eGain Communications Ltd

Annual Report and Financial Statements

Year Ended

30 June 2022

Company Number 02537388

eGain Communications Ltd

Company Information

Directors	A K Roy E Smit
Company secretary	C Wells
Registered number	02537388
Registered office	St Catherines House Oxford Square Oxford Street Newbury RG14 1JQ
Independent auditor	BDO LLP Thames Tower Station Road Reading Berkshire RG1 1LX

eGain Communications Ltd

Contents

eGain Communications Ltd

Strategic Report
For the Year Ended 30 June 2022

The directors present their strategic report together with the audited financial statements of eGain Communications Ltd ("the company") for the year ended 30 June 2022.

Principal activity

The company is a subsidiary of eGain Corporation registered in the US. Our UK operation serves us as our EMEA headquarters with direct business operations covering mainland Europe and a rapidly growing network of reseller partners serving customers across Western and Eastern Europe.

eGain automates customer engagement with an innovative software as a service (SaaS) platform, powered by deep digital, artificial intelligence (AI), and knowledge capabilities. We are headquartered in the United States. We also operate in United Kingdom and India. We sell mostly to large enterprises across financial services, telecommunications, retail, government, healthcare, and utilities. With our mantra of AX + BX + CX = DX™, we guide clients to effortless digital experience (DX) by holistically optimizing agent experience (AX), business experience (BX) and customer experience (CX). More than one hundred eighty leading brands use eGain's cloud software to improve customer satisfaction, empower agents, reduce service cost, and boost sales.

Business overview

Traditional CRM tools do not serve the needs of the digital world because they were designed primarily as systems of record to capture, view, and report on customer data in a phone-centric environment. They do not offer rich applications to engage customers across digital-first touch points nor escalate with full context across self-service to agent assistance. They view knowledge management as document management (a monolithic content model that struggles in the personalized, media-rich, and content-heavy digital world). In the CRM world, agents are presumed to have a high capacity to retain and update relevant knowhow across complex product portfolios in their head (with extensive training and retraining). Finally, in-band process guidance for self-service and agent assistance are foreign to the traditional CRM world. Agents struggle with no guidance in that world; they just get lost with data on their screens. The reality of contact centres today is that we believe agents ignore 90% of available data on their screens - most of it hidden in multiple tabs - as they merely refer to post-it notes or internal chat sessions to find the right answer for a customer. It is time for change.

Digital Economy Demands Modern Software

In a world selling commoditized products to information-rich customers short on time, smart customer engagement reduces cognitive effort. And easy customer engagements build sticky brand and boost profit. As a result, businesses are actively seeking digital-first, modern software platforms to layer on top of their traditional systems of record like CRM. These platforms must be agile, comprehensive, scalable, and cost-effective to help automate customer self-service, augment agent productivity and orchestrate contact centre operation in an omnichannel environment.

Business overview (continued)

AI-powered Customer Engagement Automation

Energized in the digital world by big-data, cloud-computing and open-source technologies, AI and Machine Learning can deliver transformational value when effectively combined with domain expertise and complementary technologies like knowledge, analytics, and digital. In customer engagement, the ultimate goal is automation delivered on a platform that combines these powerful capabilities in a purpose-built way. The pressing challenge for businesses is to separate the wheat from the chaff. In the face of intense marketing from hundreds of providers - from IBM on the high end to countless start-ups - businesses now demand proof at scale, no-risk trials in a production setting, and outcome-based pricing tied to business-relevant metrics.

Contact Centres are the Battleground

Contact centres offer a significant opportunity to automate human effort in B2C businesses. Globally, there are more than 10 million contact centre agents. Even as digital technologies help improve self-service, time-starved customers faced with sophisticated, connected products generate stubbornly high levels of request for human assistance. The possibility of reducing significant headcount expense through automation is compelling for businesses. Furthermore, contact centres worldwide are undergoing a technology refresh cycle from on premise voice-centric models to cloud-based omnichannel platforms. This transition affords the opportunity to reimagine the traditional centralized, phone-based contact handling operations and move toward much greater automation of customer engagement, fuelled by AI and digital technologies.

Customer Engagement Automation is a Large, Growing Market

Businesses are investing heavily in digital transformation, with customer engagement as a top priority. Ease of innovation in cloud and a growing application programming interface (API) economy present exciting capability to connect, solve, and optimize. This is both an opportunity and a challenge. As predicted by industry analysts, the number of customer interactions involving emerging technology such as machine-learning applications, chatbots, or mobile messaging is increasing every day. To effectively harness such novel capabilities, businesses are looking toward innovative platform providers with proof at scale to guide them on their automation journey.

Business review and key performance indicators

What Customers Want

Technology acceleration notwithstanding, human needs for customer engagement and service change slowly. We believe what customers want is help in three categories: information, transaction, and situational. A given customer contact can morph across these categories as the conversation develops. Therefore, it is critical that an effective solution optimization customer contact across these three categories seamlessly and with context —accounting for machine-human hand-offs, channel switching, multimodal interaction, and conversational pause-and-resume. During these interactions, we believe customers increasingly want to be guided, even anticipated. Siloed solutions like transactional, simplistic chatbots without contextual escalation and supporting knowledge tend to disappoint consumers even more than non-existent self-service options.

The eGain Solution

eGain offers a comprehensive, unified cloud software solution to automate, augment and orchestrate customer engagement in a digital-first omnichannel world. Our feature rich portfolio of applications empowers businesses to holistically, flexibly, and continuously optimize the experience for agents, business and customers. Our solution experts and partners guide clients on a customer engagement transformation journey using an agile, strategy-aligned set of sprints to activate waves of cooperating capabilities in phases. Each sprint is measured with our analytics to surface business value, justifying the next phase of investment.

eGain Communications Ltd

Strategic Report (continued)
For the Year Ended 30 June 2022

Business review and key performance indicators (continued)

Digital-first, Omnichannel Desktop

First, our solution offers comprehensive, scalable capabilities for digital-first, omnichannel interaction within a modern, purpose-built desktop. Rich, out of the box applications help agents efficiently interact with customers using messaging, SMS, chat, email, social media, phone, video, fax, and letter to enable connected customer journeys, offering service across all touch points.

AI and Knowledge Applications

Next, our solution offers powerful AI and knowledge applications for virtual assistance for customers and agents. These applications enable businesses to centralize knowledge, policies, procedures, and best-practices, while delivering guided, personalized solutions to customers and agents. Our AI and knowledge applications deliver compelling value through large-scale self-service automation. Further, these applications ensure that all agents effectively resolve all contact types,regardless of product or procedure. Correct, compliant, and consistent responses across touchpoints (automated and assisted) boost customer satisfaction as first contact resolution surges and agent's time to competency drops.

Analytics and Machine Learning Applications

Our powerful analytics capability enables clients to measure, manage and orchestrate their omnichannel service operations. In addition, our recently announced machine learning service helps clients generate product improvement and customer preference insights from all of their customer conversation data and also identify opportunities to automate more processes.

Open, secure APIs and pre-built, certified third-party connectors

Our open, secure platform APIs are available to clients and partners to extend and enhance our solutions and to integrate with enterprise assets and to enable a single view of the customer. Our deep, certified connectors into platforms such as those of Avaya, Amazon.com, Cisco and Salesforce.com enable our clients to leverage their existing systems of record and communication, while building their system of engagement on the eGain platform.

The company's key financial performance indicators during the year were as follows:

	30 June 2022 £'000	30 June 2021 £'000	Variance £'000	Variance %
Revenue				
- Subscription and support	**16,079**	**15,229**	**850**	**5.6%**
- Licence	**1,321**	**1,144**	**177**	**15.4%**
- Professional fees	**1,536**	**1,356**	**180**	**13.2%**
Total Revenue	**18,936**	**17,729**	**1,206**	**6.8%**
Profit after tax	**761**	**1,414**	**(653)**	**-46.2%**
Balance sheet data				
- Deferred revenue	**10,162**	**10,206**	**(70)**	**-0.7%**

Business review and key performance indicators (continued)

Revenue from Subscription and Support services has increased by 5.6% in the year, and the company has had continued success in converting existing on-premises customers to our cloud offering as well as the acquisition of new customers. Our revenue and operating results have fluctuated in the past and are likely to fluctuate in the future, and because we recognize revenue from subscriptions over a period of time, downturns in revenue may not be immediately reflected in our operating results. Because we recognize revenue when we have satisfied performance obligations to customers in connection with our sales contracts, most of our revenue each quarter results from recognition of deferred revenue related to agreements entered into during previous quarters. Consequently, declines in new or renewed subscription agreements and maintenance agreements that occur in one quarter will largely be felt in future quarters, both because we may be unable to generate sufficient new revenue to offset the decline and because we may be unable to adjust our operating costs and capital expenditures to align with the changes in revenue. In addition, our subscription model makes it more difficult for us to increase our revenue rapidly in any period, because revenue from new customers must be recognized over the applicable subscription term. It is difficult to forecast the expediency of the transition of our license customers to our cloud delivery model. License revenue has increased by 15% in the year. Accordingly, we believe that period-to-period comparisons of our results of operations should not be relied upon as definitive indicators of future performance. Total revenue increased by 6.8% compared to the prior year.

Professional fees have increased in the year due to the acquisition of new customers and increased deployments with existing customers.

Profit after tax has decreased in the year by £653,000 due to an increase in overhead costs in comparison with the prior year, as well as an increase in tax charge of £0.4m due to deferred tax timing differences on share options.

As at 30 June 2022 the statement of financial position shows net assets of £13,647,465 (2021 - £11,646,958).This movement is due to profit in the year of £0.8m and a share based payment credit of £1.3m.

We have transitioned from a hybrid model, where we sold both SaaS and perpetual license solutions, to a SaaS only business model. Today, we only sell SaaS to new clients and are actively migrating our remaining perpetual license clients to SaaS. As we continue to migrate our legacy perpetual license clients to SaaS, we expect our legacy revenue, primarily comprising annual maintenance and support fees for legacy perpetual license clients to continue to decline.

We believe our go-forward SaaS business model affords us recurring revenue visibility and more predictability. Fiscal year 2022 affirmed our view that SaaS clients adopt our product innovation much faster than the perpetual license model and get better service levels. We believe SaaS clients enjoy up to 50% faster time to value from their eGain investment.

Principal risks and uncertainties

The risks and uncertainties below are not the only ones facing us. Other events that we do not currently anticipate or that we currently deem immaterial also may affect our results of operations, cash flow and financial condition.

Our business is influenced by a range of factors that are beyond our control and that we have no comparative advantage in forecasting.

Factors influencing our business include:

- general economic and business conditions;
- currency exchange rate fluctuations;
- the overall demand for enterprise software and services;
- customer acceptance of cloud-based solutions;
- governmental budgetary constraints or shifts in government spending priorities; and
- general political developments.

The global economic climate continues to influence our business. This includes items such as a general tightening in the credit markets, lower levels of liquidity, increases in the rates of default and bankruptcy, and extreme volatility in credit,equity and fixed income markets. These macroeconomic developments negatively affected, and could continue to negatively affect, our business, operating results or financial condition which, in turn, could adversely affect our stock price. A general weakening of, and related declining corporate confidence in, the global economy or the curtailment in government or corporate spending could cause current or potential customers to reduce their technology budgets or be unable to fund software or services purchases, which could cause customers to delay, decrease or cancel purchases of our products and services or cause customers to not pay us or to delay paying us for previously purchased products and services.

Sales cycle

The long sales cycle for our products may cause license revenue and operating results to vary significantly from period to period. The sales cycle for our products can be six months or more and varies substantially from customer to customer. Because we sell complex and deeply integrated solutions, it can take many months of customer education to secure sales. Because our potential customers may evaluate our products before, if ever, executing definitive agreements, we may incur substantial expenses and spend significant management effort in connection with the potential customer. Our multi-product offering and the increasingly complex needs of our customers contribute to a longer and unpredictable sales cycle. Consequently, we often face difficulty predicting the quarter in which expected sales will actually occur. This contributes to the uncertainty and fluctuations in our future operating results. In particular, the corporate decision-making and approval process of our customers and potential customers has become more complicated. This has caused our average sales cycle to further increase and, in some cases, has prevented the closure of sales that we believed were likely to close.

Revenue

Our customers have no obligation to renew their subscriptions for our service after the expiration of their initial subscription period, which is typically 12 to 36 months, and in fact, some customers have elected not to renew. In addition, our customers may renew for fewer subscriptions, renew for shorter contract lengths, or renew for lower cost editions of our service. We cannot accurately predict renewal rates given our varied customer base of enterprise and small and medium size business customers and the number of multi-year subscription contracts. Our renewal rates may decline or fluctuate as a result of a number of factors, including customer dissatisfaction with our service, customers' spending levels, decreases in the number of users at our customers, pricing changes and deteriorating general economic conditions. If our customers do not renew their subscriptions for our service or reduce the number of paying subscriptions at the time of renewal, our revenue will decline and our business will suffer.

Principal risks and uncertainties (continued)

Competition and performance

The market in which we operate is intensely competitive and we risk losing competitive tenders to other solution providers. Our cloud solutions are under control of a third party and there is a risk that this can be interrupted by several different factors.

Credit

As with any other business, the company is exposed to credit risk through potential bad debts and disputes with customers that could result in non-payment of amounts due under contracts, especially with the current economic problems in several European and African countries.

Cashflow

Management regularly reviews cash requirements and maintains sufficient resources to meet the company's requirements for the foreseeable future.

Future developments

We intend to scale our business by executing the following programs.

Migrate legacy on-premise customers to eGain Cloud

We offer an attractive proposition to our remaining on-premise customers to move to the eGain Cloud where we subsidize the migration service cost in exchange for their multi-year commitment to the eGain Cloud. We expect to substantially migrate most remaining on-premise clients to the eGain Cloud by the end of fiscal year 2024.

As we continue to migrate our legacy perpetual license clients to SaaS, we expect our legacy revenue to continue to decline.

We are continuing to make improvements in our product deployment process resulting in a reduction in the time required for an average implementation project. As we continue to onboard new customers and migrate legacy customers to SaaS, we expect the time required for product deployment and implementation projects to decrease further.

Land and Expand in the enterprise

With the progress we have made in customer success over recent periods, we see a replicable pattern emerging: land enterprise logos with a potentially limited footprint in one business unit, demonstrate business value, and then actively expand in the enterprise - activating more of our capabilities and rolling out to multiple business units. Further, we see the opportunity to increase stickiness by integrating via our enhanced APIs with enterprise assets like enterprise collaboration platforms, CRM systems, transaction and billing, and content sources.

Develop new partner relationships

As a business today, we have an abundance of product solutions but limited distribution. We are well positioned to enable existing technology platforms with a strong installed customer base to enhance their proposition with AI-powered customer engagement solutions. We intend to continue to develop partnerships to grow our market share.

Recently, we announced the availability of our eGain connector for SAP which will enable global SAP clients to seamlessly enhance their customer engagement capability with eGain cloudbased knowledge solutions.

This report was approved by the board and signed on its behalf.

DocuSigned by:
Colin Wells
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C Wells
Secretary

Date: 23rd June 2023

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

Results and dividends

The profit for the year, after taxation, amounted to £761,070 (2021 - £1,413,958). During the year the directors declared no dividend per ordinary share (2021- £Nil).

Directors

The directors who served during the year were:

A K Roy
E Smit

Future developments

Details of future developments are included in the strategic report on page 6.

Financial risk management

The company has exposures to three main areas of risk; foreign exchange currency exposure, liquidity risk and customer credit exposure.

Foreign exchange transactional currency exposure

The company is exposed to currency exchange rate risk due to holding of non-sterling bank accounts and non-sterling sales and purchases. The net exposure of each currency is monitored.

Liquidity risk

The objective of the company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The company expects to meet its financial obligations through operating cash flows.

Customer credit exposure

The company offers credit terms to its customers which allow payment of the debt after services have been provided. The company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by making credit checks on customers before entering contracts.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

eGain Communications Ltd

Directors' Report (continued)
For the Year Ended 30 June 2022

Going concern

The company made a profit before tax of £1,307,880 (2021 - profit of £1,497,345) and at the statement of financial position date current assets exceeded current liabilities by £14,128,616 (2021 - £12,094,061).

Historically, the company has been funded by cash flows generated from trading. The company does not rely upon external funding or intercompany funding to meet the payment of its liabilities as they fall due.

The directors and management have prepared a detailed profit and loss account and a cash flow forecast ("the forecast") for the period to 30 June 2024 ("the period") which shows the company trading, financial position and cash flows. The forecast shows that the company will be able to operate and meet its external liabilities as they fall due for payment during the period from its cash at bank balance without the need for external funding.

In the preparation of the forecast and these financial statements, the directors and management have considered the impact high global inflation and other global events such as the war in Ukraine has had, and will continue to have, on the company. The base case assessment assumes a modest increase in revenues for the period, but less than seen in the current year trading results with a stable cost base. The revenue forecasts are based on known committed customer contracts, information from company sales teams as well as general and local market intelligence. Other than the impact on the wider economic environment, the company is not impacted by the conflict ongoing in Russia and Ukraine.

After careful consideration of the above factors the directors and management remain of the view that the forecast is achievable and that the available cash resource is sufficient to enable the company to operate and meet its liabilities as they fall due for payment throughout the period, being a period of at least 12 months from the signing of these accounts. On this basis the directors and management consider that it is appropriate to prepare the financial statements on a going concern basis.

Post balance sheet events

There are no post balance sheet events.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

DocuSigned by:
Colin Wells
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C Wells
Secretary

Date: 23rd June 2023

eGain Communications Ltd

Directors' Responsibilities Statement
For the Year Ended 30 June 2022

The directors are responsible for preparing the strategic report, the directors' report and the audited 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 of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent Auditor's Report to the Members of eGain Communications Ltd

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Opinion on the financial statements

In our opinion the financial statements:

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

We have audited the financial statements of eGain Communications Ltd ("the company") for the year ended 30 June 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in 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 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 company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of planning and performing our audit, we assessed the below matters:

- the nature of the industry and sector, control environment and business performance; and
- results of our enquiries of management about their own identification and assessment of the risks of irregularities.

The matters identified in the procedures above were discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. We considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in relation to revenue recognition. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and UK Corporation Tax.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included compliance with Health and Safety and Employment regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management concerning actual and potential litigation and claims;
- review of legal and professional fees for indication of evidence of undisclosed litigation and claims or undisclosed breaches of laws and regulations;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- substantive procedures were performed to test existence and accuracy of revenue, further testing was performed on transactions around year end to ensure cut off was properly applied; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or noncompliance with laws and regulations throughout the audit.

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

DocuSigned by:
Hezelina Hashim
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Hezelina Hashim (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Reading
United Kingdom

Date: 23 June 2023

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

Statement of Comprehensive Income
For the Year Ended 30 June 2022

	Note	2022 £	2021 £
Turnover	4	**18,936,270**	17,729,872
Cost of sales		**(2,364,913)**	(2,450,525)
Gross profit		**16,571,357**	15,279,347
Administrative expenses		**(15,267,594)**	(13,782,254)
Operating profit	5	**1,303,763**	1,497,093
Interest receivable and similar income		**4,117**	252
Profit before tax		**1,307,880**	1,497,345
Tax on profit	8	**(546,810)**	(83,387)
Profit for the financial year		**761,070**	1,413,958

There was no other comprehensive income for 2022 (2021 - £Nil).

The notes on pages 18 to 33 form part of these financial statements.

eGain Communications Ltd
Registered number: 02537388

Statement of Financial Position
As at 30 June 2022

	Note		2022 £		2021 £
Fixed assets					
Tangible assets	9		**97,711**		61,776
Current assets					
Debtors: amounts falling due within one year	10	**17,183,571**		21,412,010	
Cash at bank and in hand		**10,495,485**		5,075,303	
		27,679,056		26,487,313	
Creditors: amounts falling due within one year	11	**(13,795,268)**		(14,640,044)	
Net current assets			**13,883,788**		11,847,269
Total assets less current liabilities			**13,981,499**		11,909,045
Creditors: amounts falling due after more than one year	12		**(61,999)**		-
Provisions for liabilities					
Provisions	14		**(272,035)**		(262,087)
Net assets			**13,647,465**		11,646,958
Capital and reserves					
Called up share capital	15		**8,991,657**		8,991,657
Capital contribution	16		**3,030,917**		1,791,480
Other reserves	16		**947,951**		947,951
Profit and loss account	16		**676,940**		(84,130)
Total equity			**13,647,465**		11,646,958

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:
Eric Smit
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E Smit
Director

Date: 23rd June 2023

The notes on pages 18 to 33 form part of these financial statements.

eGain Communications Ltd

Statement of Changes in Equity
For the Year Ended 30 June 2022

	Called up share capital	Capital contribution	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 July 2021	8,991,657	1,791,480	947,951	(84,130)	11,646,958
Comprehensive income for the year					
Profit for the year	-	-	-	761,070	761,070
Total comprehensive income for the year	-	-	-	761,070	761,070
Share based payment credit	-	1,239,437	-	-	1,239,437
At 30 June 2022	8,991,657	3,030,917	947,951	676,940	13,647,465

Statement of Changes in Equity
For the Year Ended 30 June 2021

	Called up share capital	Capital contribution	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 July 2020	8,991,657	1,554,599	947,951	(1,498,088)	9,996,119
Comprehensive income for the year					
Profit for the year	-	-	-	1,413,958	1,413,958
Total comprehensive income for the year	-	-	-	1,413,958	1,413,958
Share based payment credit	-	236,881	-	-	236,881
Total transactions with owners	-	236,881	-	-	236,881
At 30 June 2021	8,991,657	1,791,480	947,951	(84,130)	11,646,958

The notes on pages 18 to 33 form part of these financial statements.

1. General information

eGain Communications Ltd is a private limited company incorporated and registered in England and Wales (with registered number 02537388). The continuing activities of the company are the sale of on-site customer interaction software as the EMEA headquarters for the eGain group. The address of the company's registered office is St Catherine's House, Oxford Street, Newbury, RG14 1JQ.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of eGain Corporation Inc as at 30 June 2022 and these financial statements may be obtained from www.egain.com/company/investors.

2. Accounting policies (continued)

2.3 Going concern

The company made a profit before tax of £1,307,880 (2021 - profit of £1,497,345) and at the statement of financial position date current assets exceeded current liabilities by £13,883,788 (2021 - £11,847,269).

Historically, the company has been funded by cash flows generated from trading. The company does not rely upon external funding or intercompany funding to meet the payment of its liabilities as they fall due.

The directors and management have prepared a detailed profit and loss account and a cash flow forecast ("the forecast") for the period to 30 June 2024 ("the period") which shows the company trading, financial position and cash flows. The forecast shows that the company will be able to operate and meet its external liabilities as they fall due for payment during the period from its cash at bank balance without the need for external funding.

In the preparation of the forecast and these financial statements, the directors and management have considered the impact high global inflation and other global events such as the war in Ukraine has had, and will continue to have, on the company. The base case assessment assumes a modest increase in revenues for the period, but less than seen in the current year trading results with a stable cost base. The revenue forecasts are based on known committed customer contracts, information from company sales teams as well as general and local market intelligence. Other than the impact on the wider economic environment, the company is not impacted by the conflict ongoing in Russia and Ukraine.

After careful consideration of the above factors the directors and management remain of the view that the forecast is achievable and that the available cash resource is sufficient to enable the company to operate and meet its liabilities as they fall due for payment throughout the period, being a period of at least 12 months from the signing of these accounts. On this basis the directors and management consider that it is appropriate to prepare the financial statements on a going concern basis.

2.4 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Exchange differences are recognised in the statement of comprehensive income in the period in which they arise.

2. Accounting policies (continued)

2.5 Turnover

Subscription revenue

The following customer arrangements are recognized ratably over the contract term as the performance obligations are delivered:

- Cloud delivery arrangements;
- Maintenance and support arrangements; and
- Term licenses which incorporate on-premise software licenses and a subscription to substantial cloud functionalities.

For contracts involving distinct software licenses, the license performance obligation is satisfied at a point in time when control is transferred to the customer.

Professional Serivces revenue

Professional services revenue includes system implementation, consulting, training, and managed services. The transaction price is allocated to various performance obligations based on their SSP. Revenue allocated to each performance obligation is recognized at the earlier of satisfaction of discrete performance obligations, or as work is performed on a time and material basis. Managed services include a comprehensive set of processes and activities that range from implementation to monitoring the evolution and support of eGain solutions in a company. Our consulting and implementation service contracts are bid either on a time-and-materials basis or on a fixed-fee basis. Managed services contracts are bid on a time-and-material basis. Fixed fees are generally paid upon milestone billing or customer acceptance at pre-determined points in the contract. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether transfer of control to customers has occurred.

Contracts with Multiple Performance Obligations

The Company enters into contracts that can include various combinations of subscriptions, professional services and maintenance and support, which are generally distinct and accounted for as separate performance obligations. For contracts with multiple performance obligations, the Company allocates the transaction price of the contract to each performance obligation on a relative basis using the respective SSP for each performance obligation.

2.6 Deferred commission

Deferred commissions are the direct and incremental costs directly associated with cloud contracts with customers and consist of sales commissions to the company's direct sales force.

Commissions are deferred and amortised on a straight-line basis over the average period of benefit, which is determined to be five years. The commission payments are paid based on contract terms in the month following the quarter in which the commissions are earned.

2.7 Operating leases: the company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2. Accounting policies (continued)

2.8 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.9 Share based payments

The parent company issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the company's estimate of the shares that will eventually vest.

Fair value is measured using the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

Where equity-settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to the date of vesting. Where a modification is not beneficial to the employee there is no change in the charge for the share-based payment. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the statement of comprehensive income.

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short-term leasehold property	-	20% or over the life of the lease
Fixtures and fittings	-	20% straight-line
Computer equipment	-	33% straight-line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2. Accounting policies (continued)

2.11 Debtors

Trade debtors are amounts due from customers for services provided in the ordinary course of the business. After initial recognition trade debtors are recognised at the undiscounted amount of cash receivable, which is normally the invoice price, less any allowances for doubtful debts.

2.12 Cash and cash equivalents

Cash and cash equivalents consist of balances with banks which are measured at fair value, based on the relevant exchange rates at the reporting date.

2.13 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

All financial assets and liabilities held by the company at the end of the reporting period are measured at amortised cost.

2.14 Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as creditors falling due within one year if payment is due within one year or less. If not, they are presented as creditors falling due after one year.

2.15 Provisions for liabilities: leave pay provision

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

2.16 Provisions for liabilities: other

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

2. Accounting policies (continued)

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The estimates are based upon information available as of the date of the financial statements. Actual results could differ from those estimates.

We evaluate our significant estimates, including those related to revenue recognition, provision for doubtful accounts, valuation of stock-based compensation and valuation of deferred tax assets, among others. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We refer to accounting estimates of this type as "critical accounting estimates."

Accounts Receivable and Allowance for Doubtful Accounts

We extend unsecured credit to our customers on a regular basis. Our accounts receivable are derived from revenue earned from customers and are not interest bearing. We also maintain an allowance for doubtful accounts to reserve for potential uncollectible trade debtors. We review our trade debtors by ageing category to identify specific customers with known disputes or collectibility issues. We exercise judgment when determining the adequacy of these reserves as we evaluate historical bad debt trends, general economic conditions in Europe and changes in customer financial conditions.

If we made different judgments or utilised different estimates, material differences may result in additional reserves for trade receivables, which would be reflected by charges in general and administrative expenses for any period presented. We write off a receivable after all collection efforts have been exhausted and the amount is deemed uncollectible.

Revenue recognition

We enter into arrangements with multiple-deliverables that generally include subscription, maintenance and support, and professional services. We evaluate whether each of the elements in these arrangements represents a separate unit of accounting, using all applicable facts and circumstances. Revenue is recognised when a customer under a contract obtains control of promised goods and services at an amount that reflects consideration that is expected to be received in exchange for those goods and services. Detail on the revenue recognition policy is explained in note 2.5.

Share Based Compensation

Under the fair value recognition provisions, share-based compensation cost is measured at the grant date based on the fair value of the award and is recognised as expense over the vesting period. Determining the fair value of the share-based awards at the grant date requires significant judgement and the use of estimates, particularly surrounding Black-Scholes valuation assumptions such as stock price volatility and expected option term.

Deferred tax asset

The company has determined it would be able to utilize the deferred tax assets and therefore has continued to recognise these assets in the United Kingdom. The eGain business has historically been profitable (excluding inter group recharges) and we believe it is more likely than not that those assets will be realised.

4. Turnover

An analysis of turnover by class of business is as follows:

	2022 £	2021 £
Subscription and support	**16,078,564**	15,229,476
Licence	**1,321,514**	1,143,921
Professional services	**1,536,192**	1,356,475
	18,936,270	17,729,872

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	**14,045,250**	13,187,642
Europe (excluding United Kingdom)	**4,028,375**	4,120,065
Rest of the world	**862,645**	422,165
	18,936,270	17,729,872

5. Operating profit

The operating profit is stated after charging/(crediting):

	2022 £	2021 £
Depreciation on owned tangible fixed assets	**45,461**	45,223
Fees payable to the company's auditor for the audit of the company's annual financial statements	**49,000**	30,000
Exchange differences	**(538,951)**	2,992,692
Operating lease rentals - land and buildings	**175,899**	173,944
Defined contribution pension cost	**407,565**	396,187

eGain Communications Ltd

Notes to the Financial Statements
For the Year Ended 30 June 2022

6. Employees

Staff costs were as follows:

	2022 £	2021 £
Wages and salaries	**8,653,684**	8,300,344
Social security costs	**1,110,330**	1,069,293
Cost of defined contribution scheme	**407,565**	396,187
	10,171,579	9,765,824

In addition to the above staff costs, equity settled shared-based payments charges totalled £1,239,437 (2021 - £236,881).

The average monthly number of employees, including the directors, during the year was as follows:

	2022 No.	2021 No.
Consultancy, maintenance and support	**60**	58
Distribution and sales	**35**	34
Administration	**9**	9
	104	101

7. Directors' remuneration

Director's emoluments have been borne by fellow eGain companies as the directors concerned are also directors or officers of a number of companies within the eGain group. The services to the company do not occupy a significant amount of their time. As such, these directors do not consider they have received any remuneration for their incidental services to the company for the years ended 30 June 2022 and 30 June 2021.

No directors were members of the defined contribution pension scheme.

eGain Communications Ltd

Notes to the Financial Statements
For the Year Ended 30 June 2022

8. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	**342,464**	216,638
Adjustments in respect of previous periods	**(265)**	7,386
Foreign tax		
Foreign tax on income for the year	**46,865**	23,377
Total current tax	**389,064**	247,401
Deferred tax		
Origination and reversal of timing differences	**157,746**	(164,014)
Total deferred tax	**157,746**	(164,014)
Taxation on profit on ordinary activities	**546,810**	83,387

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	**1,307,880**	1,497,345
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	**248,497**	284,496
Effects of:		
Fixed asset differences	**(2,789)**	-
Expenses not deductible for tax purposes	**235,225**	47,246
Other permanent differences	**(74,757)**	(88,704)
Adjustment to tax in respect of prior period	**(266)**	7,386
Deferred tax on outstanding share options	**135,580**	(145,668)
Remeasurement in deferred tax for changes in tax rates	**5,320**	(21,369)
Total tax charge for the year	**546,810**	83,387

8. Taxation (continued)

Factors that may affect future tax charges

From 1 April 2023, the Corporation Tax main rate for non ring-fenced profits has been increased to 25% applying to profits over £250,000. A small profits rate (SPR) has been introduced for companies with profits of £50,000 or less so that they will continue to pay Corporation Tax at 19%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective Corporation Tax rate.

9. Tangible fixed assets

	Short-term leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 July 2021	225,377	568,951	125,310	919,638
Additions	43,737	-	44,703	88,440
Disposals	-	-	(7,044)	(7,044)
At 30 June 2022	269,114	568,951	162,969	1,001,034
Depreciation				
At 1 July 2021	213,132	565,832	78,898	857,862
Charge for the year on owned assets	20,646	3,119	28,740	52,505
Disposals	-	-	(7,044)	(7,044)
At 30 June 2022	233,778	568,951	100,594	903,323
Net book value				
At 30 June 2022	35,336	-	62,375	97,711
At 30 June 2021	12,245	3,119	46,412	61,776

eGain Communications Ltd

Notes to the Financial Statements
For the Year Ended 30 June 2022

10. Debtors: amounts falling due within one year

	2022 £	2021 £
Trade debtors	**8,941,787**	8,626,000
Amounts owed by group undertakings	**6,016,957**	10,877,263
Other debtors	**-**	2,850
Prepayments and accrued income	**2,147,867**	1,671,191
Deferred taxation (note 13)	**76,960**	234,706
	17,183,571	21,412,010

Amounts owed by group undertakings accrue no interest is unsecured and repayable on demand.

Prepayments and accrued income includes £1,512,241 (2021 - £1,352,578) in relation to net commissions of which £1,010,212 (2021 - £900,541) will be recognised in the statement of comprehensive income in more than one year.

The allowance against doubtful debts at the year end is £269,282 (2021: £313,612).

11. Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	**188,142**	107,664
Amounts owed to group undertakings	**327,007**	731,946
Corporation tax	**499,760**	252,909
Other taxation and social security	**1,516,957**	2,007,503
Other creditors (incl directors loans)	**290,869**	335,435
Accruals and deferred income	**10,972,533**	11,204,587
	13,795,268	14,640,044

Amounts owed to group undertakings accrue no interest, are unsecured and repayable on demand.

12. Creditors: amounts falling due after more than one year

	2022 £	2021 £
Accruals and deferred income	**61,999**	-

13. Deferred taxation

	2022 £	2021 £
At beginning of year	**234,706**	70,692
(Charged)/credited to profit or loss	**(157,746)**	164,014
At end of year	**76,960**	234,706

The deferred tax asset is made up as follows:

	2022 £	2021 £
Fixed asset timing differences	**46,802**	69,437
Short term timing differences	**20,070**	19,601
Deferred tax on outstanding share options	**10,088**	145,668
	76,960	234,706

The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

14. Provisions

	Dilapidation provision £
At 1 July 2021	**262,087**
Charged to profit or loss	**9,948**
At 30 June 2022	**272,035**

The dilapidation provision is based on the future expected repair costs required to restore the company's leased buildings in Newbury, United Kingdom to its fair condition at the end of the lease term. The lease was for ten years from January 2014 with a break after five years, although the company has opted to continue the lease to the end. Contractual amounts are expected to be incurred at the end of the lease term.

15. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
8,991,657 ordinary shares of £1 each	**8,991,657**	8,991,657

16. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Capital contribution

The capital contribution reserve contains the nominal value of own shares that have been acquired by the company and cancelled.

This reserve includes share based payment charges/credits for the company's equity settled share options granted to employees for the purpose of long-term incentive schemes for employees.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

17. Share based payments

eGain Corporation has adopted several share option plans which provide for the grant of share options to directors, officers and employees of eGain and its subsidiaries. All UK employees are eligible to participate in one or more of these share option plans.

2005 Stock incentive Plan

Options under these plans are granted at a price not less than 100% of the fair market value of eGain Corporation's common stock on the date of grant. The options granted under these plans generally vest ratably over a period of four years (provided the individual remains an employee of the group) and expire no later than ten years from the date of grant.

The exercise price of options outstanding at the year-end ranged between $1.60 and $19.11 (2021 - $1.50 and $19.11) and their weighted average remaining contractual life was 6.56 years (2021 - 5.48 years).

2017 Employee Stock Purchase Plan

In October 2017, our board of directors adopted the 2017 Employee Stock Purchase Plan (ESPP) which provided eligible employees the option to purchase the company's common stock through payroll deductions at a price equal to 85% of the lower of the fair market value at the entry date of the applicable offering period or at the end of each applicable purchasing period. The vesting period will not exceed twenty-seven months and consist of a series of six-month purchase periods. Eligible employees may join the ESPP at the beginning of any six-month purchase period. Under the terms of the ESPP, employees can choose to have between 1% and 15% of their base earnings withheld to purchase the company's common stock.

17. Share based payments (continued)

2017 Employee Stock Purchase Plan (continued)

The exercise price of options outstanding at the year-end were $7.62 (2021 - $8.61) and their weighted average remaining contractual life was 0.42 years (2021 - 0.42).

The company recognised total expenses of £1,239,437 (2021 - £236,881) related to equity-settled share-based payment transactions for the two schemes (2021 - two) during the year. Group share based payment charges are charged across the group based on the company to which employees are contracted.

18. Pension commitments

The company operates two defined contribution pension schemes called "eGain Communications Standard Life Group Personal Pension Scheme" and "eGain Communications Scottish Widows Group Personal Pension Scheme". The amount of the employer's contributions for the year to 30 June 2022 is £407,565 (2021 - £396,187).

The amount of the employer's contributions outstanding at 30 June 2022 was £80,280 (2021- £78,403). The assets of the scheme are held in separately administered funds.

19. Commitments under operating leases

At 30 June 2022 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Land and buildings		
Not later than 1 year	**185,000**	185,000
Later than 1 year and not later than 5 years	**107,917**	292,917
	292,917	477,917

20. Controlling party

eGain Corporation, incorporated in the United States of America, is the immediate parent company.

The parent undertaking of the largest Group in which the company is consolidated is eGain Corporation. The financial statements of this company may be obtained from www.egain.com/ company/investors.