Company Registration No. 10844939 (England and Wales)

PRODIGI GROUP LTD

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

PRODIGI GROUP LTD

COMPANY INFORMATION

Directors	J A Old T Gallard S G Levin D G Hulston
Company number	10844939
Registered office	215 Creative Quarter 8A Morgan Arcade The Hayes Cardiff CF10 1AF
Auditors	Holeys Limited Stuart House 15/17 North Park Road Harrogate North Yorkshire HG1 5PD

PRODIGI GROUP LTD

CONTENTS

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

Principal activities and review of the business
The principal activity of the Group is that of a vertically integrated technology and manufacturing business specialising in the production and fulfilment of high-volume, print on demand products.

Prodigi Group saw a significant increase in overall revenues of 86% for the year to 31 March 2021, with profit before tax increasing by over 370%. The business accelerated rapidly across all operating companies, allowing for extensive investments in the team, our software solutions and production facilities.

Top-line growth accelerated through multiple compounding factors: the ongoing development of our API software platform, increasing the geographic reach of our print network, expanding our print on demand product range, developing assets obtained from the Kite Tech Ltd (subsequently renamed as Prodigi Platforms Ltd) acquisition in 2019 as well as COVID-19 related market conditions.

Prodigi's global distribution network becomes increasingly valuable as more fulfilment locations are added, allowing clients to expand into new markets and offer new products. This flywheel effect helps existing clients grow faster and more profitably, while simultaneously attracting new clients looking to leverage the ever-expanding retail opportunities. The impact of this effect can be seen in new client accounts increasing over 150% this year.

The majority of these clients are operating some form of online store and the Group's business model was perfectly positioned to capitalise on the macroeconomic turmoil created by COVID-19. Specifically, shutting down the world's physical retail resulted in a boom for ecommerce; people quarantining in their homes led to a boom for home decor products and personalised presents created additional meaning when people were unable to meet loved ones in person. For these reasons, COVID-19 acted as a steroid for the company's overall performance as many online retailers migrated to on-demand fulfilment models. In terms of sustainability for this switch, it is the Board's view that the pandemic has irrevocably changed many market conditions and while the extreme demand we've experienced over this financial period might not be seen again in the short term, the direction of travel remains clear.

The rapid growth in revenues resulted in significant investment across all aspects of the business: headcount increased 33%, over £1 million was invested in new assets, print hardware and facilities, and production locations more than doubled in size in both the UK and the Netherlands.

When it comes to the business's core software platform, this year saw the launch of several new applications developed from the assets acquired from Kite Tech Ltd. The IP associated with this transaction is now powering the company's photo book maker, Shopify and BigCommerce apps, manual order form, custom payment gateway and print shop platform. Although early in the release cycle for most of these solutions, almost £3 million of transactions can already be directly applicable to the assets developed post-acquisition and significant further growth is expected to be realised from these assets over the coming years. The business continues to have a positive return on its M&A activity and further acquisitions are likely to form part of the business's ongoing growth strategy.

The Group will seek to consolidate its position and concentrate its efforts on achieving maximum growth in its existing market segments.

The business remains in an extremely high-growth phase and the Board will continue to make significant strategic investments in technology, software and supporting our operational teams in order to maximise future opportunities.

Principal risks and uncertainties

The Board have identified the following potential material risks to the achievement of the Group's strategic and business objectives:

COVID-19
While the pandemic has had a positive overall impact on the business, it brings with it potential risk due to the stress global supply chains are now experiencing. Demand for raw materials is already resulting in significant price increases and these inflationary pressures are expected to increase throughout the forthcoming financial year; potentially impacting overall Group profitability. Furthermore, as the world learns to live with COVID-19, the beneficial commercial conditions created by the first phase of the pandemic are unlikely to be replicated in the future; reducing the likelihood of instant spikes in growth.

Capacity limitations
The sudden surge in orders during the early months of the pandemic placed huge pressures on total global fulfilment capacity. Ultimately, both print on demand capacity and print production materials are finite. Additional capacity must continually be added if the consumer experience is to remain satisfactory. Additionally, all support services must also scale in line with demand. Huge surges in orders may create large increases in support tickets if labs struggle to scale with demand. Failure to manage the challenges of growth brings risks to client retention.

Changes to online advertising models
Online advertising platforms are the primary marketing channels for Prodigi's clients to acquire customers. Increased competition is constantly driving up acquisition costs across all channels. Higher advertising costs will reduce overall client margins, potentially making the print on demand sector less attractive to new entrants.

Changes to privacy controls and access to user data in Apple's iOS 14 release may also have an impact on online advertising conversion rates, as users are now able to opt out of sharing their information and disabling precise location tracking for measurement and attribution. With more users utilising these controls, online advertising platforms may reduce in efficacy in terms of reach, frequency of contacts and conversion rates.

Brexit
Challenges around the UK's departure from the EU have impacted overall profitability during the first quarter of 2021 as the business subsidised increased shipping costs and duty charges migrating production from the UK to mainland EU. Short-term impact was relatively minimal, but new rules and regulations – such as IOSS – are coming and the business will need to continually adapt to the legislative impact Brexit will continue to have on UK-headquartered exporters.

Business environment
The US & EU print on demand industries are becoming increasingly competitive, particularly in the direct-to-garment (DTG) sectors where Prodigi is increasingly focusing. Many companies are seeking to replicate our global print network, offering similar products, giving rise to more aggressive pricing structures. The impact of technology here has been enormous and it is essential that the business continually invests in its core API platform in order to remain at the vanguard of developments in this area.

Taxation
As a multi-jurisdictional platform, taxation becomes an increasingly complex area where laws and their interpretations are changing regularly. Non-compliance to local taxation regimes could result in unexpected tax and financial loss.

Principal risks and uncertainties **(continued)**

Actions of competitors
Prodigi operates in a competitive landscape alongside a number of other print API platforms providing competing solutions, services and geographically diverse presences. There is the potential for Prodigi's business to be disrupted by new or existing solutions, networks or on-demand platforms.

Key Performance Indicators

The company monitors its performance using a number of measures. These include key performance indicators for sales, printer utilisation, staff production performance, software uptime and resilience, customer service responsiveness, marketing effectiveness and quality control across the print on demand network.

KPIs are reviewed during weekly team lead 1:1 meetings and then presented at monthly board meetings to ensure continual improvements are implemented. KPIs are also used as a performance management tool to ensure each management team is reaching and exceeding the targets set by the Board.

On behalf of the board

J A Old
Director
13 August 2021

PRODIGI GROUP LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

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

Results and dividends

The results for the year are set out on page 10.

Interim ordinary dividends were paid amounting to £3,000,000. The directors do not recommend payment of a final dividend.

Directors

The following directors have held office since 1 April 2020:

J A Old
T Gallard
S G Levin
D G Hulston

Auditors

In accordance with the company's articles, a resolution proposing that Holeys Limited be reappointed as auditors of the company will be put at a General Meeting.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Strategic Report

Information concerning future development of the business and risk exposure is dealt with in the strategic report.

On behalf of the board

J A Old
Director
13 August 2021

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PRODIGI GROUP LTD

Opinion
We have audited the financial statements of Prodigi Group Ltd (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2021 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, the Parent Company Balance Sheet, the Statement of Changes in Equity, the Consolidated Statement of Cashflows 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 FRS 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 company's and of the undertakings included in the consolidation as a whole's affairs as at 31 March 2021 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.

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 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. 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
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of our 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 Directors' Report has 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 Strategic Report and the Directors' Report.

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

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

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

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

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

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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;

- We identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the print on demand sector;
- We focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, FRS 102, taxation legislation and data protection, anti-bribery, employment, environmental, UK government COVID-19 support schemes including the Coronavirus Jobs Retention Scheme (CJRS) and health and safety legislation;
- We assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and these were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.
- Communication with component auditors to request identification of any instances of non-compliance with laws and regulations that could give rise to a material misstatement of the group financial statements.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- Making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud.
- Considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.
- We assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias and investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- Agreeing financial statement disclosures to underlying supporting documentation;
- Reading the minutes of meetings of those charged with governance;
- Enquiring of management and those charged with governance as to actual and potential litigation and claims

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. The approach adopted above has been tailored to reflect the remote working resulting from COVID-19 and therefore imposes limits on our ability to detect irregularities including fraud.

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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF PRODIGI GROUP LTD

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our audit work and to whom we owe our responsibilities

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.

Paul Stephenson BA FCA (Senior Statutory Auditor)
for and on behalf of Holeys Limited

13 August 2021

Chartered Accountants
Statutory Auditor

Stuart House
15/17 North Park Road
Harrogate
North Yorkshire
HG1 5PD

PRODIGI GROUP LTD

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Group turnover	2	32,356,716	17,364,793
Cost of sales		(24,440,917)	(12,164,615)
Gross profit		7,915,799	5,200,178
Administrative expenses		(4,416,530)	(4,437,258)
Other operating income		250,110	31,741
Group Operating profit	3	3,749,379	794,661
Other interest receivable and similar income	5	12,743	10,204
Interest payable and similar charges	6	(27,865)	(11,412)
Profit on ordinary activities before taxation		3,734,257	793,453
Tax on profit on ordinary activities	7	1,112,079	135,074
Profit for the year for the group	21	4,846,336	928,527

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The group has no recognised gains and losses other than those passing through the consolidated profit and loss account.

PRODIGI GROUP LTD

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Intangible assets – goodwill	9		-		-
Intangible assets – negative goodwill	9		(132,330)		(264,661)
			(132,330)		(264,661)
Tangible assets	10		1,274,937		524,141
			1,142,607		259,480
Current assets					
Stocks	13	548,361		331,992	
Debtors	14	4,292,715		1,925,077	
Cash at bank and in hand		3,561,674		2,346,114	
		8,402,750		4,603,183	
Creditors: amounts falling due within one year	15	(4,668,587)		(2,378,064)	
Net current assets			3,734,163		2,225,119
Total assets less current liabilities			4,876,770		2,484,599
Creditors: amounts falling due after more than one year	16		(731,429)		(69,081)
Provisions for liabilities	18		(150,477)		(45,276)
			3,994,864		2,370,242
Capital and reserves					
Called up share capital	20		319		334
Capital redemption reserve			15		-
Share premium account			4,797		4,797
Profit and loss account	21		3,989,733		2,365,111
Shareholders' funds	22		3,994,864		2,370,242

Approved by the Board and authorised for issue on 13 August 2021.

J A Old
Director

Company Registration No. 10844939

COMPANY BALANCE SHEET
AS AT 31 MARCH 2021

	Notes	2021 £	2020 £
Fixed assets			
Investments	11	424	417
Current assets			
Debtors	14	6,976	4,800
Creditors: amounts falling due within one year	15	(93)	(86)
		7,307	5,131
Capital and reserves			
Called up share capital	20	319	334
Capital redemption reserve		15	-
Share premium account		4,797	4,797
Profit and loss account	21	2,176	-
Shareholders' funds	22	7,307	5,131

Approved by the Board and authorised for issue on 13 August 2021.

J A Old
Director

Company Registration No. 10844939

PRODIGI GROUP LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

Group	Called up share capital	Capital redemption reserve	Share Premium account	Profit and loss account	Total
	£	£	£	£	£
At 1 April 2020	334	-	4,797	2,365,111	2,370,242
Purchase of own shares	(15)	15		(221,714)	(221,714)
Profit for the year	-	-	-	4,846,336	3,743,995
Dividends paid	-	-	-	(3,000,000)	(3,000,000)
At 31 March 2021	**319**	**15**	**4,797**	**3,989,733**	**3,994,864**

Parent Company	Called up share capital	Capital redemption reserve	Share Premium account	Profit and loss account	Total
	£	£	£	£	£
At 1 April 2020	334	-	4,797	-	5,131
Purchase of own shares	(15)	15	-	(221,714)	(221,714)
Profit for the year	-	-	-	3,223,890	3,223,890
Dividends paid	-	-	-	(3,000,000)	(3,000,000)
At 31 March 2021	**319**	**15**	**4,797**	**2,176**	**7,307**

PRODIGI GROUP LTD

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £	2021 £	2020 £	2020 £
Net cash inflow from operating activities	23		4,660,894		794,695
Returns on investments and servicing of finance					
Interest received		12,743		4,124	
Interest paid		(27,865)		(11,411)	
			(15,122)		(7,287)
Net cash inflow for returns on investments and servicing of finance			4,645,772		787,408
Taxation			85,839		181,924
Capital expenditure and financial investment					
Payments to acquire tangible assets		(641,962)		(150,148)	
Payments to acquire subsidiary		-		1	
Cash acquired with subsidiary		-		71,913	
Receipts from sales of tangible assets		-		588	
			(641,962)		(77,646)
Net cash outflow for capital expenditure					
Equity dividends paid			(3,000,000)		(300,000)
Net cash inflow before management of liquid resources and financing			1,089,647		591,686
Financing					
Issue of shares		-		4,800	
Purchase of own shares		(221,714)		-	
Bank loan		500,000		-	
Capital element of finance lease payments		(152,373)		(72,365)	
Net cash outflow from financing			125,913		(67,565)
Net increase in cash and cash equivalents	25		1,215,560		524,121
Cash and cash equivalents at beginning of year			2,346,114		1,821,993
Cash and cash equivalents at end of year			3,561,674		2,346,114

1 Accounting policies

1.1 Company Information

Prodigi Group Ltd is a private company limited by shares incorporated in England and Wales. The registered office is 215 Creative Quarter, 8A Morgan Arcade, The Hayes, Cardiff, CF10 1AF

1.2 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.3 Consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 March 2021.

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. Its loss after dividends for the financial year was £1,110 (2020: £Nil).

Subsidiaries are consolidated from the date of their acquisition, being the date on which the group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

All acquisitions have been accounted for using acquisition accounting.

1.4 Going Concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1 Accounting policies **(continued)**

1.5 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.6 Research & Development

Research and development expenditure is written off against profits in the year in which it is incurred.

1.7 Goodwill

Positive goodwill acquired on each business combination is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful life.

Negative goodwill arising on each business combination is capitalised and the excess up to the fair value of non-monetary assets acquired is recognised within profit or loss in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in profit or loss in the periods expected to be benefited.

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life which the directors consider to be 3 years.

1.8 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Tenants' improvements	33% on cost or over the lease term
Plant and equipment	20% to 33% on cost
Motor vehicles	33% on cost
Fixtures and fittings	33% on cost
Computers	33% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is credited or charged to profit or loss.

1 Accounting policies **(continued)**

1.9 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Stock

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1 Accounting policies **(continued)**

1.11 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

1 Accounting policies **(continued)**

1.12 Financial instruments (continued)

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

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities
Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities
Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.13 Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1 Accounting policies **(continued)**

1.14 Derivatives

The company enters into foreign exchange forward contracts in order to manage its exposure to foreign exchange risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.16 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.17 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1 Accounting policies **(continued)**

1.18 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.19 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.20 Government grants

Government grants received are accounted for under the accrual model. Grants relating to revenue are recognised in income on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the company with no future related costs are recognised in income in the period in which it becomes receivable.

1.21 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

1 Accounting policies **(continued)**

1.22 Audit exemption

The group has taken advantage of s479A Companies Act 2006 from the requirement for the subsidiary undertakings Prodigi Platforms Ltd, Pwinty Ltd, Prodigi USA Inc, Prodigi B.V. and Prodigi Holdings B.V. to be subject to audit.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity undertaken in the following geographical markets.

	2021	2020
	£	£
United Kingdom	16,084,360	7,479,855
Europe	4,172,576	2,162,708
Rest of the World	12,099,780	7,722,230
	32,356,716	17,364,793

3 Operating profit

	2021	2020
	£	£
Operating profit is stated after charging/(crediting):		
Amortisation of intangible assets	-	33,865
Negative goodwill credited to profit	(132,331)	(242,666)
Depreciation of tangible assets	379,352	253,232
Loss on disposal of tangible assets	216	245
Auditors' remuneration	20,000	20,000
Foreign exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	57,458	(23,448)
Government grants – re Covid-19	(150,560)	(12,060)
Government grants – re Brexit	(99,550)	-
Research and development costs	1,507,412	1,131,503
Operating lease charges	52,847	50,295

4 Employees and directors

Number of employees

The average number of persons employed (including directors) during the year, analysed by category was as follows:

	Group		Company	
	2021	2020	2021	2020
Administration and finance	16	19	4	4
IT	21	23	-	-
Production and operations	94	57	-	-
	131	99	4	4

4 Employees and directors (continued)

The aggregate payroll costs of these persons were as follows:

	Group		Company	
Employment costs	**2021**	**2020**	**2021**	**2020**
	£	**£**	**£**	**£**
Wages and salaries	4,407,821	3,569,845	-	-
Social security costs	387,507	218,983	-	-
Other pension costs	210,854	51,177	-	-
	5,006,182	3,840,005	-	-

The directors' emoluments were as follows:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	£	**£**	**£**	**£**
Aggregate remuneration	124,000	124,000	-	-
Pension costs	110,660	1,668	-	-
Paid to third parties for directors' services	212,000	212,884	-	-

Post-employment benefits are accruing for 3 directors (2020: 3) under a defined contribution scheme.

Key Management Personnel

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	£	**£**	**£**	**£**
Salaries and other short-term benefits	213,616	208,646	-	-
Pension costs	110,660	1,668	-	-

5 Other interest receivable and similar income

	2021	**2020**
	£	**£**
Bank interest receivable	11,922	2,601
Other interest receivable	821	1,523
Research and development expenditure credit	-	6,080
	12,743	10,204

6	**Interest payable**	**2021**	**2020**
		£	**£**
	Bank loan interest payable	12,152	-
	Other interest payable	-	601
	Finance lease interest payable	15,713	10,811
		27,865	11,412

7	**Taxation**	**2021**	**2020**
		£	**£**
	Current year tax		
	U.K. corporation tax on profits for the year	-	-
	Foreign corporation tax on profits for the year	8,275	-
	Adjustment in respect of prior years	-	(52,976)
	Total current tax	8,275	(52,976)
	Deferred tax		
	Origination and reversal of timing differences	(1,120,354)	(82,097)
	Total tax credit	(1,112,079)	(135,073)
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	3,734,256	793,453
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19% (2020 - 19%)	709,509	150,756
	Effects of:		
	Non-deductible expenses	4,657	11,988
	Non-taxable income	(25,143)	(41,497)
	Utilisation of tax losses not previously recognised	(151,382)	-
	Foreign currency	2,561	-
	Research and development tax credit	(372,338)	(279,481)
	Unrecognised deferred tax	(1,278,800)	33,421
	Other tax adjustments	(1,143)	(10,260)
		(1,821,588)	(285,829)
	Current tax charge for the year	(1,112,079)	(135,073)

8	**Dividends**	**2021**	**2020**
		£	**£**
	Ordinary interim paid	3,000,000	300,000

9 Intangible fixed assets

Group	Goodwill
	£
Cost	
At 1 April 2020 & at 31 March 2021	101,596
Amortisation	
At 1 April 2020	101,596
Charge for the year	-
At 31 March 2021	101,596
Net book value	
At 31 March 2021	-
At 31 March 2020	-

Group	Negative Goodwill
	£
Cost	
At 1 April 2020	727,994
Acquired during the year	-
At 31 March 2021	727,994
Amortisation	
At 1 April 2020	463,333
Credited to profit and loss during the year	132,331
At 31 March 2021	595,664
Net book value	
At 31 March 2021	132,330
At 31 March 2020	264,661

10 Tangible fixed assets

Group	Leasehold improvement	Plant and machinery	Fixtures and fittings	Computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 April 2020	145,348	330,715	56,046	483,872	23,532	1,039,513
On acquisitions	-	-	-	-	-	-
Additions	396,182	156,046	11,207	566,283	645	1,130,363
Disposals	-	(2,352)	-	-	-	(2,352)
At 31 March 2021	541,530	484,409	67,253	1,050,155	24,177	2,167,524
Depreciation						
At 1 April 2020	52,193	176,952	30,675	249,015	6,537	515,372
On acquisitions	-	-	-	-	-	-
Charge for the year	71,027	104,230	18,844	177,389	7,862	379,352
On disposals	-	(2,137)	-	-	-	(2,137)
At 31 March 2021	123,220	279,045	49,519	426,404	14,399	892,587
Net book value						
At 31 March 2021	418,310	205,364	17,734	623,751	9,778	1,274,937
At 31 March 2020	93,155	153,763	25,371	234,857	16,995	524,141

Included above are assets held under finance leases or hire purchase contracts as follows:

	Computer equipment
	£
Net book values	
At 31 March 2021	585,851
At 31 March 2020	182,488
Depreciation charge for the year	
At 31 March 2021	320,044
At 31 March 2020	83,192

11 Fixed asset investments

Company	**Shares in subsidiary undertakings**
Cost	**£**
At 1 April 2020	417
Additions	7
At 31 March 2021	424
Net book value	
At 31 March 2021	424
At 31 March 2020	417

Holdings of more than 20%
The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares Class	%	Type
Subsidiary undertakings				
Prodigi Platforms Ltd	England & Wales	Ordinary	100	Direct
Prodigi (UK) Ltd	England & Wales	Ordinary	100	Direct
Pwinty Ltd	England & Wales	Ordinary	100	Direct
Prodigi USA Inc	USA	Ordinary	100	Direct
Prodigi Holdings B.V.	Netherlands	Ordinary	100	Direct
Prodigi B.V.	Netherlands	Ordinary	100	Indirect

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year/period were as follows:

	Principal activity	Capital and reserves 2021 £	Profit for the year 2021 £
Prodigi Platforms Ltd	Technology and software solutions	279,186	58,091
Prodigi (UK) Ltd	Technology and manufacturing	2,529,491	3,511,600
Pwinty Ltd	Technology and manufacturing	36,017	-
Prodigi USA Inc	Dormant	7	-
Prodigi Holdings B.V.	Holding company	173,668	54,987
Prodigi B.V.	Printing company	179,282	48,546

The registered office of each subsidiary is as follows:

Prodigi Platforms Ltd - Walnut Studios, Greenhills Centre, Tilford Road, Farnham. GU10 2DZ
Prodigi (UK) Ltd & Pwinty Ltd - 215 Creative Quarter, 8A Morgan Arcade, The Hayes, Cardiff. CF10 1AF
Prodigi USA Inc – 1209 Orange Street, Wilmington, New Castle, Delaware 19801
Prodigi Holdings B.V. & Prodigi B.V. - Laurens Janszoon, Cossterstraat 52, Venlo

12 Financial instruments	**Group**		**Company**	
	2021	**2020**	**2021**	**2020**
	£	**£**	**£**	**£**
Carrying amount of financial assets				
Debt instruments measured at amortised cost	2,656,254	1,498,917	-	-
Carrying amount of financial liabilities				
Measured at fair value through profit or loss				
-Other financial liabilities	42,663	-	-	-
Measured at amortised cost	4,421,966	2,062,625	-	-

Derivative financial instruments

At 31 March 2021 the group had entered into a forward foreign currency contract maturing on 30 April 2021. The group is committed to sell £1,000,000 and receive a fixed US$ amount. At the year end date £127,063 of the amount had been paid.

13 Stocks	**Group**		**Company**	
	2021	**2020**	**2021**	**2020**
	£	**£**	**£**	**£**
Finished goods and goods for resale	548,361	331,992	-	-

14 Debtors	**Group**		**Company**	
	2021	**2020**	**2021**	**2020**
	£	**£**	**£**	**£**
Trade debtors	2,421,656	1,255,753	-	-
Amounts due from group undertakings	-	-	6,976	4,800
Directors current account	-	133,191	-	-
Other debtors	234,598	109,973	-	-
Corporation tax recoverable	53,140	159,085	-	-
Prepayments and accrued income	286,775	196,084	-	-
	2,996,169	1,854,086	6,976	4,800
Deferred tax asset (see note 18)	207,746	70,991	-	-
	3,203,915	1,925,077	6,976	4,800
Amounts falling due after more than one year:				
Deferred tax asset (see note 18)	1,088,800	-	-	-
	4,292,715	1,925,077	6,976	4,800

15 Creditors: amounts falling due within one year	**Group 2021 £**	**Group 2020 £**	**Company 2021 £**	**Company 2020 £**
Bank loans and overdrafts	114,583	-	-	-
Net obligations under finance leases	168,228	109,132	-	-
Trade creditors	2,786,556	1,549,186	-	-
Amounts due to group undertakings	-	-	7	-
Corporation tax	17,090	11,069	-	-
Other taxes and social security costs	918,297	373,451	-	-
Derivative financial instruments	42,663	-	-	-
Other creditors	13,283	9,096	-	-
Accruals and deferred income	607,887	326,130	86	86
	4,668,587	2,378,064	93	86

The finance lease creditors are secured on the assets to which they relate. The bank loan is secured by a fixed and floating charge over the assets of the company.

16 Creditors: amounts falling due after more than one year	**Group 2021 £**	**Group 2020 £**	**Company 2021 £**	**Company 2020 £**
Bank loans and overdrafts	385,417	-	-	-
Net obligations under finance leases	346,012	69,081	-	-
	731,429	69,081	-	-

The finance lease creditors are secured on the assets to which they relate. The bank loan is secured by a fixed and floating charge over the assets of the company.

17 Finance lease obligations

	Group 2021	2020	Company 2021	2020
	£	£	£	£
Future minimum lease payments due under finance leases:				
Repayable within one year	189,323	116,297	-	-
Repayable in two to five years	369,461	72,239	-	-
	558,784	188,536	-	-
Finance charges and interest allocated to future accounting periods	(44,544)	(10,323)	-	-
	514,240	178,213	-	-

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 4.2 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

18 Deferred Taxation

	Group		Company	
	Deferred tax liability	Deferred tax asset	Deferred tax liability	Deferred tax asset
	£	£	£	£
Balance at 1 April 2020	45,276	(70,991)	-	-
Profit and loss account	105,201	(1,225,555)	-	-
Balance at 31 March 2021	150,477	(1,296,546)	-	-

The deferred tax balances are made up as follows:

	Group 2021	2020	Company 2021	2020
	£	£	£	£
Accelerated capital allowances - liability	150,477	45,276	-	-
Tax losses – asset	(1,296,546)	(70,991)	-	-

The deferred tax asset set out above is expected to reverse within 5 years and relates to the utilisation of tax losses against future expected profits of the same period. The deferred tax liability set out above is expected to reverse within 24 months and relates to accelerated capital allowances that are expected to mature within the same period.

19 ***Pension and other post-retirement*** **benefit commitments were as follows:**

Defined Contribution	**Group 2021**	**Group 2020**	**Company 2021**	**Company 2020**
	£	**£**	**£**	**£**
Contributions payable for the year	192,567	51,177	-	-

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

20 Share capital

	2021	**2020**
	£	**£**
Allotted, called up and fully paid		
983,764 (2020: 1,131,963) Ordinary A shares of £0.0001 each	98	113
2,180,156 Ordinary B shares of £0.0001 each	218	218
30,000 Ordinary C shares of £0.0001 each	3	3
	319	334

The ordinary "A" and "B" shares have the same rights to voting, dividends and capital distribution. They do not have any rights of redemption. The ordinary "C" shares have rights to capital distribution only.

21 Statement of movements on profit and loss account

	Group	**Company**
	Profit and loss account	**Profit and loss account**
	£	**£**
Balance at 1 April 2020	2,365,111	-
Profit for the year	4,846,336	3,223,890
Dividends paid	(3,000,000)	(3,000,000)
Purchase of own shares	(221,714)	(221,714)
Balance at 31 March 2021	3,989,733	2,176

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

22 Reconciliation of movements in shareholders' funds	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Profit for the financial year	4,846,336	928,527	3,223,890	300,000
Dividends	(3,000,000)	(300,000)	(3,000,000)	(300,000)
Issue of shares	-	4,800	-	4,800
Purchase of own shares	(221,714)	-	(221,714)	-
Net addition to shareholders' funds	1,624,622	633,327	2,176	4,800
Opening shareholders' funds	2,370,242	1,736,915	5,131	331
Closing shareholders' funds	3,994,864	2,370,242	7,307	5,131

23 Reconciliation of operating profit to net cash inflow from operating activities	2021 £	2020 £
Operating profit	3,749,378	794,661
Depreciation of tangible assets	379,352	255,512
Amortisation of intangible assets	-	33,865
Negative goodwill credited to profit and loss	(132,331)	(242,666)
Loss on disposal of tangible assets	215	245
Increase in stocks	(216,367)	(3,686)
Increase in debtors	(1,230,177)	(59,685)
Increase in creditors within one year	2,110,824	16,449
Net cash inflow from operating activities	4,660,894	794,695

24 Analysis of net debt	1 April 2020 £	Cash flow £	Other non-cash changes £	31 March 2021 £
Net cash:				
Cash at bank and in hand	2,346,114	1,215,560	-	3,561,674
	2,346,114	1,215,560	-	3,561,674
Debt:				
Debt due within one year	(109,132)	37,790	(211,469)	(282,811)
Debt due after one year	(69,081)	(385,417)	(276,931)	(731,429)
	(178,213)	(347,627)	(488,400)	(1,014,240)
Net debt	2,167,901	867,933	(488,400)	2,547,434

25 Reconciliation of net cash flow to movement in net debt

	2021	2020
	£	£
Increase in cash in the year	1,215,560	524,121
Cash (inflow)/outflow from increase/decrease in debt and lease financing	(347,627)	72,365
Change in net debt resulting from cash flows	867,933	596,486
New finance lease	(488,400)	-
Movement in net debt in the year	379,533	596,486
Opening net debt	2,167,901	1,571,415
Closing net debt	2,547,434	2,167,901

26 Control

The group is controlled by Mr J Old and Mr S Levin by virtue of their shareholdings.

27 Operating lease commitments

At the reporting end date, the group and company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Within one year	897,649	452,566	-	-
Between two and five years	1,678,183	297,189	-	-
	2,575,832	749,755	-	-

28 Related party relationships and transactions

During the year, the company entered into transactions with related parties as follows:

	Purchases	
	2021	2020
	£	£
Entities under the control of directors or key management personnel	212,000	217,050
Other related parties	91,800	77,713

At the year end, there was an outstanding loan due to the company from a member of key management personnel (other than directors) of £6,000 (2020: £7,900).

29 Directors' transactions

Dividends of £2,632,452 (2020: £175,752) were paid to directors during the year.

Advances or credits have been granted by the company to its directors as follows:

Description	% Rate	Opening balance	Amounts advanced	Interest charged	Amounts repaid	Closing balance
		£	£	£	£	£
Advances	2.5	92,996	-	566	(93,562)	-
Advances	2.5	40,195	-	255	(40,450)	-
		133,191	-	821	(134,012)	-