ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2021
FOR
DIGITAL SHADOWS LTD

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COMPANIES HOUSE

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COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2021

DIRECTORS:

Mr J M Chappell Mr A Paterson Mr D J Moskowitz

REGISTERED OFFICE:

Floor 6

7 Westferry Circus Canary Wharf London

E14 4HD

REGISTERED NUMBER:

07637356 (England and Wales)

AUDITORS:

BDO LLP

55 Baker Street

London W1U 7EU

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their strategic report of the company and the group for the year ended 31 December 2021.

Principal Activity

The Company provides cyber situational awareness that helps organizations protect against Cyber-attacks, loss of data and intellectual property, and reputational risk. Its flagship solution, Digital Shadows SearchLight™, is a scalable and easy-to-use data analysis platform that provides a holistic view of an organization's digital footprint and risk profile. SearchlightTM in conjunction with the company's intelligence analysts, continually monitors more than 100 million data sources in over 20 languages across the visible, deep and dark web and other online sources to create an up-to-the minute view of an organization's digital risk profile and provide remediation options.

REVIEW OF BUSINESS

The company's key financial and other performance indicators during the year are as follows:

	2021	2020	Change %
Turnover	£11,411,673	£10,313,828	10.6%
Gross profit	£10,051,027	£8,922,357	12.6%
Gross profit %	88.1%	86.5%	1.6%
Operating loss	(£3,805,564)	(£4,515,058)	(15.7%)
EBITDA	(£3,366,147)	(£3,995,286)	(15.7%)

EBITDA is calculated as the loss before interest, tax, depreciation and amortisation.

During the financial year 2021 the company continued to focus its efforts on supporting our existing client base with enhanced alerts, better integrations to other cyber security tools and geographic coverage. The global Covid crisis drove increased awareness of remote worker cyber security needs and in the second year of the pandemic, the Company saw notable sales growth and momentum.

The company continues to generate losses, as per board approved direction for growth over profitability, however the gap continued to narrow and is trending in a very good direction.

Funding of losses by Digital Shadows Inc (parent) continued in 2021 with issuance of 6,650 additional shares of Digital Shadows Ltd for total consideration of £4,831,280.

The Company had strong growth in 2021 showing a revenue increase of 10.6% in the EMEA region with increasing demand and sales productivity while growing Operating Expenses by only 4.1%. The latter due to continued caution and spend management in areas of travel and trade shows expenses and headcount growth. Notable fluctuations to Assets include a cash increase of 602% which is due to timing of funding from the parent company. On Liabilities: we note an increase in deferred revenue due to an increase in sales (and a particularly strong Q4 2021) and notable payroll accruals increase due to higher employee bonus and sales commissions.

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

PRINCIPAL RISKS AND UNCERTAINTIES

The key risk areas for the business are:

- Business volatility affecting budgets and financial viability due to the Corona virus pandemic
- Ongoing competitive pressures in the cyber security and digital risk markets causing competition for budget prioritization and pricing pressure
- Exposure to adverse movements in currency (notably weakening GBP & Euro against USD), due to the global nature of our transactions

Covid-19 impact

The global pandemic has produced business volatility and introduced greater uncertainty of revenue. The company has responded by introducing cash conservation measures. Despite vaccination gains and seeming economic recoveries, uncertainty of Covid variant resurgence remain a concern.

Competition

Competition in the cyber security and digital risk management sectors continues as remote working and cyberattacks increase in number and complexity. As a result, pricing pressure and demonstrated value continue to be an area of risk and opportunity as vendors jockey for prioritization of prospect budgets.

Foreign currency

Exposure to currency fluctuations remains an ongoing risk. Primary exposure is to the Euro and USD as, aside from GBP, the Company transacts mainly in these currencies. Given geographic dispersion of Company clients, vendors and personnel, the Company has reasonable coverage for these currencies as regards in and out flows of each.

Brexit

The directors of the company continue to assess the possible impact of Brexit on its operations, including but not limited to:

- New VAT and customs rules that may apply to trade with the EU;
- Restrictions on movement of company personnel or legal documentation needs.

The directors do not consider Brexit to represent significant risk to the company's operations.

These risks are mitigated as much as possible by continuing to expand our customer base, expanding our product capabilities and criticality and developing new sales channels.

All risks and uncertainties are regularly monitored by management and the Board of Directors of the company.

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

SUBSEQUENT EVENTS AND FUTURE DEVELOPMENTS

We assessed the risk of impact from the Ukraine/Russia conflict as negligible for Digital Shadows specifically but will continue to monitor the situation for the wide-ranging impact on cyber security sources and clients in general.

On July 6, 2022 Digital Shadows was acquired by ReliaQuest LLC. The combined company holds a much stronger market position, suite of offerings and funding sources. As the two companies complete integration activities and develop joint offerings through 2022, we expect a bright future and prospects ahead.

ON BEHALF OF THE BOARD:

	— DocuSigned by: ———————————————————————————————————
Mr J M	Chappell - Director
	06 October 2022
Date:	

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2021.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2021.

The loss for the year, after tax, amounted to £3,469,374 (2020: £3,575,216).

DIRECTORS

Mr J M Chappell has held office during the whole of the period from 1 January 2021 to the date of this report.

Other changes in directors holding office are as follows:

Mr G T Farrell – appointed 6 July 2022 Mr J P Keeling – appointed 6 July 2022 Mr C N O'Connor – appointed 6 July 2022 Mrs L L Tanner – appointed 6 July 2022 Mr D J Moskowitz – resigned 6 July 2022 Mr A Paterson – resigned 6 July 2022

GOING CONCERN

The financial statements at 31 December 2021 show that the group generated a loss for the year of £3,469,374 (2020: £3,575,216). The balance sheet showed cash reserves at December 31 2021 of £4,005,258 (2020: £569,965) and a net liability position of £1,923,970 (2020: £3,622,906). These results, and the nature of support required from the ultimate parent indicates the Group, and Company, is dependent on support from the ultimate parent undertaking in order to continue as a going concern.

Since its inception the wider Group has been able to attract sufficient investment to advance its growth strategy and to support the wider Group settle obligations as they fall due. Digital Shadows Inc, the immediate parent company, is now a wholly-owned subsidiary of ReliaQuest LLC, which will provide additional cash to enable the wider Group to continue as a going concern for the foreseeable future, therefore being in a position to support Digital Shadows Ltd, and its subsidiaries, as required. Confirmation has been obtained from both ReliaQuest LLC and Digital Shadows, Inc. of their intention to continue their support for Digital Shadows Ltd, and its subsidiaries, for the foreseeable future.

Following the assessment above, the Directors have reasonable expectation that the wider Group has adequate resources to continue in operational existence for the foreseeable future, and provide the necessary support to the Company. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the 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

The auditors, BDO LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

	DocuSigned by: 52B8D72820C143C	
Mr J M	Chappell - Director	
Date:	06 October 2022	

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF DIGITAL SHADOWS LTD

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Digital Shadows Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2021 which comprise the Consolidated Income Statement, Consolidated and Company Balance Sheets, Consolidated and Company Statement of Changes in Equity, Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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 or 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF DIGITAL SHADOWS LTD

Other information

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

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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

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

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

Responsibilities of directors

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

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF DIGITAL SHADOWS LTD

Auditors' responsibilities for the audit of the financial statements

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

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

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

We considered the laws and regulations of the UK to be the most relevant to the audit given the operations of the Company. As part of our audit fieldwork, we reviewed and held meetings with the relevant internal management to form our opinion on the extent of Company compliance.

In addition, our testing also included, but was not limited to:

- Testing the financial statement disclosures to supporting documentation, performing substantive testing on account balances which were considered to be a greater risk of susceptibility to fraud;
- Performing targeted journal entry testing based on identified characteristics the audit team considered could be indicative of fraud;
- Critically assessing the accounting policies and areas of the financial statements which include judgement and estimates, as set out in the financial statements.

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

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

Use of our report

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

--- DocuSigned by:

David Butcher

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David Butcher (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor

To and on behalf of bbo EEF, Statutory Au

London, UK

Date: 6th October 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
TURNOVER	3	11,411,673	10,313,828
Cost of sales		1,360,646	1,391,471
GROSS PROFIT		10,051,027	8,922,357
Administrative expenses		14,243,645	13,602,719
		(4,192,618)	(4,680,362)
Other operating income	4	387,054	165,304
OPERATING LOSS	6	(3,805,564)	(4,515,058)
Interest payable and similar expenses	8	10,676	. 5
LOSS BEFORE TAXATION		(3,816,240)	(4,515,063)
Tax on loss	9	(346,866)	(939,847)
LOSS FOR THE FINANCIAL YEAR		(3,469,374)	(3,575,216)
OTHER COMPREHENSIVE INCOME Exchange rate on translation		(6,364)	7,595
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF INCOME TAX		(6,364)	7,595
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		(3,475,738)	(3,567,621)
Loss attributable to: Owners of the parent		(3,469,374)	(3,575,216)
Total comprehensive income attributal Owners of the parent	ble to:	(3,475,738)	(3,567,621)

CONSOLIDATED BALANCE SHEET 31 DECEMBER 2021

		2021		2	020
	Notes	£	£	£	£
FIXED ASSETS	40		C0 626		465.069
Tangible assets Prepayments and accrued income	12 14		68,636 1,175,886		465,068 871,569
r repayments and accraca moonis	• •		1,110,000		
			1,244,522		1,336,637
CURRENT ASSETS					
Debtors	14	5,085,369		5,006,350	
Cash at bank and in hand		4,005,258		569,965	
005017000		9,090,627		5,576,315	
CREDITORS Amounts falling due within one year	15	11,211,525		9,153,185	
NET CURRENT LIABILITIES			(2,120,898)		(3,576,870)
TOTAL ASSETS LESS CURRENT LIABILITIES			(876,376)		(2,240,233)
CREDITORS					
Amounts falling due after more than on	e 16		1 047 504		1 202 672
year	10		1,047,594		<u>1,382,673</u>
NET LIABILITIES			(1,923,970)		(3,622,906)
CAPITAL AND RESERVES					
Capital AND RESERVES Called up share capital	19		143		136
Share premium	20		26,920,871		22,089,598
Translation reserve	20		22,134		28,498
Capital contribution reserve	20		1,520,339		1,176,945
Retained earnings	20		(30,387,457)		(26,918,083)
SHAREHOLDERS' FUNDS			(1,923,970)		(3,622,906)

CONSOLIDATED BALANCE SHEET - continued 31 DECEMBER 2021

The	financial	statements	were	approved	by	the	Board	of	Directors	and	authorised	for	issue
on	06 Octo	ber 2022	a ı	nd were sigi	ned (on its	behalf b	y:					

Mr J M Chappell - Director

COMPANY BALANCE SHEET 31 DECEMBER 2021

		2021		2020		
	Notes	£	£	£	£	
FIXED ASSETS	40		05.447		400,000	
Tangible assets	12 13		65,417		462,989	
Investments Prepayments and accrued income	14		35,168 1,175,886		35,168 871,569	
riepayments and accided income	14		1,175,860		0/1,509	
			1,276,471		1,369,726	
CURRENT ASSETS						
Debtors	14	5,559,433		5,018,109		
Cash at bank and in hand		3,956,827		519,654		
		9,516,260		5,537,763	•	
CREDITORS Amounts falling due within one year	15	11,839,220		9,262,236		
NET CURRENT LIABILITIES			(2,322,960)		(3,724,473)	
TOTAL ASSETS LESS CURRENT LIABILITIES			(1,046,489)		(2,354,747)	
CREDITORS						
Amounts falling due after more than one year	16		1,047,594		1,382,673	
NET LIABILITIES			(2,094,083)		(3,737,420)	
CAPITAL AND RESERVES						
Called up share capital	19		143		136	
Share premium	20		26,920,871		22,089,598	
Capital contribution reserve	20		1,520,339		1,176,945	
Retained earnings	20		(30,535,436)		(27,004,099)	
SHAREHOLDERS' FUNDS			(2,094,083)		(3,737,420)	

COMPANY BALANCE SHEET - continued 31 DECEMBER 2021

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss after tax of the parent company for the year was £3,531,338 (2020: £3,604,441).

J. W.

Mr J M Chappell - Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

·	Share capital £	Share premium £	Retained Earnings £	Translation Reserve £	Capital contribution reserve £	Total £
Balance at 31 December 2019	134	20,409,043	(23,342,867)	20,903	903,226	(2,009,561)
Changes in equity						
Issue of share capital	2	1,680,555				1,680,557
Share based payments					273,719	273,719
Exchange differences on translation of foreign oper	erations			7,595		7,595
Loss for the year			(3,575,216)			(3,575,216)
Balance at 31 December 2020	136	22,089,598	(26,918,083)	28,498	1,176,945	(3,622,906)
Issue of share capital	7	4,831,273				4,831,280
Share based payments					343,394	343,394
Exchange differences on translation of foreign ope	erations			(6,364)		(6,364)
Loss for the year			(3,469,374)			(3,469,374)
Balance at 31 December 2021	143_	26,920,871	(30,387,457)	22,134	1,520,339	(1,923,970)

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £	Share premium £	Retained Earnings £	Capital contribution reserve £	Total £
Balance at 31 December 2019	134	20,409,043	(23,399,658)	903,226	(2,087,255)
Changes in equity					
Issue of share capital	2	1,680,555			1,680,557
Share based payments				273,719	273,719
Loss for the year			(3,604,441)		(3,604,441)
Balance at 31 December 2020	136	22,089,598	(27,004,099)	1,176,945	(3,737,420)
Issue of share capital	7	4,831,273			4,831,280
Share based payments				343,394	343,394
Loss for the year			(3,531,338)		(3,531,338)
Balance at 31 December 2021	143	26,920,871	(30,535,436)	1,520,339	(2,094,083)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Cash flows from operating activities Cash generated from operations Interest paid Tax paid	24	(2,888,399) (10,676) 697,943	(1,857,946) (5) (19,823)
Net cash from operating activities		(2,201,132)	(1,877,774)
Cash flows from investing activities Purchase of tangible fixed assets Net cash from investing activities		(42,924) (42,924)	(29,399) (29,399)
Cash flows from financing activities Group loan (repayment) / receipt Share issue		848,069 _4,831,280	(633,674) _1,680,557
Net cash from financing activities		<u>5,679,349</u> 	1,046,883
Increase/(decrease) in cash and cash Cash and cash equivalents at	n equivalents	3,435,293	(860,290)
beginning of year	25	569,965	1,430,255
Cash and cash equivalents at end of year	25	4,005,258	569,965

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. STATUTORY INFORMATION

Digital Shadows Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Going concern

The financial statements at 31 December 2021 show that the group generated a loss for the year of £3,469,374 (2020: £3,575,216). The balance sheet showed cash reserves at 31 December 2021 of £4,005,258 (2020: £569,965) and a net liability position of £1,923,970 (2020: £3,622,906). These results, and the nature of support required from the ultimate parent indicates the Group, and Company, is dependent on support from the ultimate parent undertaking in order to continue as a going concern.

Since its inception the wider Group has been able to attract sufficient investment to advance its growth strategy and to support the wider Group settle obligations as they fall due. Digital Shadows Inc, the ultimate parent company, is now a wholly-owned subsidiary of ReliaQuest LLC, which will provide additional cash to enable the wider Group to continue as a going concern for the foreseeable future, therefore being in a position to support Digital Shadows Ltd, and its subsidiaries, as required. Confirmation has been obtained from both ReliaQuest LLC and Digital Shadows, Inc of their intention to continue their support for Digital Shadows Ltd, and its subsidiaries, for the foreseeable future.

Following the assessment above, the Directors have reasonable expectation that the wider Group has adequate resources to continue in operational existence for the foreseeable future, and provide the necessary support to the Company. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

Financial Reporting Standard 102 - reduced disclosure exemptions

The group has taken advantage of the following disclosure exemption in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

the requirement of paragraph 33.7.

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

Basis of consolidation

The group consolidates the accounts of Digital Shadows Ltd and its subsidiaries from 1 January 2021 to 31 December 2021 using the acquisition method of accounting.

In accordance with S.408 of the Companies Act 2006, the company is exempt from publishing its individual profit and loss account.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reporting results of operations during the reporting period. In preparing these financial statements, the directors have made the following judgements and estimates:

- Determining whether the revenue recognition criteria have been met and a sale is to be recognised. Criteria can be found in the turnover accounting policy below.
- Determining whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such decision include the economic viability and expected future performance of an asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determining the useful lives of tangible fixed assets. Depreciation is provided to write down the cost of tangible fixed assets over their estimated useful lives. The selection of the useful lives gives rise to estimation uncertainty. The useful lives are reviewed annually by management.
- Determining if any provision for bad debts is required. Management review the groups aged debtors on an ongoing basis. The level of any provision is specific based on present information about the customers' ability to pay.
- Determining valuation of share based payments. The method of valuation is shown in the accounting policy below.

Actual results may ultimately differ from management's estimates and such differences could be material to the financial position and results of operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

Turnover

The company generates revenue from subscription fees paid by its customers to access the Company's hosted software systems and related support services, and to a much lesser extent, from associated professional services. Subscriptions are generally between one and three years in length and do not contain the general rights of return. Arrangements with customers do not provide customers with the contractual right to take possession of the company's software at any point in time.

Revenue is recognised for subscription fees and professional services when all of the following criteria have been satisfied:

- Persuasive evidence of an arrangement exists subscription agreements and customer purchase orders are used to determine existence of an arrangement.
- Fees are fixed and determinable an assessment is made based on the payment terms associated with the transaction.
- The service has been or is being provided to the customer delivery of the hosting service is deemed to occur when it has been activated and communicated to the customer; professional services revenue is recognised as the services are rendered.
- Collectability is reasonably assured collectability is assessed based on credit analysis and payment history.

Revenue excludes VAT and any other sales taxes.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Short leasehold

- 25% on cost

Fixtures and fittings

- 25% on cost

Equipment

- straight line over 3 years and 25% on cost

All fixed assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purpose of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

Government grants

The entity has adopted the use of the accruals model in respect of grants received.

Any grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognised in 'Other income', in the period to which it relates.

Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities, like trade and other accounts receivable and payable, loans from banks and other third parties and loans to / from related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently measured at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted transaction price less any impairment.

If the arrangements of a short term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of the estimated cash flows discounted at the asset's original effective rate.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet and measured as detailed above.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Finance costs are charged to the profit and loss over the term of the financial asset / liability using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currencies

Where the accounts of subsidiaries are prepared in currencies other than sterling, the profit and loss accounts are translated at average exchange rates for the year. The balance sheets of these companies are translated at the rates of exchange ruling at the balance sheet date. Other monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. All exchange differences are charged or credited to the profit and loss account in the year in which they arise.

Pension costs and other post-retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to profit or loss in the period to which they relate.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement, and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the balance sheet and the amount of the provision as an expense in the profit and loss account. Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation.

Any adjustments to the amounts previously recognised are recognised in the profit and loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in the profit and loss account in the period it arises.

Share based payments

Share based compensation benefits are provided to employees via the ultimate holding company's employee share option plan. The group measures and recognises its share based payments based on estimated fair values for all share awards. The group uses the Black-Scholes pricing model to determine the grant date fair value of share options and recognises the resulting share based payment on a straight line basis over the requisite service period of the awards, which is the vesting period. Share based payments are recognised net of estimated forfeitures.

Deferral of commission payments

Commissions paid in relation to new contracts won are deferred and amortised straight line over the estimated useful life of the customer.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

3. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the group.

An analysis of turnover by class of business is given below:

	2021 £	2020 £
Rendering of services	11,411,673	10,313,828
	11,411,673	10,313,828

The turnover is generated in the UK.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

4	OTHER OPERATING INCOME		
4.	OTHER OPERATING INCOME	2021	2020
		£	£
	Grant income	185,523	-
	Management charges receivable	201,531	165,304
		387,054	165,304
	During the year project grants were received from Innovate UK of £18	85,523 (2020: £Nil).	
5 .	EMPLOYEES AND DIRECTORS		
		2021 £	2020 £
	Wages and salaries	8,163,762	7,413,747
	Social security costs	954,583	779,892
	Other pension costs	201,749	170,310
	Share based payments		,7 <u>19</u>
		9,663,488	8,637,668
	The average number of employees during the year was as follows:	0004	2222
		2021	2020
	Sales & marketing	18	18
	Operations & admin	27	24
	Intelligence & engineering	47	49
	•	<u>92</u>	91
	The average number of employees by undertakings that were propyear was 7 (2020 - 7).	ortionately consolid	ated during the
		2021	2020
		£	£
	Directors' remuneration	238,010	191,333
	Directors' pension contributions to money purchase schemes	7,162	7,004
	Information regarding the highest paid director for the year ended 31	2021	as follows:
·		2021 £	as follows:
	Information regarding the highest paid director for the year ended 31 Emoluments etc Pension contributions to money purchase schemes	2021	as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

6.	OPERATING LOSS		
	The operating loss is stated after charging:		
	Hire of plant and machinery Depreciation - owned assets Foreign exchange differences Share based payments	2021 £ 4,630 439,417 53,906 343,394	2020 £ 5,653 519,772 22,341 273,719
7.	AUDITORS' REMUNERATION	2021 £	2020 £
	Fees payable to the company's auditors for the audit of the company's financial statements	33,518	37,750
8.	INTEREST PAYABLE AND SIMILAR EXPENSES	2021 £	2020 £
	Interest on other loans HMRC interest	52 10,624	5
٠		10,676	5
9.	TAXATION		
	Analysis of the tax credit The tax credit on the loss for the year was as follows:	2021 £	2020 £
	Current tax: UK corporation tax Over/under provision in prior	(492,487)	(652,304)
	year	<u> 74,095</u>	(90,117)
	Total current tax	(418,392)	(742,421)
	Deferred tax	71,526	(197,426)
	Tax on loss	(346,86 <u>6) (</u> 939,	84 <u>7)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

9. TAXATION - continued

Reconciliation of total tax credit included in profit and loss

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

	2021 £	2020 £
Loss before tax	(3,816,240)	(4,515,063)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	(725,086)	(857,862)
Effects of:		
Expenses not deductible for tax purposes	28,683	30,909
Income not taxable for tax purposes	(5,471)	11,285
Adjustments to tax charge in respect of previous periods	74,095	(204,787)
R&D tax credits	(495,765)	(672,128)
Losses surrendered for R&D claim	372,523	-
Deferred tax asset on losses not recognised	409,713	753,513
Sundry tax adjusting items	68	4
Exchange rate on intercompany loan	(3,735)	(781)
Super deduction	(1,891)	<u> </u>
Total tax credit	(346,866)	(939,847)

The company has an unrecognized deferred tax asset for trading losses of £4,257,077 (2020: £4,245,389). This has not been recognised as currently it is not considered probable that sufficient profits will be made in the near future.

10. INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the parent company is not presented as part of these financial statements.

11. EMPLOYEE BENEFITS

The amount recognised in the profit or loss as an expense in relation to defined contribution plans was £201,749 (2020: £170,310).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

12. TANGIBLE FIXED ASSETS

Group		Fixtures		
	Short leasehold £	and fittings £	Equipment £	Totals £
COST At 1 January 2021 Additions Exchange differences	1,644,098 - 	157,612 - 	284,333 42,924 <u>61</u>	2,086,043 42,924 61
At 31 December 2021	1,644,098	157,612	327,318	2,129,028
DEPRECIATION At 1 January 2021 Charge for year	1,277,226 366,872	120,772 33,961	222,977 38,584	1,620,975 439,417
At 31 December 2021	1,644,098	154,733	261,561	2,060,392
NET BOOK VALUE At 31 December 2021		2,879	65,757	68,636
At 31 December 2020	366,872	36,840	61,356	465,068
Company				
Company	Short leasehold £	Fixtures and fittings £	Equipment £	Totals £
COST At 1 January 2021 Additions	leasehold	and fittings	·	
COST At 1 January 2021	leasehold £	and fittings £	£ 276,657	£ 2,078,367
COST At 1 January 2021 Additions	leasehold £ 1,644,098	and fittings £ 157,612	£ 276,657 40,567	£ 2,078,367 40,567
COST At 1 January 2021 Additions At 31 December 2021 DEPRECIATION At 1 January 2021	1,644,098 1,644,098 1,277,226	and fittings £ 157,612	276,657 40,567 317,224 217,380	£ 2,078,367 40,567 2,118,934 1,615,378
COST At 1 January 2021 Additions At 31 December 2021 DEPRECIATION At 1 January 2021 Charge for year	1,644,098 1,644,098 1,277,226 366,872	and fittings £ 157,612 157,612 120,772 33,961	276,657 40,567 317,224 217,380 37,306	£ 2,078,367 40,567 2,118,934 1,615,378 438,139

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

13. FIXED ASSET INVESTMENTS

Company

Shares in group undertakings

£

COST

At 1 January 2021 and 31 December 2021

35,168

NET BOOK VALUE

At 31 December 2021

35,168

At 31 December 2020

35,168

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

Subsidiaries

Digital Shadows PTE. Ltd.

Registered office: 6 Temasek Blvd, 29-00, Singapore 038986

Nature of business: Sales support entity

%

Class of shares:

holding

Ordinary

100.00

Digital Shadows Gmbh

Registered office: Thereseinhöhe 30, 80339, München, Bayern Germany

Nature of business: Sales support entity

%

Class of shares:

holding

Ordinary

100.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

14. DEBTORS

	G	roup	Cor	npany
	2021	2020	2021	2020
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	2,805,329	2,815,945	2,805,329	2,815,945
Amounts owed by group undertakings	254,236	-	733,243	15,956
Other debtors	496,446	783,610	496,446	783,610
Deferred tax asset	96,472	167,998	96,472	167,998
Prepayments and accrued income	<u>1,432,886</u>	<u>1,238,797</u>	<u>1,427,943</u>	1,234,600
	5,085,369	<u>5,006,350</u>	<u>5,559,433</u>	5,018,109
Amounts falling due after more than one y				
Prepayments and accrued income	<u>1,175,886</u>	<u>871,569</u>	<u>1,175,886</u>	<u>871,569</u>
Aggregate amounts	<u>6,261,255</u>	5,877,919	6,735,319	<u>5,889,678</u>
Deferred tax asset	_		_	
		roup		npany
	2021	2020	2021	2020
A analogoda di anggal allaman ang	£	£	£	£
Accelerated capital allowances	87,522	47,044	87,522	47,044
Other timing differences	8,950	120,954	<u>8,950</u>	120,954
	06.472	167 008	06 472	167 008
	<u>96,472</u>	167,998	<u>96,472</u>	167,998

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Trade creditors	803,459	560,660	802,224	544,417
Amounts owed to group undertakings	1,436,492	334,187	2,156,748	520,933
PAYE and social security	189,649	306,944	189,649	306,944
VAT	82,636	112,359	82,636	112,359
Other creditors	55,100	96,248	40,382	88,269
Accruals and deferred income	8,644,189	7,742,787	8,567,581	7,689,314
	11,211,525	9,153,185	11,839,220	9,262,236

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Accruals and deferred income	1,047,594	1,382,673	_1,047,594	1,382,673

17. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group

·	Non-cancellable operating leases	
	2021 £	2020 £
Within one year Between one and five years	544,097 22,671	449,400
	566,768	449,400

During the year, an expense of £562,835 (2020: £564,786) was recognised in administrative expenses in relation to the above leases.

Company

	Non-cancellable operating leases	
	2021 £	2020 £
Within one year Between one and five years	544,097 22,671	449,400
	566,768	449,400

During the year, an expense of £562,835 (2020: £564,786) was recognised in administrative expenses in relation to the above leases.

18. **DEFERRED TAX**

Group

Balance at 1 January 2021	167,998
Provided during year	(71,526)
Balance at 31 December 2021	96,472

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

18. **DEFERRED TAX - continued**

Company

Balance at 1 January 2021	167,998
Provided during year	<u>(71,526</u>)

Balance at 31 December 2021

96,472

£

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Class:	Nominal	2021	2020
		value:	E.	Z.
142,692 (2020: 136,042)	Ordinary shares	£0.001	143	<u>136</u>

6,650 Ordinary shares of £0.001 each were allotted as fully paid at a premium of £726.5 per share during the year.

The prescribed particulars of rights attached to the ordinary shares are: a) the right to vote on the basis of one vote per share held; b) the right to participate in a dividend in proportion to the number of shares held; c) the right to participate in a distribution of capital in proportion to the number of shares held; and d) the shares are not redeemable.

20. RESERVES

Retained earnings - This reserve records the accumulated retained earnings and accumulated losses.

Translation reserve - This reserve records the exchange rate variance on the translation of the two foreign subsidiaries.

Capital contribution reserve - This reserve records the share options granted to employees as part of the group share option scheme.

21. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

During the year, remuneration of £245,172 (2020: £198,337) was paid to key management personnel.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

22. ULTIMATE CONTROLLING PARTY

The company is a wholly owned subsidiary of Digital Shadows Inc of 201 Mission Street, Suite 1200, San Francisco, CA 94105. Digital Shadows Inc is a wholly owned subsidiary of ReliaQuest LLC of 777 South Harbour Island Blvd, Suite 500, Tampa, FL 33602, with effect from 6th July 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

23. SHARE-BASED PAYMENT TRANSACTIONS

The parent company of Digital Shadows Limited, Digital Shadows Inc., operates and administers a group share option scheme.

Options vest and become exercisable in accordance with the following: 25% of the total number of shares shall vest and become exercisable on the first anniversary of the vesting commencement date and then monthly thereafter.

For the year ended 31 December 2021, 331,300 (2020: 547,792) share options were issued to 46 employees (2020: 38) as part of the group option scheme.

Details of numbers and weighted average exercise price of options granted, exercised and forfeited during the year applicable to UK employees are as follows:

	Weighted average exercise price	2021 Number	Weighted average exercise price	2020 Number
Outstanding at the beginning of year	\$0.000533	2,403,615	\$0.412370	2,031,714
Granted during the year	\$0.001000	331,300	\$0.736386	547,792
Forfeited during the year	\$0.001000	(100,231)	\$0.835598	(68,691)
Expired during the year	\$0.001000	(8,738)	\$1.021689	(2,409)
Exercised during the year	\$0.000177	(733,432)	\$0.208644	(90,636)
Outstanding at the end of the year	\$0.000727	1,892,514	\$0.484055	2,417,770

The calculated fair value of employee option grants were estimated using the Black-Scholes model with the following assumptions:

	2021	2020
Share price at grant date	\$0.70 / \$1.75	\$0.72 / \$1.53
Expected life	6	6
Expected volatility	51.5%	50.7%
Interest rate	2.9%	0.6%

Digital Shadows Inc. obtained estimates of the above variables based on analysis of similar entities within the industry and an analysis of group history.

The expected term of the stock options was estimated by taking into consideration the vesting and contractual term.

The dividend yield is zero, as the Group has never paid dividends and does not plan to pay a dividend in the foreseeable future.

The charge for the year attributable to Digital Shadows Ltd amounted to £343,394 (2020: £273,719).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

For the share options outstanding at the year end, the exercise prices range from \$0.00001 to \$1.75 (2020: \$0.00001 to \$1.53).

The weighted average fair value of shares options granted in the year was \$3.05 (2020: \$1.14).

The weighted average remaining contractual terms at the end year were 5.8 years (2020: 6.00).

24. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2021 £	2020 £
Loss before taxation	(3,816,240)	(4,515,063)
Depreciation charges	439,416	519,773
Exchange rate on translation	(6,424)	7,598
Loan provision	-	752,072
Share based payments	343,394	273,719
Finance costs	10,676	5
	(3,029,178)	(2,961,896)
Increase in trade and other debtors	(480,177)	(340,253)
Increase in trade and other creditors	620,956	1,444,203
Cash generated from operations	(2,888,399)	(1,857,946)

25. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December	2021
------------------------	------

	31.12.21 £	1.1.21 £
Cash and cash equivalents	4,005,258	569,965
Year ended 31 December 2020		
	31.12.20 £	1.1.20 £
Cash and cash equivalents	<u>569,965</u>	1,430,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

26.	ANALYSIS OF CHANGES IN NET FUNDS			
		At 1.1.21	Cash flow £	At 31.12.21 £
	Net cash Cash at bank and in hand	569,965	3,435,293	4,005,258
		569,965	3,435,293	4,005,258
	Total	569,965	3,435,293	4,005,258