London Bridge, London SE1 9BG
dotmailer Development Ltd	No.1 London Bridge, London SE1 9BG
Dotdigital Inc	16192 Coastal Highway, Lewes, Delaware 19958-9776, County of Sussex, USA
Dotdigital Canada Inc	939 Granville Street, Vancouver, British Columbia, V6Z 1L3, Canada
Dotdigital APAC Pty Ltd	60/2 O'Connell Street, Parramatta, New South Wales 2150, Australia
Dotdigital SG Pte Ltd	Level 17, Frasers Tower, 182 Cecil Street, 069547 Singapore
dotmailer SA Pty Ltd	BDO Building, Wanderers Office Park, 52 Corlett Drive, Illovo, Johannesburg 2196, South Africa
Dotdigital B.V.	15 Hoogoorddreef, Amsterdam, 1101 BA, Netherlands
Dynmark s.p. z.o.o	Al. Jana Pawla II 22, 00-133 Warsaw, Poland
dotmailer LLC	Office 11-9, Tolbukhina Street, Minsk 220012, Belarus

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

17. Trade and other receivables

	Group		Company	
	30.06.22 £'000	30.06.21 £'000	30.06.22 £'000	30.06.21 £'000
Current:				
Trade receivables	10,748	10,895	–	–
Less: Provision for impairment of trade receivables	(1,892)	(1,785)	–	–
Trade receivables – net	8,856	9,110	–	–
Other receivables	52	60	–	–
Amounts owed by Group undertakings	–	–	1,426	–
VAT	–	–	34	52
Tax receivables	186	–	–	–
Prepayments and contract assets	4,117	4,180	845	88
	13,211	**13,350**	**1,545**	**140**

Further details on the above can be found in note 23.

Included within Group prepayments is an amount of £246,057 (2021: £299,016) in relation to deferred commission which is considered to be long-term. The Group has applied IFRS 9 simplified approach to measuring expected credit losses, the balances have been assessed based on each entitiy's ability to repay amounts owed and no expected credit loss has been recognised.

18. Cash and cash equivalents

	Group		Company	
	30.06.22 £'000	30.06.21 £'000	30.06.22 £'000	30.06.21 £'000
Bank accounts	43,919	31,951	163	85
	43,919	**31,951**	**163**	**85**

Further details on the above can be found in note 23.

19. Called up share capital

Allotted, issued, fully paid number	Nominal value	30.06.22 £'000	30.06.21 £'000
299,216,130 (2021: 298,778,630)	£0.005	1,496	1,494
		1,496	**1,494**

During the reporting period the Company undertook the following transactions involving the issuing of share capital:

On 1 April 2022 an employee exercised their share options, increasing the issued share capital by 437,500 shares.

20. Reserves

Group

	Retained earnings £'000	Share premium £'000	Reverse acquisition reserve £'000	Retranslation reserve £'000	Other reserves £'000	Totals £'000
As at 1 July 2021	54,081	7,124	(4,695)	(37)	3,066	59,539
Issue of share capital	–	–	–	–	–	–
Dividends	(2,564)	–	–	–	–	(2,564)
Profit for the year	11,831	–	–	–	–	11,831
Transfer of reserves	234	–	–	–	(234)	–
Deferred tax on share options	–	–	–	–	(1,283)	(1,283)
Other comprehensive income:						
Currency translation	–	–	–	333	–	333
Share-based payments	–	–	–	–	456	456
Balance as at 30 June 2022	**63,582**	**7,124**	**(4,695)**	**296**	**2,005**	**68,312**

	Retained earnings £'000	Share premium £'000	Reverse acquisition reserve £'000	Retranslation reserve £'000	Other reserves £'000	Totals £'000
As at 1 July 2020	45,655	6,967	(4,695)	50	1,600	49,577
Issue of share capital	–	157	–	–	–	157
Dividends	(2,472)	–	–	–	–	(2,472)
Profit for the year	10,591	–	–	–	–	10,591
Transfer of reserves	307	–	–	–	(307)	–
Deferred tax on share options	–	–	–	–	1,148	1,148
Other comprehensive income:						
Currency translation	–	–	–	(87)	–	(87)
Share-based payments	–	–	–	–	625	625
Balance as at 30 June 2021	**54,081**	**7,124**	**(4,695)**	**(37)**	**3,066**	**59,539**

Company

	Retained earnings £'000	Share premium £'000	Other reserves £'000	Totals £'000
As at 1 July 2021	7,570	7,124	1,690	16,384
Issue of share capital	–	–	–	–
Dividends	(2,564)	–	–	(2,564)
Profit for the year	4,163	–	–	4,163
Transfer in reserves	231	–	(231)	–
Share-based payments	–	–	456	456
As at 30 June 2022	**9,400**	**7,124**	**1,915**	**18,439**

	Retained earnings £'000	Share premium £'000	Other reserves £'000	Totals £'000
As at 1 July 2020	5,924	6,967	1,372	14,263
Issue of share capital	–	157	–	157
Dividends	(2,472)	–	–	(2,472)
Profit for the year	3,811	–	–	3,811
Transfer in reserves	307	–	–	307
Share-based payments	–	–	318	318
As at 30 June 2021	**7,570**	**7,124**	**1,690**	**16,384**

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

21. Trade and other payables

	Group		Company	
	30.06.22 £'000	30.06.21 £'000	30.06.22 £'000	30.06.21 £'000
Current:				
Trade payables	2,428	769	81	16
Amounts owed to Group undertakings	–	–	–	390
Social security and other taxes	68	29	–	–
Other payables	151	84	–	–
VAT	228	18	–	–
Accruals and contract liabilities	9,779	8,434	61	86
	12,654	**9,334**	**142**	**492**

Further details on liquidity and interest rate risk can be found in note 23. Amounts owed to Group undertakings are non-interest bearing and are repayable on demand.

22. Leasing liabilities

Group	Properties £'000	Motor vehicles £'000	Totals £'000
As at July 2021	3,359	64	3,423
Termination of leases	(15)	–	(15)
Additions	167	–	167
Principal repayments	(1,081)	(29)	(1,110)
Interest	89	1	90
Foreign currency translation	21	–	21
At 30 June 2022	**2,540**	**36**	**2,576**
Current	796	22	818
Non-current	1,744	14	1,758
At 30 June 2022	**2,540**	**36**	**2,576**

Group	Properties £'000	Motor vehicles £'000	Totals £'000
As at July 2020	4,427	40	4,467
Termination of leases	(67)	–	(67)
Additions	42	73	115
Principal repayments	(1,132)	(50)	(1,182)
Interest	110	1	111
Foreign currency translation	(21)	–	(21)
At 30 June 2021	**3,359**	**64**	**3,423**
Current	906	28	934
Non-current	2,453	36	2,489
At 30 June 2021	**3,359**	**64**	**3,423**

The properties are office leases located in various location where the term in ranging from one to eight years. The motor vehicles are company cars offered to senior staff where the term is always three years.

23. Financial instruments and risk management

The Group's activities expose it to a number of financial risks that include credit risk, liquidity risk, currency risk and interest rate risk. These risks and the Group's policies for managing them have been applied consistently during the year and are set out below.

The Group holds no financial or other non-financial instruments other than those utilised in the working operations of the Group and that are listed in this note. It is the Group's policy not to trade in derivative contracts.

Principal financial instruments

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

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

Financial instruments by category

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

	Group		Company	
	30.06.22 £'000	30.06.21 £'000	30.06.22 £'000	30.06.21 £'000
Financial assets				
Trade and other receivables	8,908	9,170	–	–
Amounts owed to Group undertakings	–	–	1,426	–
Bank balances	43,919	31,951	163	85
	52,827	**41,121**	**1,589**	**85**
Financial liabilities				
Trade payables	2,428	769	81	16
Amounts owed to Group undertakings	–	–	–	390
Accrued liabilities and other payables	9,779	8,221	61	86
	12,207	**8,990**	**142**	**492**

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

General objectives, policies and processes

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

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

Interest rate risk

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

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

Liquidity risk

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

Trade and other payables of £13,175,482 (2021: £10,221,000) are expected to mature in less than a year.

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

23. Financial instruments and risk management continued

Credit risk

Credit risk arises principally from the Group's trade receivables, as there are no trade receivables within the Company, which comprise amounts due from customers. Prior to accepting new customers, a credit check is obtained. As at 30 June 2021 there were no significant debts past their due period which had not been provided for. The maturity of the Group's trade receivables is as follows:

	30.06.22 £'000	30.06.21 £'000
0-30 days	6,225	5,734
30-60 days	2,572	2,701
More than 60 days	1,951	2,550
	10,748	**10,985**

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

	30.06.22 £'000	30.06.21 £'000
0-30 days	195	140
30-60 days	231	154
More than 60 days	1,466	1,491
	1,892	**1,785**

The movement in the provision for the impairment is as follows:

	30.06.22 £'000	30.06.21 £'000
As at 1 July	1,785	1,589
Provision for impairment	126	262
Receivable written off in the year	(19)	(66)
Unused amount reversed	–	–
As at 30 June	**1,892**	**1,785**

The Group minimises its credit risk by profiling all new customers and monitoring existing customers of the Group for changes in their initial profile. The level of trade receivables older than the average collection period consisted of a value of £2,055,923 (2021: £2,484,862) of which £1,476,586 (2021: £1,502,918) was provided for. The Group felt that the remainder would be collected post year-end as they were with long-standing relationships, and the risk of default is considered to be low and write-offs due to bad debts are extremely low. The Group has no significant concentration of credit risk, with the exposure spread over a large number of customers.

The credit risk on liquid funds is low as the counterparts are banks with high credit ratings assigned by international credit rating bodies. The majority of the Company's cash holdings are held at NatWest Bank, which has a BBB credit rating.

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

Capital policy

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

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

During the year the Group had a short-term loan balance of £nil (2021: £nil) and amounts payable over one year are nil (2021: £nil). The Group had a strong cash reserve to utilise for any short-term capital requirements that were needed.

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

Foreign currency exchange rate risk

Refer to foreign currency exchange rate risk under note 2 on page 63.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities (the Group does not hold any derivative financial instruments in the current or prior financial year).

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of the discounting is not significant.

	<6 months £'000	6 to 12 months £'000	1 to 2 years £'000	2 to 5 years £'000	Total contractual cash flows carrying amounts £'000
Contractual maturities at 30 June 2022					
Trade and other payables	12,654	–	–	–	12,654
Lease liabilities	425	392	741	1,018	2,576
Total non-derivatives	**13,079**	**392**	**741**	**1,018**	**15,230**

	<6 months £'000	6 to 12 months £'000	1 to 2 years £'000	2 to 5 years £'000	Total contractual cash flows carrying amounts £'000
Contractual maturities at 30 June 2021					
Trade and other payables	9,334	–	–	–	9,334
Lease liabilities	480	454	759	1,730	3,423
Total non-derivatives	**9,814**	**454**	**759**	**1,730**	**12,757**

24. Deferred tax

	30.06.22 £'000	30.06.21 £'000
As at 1 July	1,207	1,983
Current year provision	1,548	(776)
	2,755	**1,207**

The deferred tax liability above comprises the following temporary differences:

	30.06.22 £'000	30.06.21 £'000
Acquired intangibles	163	146
Capital allowances in excess of depreciation	82	38
Temporary differences	(82)	–
R&D relief in excess of amortisation	3,181	2,963
Share option relief	(453)	(1,805)
Losses	(136)	(135)
	2,755	**1,207**

Deferred tax provision relates to taxes to be levied by the same authority on the same entity expected to be settled at the same time. As such deferred tax assets and liabilities have been offset.

25. Capital commitments

The Company and Group have no capital commitments as at the year end.

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

26. Related party disclosures

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Group

The following transactions were carried out with related parties and were made on terms equivalent to those that prevail in arm's length transactions:

			30.06.22 £'000	30.06.21 £'000
Sale of services				
Ipswich Town Football Club	Entity under common Directorship	Email marketing services	5	4
Epwin Group Plc	Entity under common Directorship	Email marketing services	4	6
			9	**10**
Year end balances arising from sale of services				
Ipswich Town Football Club	Entity under common Directorship	Email marketing services	–	1
Epwin Group Plc	Entity under common Directorship	Email marketing services	–	1
			–	**2**

Directors

	30.06.22 £'000	30.06.21 £'000
Aggregate emoluments	938	1,136
Ex-gratia payment	213	–
Company contributions to money purchase pension scheme	25	26
Share-based payments from the LTIP options granted	176	347
	1,352	**1,509**

Directors' pay summary does include Non-Executive Directors and an ex-gratia payment related to a settlement payment made to the former Chief Financial Officer.

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

	30.06.22 £'000	30.06.21 £'000
Salaries	529	574
Other benefits	2	14
Pension costs	18	16
Share-based payments on the LTIP options granted	126	198
	675	**802**

Company

The following transactions were carried out with related parties:

			30.06.22 £'000	30.06.21 £'000
Year end balances arising from sales/purchase of services				
Dotdigital EMEA Limited	Subsidiary	Receivables/(Payables)	2,151	(651)
			2,151	**(651)**

The receivables and payables are unrestricted in nature and bear no interest. No provisions are held against receivables from related parties.

Loans to/from related parties

		30.06.22 £'000	30.06.21 £'000
Dotdigital EMEA Limited	Subsidiary		
As at 1 July		(1,041)	(3,545)
Loans advanced		5,653	5,075
Loans repaid		(3,886)	(2,571)
		(726)	**(1,041)**

IAS 24 Related Party Disclosure (Revised) allows disclosure exemption of transactions between wholly-owned subsidiaries that are eliminated on consolidation.

27. Ultimate controlling party

There is no ultimate controlling party of the Group. Dotdigital Group Plc acts as the Parent Company to Dotdigital EMEA Limited, Dotdigital Inc, Dotdigital APAC Pty Limited, Dotdigital B.V., Dotmailer Development Limited, dotmailer SA Pty, dotmailer LLC, Dotdigital SG Pte. Limited, Dynmark International Ltd, Dotdigital Canada Inc and Dynmark S.p. z.o.o.

28. Share-based payment transactions

The measurement requirements of IFRS 2 have been implemented in respect of share options that were granted after 7 November 2002. The expense recognised for share-based payment made during the year is £455,549 (2021: £625,000).

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

Movement in issued share options during the year

The table below illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the period. The options outstanding at 30 June 2022 had a WAEP of 32.63p (2021: 26.05p) and a weighted average contracted life of 5.82 years (2021: 5.14 years) and their exercise prices ranged from 0.5p to 181.2p. All share options are settled in form of equity issued.

	30.06.22		30.06.21	
	No. of options	WAEP	No. of options	WAEP
Outstanding at the beginning of the period	4,292,735	26.05p	3,910,984	51.09p
Granted during the year	2,463,663	89.85p	1,093,728	104.67p
Forfeited/cancelled during the period	(259,562)	137.88p	(480,992)	13.03p
Exchanged for shares	(437,500)	0.50p	(230,985)	68.50p
Outstanding at the end of the period	6,059,337	49.04p	4,292,735	26.05p
Exercisable at the end of the period	–	–	–	–

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

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

Notes to the consolidated financial statements continued

For the year ended 30 June 2022

28. Share-based payment transactions continued

	19 December 2017	24 October 2018	14 December 2020	15 December 2021	14 April 2022
Number of options granted	1,375,000	2,305,000	535,920	567,300	1,367,547
Share price at grant date	85.95p	77.5p	148.0p	181.0p	90.0p
Exercise price	0.50p	0.50p	147.5p	181.2p	86.5p
Option life in years	5 years	5 years	10 years	10 years	10 years
Risk-free rate	1.33%	1.23%	(0.01)%	0.54%	1.68%
Expected dividend yield	1%	1%	0.56%	0.46%	0.96%
Fair value of options	65.3p	52.7p	47.0p	62.0p	42.0p

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

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

29. Group reconciliation of profit before corporation tax to cash generated from operations

	Group		Company	
	30.06.22 £'000	30.06.21 £'000	30.06.22 £'000	30.06.21 £'000
Current				
Profit before tax from all operations	13,605	12,014	4,163	3,811
Amortisation	6,123	4,795	–	–
Depreciation	1,124	1,267	2	2
Exceptional costs	–	68	–	–
Finance lease non-cash movement	152	(48)	–	–
Gain on disposal of fixed assets	–	(2)	–	–
Loss on disposal of investments	–	–	–	–
Share-based payments	456	625	–	–
Impairment on investment	–	–	235	–
Finance expense	57	75	–	–
	21,517	**18,794**	**4,400**	**3,813**
(Increase)/decrease in trade receivables	325	(363)	(1,405)	657
Increase in trade payables	3,320	(462)	(350)	(2,464)
Cash generated from operations	**25,162**	**17,969**	**2,645**	**2,006**

30. Group cash and cash equivalents

The amounts disclosed in the statement of cash flow in respect of cash and cash equivalents are in respect of these statements of financial position amounts:

	Group £'000	Company £'000
As at 1 July 2020	25,383	396
As at 30 June 2021	31,951	85
As at 30 June 2022	**43,919**	**163**

31. Project development

During the year the Group incurred £7,599,073 (2021: £6,797,279) in development investments. All resources utilised in development have been capitalised as outlined in the accounting policy governing this area.

32. Events after the end of the reporting period

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

Company information

For the year ended 30 June 2022

Directors:
P Amin (resigned 31 March 2022)
J Conoley (appointed 5 July 2022)
A Gurney (appointed 19 September 2022)
B Huard
M O'Leary (resigned 5 July 2022)
M Patel
E Richards

Company Secretary:
G Kasparian

Registered office:
No. 1 London Bridge
London
SE1 9BG

Registered number:
06289659 (England and Wales)

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

Nomad/broker:
Canaccord Genuity
88 Wood Street
London
EC2V 7QR

Joint broker:
FinnCap
1 Barthlomew Close
London
EC1A 7BL

Singer
1 Bartholomew Lane
London
EC2N 2AX

Solicitors:
BPE Solicitors LLP
St James House
St James Square
Cheltenham
GL50 3PR

Notes

Our clients

EMEA Head Office
London
No.1 London Bridge
London
SE1 9BG
United Kingdom

Americas Head Office
New York
333 7th Avenue
Floor 18
NYC, NY 10001
USA

APAC Head Office
Sydney
Level 4
213 Clarence Street
Sydney, 2000
Australia

dotdigital GROUP PLC