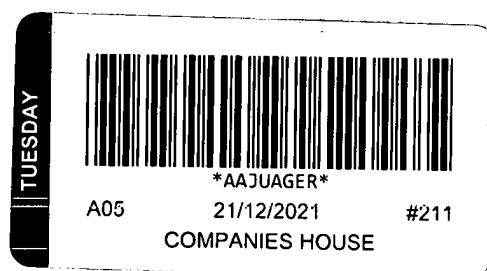


Registered number: 07148309

Salecycle Limited

Annual report

31 March 2021



Salecycle Limited

Company information

Directors	G D Callaghan J B Callaghan P M Callaghan S Nelson C J Wilds B Jackson M M Cross
Company secretary	M M Cross
Registered number	07148309
Registered office	PROTO Abbott's Hill Baltic Business Quarter Gateshead NE8 3DF
Independent auditor	UNW LLP Chartered Accountants Citygate St James' Boulevard Newcastle upon Tyne NE1 4JE
Bankers	National Westminster Bank Plc 52 Fawcett Street Sunderland Tyne and Wear SR1 1SD
Solicitors	Weightmans LLP 1 St James' Gate Newcastle upon Tyne NE1 4AD

Salecycle Limited

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Salecycle Limited

Group strategic report Year ended 31 March 2021

Introduction

The directors present their group strategic report for the year ended 31 March 2021.

Business review and financial key performance indicators

The year ended 31 March 2021 was extremely challenging primarily due to the global COVID-19 pandemic, which impacted consumer spending in all of the Group's core vertical and geographic markets. The consequent effect on client global supply chains, which were particularly exacerbated in the UK by the economic impact of Brexit, have presented further challenges to growth.

In response to the above factors, the Directors took the swift decision to rationalise global operations, which included the centralisation of customer service and support functions. Headcount fell from 153 at March 2020 to 104 at March 2021 but has since grown to 117 as we actively recruit to take advantage of the anticipated recovery in global consumer spending.

The decisions taken during the year enabled us to control costs, preserve the vast majority of our revenue and increase EBITDA. Revenue fell from £13.7m in FY20 to £12.4m in FY21, principally as a result of a pandemic-driven fall in Travel & Leisure spending where a significant number of our clients were simply unable to trade. Revenue from the Fashion sector was also impacted due to a lack of customer demand for goods during lockdown. While revenue decreased by 9.4%, reductions in administration expenses of 23.2% resulted in significant increases in operating profit, EBITDA and positive cashflows. Gross margin was down slightly at 85% (FY20 - 88%) due to lower sales volumes, while operating margin increased significantly to 25% (FY20 - 14%).

After the year end, the UK business has relocated to a new city-centre office. Our offices in Paris, Newcastle and Singapore are all in attractive, central locations designed to aid staff recruitment and retention and embrace hybrid working. The costs of vacating the previous UK office and associated redundancy costs have been disclosed as exceptional charges of £0.1m (FY20 - £0.2m) in note 7 of the accounts. EBITDA, as adjusted for these exceptional costs, was £3.3m (FY20 - £2.2m).

The Group took the opportunity to repay unsecured loan notes during the year and the closing cash balance was £6.8m against a net cash position (cash at bank, less debt) of £4.0m at the end of FY20.

The directors believe the company is well poised to rebound from the effects of the pandemic and return to long-term growth. We are seeing the start of what we expect to be a sustained recovery in the Travel & Leisure sector, are making significant investments in new product development, recruiting heavily and entering new geographical markets. While this growth is expected to be predominantly organic, the directors continue to appraise potential acquisition opportunities.

Salecycle Limited

Group strategic report (continued) Year ended 31 March 2021

Principal risks and uncertainties

The principal risks to the business are a protracted recovery from the COVID-19 pandemic, the competitive environment, brand reputation, currency movements and legislation changes.

The COVID-19 pandemic introduced both new risk and new opportunity into the company's business model. After demand for Salecycle's products fell, we are experiencing a gradual recovery particularly in the broader online Fashion and Retail markets. Uncertainties surrounding COVID-19 and steps taken to mitigate the risks posed are covered further in note 3.3.

The competitive environment continues to be challenging. Ensuring Salecycle continues to be positioned as the 'best of breed' brand and product in the global marketplace remains key to ensuring its future success.

Currency fluctuations need to be carefully managed. To that end, the business will continue to employ natural hedging techniques to minimise exposure.

The impact of legislation changes continues to present challenges for our clients and therefore their ability to adapt will have an impact on our performance.

Future developments

Investment in new and existing territories, product and people will continue to increase as we aim to broaden our range of scalable solutions and geographic markets.

This report was approved by the board on 16 December 2021 and signed on its behalf by:



M M Cross
Director

Salecycle Limited

Directors' report Year ended 31 March 2021

The directors present their report and the financial statements for the year ended 31 March 2021.

Results and dividends

The profit for the year, after taxation, amounted to £2,868,415 (2020 - £1,861,099).

Interim dividends paid in the year were £nil (2020: £nil). The directors do not recommend a final dividend in respect of the year.

Directors

The directors who served during the year and up to the date of signing the financial statements were:

G D Callaghan
J B Callaghan
P M Callaghan
B Jackson
T M P Nicholson (resigned 10 March 2021)
S Nelson
C J Wilds
M M Cross (appointed 24 May 2021)

Matters covered in the strategic report

Future developments, which would otherwise be disclosed in the director's report, is instead disclosed in the strategic report, as permitted by s414C(11) of the Companies Act 2006.

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 and the group'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 and the group's auditor is aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and UNW LLP will therefore continue in office.

This report was approved by the board on 16 December 2021 and signed on its behalf by:



M M Cross
Director

Salecycle Limited

Directors' responsibilities statement Year ended 31 March 2021

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated and company 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 applicable law and United Kingdom Accounting Standards ('United Kingdom Generally Accepted Accounting Practice'), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the group's financial statements and then apply them consistently;
- make judgments 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 transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Independent auditor's report to the members of Salecycle Limited

Opinion

We have audited the financial statements of Salecycle Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2021, which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated statement of cash flows, the consolidated and company statement of changes in equity and the related notes, 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').

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 March 2021 and of the group's 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.

Basis for opinion

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

Conclusions relating to going concern

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

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



Independent auditor's report to the members of Salecycle Limited (continued)

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the group 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 group strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the group strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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.



Independent auditor's report to the members of Salecycle Limited (continued)

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 group financial statements.

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 identified areas of law and regulations that could reasonably be expected to have a material effect on the financial statements from our general and sector experience and through discussions with the directors and other management (as required by auditing standards) and from inspection of the group's legal correspondence and we discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We have communicated identified laws and regulations within our team and remained alert to any indications of non compliance throughout the audit.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we have assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines and litigation. We identified the following areas as those most likely to have such an effect; health and safety, employment law, data protection and certain aspects of company legislation, recognising the nature of the group's activities. Auditing standards limit the required audit procedures to identify non compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures we have not become aware of any actual or suspected non-compliance.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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



Independent auditor's report to the members of Salecycle Limited (continued)

Use of our report

This report is made solely to the company's members 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 for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'Michael Morris'.

Michael Morris FCA FCCA (Senior Statutory Auditor)
for and on behalf of UNW LLP, Statutory Auditor
Chartered Accountants
Newcastle upon Tyne

16 December 2021

Salecycle Limited

Consolidated statement of comprehensive income Year ended 31 March 2021

	Note	2021 £	2020 £
Profit and loss account			
Turnover	5	12,426,022	13,724,369
Cost of sales		(1,859,584)	(1,596,874)
Gross profit		10,566,438	12,127,495
Administrative expenses		(7,827,824)	(10,189,035)
Other operating income	6	340,270	-
Operating profit	7	3,078,884	1,938,460
Interest payable and similar expenses	10	(15,981)	(146,944)
Profit on ordinary activities before taxation		3,062,903	1,791,516
Taxation on profit on ordinary activities	11	(194,488)	69,583
Profit for the financial year		2,868,415	1,861,099

There was no other comprehensive income for 2021 or 2020.

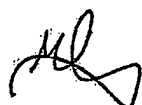
The notes on pages 15 to 31 form part of these financial statements.

Salecycle Limited

Consolidated balance sheet At 31 March 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible fixed assets	12	86,136	155,046
Current assets			
Debtors	14	3,901,050	3,905,257
Cash at bank and in hand		6,833,848	5,411,068
		<u>10,734,898</u>	<u>9,316,325</u>
Creditors: amounts falling due within one year	15	(1,370,817)	(1,466,519)
Net current assets		<u>9,364,081</u>	<u>7,849,806</u>
Total assets less current liabilities		<u>9,450,217</u>	<u>8,004,852</u>
Creditors: amounts falling due after more than one year	16	-	(1,457,457)
Provisions for liabilities			
Deferred taxation	18	(4,407)	-
Other provisions	19	(30,000)	-
Net assets		<u>9,415,810</u>	<u>6,547,395</u>
Capital and reserves			
Called up share capital	20	91	91
Share premium account	21	122,462	122,462
Capital redemption reserve	21	5	5
Profit and loss account	21	9,293,252	6,424,837
Shareholders' funds		<u>9,415,810</u>	<u>6,547,395</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 December 2021.



M M Cross
Director

The notes on pages 15 to 31 form part of these financial statements.

Company registered number: 07148309

Salecycle Limited

Company balance sheet At 31 March 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible fixed assets	12	58,400	114,787
Investments	13	187	187
		<u>58,587</u>	<u>114,974</u>
Current assets			
Debtors	14	3,914,177	3,944,361
Cash at bank and in hand		6,554,918	5,037,264
		<u>10,469,095</u>	<u>8,981,625</u>
Creditors: amounts falling due within one year	15	(1,688,810)	(1,611,428)
Net current assets		<u>8,780,285</u>	<u>7,370,197</u>
Total assets less current liabilities		<u>8,838,872</u>	<u>7,485,171</u>
Creditors: amounts falling due after more than one year	16	-	(1,457,457)
Provisions for liabilities			
Deferred taxation	18	(4,407)	-
Other provisions	19	(30,000)	-
Net assets		<u>8,804,465</u>	<u>6,027,714</u>
Capital and reserves			
Called up share capital	20	91	91
Share premium account	21	122,462	122,462
Capital redemption reserve	21	5	5
Profit and loss account	21	8,681,907	5,905,156
Shareholders' funds		<u>8,804,465</u>	<u>6,027,714</u>

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 profit after tax and total comprehensive income of the parent company for the year was £2,776,751 (2020: £1,748,780).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 December 2021.


M M Cross
Director

Salecycle Limited

Consolidated statement of changes in equity Year ended 31 March 2021

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 April 2019	96	122,462	-	5,649,546	5,772,104
Profit for the year	-	-	-	1,861,099	1,861,099
Purchase of own shares	(5)	-	5	(1,085,808)	(1,085,808)
At 1 April 2020	91	122,462	5	6,424,837	6,547,395
Profit for the year	-	-	-	2,868,415	2,868,415
At 31 March 2021	91	122,462	5	9,293,252	9,415,810

The notes on pages 15 to 31 form part of these financial statements.

Company statement of changes in equity Year ended 31 March 2021

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 April 2019	96	122,462	-	5,242,184	5,364,742
Profit for the year	-	-	-	1,748,780	1,748,780
Purchase of own shares	(5)	-	5	(1,085,808)	(1,085,808)
At 1 April 2020	91	122,462	5	5,905,156	6,027,714
Profit for the year	-	-	-	2,776,751	2,776,751
At 31 March 2021	91	122,462	5	8,681,907	8,804,465

The notes on pages 15 to 31 form part of these financial statements.

Salecycle Limited

Consolidated statement of cash flows Year ended 31 March 2021

	2021 £	2020 £
Cash flows from operating activities		
Profit for the financial year	2,868,415	1,861,099
Adjustments for:		
Depreciation of tangible assets	60,630	83,891
Unrealised exchange rate gain	1,139	(1,194)
Loss on disposal of tangible assets	27,121	-
Interest payable	15,981	146,944
Taxation charge	194,488	(69,583)
(Increase)/decrease in debtors	(82,445)	481,487
(Decrease)/increase in creditors	(185,294)	474,506
Increase in provisions	30,000	-
Corporation tax (paid)	(13,837)	(100,296)
Net cash generated from operating activities	2,916,198	2,876,854
Cash flows from investing activities		
Purchase of tangible fixed assets	(19,980)	(47,012)
Net cash from investing activities	(19,980)	(47,012)
Cash flows from financing activities		
Repayment of loans	(1,457,457)	-
Interest paid	(15,981)	(146,944)
Share buy back	-	(1,085,808)
Net cash used in financing activities	(1,473,438)	(1,232,752)
Net increase in cash and cash equivalents	1,422,780	1,597,090
Cash and cash equivalents at beginning of year	5,411,068	3,813,978
Cash and cash equivalents at the end of year	6,833,848	5,411,068
Cash and cash equivalents at the end of year comprise:		
Bank and cash balances	6,833,848	5,411,068

The notes on pages 15 to 31 form part of these financial statements.

Salecycle Limited

Consolidated analysis of net debt Year ended 31 March 2021

	At 1 April 2020 £	Cash flows £	At 31 March 2021 £
Cash at bank and in hand	5,411,068	1,422,780	6,833,848
Debt due after 1 year	(1,457,457)	1,457,457	-
	<u>3,953,611</u>	<u>2,880,237</u>	<u>6,833,848</u>

The notes on pages 15 to 31 form part of these financial statements.

Salecycle Limited

Notes to the financial statements Year ended 31 March 2021

1. General information

Salecycle Limited ('the company') and its subsidiaries (together 'the group') are engaged in online behavioural marketing activities.

The company is a private company limited by shares, incorporated in the United Kingdom and registered in England. The address of the registered office is given in the company information page of these financial statements.

2. Statement of compliance

The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 '*The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland*' ('FRS 102') and the Companies Act 2006.

3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

3.1 Basis of preparation of financial statements

These financial statements comprise the consolidated (group) financial statements and the company's separate financial statements. However, as permitted by section 408 of the Companies Act 2006, the separate profit and loss account of the company is not presented.

The financial statements are prepared on a going concern basis and under the historical cost convention. They are presented in pounds sterling and for the consolidated financial statements, foreign operations are translated to pounds sterling in accordance with the foreign currency translation policy set out below (3.4).

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.2 Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings as if they formed a single entity. Intercompany transactions and balances are therefore eliminated in full.

Salecycle Limited

Notes to the financial statements Year ended 31 March 2021

3. Accounting policies (continued)

3.3 Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the group can continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of signing of these financial statements.

In light of global events which persist at the date of approval of these financial statements, the directors have taken measures to counter the potential impact of COVID-19 on the group's operations and the resultant impact on financial headroom. The group has been exposed to the impact of the COVID-19 pandemic on consumer spending in all of the group's core vertical and geographic markets, most notably in the Travel and Leisure sector. Nevertheless, customer demand remains positive, the group continues to perform strongly and has experienced a significant growth in profitability.

The directors have accessed government support through the 'Coronavirus Job Retention Scheme' to protect its workforce, however do not anticipate needing the support from the other various funding sources made available by the UK government.

Whilst the continuing risks in this regard cannot be completely mitigated and therefore some level of future uncertainty remains, the directors have adopted measures and assessed the financial implications of associated factors outside their control alongside reviewing revised forecasts and future projections. Based on those forecasts and projections, the directors do not consider the residual uncertainties to be material to the company's ability to continue meeting its liabilities as they fall due in the foreseeable future and, accordingly, they continue to prepare the financial statements on a going concern basis.

3.4 Foreign currency translation

Transactions and balances

Transactions in foreign currencies are translated into sterling using the spot exchange rates at the dates of the transactions. At each period end, foreign currency monetary assets and liabilities are translated using the closing rate. Foreign exchange gains and losses resulting from the settlement of transactions and from the period-end retranslation are recognised in the profit and loss account.

Translation

The trading results of overseas subsidiaries are translated into sterling at the average exchange rates for the year. The assets and liabilities are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in the profit and loss account.

3.5 Revenue recognition

Turnover

Turnover comprises revenue recognised in respect of services supplied during the year, net of discounts and excluding Value Added Tax and equivalent sale taxes outside of the UK.

Turnover is recognised as services are provided. Where a contract has only been partially completed at the balance sheet date, turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Salecycle Limited

Notes to the financial statements Year ended 31 March 2021

3. Accounting policies (continued)

3.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price plus any further costs directly attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their estimated useful lives as follows:

Office equipment	-	25% straight-line
Computer equipment	-	25% straight-line

Asset residual values and useful lives are reviewed at the end of each reporting period, and adjusted if appropriate. The effect of any change is accounted for prospectively.

3.7 Fixed asset investments

In the company balance sheet, investments in subsidiary undertakings are measured at cost less accumulated impairment losses.

3.8 Financial instruments

The group 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, cash and bank balances and loans to or from related parties, including fellow group companies.

Debt instruments due within one year are measured, initially and subsequently at the transaction price. Debt instruments due after one year are measured initially at the transaction price and subsequently at amortised cost using the effective interest method.

At the end of each reporting period debt financial assets are assessed for impairment, and their carrying value reduced if necessary. Any impairment charge is recognised in the profit and loss account.

Salecycle Limited

Notes to the financial statements Year ended 31 March 2021

3. Accounting policies (continued)

3.9 Employee benefits

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits are recognised as an expense in the period in which the service is received.

Defined contribution pension plan

The group operates a defined contribution pension plans for its employees. Contributions are recognised as an expense when they fall due. Amounts due but not yet paid are included within creditors on the balance sheet.

The assets of the plan are held separately from the group in independently administered funds.

Share-based payments

The group provides share-based payment arrangements to certain employees.

Equity-settled arrangements are measured at fair value at the date of the grant. To the extent material, the fair value (excluding the effect of non-market based vesting conditions) is expensed on a straight line period over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest.

The group has no cash-settled arrangements.

3.10 Current and deferred taxation

The taxation expense for the year comprises current and deferred tax and is recognised in the profit and loss account.

Current tax is the amount of income tax payable in respect of the taxable profit for the current or past reporting periods. It is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods. It is recognised in respect of all timing differences, with certain exceptions. Timing differences arise from the inclusion of transactions and events in the financial statements in periods different from those in which they are assessed for tax.

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.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences.

Salecycle Limited

Notes to the financial statements Year ended 31 March 2021

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements in applying the group's accounting policies

In preparing these financial statements the directors do not consider there were any significant areas of judgement that were required in applying the group's accounting policies as set out above.

Key sources of estimation uncertainty

Estimates included within these financial statements include depreciation and amortisation charges, and asset impairments (for example provisions against debtors). None of the estimates made in the preparation of these financial statements are considered to carry significant estimation uncertainty, nor to bear significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. Turnover

The whole of the turnover is attributable to the provision of services.

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	3,118,663	3,788,479
Europe	5,145,930	5,733,684
Rest of the world	4,161,429	4,202,206
	<u>12,426,022</u>	<u>13,724,369</u>

6. Other operating income

	2021 £	2020 £
Other income	<u>340,270</u>	<u>-</u>

Salecycle Limited

Notes to the financial statements Year ended 31 March 2021

7. Operating profit

The operating profit is stated after charging:

	2021 £	2020 £
Exceptional expenses*	135,053	213,326
Depreciation of tangible fixed assets	60,630	83,891
Operating lease rentals	-	447,927
Exchange differences	184,052	28,996
Fees payable to the group's auditors and its associates for other services to the group:		
- The audit of these financial statements	13,800	13,500

*Exceptional expenses consist of payments made in relation to staff redundancies during the initial phase of the COVID-19 pandemic and dilapidations relating to the company's previous UK office. These matters are further described in the Strategic Report.

In February 2020, the company undertook a Board restructuring which included the resignations of two directors. The exceptional expenses in 2020 related entirely to that exercise.

Salecycle Limited

Notes to the financial statements Year ended 31 March 2021

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Wages and salaries	6,038,851	7,019,365	3,642,307	4,435,749
Social security costs	565,861	664,881	405,243	458,959
Cost of defined contribution scheme	169,779	226,274	169,779	226,274
	<u>6,774,491</u>	<u>7,910,520</u>	<u>4,217,329</u>	<u>5,120,982</u>

There is an Enterprise Management Incentive Share Options Plan in place for certain employees. No charge has been made in the financial statements as in the opinion of the directors these are not material to the users of the financial statements.

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

	2021 No.	2020 No.
Administration	10	16
Technology	43	60
Product	6	5
Sales and marketing	24	42
Client management	21	30
	<u>104</u>	<u>153</u>

9. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	83,000	252,873
Company contributions to defined contribution pension schemes	4,075	14,587
	<u>87,075</u>	<u>267,460</u>

During the year retirement benefits were accruing to 1 director (2020 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £87,075 (2020 - £141,928).

Salecycle Limited

Notes to the financial statements Year ended 31 March 2021

10. Interest payable and similar expenses

	2021 £	2020 £
Other loan interest payable	15,981	146,944

11. Taxation on profit on ordinary activities

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	80,598	-
Adjustments in respect of previous periods	-	(4,225)
Foreign tax relief/other relief	(4,047)	-
	76,551	(4,225)
 Double taxation relief	4,376	3,662
	80,927	(563)
 Foreign tax		
Foreign tax on income for the year	22,502	31,142
Total current tax	103,429	30,579
 Deferred tax		
Origination and reversal of timing differences	98,648	(101,861)
Changes to tax rates	-	1,601
Adjustments in respect of previous periods	(7,589)	98
Total deferred tax	91,059	(100,162)
 Taxation on profit/(loss) on ordinary activities	194,488	(69,583)

Salecycle Limited

Notes to the financial statements Year ended 31 March 2021

11. Taxation on profit on ordinary activities (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	3,062,903	1,791,516
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	581,952	340,388
Effects of:		
Expenses not deductible for tax purposes	1,935	10,728
Adjustments to tax charge in respect of prior periods	(7,589)	(4,127)
Changes to tax rates	-	1,601
Research and development relief	(382,139)	(425,022)
Overseas tax at different rate	329	6,849
Total tax charge for the year	194,488	(69,583)

Factors that may affect future tax charges

The rate of corporation tax in the UK throughout the period was 19% and this was the enacted rate of corporation tax at the balance sheet date. Accordingly, the group's profits for this period are taxed at a rate of 19% and closing deferred tax has been calculated based on a rate of 19% (2020: 19%). In the Spring budget, the Government announced that the main rate of UK corporation tax will increase to 25% from 1 April 2023 and this rate change was substantively enacted on 24 May 2021.

Salecycle Limited

Notes to the financial statements Year ended 31 March 2021

12. Tangible fixed assets

Group

	Office equipment £	Computer equipment £	Total £
Cost			
At 1 April 2020	205,619	636,011	841,630
Additions	10,168	9,812	19,980
Disposals	(151,467)	-	(151,467)
Exchange adjustments	(2,887)	-	(2,887)
At 31 March 2021	61,433	645,823	707,256
Depreciation			
At 1 April 2020	133,444	553,140	686,584
Charge for the year	26,347	34,283	60,630
Disposals	(124,346)	-	(124,346)
Exchange adjustments	(1,748)	-	(1,748)
At 31 March 2021	33,697	587,423	621,120
Net book value			
At 31 March 2021	27,736	58,400	86,136
At 31 March 2020	72,175	82,871	155,046

Salecycle Limited

Notes to the financial statements Year ended 31 March 2021

12. Tangible fixed assets (continued)

Company

	Office equipment £	Computer equipment £	Total £
Cost			
At 1 April 2020	111,774	636,011	747,785
Additions	6,719	9,812	16,531
Disposals	(118,493)	-	(118,493)
At 31 March 2021	-	645,823	645,823
Depreciation			
At 1 April 2020	79,857	553,141	632,998
Charge for the year	15,272	34,282	49,554
Disposals	(95,129)	-	(95,129)
At 31 March 2021	-	587,423	587,423
Net book value			
At 31 March 2021	-	58,400	58,400
At 31 March 2020	31,917	82,870	114,787

Salecycle Limited

Notes to the financial statements Year ended 31 March 2021

13. Fixed asset investments

Company

Investments in
subsidiary
companies
£

Cost and net book value

At 1 April 2020 and 31 March 2021

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The company owns 100% of the ordinary share capital of the following companies:

Name	Country of incorporation
Salecycle Inc.	USA
Salecycle Pte Ltd	Singapore
Salecycle SARL	France

The registered offices of the subsidiary companies are as follows:

Salecycle Inc.: 113 Saint James St Georgetown, SC 29440-3765
 Salecycle Pte Ltd: 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623
 Salecycle SARL: 71 rue Charlot, 75003, Paris, France

14. Debtors

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Trade debtors	3,370,815	3,194,143	3,370,815	3,194,143
Amounts owed by group undertakings	-	-	130,805	150,575
Other debtors	15,140	192,998	9,749	156,575
Prepayments and accrued income	515,095	431,464	402,808	356,416
Deferred taxation	-	86,652	-	86,652
	3,901,050	3,905,257	3,914,177	3,944,361

Salecycle Limited

Notes to the financial statements Year ended 31 March 2021

15. Creditors: amounts falling due within one year

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Trade creditors	351,366	336,772	337,803	250,105
Amounts owed to group undertakings	-	-	657,847	561,574
Corporation tax	89,592	-	89,592	-
Other taxation and social security	293,762	465,310	280,821	400,322
Other creditors	171,316	162,938	90,379	81,853
Accruals and deferred income	464,781	501,499	232,368	317,574
	<u>1,370,817</u>	<u>1,466,519</u>	<u>1,688,810</u>	<u>1,611,428</u>

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

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Other loans	-	1,457,457	-	1,457,457

Unsecured loan notes totalling £1,457,457, were fully repaid during the year.

17. Loans

The loans fall due for repayment as follows:

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Other loans due 2 to 5 years	-	971,638	-	971,638
Other loans due in more than 5 years	-	485,819	-	485,819
	<u>-</u>	<u>1,457,457</u>	<u>-</u>	<u>1,457,457</u>

During the year, the directors took the decision to fully repay the unsecured loan notes.

Salecycle Limited

Notes to the financial statements Year ended 31 March 2021

18. Deferred taxation liability/(asset)

Group

	2021 £	2020 £
At beginning of year	(86,652)	13,509
Charged/(credited) to profit and loss	91,059	(100,161)
At end of year	4,407	(86,652)

Company

	2021 £	2020 £
At beginning of year	(86,652)	13,509
Charged/(credited) to profit and loss	91,059	(100,161)
At end of year	4,407	(86,652)

The deferred taxation balance is made up as follows:

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Fixed assets timing differences	7,126	16,701	7,126	16,701
Short-term timing differences	(2,719)	(3,283)	(2,719)	(3,283)
Losses	-	(100,070)	-	(100,070)
	4,407	(86,652)	4,407	(86,652)

The net amount of deferred tax assets and liabilities that are expected to reverse within one year of the balance sheet date is £4,000 (2020: £64,000). This figure takes account of both the reversal of existing timing differences and the origination of new ones.

Salecycle Limited

Notes to the financial statements Year ended 31 March 2021

19. Provisions

Group

	Dilapidations £	Total £
Charged to profit or loss	30,000	30,000
At 31 March 2021	30,000	30,000

Company

	Dilapidations £	Total £
Charged to profit or loss	30,000	30,000
At 31 March 2021	30,000	30,000

20. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
680,064 Ordinary shares of £0.0001 each	68	68
228,996 Ordinary A shares of £0.0001 each	23	23
	91	91

Both classes of shares are non-redeemable, have a right to receive dividends, have a full right of entitlement to capital and surplus distributions, and have voting rights of one vote per share, except for the A Ordinary shares, which shall be restricted to the lower of 40% of the voting rights attaching to all shares and the number of votes allocated.

Salecycle Limited

Notes to the financial statements Year ended 31 March 2021

21. Reserves

Share premium account

The share premium account is a non-distributable reserve and represents the premium arising on the issue of shares net of issues costs.

Capital redemption reserve

The capital redemption reserve is a non-distributable reserve and represents the paid up share capital of shares redeemed.

Profit and loss account

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

22. Pension commitments

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £169,779 (2020: £226,274). Contributions totalling £26,817 (2020: £32,198) were payable to the fund at the balance sheet date.

23. Commitments under operating leases

At 31 March 2021 the group and the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Not later than 1 year	187,954	226,340	-	8,292
Later than 1 year and not later than 5 years	494,649	778,876	-	-
	<u>682,603</u>	<u>1,005,216</u>	<u>-</u>	<u>8,292</u>

Salecycle Limited

Notes to the financial statements Year ended 31 March 2021

24. Related party transactions

Group and company

Dividends of £nil (2020: £nil) were paid to shareholders in the year.

Directors' emoluments disclosures are provided in note 9. The total remuneration for key management personnel during the year was £455,156 (2020: £393,457), representing gross salaries and employer pension contributions.

Purchases of £174,943 (2020: £nil) were made from Leighton Corporation Limited, a company in which some of the directors have an interest, during the year. £32,568 (2020: £nil) was outstanding at the year end.

The company has taken advantage of the exemptions under FRS 102 'Related Party Disclosures' not to disclose details of transactions with other companies that are wholly owned within the group.

25. Controlling party

The group and company was under the direct control of its members throughout the year.