13 July 2021

Merit Group plc

("Merit", the "Company" or the "Group")

UNAUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 2021

Appointment of Interim Group CEO

Merit Group plc (AIM: MRIT), the data and intelligence business announces its unaudited preliminary results for the year ended 31 March 2021.

Financial Highlights

- Strong second half recovery

	FY 2020[4]	H1 2021	H2 2021	FY 2021
	£m	£m	£m	£m
Revenue	27.8	10.2	14.5	24.7
Net Income[1]	21.1	9.2	12.6	21.8
Gross profit	8.9	3.2	5.1	8.3
Adjusted EBITDA[2]	2.8	(0.2)	2.2	2.0
Net margin % [3]	13%	n/a	17.5%	9.2%
Loss before tax	(1.3)	(2.6)	(0.3)	(2.9)

- Full year gross profit decreased by 6.7% to £8.3 million (FY2020: £8.9 million), however second half gross profit of £5.1 million was 8.5% ahead of prior year period (H2 2020: £4.7 million)
- Net margin of 17.5% in H2 2021
- Adjusted EBITDA of £2.2 million in second half following first half adjusted EBITDA loss of £0.2 million
- Loss before tax for the year of £2.9 million (FY2020: loss before tax of £1.3 million);
- Net Cash balance at year end of £1.0 million (31 March 2020 £1.4m)
- Agreed amendments to our banking arrangements to allow for the impact of the Covid 19 pandemic

Mark Smith, Non-Executive Chairman, commented;
"The Group has performed extremely well in the second half of the year, recovering much of the ground lost in the first half as a result of the impacts of the pandemic. We are optimistic this improved trading performance will continue in the current year."

1. Net income is total revenue less pass through costs directly related to provision of services to customers
2. Adjusted EBITDA is calculated as earnings before tax, depreciation, amortisation of intangible assets share based payments and non-recurring items
3. Net margin is Adjusted EBITDA percentage of Net Income
4. FY20 includes only 8.5 months of Merit Data & Technology post acquisition

Appointment of Interim Group CEO

The Board has commenced a search for a Group CEO, whilst the search continues, the Board has appointed David Beck to the role of Interim Group CEO with immediate effect. David has been working as a consultant to the Group for the last few months, and will sit on the Executive Leadership Team and attend Board meetings, not as a member of the plc Board.

Operational Highlights

Key operational highlights in the year include:

- The Group continues to generate strong levels of recurring revenues with approximately two thirds of net income coming from clients on contracts of more than one year's duration
- The Group has been investing in its own proprietary technology; Dods will relaunch its business intelligence platform later in the year with significantly enhanced capabilities. The new platform is being built with the support of Merit Data and Technology
- A move to virtual delivery of events in the second half helped net margins to recover strongly
- The focus on winning higher margin business has been helped by a move away from delivering large events that had high revenue but low margin
- Tight control of costs has been maintained with headcount reduced to 1,044 at the year end, a 17% reduction on the prior year
- The Group benefited from furlough income of £0.6 million, of which £0.5 million was in the first half when the Group was loss making at the EBITDA level. The largest number of furloughed staff worked in the Dods events division, a sector heavily impacted by lockdown restrictions
- The Group serviced over 1,250 customers in the year and attracted new customers in all its business segments

Current Trading and Outlook

The new financial year has started well and we expect the improvement seen in the second half of last year to continue. Whilst the ongoing pandemic restrictions continue to restrict some of the Group's activities, the changes to working practices and the fact that we are, in almost all cases, able to work from home puts us in a much stronger position than we were a year ago.

We are optimistic that as more restrictions are relaxed we will continue to see a robust recovery in performance across all parts of the Group.

We maintain tight cost controls and are now actively seeking to halve our London property footprint which, if achieved, would represent a significant saving on current Group overheads.

We continue to invest in technology to drive growth. We are in the advanced stages of building a new technology platform for our political intelligence offering that we will launch later in the year. This will put us at a competitive advantage in a market in which we are already a well-established leader. Our recent investment in, and commercial arrangements with, DataWorks a new business with ground-breaking technology focused on the fast growing e-commerce market also provides opportunities with a compelling data offering. DataWorks fits perfectly within our strategy to invest in technology that enables us to provide our customers with the best quality data and intelligence.

The excellent data technology solutions acquired with Merit combined with the data and content analysis strengths within Dods are a powerful combination and provide a strong base to build revenue and profitability to drive value for our shareholders.

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Strategic Report

Chairman's statement

An exceptional year

The 2020/2021 financial year was exceptional for businesses large and small, more importantly it was a difficult and challenging time for individuals. I would like to start by paying tribute to all of the people impacted by the pandemic; colleagues, investors, suppliers, partners and customers. We are very grateful for your support through difficult times and we recognise the hardships and challenges that the last year has brought to so many of you. As I write the impacts of the pandemic are being particularly hard felt in India where we employ over eight hundred people, we continue to do what we can to support our colleagues and their families in India.

The pandemic has disrupted the way we work, I am pleased to be able to report that our staff have proved themselves both agile and flexible in the way they approached the necessary changes. The first half of the financial year was particularly tough but the recovery we saw in the second half is a demonstration of the resilience of our staff and the loyalty of our customers, for both of which we are extremely grateful.

Results for the financial year

Whilst in the full year the Group's revenue from continuing operations decreased by 11% to £24.7million (2020: £27.8 million) and gross profit decreased by 7% to £8.3 million (2020: £8.9 million), we experienced a significant turnaround from the first half to the second half. The table below shows the performance of each half:

	Full Year FY2020[4]	**H1 FY2021**	**H2 FY2021**	**Full year FY2021**
	£m	**£m**	**£m**	**£m**
Revenue	27.8	10.2	14.5	24.7
Net Income (1)	21.1	9.2	12.6	21.8
Gross profit	8.9	3.2	5.1	8.3
Adjusted EBITDA(2)	2.8	(0.2)	2.2	2.0
Net Margin %(3)	13%	n/a	17.5%	9.2%
Loss before tax	(1.3)	(2.6)	(0.3)	(2.9)

(1) Net income is total revenue less pass through costs directly related to provision of services to customers

(2) Adjusted EBITDA is calculated as earnings before tax, depreciation, amortisation of intangible assets, share based payments and non-recurring items

(3) Net margin is adjusted EBITDA percentage of Net Income

(4) FY20 includes only 8.5 months of Merit Data & Technology post acquisition

Net Income

The Board believes that Net Income is a better measurement of the Group's top line performance than total revenue. The Group's total revenue includes an element of pass through costs (for example venue hire in the events part of the business) which are not included in Net Income. To keep the business focussed on revenue that delivers attractive margins it is more relevant to look at Net Income, and this is the Board's focus going forward.

Merit Data and Technology achieved net income growth of 9% in the second half when compared to the first – with increased spend from existing clients, new project wins and a rebound in some tactical revenue which had been impacted by Covid-19 in the earlier part of the year. The business benefits from strong levels of recurring revenue from long term contracts.

Dods, which was heavily impacted by the inability to hold physical events and training in the first half, has recovered by moving much of its operations online; net income in this division has grown very strongly half on half, from £4.7 million to £7.8 million.

Profitability

Whilst the Group is reporting a loss before tax of £2.9 million in the year the Board is encouraged by the recovery in the second half. Adjusted EBITDA for the full year was £2.0 million, with £2.2 million EBITDA in H2 compared with an adjusted EBITDA loss of £0.2 million in the first half and shows impressive resilience against £2.8 million EBITDA achieved in the prior year, pre-Covid.

Going forward, the Board is focused on building on the net income growth in the second half and delivering further efficiencies to improve margins to drive profitability. A key expenditure challenge for the Group is the costs of our London offices; we are in discussions with our landlord with the ambition to reduce these costs. Headcount across the Group has been tightly managed and is down from 1,252 to 1,044 at the year-end; a 17% reduction.

Cash

The Group has come through a difficult year with a robust balance sheet and year-end net cash (cash less bank debt) of £1.0 million (31 March 2020 £1.4 million). At the year end the Group had £5.6 million of cash available, including its fully drawn debt facility of £4.6 million. The Group generated £2.6 million of cash from operating activities during the year.

The Group benefited during the year from deferring the payments of operating liabilities of £1.7 million, of which VAT (£1.4 million) is the most significant element. This will unwind during the course of the current financial year. There are no other temporary Covid-19 relief measures that are impacting the company's balance sheet. Due to the positive cash flow of the Group, the Board has already resumed debt repayments.

Change of name and share capital reorganisation

At the end of the financial year the Board sought approval from shareholders for the change of the parent company's name to Merit Group plc and the reorganisation of its share capital. All the resolutions were passed at a general meeting held on 16 April 2021. The Board believes the changes to the Group's strategic direction and ambition have been emphasised and enhanced by changing the parent company's name to Merit Group plc.

Board Changes

On the 26 November 2020, we welcomed Vijay Vaghela, who joined the Board as a Non-Executive Director. Vijay took over my role as chair of the Audit Committee as I moved from Interim Chairman to Non-Executive Chairman.

The Board has commenced a search for a Group CEO, whilst that search continues it has appointed David Beck to the role of Interim Group CEO. David has been working as a consultant to the Group for the last few months. As an interim appointee David is not joining the plc Board but he will be attending the Group's Board meetings. David is an experienced Managing Partner, COO and Board adviser having previously worked in the investor relations and communications industry.

Merit Data & Technology Operational Review

Even though the trading environment was extremely challenging due to the Covid-19 pandemic, Merit Data & Technology traded well during the 2020/2021 financial year. We saw our recurring revenue hold up extremely well in very difficult circumstances and this enabled us to deliver strong margins across the business. Our model of servicing largely UK based clients with a highly skilled staff base located in India continues to be successful. 97% of our developers are graduates of which 27% have a Master's degree or equivalent. Three quarters of them have at least 5 years' experience working with us.

A skilled and stable workforce helps deliver a loyal customer base producing repeat revenue. We are proud of the length of our client relationships. Of our four largest clients, who collectively represent a little over half of our total revenue, three have been working with us for ten years or more. In the year we also secured new project wins from RBI, Wilmington, Lexis Nexis and others.

We continue to focus on business efficiency, in the year we engineered a cost reduction plan of c.100 employees with a combination of automation and process re-engineering enabling annualised payroll savings of £0.5 million. This helped us to mitigate some revenue reductions in our non-recurring clients, predominantly in the hard-hit events and conference space.

Industry Intelligence

Merit Data & Technology is expert at gathering data from thousands of diverse sources and transforming raw data into highly valuable information. We use proprietary data collection platforms and Machine Learning tools to extract, classify and refine raw data, across industries ranging from healthcare, to finance, automotive, metals, advertising and construction.

With teams of data engineers, software developers and machine learning professionals, the solutions we provide are industry agnostic and can easily adapt to a wide range of unique user cases.

We are confident that we can continue to grow strongly in this sector; data is critical to decision making in almost every industry sector and demand for a flow of comprehensive, clean and refined data is likely to remain robust.

We continue to develop new ways to capture data from unstructured narrative content (which is an increasingly important source of news and insight), as well as scaling our technology to harness high volumes of structured data.

DataWorks

Since the year end we have announced an investment in DataWorks, one of the most exciting data gathering businesses to emerge in recent years. The investment, and an additional trading agreement with DataWorks, gives us access to market leading technology focused on the very fast growing eCommerce sector.

DataWorks has the only platform where new eCommerce sources of data can be added with little or no additional underlying software code. The unique and real time data quality and data completeness dashboards will enable us to manage eCommerce data collection at scale, to a very high level of quality, along with complete category coverage.

Merit has the reputation, domain knowledge and sales capability to effectively sell the DataWorks technology, giving us a unique opportunity to develop additional revenue from existing clients and to expand our client portfolio.

Marketing Data

We are a leading supplier of marketing data to the events and conferences industry in the UK.

We help our clients run more effective marketing campaigns and to optimise their ROI by providing highly qualified contact and company data. We acquire extremely specific and niche audience data for events that can range from large, three day conferences, down to very small, hyper specific gatherings with an audience of less than one hundred attendees.

Our proprietary solution combines a cutting edge tech toolset to source and qualify data from thousands of online sources, allied to augmented manual research to create accurate lists that will multiply conversion rates.

We have accreditations for adhering to the strictest compliance norms around GDPR, and other relevant regulatory frameworks, and we focus on B2B (not consumer) data only. We are not list brokers; we produce immediate, up to date and very bespoke data sets.

We expect to see strong growth in this segment, arising from a number of factors:

- A rebound in attendance at events is likely to emerge towards the end of 2021 and 2022 in particular;
- Clients' data sets may well have deteriorated over the past 18 months given the pandemic and changes in the labour market in this time;
- Digital marketing as a route to market (for both online and in person events), continues to dominate.

Software and Technology Resourcing

We have a ten year record in delivering software solutions and assigning technical staff to clients in the UK. We have access to a very rich seam of talent on the Indian subcontinent, but we embody a number of characteristics and a distinct approach which translate into strong USPs in this industry.

- We use expatriate management in our offshore locations to oversee project delivery.

- We have a distinct and unique approach to assessing, hiring, and retaining talent.
- We only focus on SME and mid-market clients, where sales lead times are shorter (and lower risk) and client acquisition is quicker and easier to start.

There is wage inflation in India which will impact margins, but we think we can improve significantly from the current level as we build more growth into our fixed cost base.

We have seen Covid-19 shift UK companies towards an increased digitisation of how they conduct business – from customer interaction to supplier management and employee work habits. This in addition to an already underway shift to cloud platforms leading to strong demand for technically qualified staff to assist in the delivery of these programmes.

We believe this presents us with a vibrant market into which we are expanding our sales and marketing spend and we anticipate this will yield double digit growth in our net revenues in this segment.

Business Process Outsourcing (BPO)

Merit has a long history of excellent delivery around customer services and back office administrative activities mainly to the publishing sector.

The BPO sector will be more exposed to automation and technical innovation, as Robotic Process Automation and customer self-service techniques continue to develop and come to dominate. Growth in the segment is likely to be challenged by these factors, although this may be counterbalanced by a remote working culture which now makes offshoring more attractive, with lower perceived risk and much lower implementation costs.

We will continue to pursue new opportunities and manage our clients in this space where recurring revenues and long term contracts are attractive characteristics.

Dods Operational Review

The 2020/2021 financial year came with a unique set of challenges which we believe the Dods business has risen to and overcome. In the pre pandemic world a significant part of what we offered our clients was delivered physically whether that be at events, training sessions or media. The first lockdown that came almost simultaneously with the start of the new financial year had a significant impact on the first half trading in parts of our business.

That we have been able to recover strongly in the second half is down to the strength of our client relationships, the value of what we offer and the fact that we have been very innovative in delivering remote engagement opportunities. The adaptability and agility of our people has allowed us to maintain and grow relationships both with our partners, like the Cabinet Office, and clients.

Whilst clients have of course needed to look at the costs of all the services they buy and we have seen some pricing pressure, we have lost very few clients and are pleased to have expanded our client list overall. In the year we serviced over 1,200 clients across the four business streams that make up our income.

We have taken the necessary action to adjust our own cost base and end the year with a leaner team (headcount down 15%) more focused on client delivery and the higher margin parts of our business.

Business Intelligence

Business intelligence is our most significant business stream representing approximately half of Dods' net income. We are a leading provider of business-critical political intelligence and analysis, helping clients to engage more effectively with policy makers and understand the impact of upcoming legislative and regulatory changes. Our expert insights and analysis bring clients right into the heart of government, helping to generate opportunities and educate the key decision makers on the issues that matter.

Monitoring

Bespoke, up-to-the-minute alerts, providing clients with the intelligence they need when they most need it. Dedicated consultants provide contextual analysis and advice to support public affairs planning.

Research

Deep analysis and insight, giving clients the intelligence needed to be able to plan effective engagement with government or the wider public sector.

Stakeholder Intelligence

Comprehensive source of stakeholder intelligence offering unparalleled access to up-to-date information on political representatives, civil servants and stakeholders across the UK and EU.

Our Political Intelligence offering is typically provided to clients on long term contracts giving us very high levels of recurring revenue and strong margins.

With the support of the Merit Data and Technology team we are in the advanced stages of a major investment in the technology that supports this business stream. Dods is a respected leader in this field and with our new and significantly enhanced platform, which will be launched later in the year, we will be able to stay ahead of our competition. We are confident that the investment we are making will allow us to grow our customer base, improve the data we capture about how our clients use our services and improve margins.

Media

Dods is the publisher of respected and independent titles in the policy, regulatory and political sector. The publications are important in maintaining the Dods brand and help drive income in all our other business sectors. We publish **Civil Service World** and **Training Journal** aimed at those working in the civil service. We also publish respected titles around the working of different parliaments in both the UK and Europe, best known are **The House** and **Holyrood** which focus on Westminster and the workings of the Scottish Parliament respectively. Covering the European Union, we have **The Parliament** which is growing its status and influence.

In the field of breaking political news, the **Politics Home** website is a popular destination attracting half a million unique users per month.

Our media titles are all funded through advertising and branded content and we work with a wide range of corporates and other bodies wishing to target the influential readerships of our titles. They also help promote our business intelligence, training and events and in that regard are an important part of our marketing effort. In the year we improved margins by reducing the frequency of print editions and converting some of the smaller titles to digital only.

Events

Our events business was the most heavily impacted by the pandemic as face to face events were cancelled. In the second half of the year we were able to launch a series of online events which enabled us to recover strongly. Without the physical costs associated with a face to face event, such as venue hire and catering, we are able to achieve better margins from online events albeit off lower revenues as delegate numbers are lower online.

Going forward, whilst we see a return to some physical events in the latter part of the current year, we will be continuing our focus on higher margin small events rather than large EXPO types of events which do not deliver the necessary margins. We have had considerable success in delivering events that are topical and tailored to an identifiable audience – for example our Diversity & Inclusion portfolio.

We have also undertaken a thorough review of internal processes which has led to a 40% fall in permanent headcount in this business. With this newly restructured cost base and pent up demand following a fallow period we are budgeting for significant net income growth from events in the current year.

Training

Training is the smallest of our four revenue streams. Over the full year it was only slightly impacted by the pandemic restrictions as we were able to transition to digital more quickly than in the events segment. At the core of our training business, we benefit from working with partners EY and KPMG on long term contracts to deliver Civil Service Learning contracts.

With the return of in person events, we are focused on strengthening our relationships with NGOs such as the UN, WHO and World Bank amongst others to provide more international training focused on Policy.

The training segment of our business has low central costs and uses flexible freelance resources who are experts in their fields. The combination of these two factors delivers good margins.

Conclusion

Dods had a strong second half to the 2020/2021 financial year and is well positioned to continue that growth in the current year.

Financial Report

Whilst 2020/2021 was a challenging year with the devastating impact of Covid-19, the successful integration of Meritgroup into the Group and the quick manoeuvrability of the teams into a digital working world and product catalogue allowed the Group to minimise the overall decline in revenue.

As expected, the Group was impacted by a decrease in the Dods business revenue, although we saw a recovery of revenue in the second half of the year as lockdowns began to ease in the UK.

Merit Data and Technology business revenue remained consistent.

On 18 May 2021, the Group successfully completed tranche 1 of its €600K investment into DataWorks with tranche 2 due by the end of September 2021.

Adjusted results are prepared to provide a more comparable indication of the Group's core business performance by removing the impact of certain items including exceptional items (material and non-recurring), and volatile items predominantly relating to investment activities and other separately reported items.

In addition, the Group also measures and presents performance in relation to various other non-GAAP measures including adjusted EBITDA. Adjusted results are not intended to replace statutory results. These have been presented to provide users with additional information and analysis of the Group's performance, consistent with how the Board monitors results.

Revenue and operating results

Primarily as a result of the Covid-19 pandemic the Group's revenue from continuing operations decreased by 11% to £24.7 million (2020: £27.8 million) and gross profit decreased by 7% to £8.3 million (2020: £8.9 million). Despite the challenging revenue environment, a focus on efficiencies enabled Gross margin to improve from 32% to 34%. The increase in gross margin was largely due to a change in product delivery following the transition to digital.

Adjusted EBITDA decreased to £2.0 million (2020: £2.8 million), largely impacted by the decrease in Revenue due to the pandemic. Operating loss was £2.3 million (2020: loss of £0.9 million), after non-cash items including an amortisation charge of £0.9 million (2020: £0.7 million) for business combinations and a charge of £0.5 million (2020: £0.2 million) for intangible software assets. The depreciation charge in the year increased slightly to £0.6 million (2020: £0.5 million) and a right-of-use depreciation charge was £1.3 million (2020: £1.2m). Non-recurring acquisition related costs, impairment expense, people-related costs and other costs were £1.0 million (2020: £1.0 million).

The statutory loss before tax for the year was £2.9 million (2020: loss before tax of £1.3 million).

Taxation

The Group has a tax credit of £0.4 million for the year resulting from the current year loss (2020: credit of £0.1 million).

Earnings per share

Adjusted earnings per share, both basic and diluted, from continuing operations in the year were a loss of 0.10 pence (2020: profit of 0.12 pence) and were based on the adjusted loss for the year of £0.6 million (2020: profit of £0.6 million) with a basic weighted average number of shares in issue during the year of 574,357,445 (2020: 492,696,964).

Earnings per share, both basic and diluted, from continuing operations in the year were a loss of 0.44 pence (2020: loss of 0.24 pence) and were based on the loss after tax for the year of £2.5 million (2020: loss of £1.2 million).

On 16 April 2021 the Group's shareholders approved a share consolidation and sub-division.

- 582,071,380 ordinary shares of £0.01 upon consolidation became 166,307 ordinary shares of £35.00;
- These were then sub-divided into 20,788,375 new shares of £0.28 nominal.

Accordingly the earnings per share, using the newly consolidated shares, would be:

- Adjusted, basic & diluted, continuing operations loss of £0.03 per share;
- Basic & diluted, continuing operations loss of £0.12 per share.

Dividend

The Board is not proposing a dividend (2020: £nil).

Assets

Non-current assets of £48.9 million comprise goodwill of £28.9 million (2020: £28.9 million), intangible assets of £10.4 million (2020: £11.2 million) and property, plant and equipment of £2.2 million (2020: £2.1 million), IFRS 16 right of use assets of £6.7 million (2020: £7.9 million), Investment and loan to associates of £0.7 million (2020: £1.2 million).

The Investment in associates incudes a 40% equity in Sans Frontières Associates (SFA) and the Group has also loaned SFA £0.6 million (2020: £0.6 million). The loan is unsecured and carries no interest charge. The carrying value of this investment increased by £0.1 million during the year (2020: £0.2 million) reflecting the Group's share of profit for the year. The Group also holds a 30% equity in Social 360 which it held at £0.5 million (2020: £0.5 million).

Trade and other receivables decreased by £1.6 million to £6.2 million (2020: £7.8 million) due to a combination of reduced revenue and improved debtor collections during the year.

Liabilities

Current liabilities fell marginally by £0.4 million to £17.5 million (2020: £17.9 million) primarily due to a fall in amounts payable under the bank facility of £0.7 million to £2.3 million (2020: £3.0 million).

Non-Current liabilities fell by £0.6 million to £9.6 million (2020: £10.2 million). Key changes in the year were a fall in deferred consideration for the acquisition of Meritgroup of £1.0 million which is now included in current liabilities, bank debt of £2.4 million (2020: £nil) and a reduction in lease liabilities of £1.2 million.

Capital and Reserves

Total equity decreased by £1.5 million to £34.3 million (2020: £35.8 million), reflecting the loss for the year partially offset by the issue of shares in July 2020 (26,141,667 shares were issued, priced at 4 pence per share, in relation to deferred consideration payable for the acquisition of Meritgroup).

Liquidity and capital resources

The Group has a term loan of £2.6 million (2020: £3.0 million) over a 5-year period with interest at 3.25% over LIBOR, the loan was taken out during FY20. In addition, the Group also drew down on a revolving credit facility (RCF) during the year of £2.0 million the full balance was outstanding at end of year (2020: £nil).

The Group has a cash and cash equivalents balance of £5.6 million (2020: £4.4 million) and a net cash position of £1.0 million (2020: £1.4 million).

Updated banking facilities

On the 30 June 2021 the Group formally agreed amendments to the bank facilities with Barclays Bank:

- Term Loan: reduced payments in the current year with offsetting increases in subsequent years although no increase in overall duration of the loan; a change in pricing from 3.25% above LIBOR to 3.75% above the Bank of England interest rate;
- RCF: a change in pricing, effective January 2022; from 3.50% above LIBOR to 4.00% above the Bank of England interest rate;
- Covenants: revised leverage and debt service covenants with effect from 1 April 2021 for the balance of the facility (June 2024);
- Cash: the requirement to maintain a minimum cash balance, across the Group, of £0.5m.

In the 12 month period from the balance sheet date capital repayments of £2.3 million are due with the remaining £2.3 million due in subsequent periods.

These revised facilities and covenants provide strong support in the aftermath of the Covid-19 pandemic and we are thankful for the continued support of Barclays Bank.

Unaudited consolidated income statement

	Note	**2021 £'000**	2020 £'000
Revenue	3	**24,690**	27,796
Cost of sales		**(16,402)**	(18,852)
Gross profit		**8,288**	8,944
Adjusted Administrative expenses*		**(6,979)**	(6,154)
Other operating income	4	**688**	-
Adjusted EBITDA		**1,997**	2,790
Depreciation of tangible fixed assets*	15	**(612)**	(537)
Depreciation of right-of-use assets*	25	**(1,330)**	(1,210)
Amortisation of intangible assets acquired through business combinations*	14	**(862)**	(711)
Amortisation of software intangible assets*	14	**(488)**	(158)
Total Administrative expense[1]		**(10,271)**	(8,770)
Non-recurring items			
Non-recurring acquisition costs and professional fees	5	**-**	(171)
People-related costs	5	**(771)**	(785)
Other non-recurring items	5	**(210)**	(80)
Operating loss		**(2,276)**	(862)
Net finance costs	9,10	**(669)**	(555)
Share of profit of associate	17	**56**	158
Loss before tax	6	**(2,889)**	(1,259)
Income tax credit	11	**389**	76
Loss for the year		**(2,500)**	(1,183)
Loss per share (pence)			
Basic	12	**(0.44p)**	**(0.24p)**
Diluted	12	**(0.44p)**	**(0.24p)**

1. Total of all line items marked "*"

100% of the loss is attributable to owners of the parent.

Unaudited consolidated statement of comprehensive income

	Note	**2021**	2020
		£'000	£'000
Loss for the year		**(2,500)**	(1,183)
Items that may be subsequently reclassified to Profit and loss			
Exchange differences on translation of foreign operations		**(19)**	6
Remeasurement of defined benefits obligations	27	**(45)**	-
Other comprehensive income / (loss) for the year		**(64)**	6
Total comprehensive loss for the year		**(2,564)**	(1,177)

Unaudited consolidated statement of financial position

As at 31 March 2021

	Note	**2021**	Restated 2020*
		£'000	£'000
Non-current assets			
Goodwill	13	**28,911**	28,911
Intangible assets	14	**10,449**	11,238
Property, plant and equipment	15	**2,184**	2,134
Right-of-use assets	25	**6,688**	7,926
Investment in associates	17	**717**	661
Long-term loan receivable	17	**-**	560
Total non-current assets		**48,949**	51,430
Current assets			
Work in progress and inventories	18	**36**	273
Trade and other receivables	20	**6,217**	7,819
Loan receivable	17	**560**	-
Cash and cash equivalents	20	**5,565**	4,368
Total current assets		**12,378**	12,460
Total assets		**61,327**	63,890
Capital and reserves			
Issued capital	24	**19,501**	19,239
Share premium		**20,866**	20,082
Merger reserves		**409**	409
Retained loss		**(6,447)**	(3,991)
Translation reserve		**(80)**	(61)
Other reserves		**(45)**	-
Share option reserve		**58**	75
Total equity		**34,262**	35,753
Current liabilities			
Trade and other payables	21	**12,674**	12,285
Pension obligation	27	**73**	54
Deferred consideration	16	**1,046**	1,046

Bank loan / RCF	22	**2,253**	3,000
Lease liability	25	**1,467**	1,515
Total current liabilities		**17,513**	17,900
Non-current liabilities			
Deferred tax liability	23	**222**	862
Pension obligation	27	**166**	84
Deferred consideration	16	**-**	1,045
Other payables	21	**317**	545
Bank Loan	22	**2,378**	-
Lease liability	25	**6,469**	7,701
Total non-current liabilities		**9,552**	10,237
Total equity and liabilities		**61,327**	63,890

*Refer to note 27 regarding prior year restatement.

Unaudited consolidated statement of changes in equity

	Share capital £'000	Share premium reserve[1] £'000	Merger reserve[2] £'000	Retained earnings £'000	Translation reserve[3] £'000	Other reserves £'000	Share option reserve[4] £'000	**Total shareholders' funds £'000**
At 31 March 2019	17,096	8,142	409	(2,616)	(67)	-	55	23,019
Effect of adoption of IFRS 16 *Leases (see note 25)*	-	-	-	(192)	-	-	-	(192)
At 1 April 2019	17,096	8,142	409	(2,808)	(67)	-	55	22,827
Total comprehensive income								
Loss for the year	-	-	-	(1,183)	-	-	-	(1,183)
Other comprehensive income								
Currency translation differences	-	-	-	-	6	-	-	6
Share-based payment	-	-	-	-	-	-	20	20
Transactions with owners								
Issue of ordinary shares	**2,143**	**11,940**	**-**	**-**	**-**	**-**	**-**	**14,083**
At 31 March 2020	**19,239**	**20,082**	**409**	**(3,991)**	**(61)**	**-**	**75**	**35,753**
At 1 April 2020	**19,239**	**20,082**	**409**	**(3,991)**	**(61)**	**-**	**75**	**35,753**
Total comprehensive income								
Loss for the year	**-**	**-**	**-**	**(2,500)**	**-**	**-**	**-**	**(2,500)**
Currency translation differences	**-**	**-**	**-**	**-**	**(19)**	**-**	**-**	**(19)**
Remeasurement of defined benefits obligation	**-**	**-**	**-**	**-**	**-**	**(45)**	**-**	**(45)**
Lapsed Share Options	**-**	**-**	**-**	**44**	**-**	**-**	**(44)**	**-**
Share-based payment	**-**	**-**	**-**	**-**	**-**	**-**	**27**	**27**
Transactions with owners								
Issue of ordinary shares	**262**	**784**	**-**	**-**	**-**	**-**	**-**	**1,046**
At 31 March 2021	**19,501**	**20,866**	**409**	**(6,447)**	**(80)**	**(45)**	**58**	**34,262**

1 The share premium reserve represents the amount paid to the Company by shareholders above the nominal value of shares issued.

2 The merger reserve represents accounting treatment in relation to historical business combinations.

3 The translation reserve comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into sterling.

4 The share option reserve represents the cumulative expense recognised in relation to equity-settled share-based payments.

Unaudited consolidated statement of cash flows

	Note	2021 £'000	2020 Restated* £'000
Cash flows from operating activities			
Loss for the year		**(2,500)**	(1,183)
Depreciation of property, plant and equipment	15	**612**	537
Depreciation of right-of-use assets	25	**1,330**	1,210
Amortisation of intangible assets acquired through business combinations	14	**862**	711
Amortisation of other intangible assets	14	**488**	158
Share-based payments charge	26	**27**	20
Share of profit of associate	17	**(56)**	(158)
Lease interest expense	25	**422**	420
Net finance costs	9,10	**247**	135
Income tax credit	11	**(389)**	(76)
Operating cash flows before movement in working capital		**1,043**	1,774
Change in inventories	18	**237**	(257)
Change in trade and other receivables		**852**	(1,013)
Change in trade and other payables		**446**	(282)
Cash generated by operations		**2,578**	222
Taxation paid		**-**	(193)
Net cash from operating activities		**2,578**	29
Cash flows from investing activities			
Interest and similar income received	9	**16**	5
Additions to property, plant and equipment	15	**(662)**	(187)
Additions to intangible assets	14	**(561)**	(1,400)
Investment in subsidiaries (net of cash acquired)	16	**-**	(17,055)
Repayment of long-term loan by associate	17	**-**	140
Net cash received from investing activities		**(1,207)**	(18,497)
Cash flows from financing activities			
Proceeds from issue of share capital		**-**	13,037
Interest and similar expenses paid	10	**(262)**	(140)
Payment of lease liabilities		**(1,181)**	(1,067)
Payment of lease interest		**(362)**	(420)
Net proceeds from bank loan	22	**2,000**	3,000
Repayment of bank loan		**(369)**	-
Net cash used in financing activities		**(174)**	14,410
Net increase in cash and cash equivalents		**1,197**	(4,058)
Opening cash and cash equivalents		**4,368**	8,426
Closing cash at bank		**5,565**	4,368
Comprised of:			
Cash and cash equivalents		**5,565**	4,368
Closing cash at bank	20	**5,565**	4,368

*Reclassification of 2020 “Non-recurring acquisition costs and professional fees” reclassed from investing activities to operating activities, where they eliminate. Net Cash from Operating Activities restated from £2,039k to £29k.

Reclassification of 2020 “Net proceeds from bank loan” and “Repayment of long-term loan by associate” from cash flow from investing activities to cash flow from financing activities. Net cash used in investing activities restated from £17,507k outflow to £18,497k outflow. Net cash used in financing activities restated from £11,410k to £14,410k.

Notes to the consolidated financial statements

1. Statement of significant accounting policies and judgements

Merit Group plc (formerly Dods Group plc) is a Company incorporated in England and Wales.

The consolidated financial statements of Merit Group plc have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Company has elected to prepare its parent company financial statements in accordance with FRS 102; these are presented after the notes to the consolidated financial statements.

The consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as the “Group”). The parent company financial statements present information about the Company as a separate entity and not about its group.

The accounting policies set out below have, unless otherwise stated, or as outlined in the ‘Standards adopted’ section below, been applied consistently to all periods presented in these Group financial statements.

Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Accounting developments

This report has been prepared based on the accounting policies detailed in the Group’s financial statements for the year ended 31 March 2021 and is consistent with the policies applied in the previous financial year.

There are no other new standards, amendments and interpretations which are effective for periods beginning on or after 1 April 2020, which had any impact on the Group’s accounting policies and disclosures in these financial statements.

None of the new standards, amendments and interpretations, which are effective for periods beginning after 1 April 2020 and which have not been adopted early, are expected to have a significant effect on the consolidated financial statements of the Group.

Standards adopted

There are IFRS or IFRIC interpretations that are not yet effective for the first time for the financial year beginning on or after 1 April 2020. The Group expect no material impact.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, except for goodwill which is stated at the greater of its value in use and fair value less costs to sell, forward contracts stated at fair value at year end and gratuity stated at fair value at year end.

The following Group entities are exempt from audit by virtue of Section 479A of the Companies Act 2006. Merit Group plc has provided statutory guarantees to the following entities in accordance with Section 479C of the Companies Act 2006:

- Fenman Limited
- Total Politics Limited
- Holyrood Communications Limited
- Training Journal Limited
- Monitoring Services Limited

Going Concern

The Directors have considered the implications for going concern below, for a period of at least twelve months from the signing of these accounts.

The Directors had approved the budget for a period of 12 months from the date of approving these accounts, under which they had assessed the future funding requirements of the Group and compared them with the level of available borrowing facilities and had assessed the impact of them on the Group's cash flow, facilities and headroom within its future banking covenants. Additionally, the Group had prepared a 3-year forecast, which has been adjusted to take account of the current trading environment. The Directors consider the forecasts to be reasonable. Based on this work, and in light of the mitigating actions undertaken by the Group to respond to the impact of Covid-19, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

In the 12 month period from the balance sheet date capital repayments of £2.3 million will be due to the bank with the remaining £2.3 million due in subsequent periods.

The Group continues to have the support of Barclays Bank plc and agreement has been reached on revised covenants and a rephased term loan to support the Group going forward.

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control is achieved where the Group is exposed to, or has rights to, variable returns and has the ability to affect those returns. The results of subsidiaries acquired or sold are included in the consolidated financial statements from the date control commences to the date control ceases. Where necessary, adjustments are made to the results of the acquired subsidiaries to align their accounting policies with those of the Group. All intra-group transactions, balances, income and expenditure are eliminated on consolidation.

Business combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Group. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree) and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

Revenue policy

Revenue is the total amount of income generated by the sale of goods or services relating to the Group's primary operations. The Group has multiple revenue streams being revenue from Business Intelligence, Events, Training, Media, Industry Intelligence, Marketing Data, Software & Technology Resourcing and BPO.

Business Intelligence is a subscription-based service, the revenue is recognised on a straight-line basis over the life of the subscription.

The performance obligation is the provision and availability of the subscription platform; the obligation is deemed to be satisfied as the client has ongoing access to the subscription platform.

Events is a delivery-based service, the revenue is recognised upon the delivery of the event.

The performance obligation is the delivery of the booked event, the obligation is deemed to be satisfied upon the delivery of the event.

Training is a delivery-based service, the revenue is recognised upon the delivery of the training event.

The performance obligation is the delivery of the booked training course, the obligation is deemed to be satisfied upon the delivery of the training course.

Our media business comprises both on-line (website advertising) and off-line (printed magazines) offerings.

The performance obligation for on-line is deemed to be satisfied upon publication onto the relevant website; revenue is recognised at the point of publication.

Off-line obligations are satisfied upon the distribution (typically mailing) of the magazine or publication; revenue is recognised at the point of distribution. Where a campaign runs over a number of print issues / editions revenue is recognised equally across the period of the campaign.

Merit Data and Technology offer multiple services to clients; Industry Intelligence, Marketing Data, Software & Technology Resourcing and BPO. A detailed breakdown of these streams is given in the Operational Review for Merit Data & Technology.

Across the multiple services offered by Merit the performance obligation is the delivery of the service or projects as agreed with the client in the contract. The performance obligation is satisfied over time hence the revenue of the service or project is recognised on a time and materials basis over the duration of the contract as agreed with the client.

Revenue is recognised when the service is provided to the client in accordance with the stage of completion of the contract when all the following conditions are met:

- The amount of revenue can be measured reliably;
- It is probable that the Company will receive the consideration due under the contract;
- The stage of completion of the contract at the end of the reporting period can be measured reliably; and
- The costs incurred and the costs to complete the contract can be measured reliably.

Leases

A contract contains a lease if the contract gives a right to control the use of an asset for a period of time in exchange for consideration. Leases which meet the criteria of "short-term," for which the lease term is less than 12 months, or "low-value assets" are exempt from IFRS

16. Lease payments associated with "short-term" and "low-value assets" are expensed on a straight-line basis over the life of the lease.

For all other leases, at the lease commencement date, a right-of-use asset and corresponding lease liability are recognised in the Statement of financial position. The lease liability is initially measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. Right-of-use assets are measured at the value of the associated lease liability plus any initial direct costs incurred, adjusted for any prepaid or accrued lease payments. The right-of-use asset is initially recognised at cost, and subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The lease liability is increased by the interest cost and decreased by the lease payments made.

During the year, in response to the Covid-19 pandemic, the Group negotiated a revised payment profile relating to one of its property leases.

Post-retirement benefits - defined contribution

The Group contributes to independent defined contribution pension schemes. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

Defined benefits pensions

The Group operates a defined benefit pension plan for eligible employees based in India. The assets of the scheme are held separately from those of the Group.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit credit method.

Past service cost and settlement gains are recognized immediately in the Income Statement. Remeasurements comprising of actuarial gains and losses as well as the difference between the return on plan assets and the amounts included in net interest on the net defined benefit liability (asset), are recognized in other comprehensive income (OCI) , net of income taxes.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognized in full.

Non-recurring items

Non-recurring items are items which in management's judgement need to be disclosed by virtue of their size, incidence or nature. Such items are included on the income statement on an independent line to which they relate and are separately disclosed either in the notes to the consolidated financial statements or on the face of the consolidated income statement.

Non-recurring items are not in accordance with any specific IFRS definition and therefore may be different to other companies' definition of non-recurring items.

Taxation

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

Current tax is based on taxable profit for the year and any adjustment to tax payable in respect of previous years. Taxable profit differs from net profit as reported in the income statement 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 Group's assets and liabilities for current tax are calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax nor the accounting profit other than in a business combination.

Deferred tax liabilities are recognised for temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of the deferred tax asset is reviewed at each balance sheet 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 enacted or that are expected to apply (substantively enacted) at the balance sheet dated when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Goodwill

Goodwill represents the difference between the cost of acquisition of a business and the fair value of identifiable assets, liabilities and contingent liabilities acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment. Any impairment is recognised immediately in profit or loss.

Intangible assets

Intangible assets acquired by the Group are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised on a straight-line basis over their useful lives in accordance with IAS 38 Intangible Assets. Assets are not revalued. The amortisation period and method are reviewed at each financial year end and are changed in accordance with IAS 8 Accounting Policies, "Changes in Accounting Estimates and Errors" if this is considered necessary, there were no changes from last year. The estimated useful lives are as follows:

Publishing rights	20-75 years (one specific right is deemed to have a useful economic life of 75 years)
Brand names	15-20 years
Customer relationships	1-8 years
Customer list	4-8 years

Order books	1 year
Other assets	1 year

Software which is not integral to a related item of hardware is included in intangible assets and amortised over its estimated useful lives of between 3-6 years. The salaries of staff employed in the development of new software relating to the Group's information services products and salaries of staff employed in building our digital platform architecture within the Group are capitalised into software.

Intangible assets – research and development

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use;
- Its intention to complete and its ability and intention to use the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses.

Amortisation of the asset begins from the date development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is charged to the income statement. During the period of development, the asset is tested for impairment.

In 2021 there were two (2020: nil) capitalized development projects. The projects completed in the current year relate to (i) the development of the Groups digital platform and (ii) production of a new ERP and CRM system. The directors assessed the capitalisation criteria of its internally generated material intangible assets through a review of the output of the work performed, the specific costs proposed for capitalisation, the likely completion of the work and the likely future benefits to be generated from the work.

The directors assess the useful life of the completed capitalised projects to be 3-6 years from the date of when benefits begin to be realised and amortisation will begin at that time.

Impairment

The carrying amounts of the Group's intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill the recoverable amount is estimated each year at each balance sheet date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is provided to write off the cost less estimated residual value of property, plant and equipment by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	Over the shorter of the life of the asset or lease period
Equipment, fixtures and fittings	3-7 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories are subsequently measured at average weighted cost.

Cash

Cash includes cash on hand and in the bank. The Group recognises government grants under the accruals model, which requires that the grant be recognised as “revenue based”, in the financial statements this is recognised in operating income. Grants which are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs shall be recognised in income in the period in which it becomes available.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in Pounds Sterling, which is the presentation currency of the Group.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated but remain at the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period ended on the balance sheet date. Exchange rate differences arising, if any, are recognised directly in equity in the Group's translation reserve. Such translation differences are recognised as income or as expense in the income statement in the period in which the operation is disposed of.

Provisions

A provision is recognised on the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Financial Instruments

Financial assets

Financial assets are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

All of the Group's derivatives and forward contracts are measured at their fair value at the end of each period. Derivatives and forward contracts that mature within one year are classified as current.

Financial assets

Financial Assets are measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through income statement (FVTPL). The measurement basis is determined by reference to both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The Groups financial assets comprise of trade and other receivables and cash and cash equivalents.

Trade receivables

Trade receivables are measured at amortised costs and are carried at the original invoice amount less allowances for expected credit losses.

Expected credit losses are calculated in accordance with the simplified approach permitted by IFRS 9, using a provision matrix applying a historical credit loss experience to the trade receivables. The expected credit loss rate varies depending on whether, and the extent to which, settlement of the trade receivables is overdue and it is also adjusted as appropriate to reflect current economic conditions and estimates of future conditions. For the purpose of determining credit loss rates, customers are classified into groupings that have similar loss patterns. The key driver of the loss rates are the ageing of the debtor. When a trade receivable is determined to have no reasonable expectation of recovery it is written off, firstly against any credit loss allowance available and then to the income statement.

Subsequent recoveries of amounts previously provided for or written off are credited to the income statement. Long term receivables are discounted where the effect is material.

Cash & cash equivalents
Cash held in deposit accounts is measured at amortised cost.

Financial Liabilities
The Groups financial liabilities consist of trade payables, loans and borrowings, and other financial liabilities. Trade payables are non-interest bearing. Trade payables initially recognised at their fair value and subsequently measured at their amortised cost. Loans and borrowings and other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Interest expense is measured on an effective interest rate basis and recognised in the income statement over the relevant period.

Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued, or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Periodically management assesses whether there is any sign of impairment in the investment in associate, management make judgment in regard to the investees ability to fulfil financial obligations, significant adverse changes in the environment where the investee operate. If management judge that evidence of impairment exists, an impairment test will be conducted. The entire carrying amount of the investment is tested for impairment as a single asset by comparing it’s carrying amount to its recoverable amount. Recoverable amount is the higher of value in use and fair value less cost to sell. If the carrying amount of an investment in associate is higher than its recoverable amount, an impairment charge is recognised in the consolidated income statement.

In applying the equity method of accounting, the Group’s share of its associated companies’ post-acquisition profits or losses are recognised in the income statement and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated companies are adjusted against the carrying amount of the investment. When the Group’s share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group’s interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Gains and losses arising from partial disposals or dilutions in investments in associated companies are recognised in the income statement. Investments in associated companies are derecognised when the Group loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

Government grants

The Group recognises government grants under the accruals model, which requires that the grant be recognised as “revenue based”, in the financial statements this is recognised in operating income. Grants which are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs or unfulfilled conditions and other contingencies attached to the government assistance, shall be recognised in income in the period in which it becomes available.

2. Critical accounting estimates and judgements and adopted IFRS not yet effective

The key assumptions concerning the future and other key sources of estimation and judgements at the balance sheet date that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Significant Financial Judgements

a) Going concern
Management applies judgement when determining to apply the going concern basis for preparation of the financial statements, through evaluation of financial performance and forecasts. See “Going concern” section for further details.

b) Recognition of deferred tax assets
Judgement is applied in the assessment of deferred tax assets in relation to losses to be recognized in the financial statements. As the Group has not been generating taxable profits for the last few years, the Board has judged that the deferred tax assets should only be recognized to the extent that they offset a tax liability. See Note 23 for further details.

c) Capitalisation of development costs
Management applies judgement when determining the value of development costs to be capitalised as an intangible asset in respect of its product development program. Judgement includes the technical feasibility, intention and availability of resources to complete the intangible asset so that the asset will be available for use and assessment of likely future economic benefits. Details of intangible assets capitalized are available on Note 14.

d) Accounting for acquisitions
Management applies judgement in accounting for acquisitions, including identifying assets arising from the application of IFRS 3 Business Combinations, undertaking Purchase Price Allocation exercises to allocate value between assets acquired, including the allocation between intangible assets and goodwill.

e) Identification of cash generating units for goodwill impairment testing
Judgement is applied in the identification of cash-generating units (CGUs). The directors have judged that the primary CGUs used for impairment testing should be: Dods and Merit, see Note 13 for further details.

f) Non-recurring administrative expenses
Due to the Group’s significant restructuring and acquisition related activity in recent years, there are a number of items which require judgement to be applied in determining whether they are non-recuring in nature. In the current year these relate largely to restructuring and redundancy costs. See Note 5 for further details.

g) Contingent cash pay-out

The expense relating to amounts payable arising on the acquisition of Meritgroup is contingent upon the continued employment of certain employees. Accordingly the expense will be recognised in the income statement when it is incurred.

h) Investments
The Group takes into account the power over its investee, its exposure and rights to variable returns from its involvement with the investee, and its ability to use the power over the investee to affect the amount of the investor's return to determine whether the investment is treated as an associate or a controlling interest. See note 17 for further details. Where a controlling interest exists, the investee is consolidated.

Significant Financial Estimates

a) Carrying value of goodwill
The Group uses forecast cashflow information and estimates of future growth to assess whether goodwill is impaired. Key assumptions include the EBITDA margin allocated to each CGU, the growth rate to perpetuity and the discount rate. If the results of an operation in future years are adverse to the estimates used for impairment testing, impairment may be triggered at that point. Further details regarding impairment testing are available on Note 13.
The Merit CGU was determined to be sensitive to these estimates. The key assumptions for the sensitivity analysis being a decrease in cash flows of 10% and separate scenario of an increase in discount rate by 20%. If these scenarios occur then Merit CGU will have a carrying value higher than its recoverable value and an impairment loss will have to be recorded. The carrying value of goodwill for Merit CGU is £15.6m (2020: £15.6m).

b) Bad debt allowance
Under IFRS 9 simplified approach, a bad debt allowance is calculated be segmenting debtors into categories and estimating a credit loss risk percentage for each category. Using this approach, a bad debt allowance of £162,000 was estimated for the year (2020: £62,000).

c) Pensions
Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit credit method.
Past service cost and settlement gains are recognized immediately in the Income Statement. Remeasurements comprising of actuarial gains and losses as well as the difference between the return on plan assets and the amounts included in net interest on the net defined benefit liability (asset), are recognized in other comprehensive income (OCI) , net of income taxes.
The pension scheme surplus (to the extent that it is recoverable) or deficit is recognized in full. Further details of the estimate are on note 27.

Adopted IFRS not yet applied

This report has been prepared based on the accounting policies detailed in the Group's financial statements for the year ended 31 March 2021 and is consistent with the policies applied in the previous financial year. There are no other new standards, amendments and interpretations which are effective for periods beginning on or after 1 April 2020, which had any impact on the Group's accounting policies and disclosures in these financial statements. None of the new standards, amendments and interpretations, which are effective for periods beginning after 1 April 2020 and which have not been adopted early, are expected to have a significant effect on the consolidated financial statements of the Group.

3. Segmental information

The basis on which operating results are reviewed and resources allocated is examined from both a business and geographic perspective by the senior management team.

Business segments

The Group now considers that it has two operating business segments, Dods and Merit Data & Technology. Dods business segment concentrates on the provision of key information and insights into the political and public policy environments around the UK and the European Union. The Merit Data & Technology segment focuses on the fields of data engineering, machine learning, and artificial intelligence.

The following table provides an analysis of the Group's segment revenue by business segment.

Revenue by business segment	**2021 £'000**	2020 £'000
Dods	**14,394**	20,154
Merit Data & Technology	**10,296**	7,642
	24,690	27,796

*2020: 8.5 months only.

No client accounted for more than 10 percent of total revenue.

Group Revenue by stream	**2021 £'000**	2020 £'000
Business Intelligence	**6,839**	7,206
Events	**2,952**	7,993
Training	**1,616**	1,950
Media	**2,987**	3,005
Industry Intelligence*	**3,586**	2,708
Marketing Data*	**2,239**	2,434
Software & Technology Resourcing*	**2,875**	1,754
BPO*	**1,596**	746
	24,690	27,796

*2020: 8.5 months only.

Profit before tax by business segment	**2021 Dods £'000**	2020 Dods £'000	**2021 Merit Data & Technology £'000**	2020* Merit Data & Technology £'000
Adjusted EBITDA	**503**	810	**1,494**	1,980
Depreciation of tangible fixed assets	**(392)**	(378)	**(220)**	(159)
Depreciation of right-of-use assets	**(753)**	(736)	**(577)**	(474)
Amortisation of intangible assets acquired through business combinations	**(351)**	(351)	**(511)**	(360)
Amortisation of software intangible assets	**(488)**	(158)	-	-
Non-recurring items				
Non-recurring acquisition costs and professional fees	**-**	(171)	-	-
People-related costs	**(771)**	(785)	-	-
Other non-recurring items	**(168)**	(80)	**(42)**	-
Operating profit (loss)	**(2,420)**	(1,849)	**144**	987
Net finance Cost	**(424)**	(218)	**(245)**	(337)
Share of profit of associate	**56**	158	**-**	-
Profit (loss) before tax	**(2,788)**	(1,909)	**(101)**	650

*2020 – 8.5 months only.

Geographical segments

The following table provides an analysis of the Group's segment revenue by geographical market. Segment revenue is based on the geographical location of customers.

Aggregate Deferred Revenue	**2021 £'000**	2020 £'000
Dods	**4,749**	5,596
Merit Data & Technology	**46**	26
	4,795	5,622

Revenue by geographical segment	**2021 £'000**	2020 £'000
UK	**19,708**	22,179
Belgium	**1,943**	1,897
USA	**489**	337
France	**768**	658
Germany	**391**	455
Rest of world	**1,391**	2,270
	24,690	27,796

Non-current assets by geographical segment	**2021 £'000**	2020 £'000
UK	**45,611**	**47,324**
Goodwill	28,911	28,911
Intangible assets	10,448	11,238
Property, plant and equipment	1,536	1,763
Right-of-use asset	3,999	4,191
Investment in associates	717	661
Long-term loan receivable	-	560
India	**3,338**	**4,106**
Property, plant and equipment	649	371
Right-of-use asset	2,689	3,735
	48,949	**51,430**

Group Deferred revenue

The following table provides an analysis of Groups deferred revenue.

Aggregate Deferred Revenue	**2021 £'000**	2020 £'000
Dods	**4,749**	5,596
Merit Data & Technology	**46**	26
	4,795	5,622

The Group expects to recognise £4.1 million over the next year with the remainder in following periods.

During the current year the Group recognised £4.9m of deferred revenue from prior period, based on the performance obligation being satisfied. The remaining £0.7 million is yet to be recognised, and is expected to be recognised in the year, this also forms part of the current year balance.

4. Other operating income

During the year the Group participated in the UK Government's Coronavirus Job Retention Scheme (CJRS) for its London and Edinburgh based employees. Details of the scheme criteria and eligibility are well documented.

The Group has accounted for this scheme using the accrual model; all amounts received are recognized as Other Income in the Consolidated Income Statement. There are no unfulfilled conditions and other contingencies attaching to the government assistance.

The number of employees who were put on the CJRS varied from month to month up to a maximum of 140. Total amount received during the year was £648,000 (2020: £nil).

In February 2021 the Group also received a one-off grant from the Scottish Government. The grant was issued by the Pivotal Event Businesses Fund (the Issuer) and was for £40,000 (2020: £nil).

Again, the Group has accounted for this scheme using the accrual model; all amounts received are recognized as Other Income in the Consolidated Income Statement.

In August 2021 the Group must provide the Issuer with a report to assess the value of the grant to the Group. There are no unfulfilled conditions and other contingencies attaching to the government assistance.

5. Non-recurring items

	2021 £'000	2020 £'000
Non-recurring acquisition costs and professional fees	**-**	171
People-related costs	**771**	785
Other		
- Professional services and consultancy	**85**	45
- Other	**125**	35
	981	1,036

People Related costs include deferred cash consideration on the Meritgroup acquisition. Also included are redundancy costs reflecting the effect of Group initiatives to appropriately restructure the business. Prior Year costs included redundancy and recruitment of senior management for roles which have been newly created within the Group.

Other non-recurring costs include branding and marketing expenses, costs relating to ongoing strategic corporate review and initiatives, various legal fees and one-off consultancy expenses. These are classified as non-recurring as they relate to the name change and share capital restructure and are therefore highly unlikely to arise again.

6. Loss before tax

Loss before tax has been arrived at after charging:

	2021 £'000	2020 £'000
Depreciation of property, plant and equipment	**612**	537
Depreciation of right of use asset	**1,330**	1,210
Amortisation of intangible assets acquired through business combinations	**862**	711
Amortisation of other intangible assets	**488**	158
Staff costs (see note 8)	**15,127**	14,616
Non-recurring items (see note 5)	**981**	1,036
Share of profit of associate	**56**	158
Net finance costs	**669**	555

Auditor's remuneration	**2021 £'000**	2020 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**22**	20
Fees payable to the Company's auditor and its associates for other services:		
- The audit of the Company's subsidiaries, pursuant to legislation	**102**	78
- Non-audit services in relation to IT program assurance	**-**	18
	124	116

7. Directors' remuneration

The remuneration of the directors of the Group for the years ended 31 March 2021 and 31 March 2020 are set out in the annual report.

8. Staff costs

The average number of persons employed by the Group (including executive directors) during the year within each category was:

	2021 Number	2020 Number
Editorial and production staff	**117**	137
Sales and marketing staff	**36**	37
Managerial and administration staff	**31**	31
Technology and support staff	**974**	724
	1,158	929

The prior year figure includes only 8.5 months of Meritgroup employees.

	2021 £'000	2020 £'000
Wages and salaries	**13,568**	13,049
Social security costs	**1,295**	1,376
Pension and other costs	**237**	171
Share-based payment charge	**27**	20
	15,127	14,616

Staff costs do not include deferred cash consideration in relation to the Meritgroup acquisition, this is treated as non-recurring.

9. Finance income

	2021 £'000	2020 £'000
Bank interest receivable	**16**	5

10. Finance costs

	2021 £'000	2020 £'000
Bank interest payable	**195**	117
Lease interest expense	**422**	420
Net foreign exchange losses (1)	**68**	23
	685	560

(1) Includes £6k FX gain on derivative (2020: £nil)

11. Taxation

	2021 £'000	2020 £'000
Current tax		
Current tax on income for the year at 19% (2020: 19%)	**-**	-
Adjustments in respect of prior periods	**-**	(173)
	-	(173)
Overseas tax		
Current tax expense on income for the year	**251**	260
Total current tax expense	**251**	87
Deferred tax (see note 23)		
Origination and reversal of temporary differences	**(479)**	(150)
Effect of change in tax rate	**-**	142
Adjustments in respect of prior periods	**(161)**	(155)
Total deferred tax income	**(640)**	(163)
Total income tax / (credit)	**(389)**	(76)

The tax charge / (credit) for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%). A reconciliation is provided in the table below:

	2021 £'000	2020 £'000
Loss before tax	**(2,889)**	(1,259)
Notional tax credit at standard rate of 19% (2020: 19%)	**(549)**	(239)
Effects of:		

Expenses not deductible for tax purposes	**143**	23
Non-qualifying depreciation	**69**	88
Adjustments to bought forward value	**(161)**	-
Effect of deferred tax rate changes on realisation and recognition	**-**	142
Deferred tax not recognized	**39**	10
Utilisation of losses not provided for	**(97)**	-
Tax losses carried forward	**107**	52
Adjustment to agree foreign tax charge	**66**	-
Other	**(6)**	(152)
Total income tax charge / (credit)	**(389)**	(76)

In the Spring Budget on 3 March 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% for companies with profits of over £250,000. A small profits rate will also be introduced for companies with profits of £50,000 or less so that they will continue to pay corporation tax at 19%. From this date companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate.

As of the date of the approval of these financial statements the increase in rates has been substantively enacted; however, as the proposal to increase the rate had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

12. Earnings per share

	2021 £'000	2020 £'000
Loss attributable to shareholders	**(2,500)**	(1,183)
Add: non-recurring items	**981**	1,036
Add: amortisation of intangible assets acquired through business combinations	**862**	711
Add: net exchange losses	**68**	23
Add: share-based payment expense	**27**	20
Adjusted post-tax profit / (loss) attributable to shareholders	**(562)**	607

	2021 Ordinary shares	2020 Ordinary shares
Weighted average number of shares		
In issue during the year – basic	**574,357,445**	**492,696,964**
Adjustment for share options	1,632,833	1,674,500
In issue during the year – diluted	**575,990,279**	**494,371,464**

	2021 Pence per share	2020 Pence per share
Earnings per share – continuing operations		
Basic	**(0.44)**	(0.24)

Diluted	**(0.44)**	(0.24)
Adjusted earnings per share – continuing operations		
Basic	**(0.10)**	0.12
Diluted	**(0.10)**	0.12

13. Goodwill

	2021 £'000	2020 £'000
Cost and net book value		
Opening balance	**28,911**	13,282
Acquisition of subsidiary	**-**	15,629
Closing balance	**28,911**	28,911

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units (CGUs) that are expected to benefit from that business combination. During the prior year the carrying amount of goodwill, £13.3 million had been allocated to the Dods CGU (2020: £13.3 million) and £15.6 million has been allocated to the Merit CGU (2020: £15.6 million).

Goodwill is not amortised but tested annually for impairment with the recoverable amount being determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate, growth rates and forecasts of income and costs.

The Group assessed whether the carrying value of goodwill was supported by the discounted cash flow forecasts of the Group based on financial forecasts approved by management covering a three-year period, considering both past performance and expectations for future market developments. Management estimates the discount rate using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to each separate business.

The impairment charge was £nil (2020: £nil).

CGU

The recoverable amount of each CGU is determined from value in use calculations. The CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other group of assets. Management determined that the smallest level they could reasonably allocate the group of assets to was Dods CGU and Merit CGU. Dods CGU being the historical element of the Group and Merit CGU being the assets from prior year acquisition.

Value in use was determined by discounting future cash flows generated from the continuing use of the assets and was based on the following most sensitive assumptions:

- cash flows for 2021/22 were projected based on the forecast for 2021/22, using the budget as a base and sensitising in light of the current environment.

- cash flows for years ending 31 March 2023 to 2024 were projected based on the Group forecast for these two years, based on the current economic environment in respect of Covid-19. For years ending 31 March 2025 and 31 March 2026, cash flows were prepared using underlying growth rates of 5% for Dods and 5% for Merit, based on management's view on likely trading and likely growth for those years;

- this assumption is based upon both assumed increases in revenue from yield improvements and expansion of markets and also strict cost control;

  - cash flows beyond 2026 are extrapolated using a 2% growth rate for both Dods and Merit;

  - cash flows were discounted using the CGU's pre-tax discount rate of 9.72% for Dods and Merit.

Based on the above sensitivity assumptions the calculations disclosed headroom against the carrying value of goodwill for Dods CGU. However due to the pandemic, it is acknowledged that given the environment, it is not possible to determine what changes to these estimates may eventuate.

It was determined that the estimate for Merit CGU is sensitive to negative adjustments in discount rate and cash flow. However, management believe that these occurring are unlikely due to the performance of Merit CGU an expected future performance as mentioned earlier in the report. The key assumptions for the sensitivity analysis being a decrease in cash flows of 10% and separate scenario of an increase in discount rate by 20%. If these scenarios occur then Merit CGU will have a carrying value higher than its recoverable value and an impairment loss will have to be recorded. Headroom for the Merit CGU is £6.1 million.

14. Intangible assets

	Assets acquired through business combinations[1]	**Software**	**Under Construction capitalised costs**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At 1 April 2019	23,956	3,419	-	27,375
Additions – internally generated	-	296	-	296
Additions - other	-	-	1,304	1,304
Acquisition of subsidiary	4,086	-	-	4,086
At 31 March 2020	28,042	3,715	1,304	33,061
Additions – internally generated	-	200	316	516
Additions – other	-	45	-	45
Reclass to Software	-	874	(874)	-
At 31 March 2021	**28,042**	**4,834**	**746**	**33,622**
Accumulated amortisation				
At 1 April 2019	17,710	3,244	-	20,954
Charge for the year	711	158	-	869
At 31 March 2020	18,421	3,402	-	21,823
Charge for the year	862	488	-	1,350
At 31 March 2021	**19,283**	**3,890**	**-**	**23,173**

Net book value				
At 31 March 2020	9,621	313	1,304	11,238
At 31 March 2021	**8,759**	**944**	**746**	**10,449**

The useful economic lives of the intangible assets are as follows:

Publishing rights	20-75 years (one specific right is deemed to have a useful economic life of 75 years)
Brand names	15-20 years
Customer relationships	1-8 years
Customer list	4-8 years
Order books	1 year
Software	3-6 years

The carrying value of publishing rights with a useful economic life of 75 years is £4.0 million (2020: £4.1 million).

Included within intangible assets are internally generated assets with a net book value of £0.5 million (2020: £0.3 million).

During the period there was £nil expenses to income statement for Research & Development (2020: £nil)

[1] Assets acquired through business combinations comprise:

	Publishing rights	**Brand names**	**Customer relationships and lists**	**Other assets**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost					
At 1 April 2019	18,934	1,277	3,591	154	23,956
Acquisition of subsidiary	-	-	4,086	-	4,086
At 31 March 2020	18,934	1,277	7,677	154	28,042
Acquisition of subsidiary	-	-	-	-	-
At 31 March 2021	**18,934**	**1,277**	**7,677**	**154**	**28,042**
Accumulated amortisation					
At 1 April 2019	12,688	1,277	3,591	154	17,710
Charge for the year	351	-	360	-	711
At 31 March 2020	13,039	1,277	3,951	154	18,421
Charge for the year	351	-	511	-	862
At 31 March 2021	**13,390**	**1,277**	**4,462**	**154**	**19,283**
Net book value					
At 31 March 2020	5,895	-	3,726	-	9,621

At 31 March 2021	**5,544**	**-**	**3,215**	**-**	**8,759**

15. Property, plant and equipment

	Leasehold Improvements £'000	IT Equipment and Fixtures and Fittings £'000	Total £'000
Cost			
At 1 April 2019	2,010	1,121	3,131
Additions	15	172	187
Acquisition of subsidiary	-	421	421
At 31 March 2020	2,025	1,714	3,739
Additions	12	650	662
Disposals	-	(109)	(109)
At 31 March 2021	**2,037**	**2,255**	**4,292**
Accumulated depreciation			
At 1 April 2019	480	588	1,068
Charge for the year	212	325	537
Disposals	-	-	-
At 31 March 2020	692	913	1,605
Charge for the year	226	386	612
Disposals	-	(109)	(109)
At 31 March 2021	**918**	**1,190**	**2,108**
Net book value			
At 31 March 2020	1,333	801	2,134
At 31 March 2021	**1,119**	**1,065**	**2,184**

IT equipment additions include £77,000 of lease equipment, liability is recognised in Note 25.

16. Subsidiaries

Company	Activity	% holding	Country of registration
Dods Group Limited[1]	Publishing	100	England and Wales
Fenman Limited[1]	Publishing	100	England and Wales
Holyrood Communications Ltd[2]	Publishing	100	Scotland
Le Trombinoscope SAS[3]	Publishing	100	France
Total Politics Limited[1]	Publishing	100	England and Wales
Training Journal Limited[1]	Holding company	100	England and Wales
Merit Data & Technology Limited[1]	Data and code	100	England and Wales
Letrim Intelligence Services Private Limited[4]	Data and code	99.99	India
Merit Processes Limited[1]	Dormant	100	England and Wales
European Parliamentary Communications Services SPRL[5]	Dormant	100	Belgium
Monitoring Services Limited[1]	Dormant	100	England and Wales
Vacher Dod Publishing Limited[1]	Dormant	100	England and Wales
VDP Limited[1]	Dormant	100	England and Wales

1 Registered address: 11th Floor, The Shard, 32 London Bridge Street, London, SE1 9SG.
2 Registered address: Panmure Court, 32 Calton Road, Edinburgh, EH8 8DP.

3 Registered address: Tour Voltaire, 1 place des Degrés – La Défense, 92800 Puteaux, Paris, France.
4 Registered address: SP 52, 3rd Street, Ambattur Industrial Estate, Chennai 600 058.
5 Registered address: Boulevard Carlemagne 1, 1041 Bruxelles, Belgium.

During the current year the Group has elected to provide a parental guarantee to Fenman Limited, Total Politics Limited, Holyrood Communications Limited, Training Journal Limited and Monitoring Services Limited in accordance with section 479C of the Companies Act 2006, meaning that they are exempt from the requirement to have a statutory audit.

Acquisitions of subsidiaries

There was no acquisition during the current year.

Summary of prior year acquisition

In the prior year the Group acquired 100% of the issued share capital of Meritgroup Limited and its subsidiaries, a provider of data services and software code. The acquisition enabled the Group to further diversify and strengthen its presence in new end markets and open significant opportunities through the sharing of resources and talent across the Group. The purchase consideration was for £21.4 million made up of £18.2 million cash, £1.1 million ordinary shares and £2.1 million deferred consideration. On acquisition £15.6 million goodwill, £4.1 million intangible assets and £1.7 million other identifiable assets were recognised on the Group balance sheet.

Of the £2.1 million deferred consideration, £1.05 million was finalised during the year, the remainder £1.05 million will be issued in the following year.

Fair value of net assets acquired	2020 £'000
Cash and cash equivalents	**1,176**
Trade and other receivables	**2,336**
Property, plant and equipment	**421**
Right-of-use assets	**4,209**
Identifiable intangible assets	**4,086**
Trade and other payables	**(1,587)**
Lease liabilities	**(4,209)**
Deferred tax liability	**(693)**
Net identifiable assets acquired	**5,739**
Add: Goodwill	**15,629**
Net assets acquired	**21,368**

17. Investments in associates

Set out below are the associates of the Group as at 31 March 2021 which, in the opinion of the directors, are individually not material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	% ownership	Carrying amount 2020 £'000	Impairment 2021 £'000	Share of profit 2021 £'000	**Carrying amount 2021 £'000**
Sans Frontieres Associates Ltd[1]	40	164	-	65	**229**

Social 360 Limited[2]	30	497	-	(9)	**488**
		661	-	56	**717**

Place of business/country of incorporation of both entities is England. The Group accounts for both entities as equity-accounted associates.

(1) On 16 February 2017, the Group purchased 40% of the issued share capital of Sans Frontieres Associates Limited (SFA), a company registered in England and Wales, for a carrying value of £40.

SFA's objective is to redefine the approach taken to international geopolitical and crisis communications consulting.

As at the year end the Group had loaned SFA £560,000 (2020: £560,000). The unsecured loan of £560,000 carries no interest rate charge and is repayable in 2022. Recoverability is reviewed on an annual basis.

After taking into account the Group's power over its investee, its exposure and rights to variable returns from its involvement with the investee, and its ability to use the power over the investee to affect the amount of investor's return, the Directors have concluded that the Group does not have a controlling interest in SFA as it is not able to direct the activities of SFA. Therefore SFA has been accounted for as an associate in these financial statements.

No dividend was received for the year (2020: £nil)
As required by IFRS12 the financial information from the unaudited abridged accounts of SFA dated 30 November 2020 is as follows: Current Assets £1,170k of which £722k is cash and cash equivalents, non-current assets £2k, current liabilities £39k, non-current liabilities £1,132k. The depreciation recorded was of £1k.

(2) On 16 November 2017, the Group purchased 30% of the enlarged share capital of Social 360 Limited (Social360), a company registered in England and Wales, for a carrying value of £1.68 million in cash including acquisition costs. Social360 provides intelligent digital media monitoring and analysis.

No dividend was received for the year (2020: £nil)
As required by IFRS12 the financial information from the unaudited filleted abridged accounts of Social360 dated 31 August 2020 is as follows: Current Assets £798k of which £325k is cash and cash equivalents, non-current assets £6k, current liabilities £188k, non-current liabilities £100k. The depreciation recorded was of £4k.

The total share of profit recognised from associates which is based on the unaudited management accounts as 31 March 2021 is £56k (2020: £158k).

18. Work in progress and inventories

	2021 £'000	2020 £'000
Work in progress and inventories	**36**	273
	36	273

19. Financial instruments

The carrying amount of financial assets and liabilities recognised at the balance sheet date of the reporting periods under review may also be categorised as follows:

	2021 £'000	2020 £'000
Financial assets		
Trade and other receivables (amortised cost)	**3,996**	5,086
Derivate Contracts (FVTPL*)	**6**	-
Loan receivable (amortised cost)	**560**	560
Cash and cash equivalents (amortised cost)	**5,565**	4,368
	10,127	10,014
Financial liabilities		
Trade and other payables (amortised cost)	**(10,018)**	(10,226)
Lease liabilities (amortised cost)	**(7,936)**	(9,216)
Bank loan & RCF (amortised cost)	**(4,631)**	(3,000)
	(22,585)	(22,442)
Net financial assets and liabilities	**(12,458)**	(12,428)

*FVTPL stands for "Fair value through profit and loss"

The loan receivable has no discount rate. The fair value of the loan is the same as the booked value therefore there is no discounting on the outstanding amount. During the financial year there was no repayments on the loan.

On 2 February 2021, Group signed 6 forward contracts of total value approximately £2.9 million with a maturity date ranging from 22 April 2021 to 20 October 2021. The forward contracts are for currency pairing of GBP to INR.

The Group has exposure to several forms of risk through its use of financial instruments. Details of these risks and the Group's policies for managing these risks are included below.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's principal financial assets are trade and other receivables, and cash.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

At 31 March 2021, £350,000 of the Group's trade receivables were exposed to risk in countries other than the United Kingdom (2020: £487,000).

The ageing of trade receivables at the reporting date was:

	Gross 2021 £'000	**Provided Loss Allowance 2021 £'000**	Gross 2020 £'000	Provided Loss Allowance 2020 £'000
Trade Receivables	**3,882**	**(162)**	4,576	(64)
	3,882	**(162)**	4,576	(64)

The maximum credit risk exposure for the group is £136,000.

The loan receivable has not been assessed for credit losses, the Group believes that the expectation for default is not probable given the subsequent repayment and SFAs declaration to continue repaying. SFA is also currently in a strong cash position and highly liquid.

The movement in allowance for doubtful accounts in respect of trade receivables during the year was as follows:

	2021 £'000	2020 £'000
Balance at the beginning of the year	**64**	95
Acquisition of subsidiary	**-**	15
Movement	**98**	(46)
Balance at the end of the year	**162**	64

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The contractual cash flows of each financial liability are materially the same as their carrying amount.

A reconciliation of the Group's liabilities arising from financing activities is disclosed below.

	2021 £'000	2020 £'000
Loan Balance at the beginning of the year	**3,000**	3,000
Drawdown of RCF	**2,000**	2,000
Repayments of principle	**(369)**	(2,000)
Loan and RCF Balance at the end of the year	**4,631**	3,000

Banking covenants

On a rolling 12 month basis, at each quarter end date, the Group is subject to a covenant compliance test of the following three covenants:

- Minimum Cash Balance: Total Group cash including term deposits available in under 30 days;
- Leverage Ratio: Gross debt shall not be more than X Adjusted EBITDA;
- Profit Cover Ratio: Gross financing costs (capital & interest) shall not be less than X Adjusted EBITDA.

Rolling 12 month basis, ending on	Minimum Cash Balance	Leverage Ratio	Profit Cover Ratio
30 June 2021	£500K	3.0x	2.5x
30 September 2021	£500K	2.5x	3.0x
31 December 2021	£500K	2.5x	3.0x
31 March 2022	£500K	2.5x	3.0x
30 June 2022	£500K	2.5x	3.0x
30 September 2022	£500K	2.5x	3.0x
31 December 2022	£500K	2.0x	3.0x
31 March 2023	£500K	2.0x	3.0x
30 June 2023	£500K	1.5x	3.0x
30 September 2023	£500K	1.5x	3.0x
31 December 2023	£500K	1.5x	3.0x
31 March 2024	£500K	1.5x	3.0x
30 June 2024	£500K	1.5x	3.0x

Adjusted EBITDA: Earnings before interest, tax, depreciation & amortisation adjusted for share based payments and non-recurring items. On an IFRS16 basis.

The Directors had approved a budget for a period of 12 months from the date of approving these accounts and have additionally prepared a 3 year forecast. The Directors consider the forecasts to be reasonable.

In agreeing to the above covenants, the forecasts were sensitized to ensure suitable headroom to enable compliance with the covenant tests.

Based on this work the Directors are satisfied that the Group is unlikely to breach any of the above covenants.

Maturity of financial liabilities:

The tables below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities as at 31 March 2021. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Due within 1 year £'000	**2-5 years £'000**	**Beyond 5 years £'000**	**Total £'000**
Trade and other payables	5,874	317	-	**6,191**
Lease liability	1,834	7,249	316	**9,399**
Bank loan / RCF	2,417	2,498	-	**4,915**

The Group has a long standing and supportive relationship with Barclays Bank and has recently agreed variations to the terms of its bank debt in order to give it further headroom. The Group has a three year plan that has been shared with Barclays and formed the basis of the new banking arrangements that were put in place. The plan sets out how the Group expects to return to bottom line profitability after recent losses, in part caused by the Covid-19 pandemic.

The group has a strong track record on cash and working capital management and carefully monitors its aged debtors to ensure its cash receipts are as expected. The Group does not anticipate paying dividends to shareholders at this time.

Currency risk

The Group is exposed to currency risk on transactions denominated in Euros, US Dollars and Indian Rupees.

Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. For further details of share capital see note 24.

Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, changes in foreign exchange and interest rates would have an impact on consolidated earnings. The balances of the financial assets and liabilities exposed to these sensitivities are £532,000 Trade receivables, £3.1 million Cash and equivalents and £285,000 Trade payables for the year.

At 31 March 2021, it is estimated that a general increase of one percentage point in interest rates would have decreased the Group's profit before tax by approximately £34,000 (2020: £32,000).

It is estimated that a general increase of one percentage point in the value of the Euro and Dollar against Sterling would have decreased the Group's profit before tax by approximately £13,000 (2020: £11,000).

It is estimated that a general increase of one percentage point in the value of the Rupee against Sterling would have increased the Group's profit before tax of approximately £1,000. (2020: £2,000)

Fair values

The directors consider that the fair value of financial instruments is materially the same as their carrying amounts.

Capital management

The Group manages its capital to ensure that all entities will be able to continue as a going concern while maximising return to stakeholders, as well as sustaining the future development of the business. The capital structure of the Group consists of cash and cash equivalents and equity attributable to the owners of the parent, comprising issued share capital, other reserves and retained earnings.

Capital Management	**2021 £'000**	2020 £'000
Cash & cash equivalents	**5,565**	4,368

Share Capital	**19,501**	19,239
Other reserves	**21,253**	20,505
Retained Earnings	**(6,492)**	(3,991)
	39,827	40,121

20. Other financial assets

Trade and other receivables	**2021 £'000**	2020 £'000
Trade receivables	**3,720**	4,512
Other receivables	**281**	574
Prepayments and accrued income	**2,216**	2,733
	6,217	7,819

Trade and other receivables denominated in currencies other than Sterling comprise £336,000 (2020: £351,000) denominated in Euros and £13,000 (2020: £127,000) denominated in USD.

The Group had a balance of £146,000 of accrued income relating to contract assets (2020: £420,000).

Cash related	**2021 £'000**	2020 £'000
Cash and cash equivalents	**5,565**	4,368
	5,565	4,368

Cash includes £618,000 (2020: £763,000) denominated in Euros, £480,000 (2020: £248,000) denominated in USD and £438,000 (2020: £998,000) denominated in Indian rupees.

21. Trade and other payables

Current	**2021 £'000**	2020 £'000
Trade creditors	**2,663**	1,880
Other creditors including tax and social security	**2,895**	2,197
Other payables	**316**	272
Accruals and deferred income	**6,800**	7,936
	12,674	12,285

Current liabilities denominated in currencies other than Sterling compromise £24,000 (2020: £47,000) denominated in Euros, £8,000 (2020: £20,000) denominated in USD and £113,000 (2020: £752,000) denominated in Indian rupees.

The Group had a balance of £4.8m of deferred revenue relating to contract liabilities (2020: £5.6m).

Non-current	**2021 £'000**	2020 £'000
Other payables	**317**	545

The non-current other payables balance reflects an amount payable arising on the acquisition of Meritgroup, contingent on the continued employment of certain employees. During the year £317k was expensed in the income statement and was paid.

22. Interest-bearing loans and borrowings

The Group has a revolving credit facility (RCF) of £2 million (2020: £nil) carrying a rate of 3.5% over LIBOR. The current balance outstanding on the RCF is £2 million. During the prior year, the Group borrowed a term loan of £3 million over a 5-year period carrying a rate of 3.25% over LIBOR. The balance outstanding on the term loan is £2.6 million. In total the Group has a £2 million RCF liability and £2.6 million term loan liability as at the balance sheet date.

See note 19 for the maturity analysis of the bank loan.

Revised banking facilities and updated covenants

On the 30 June 2021 the Group agreed revised facilities with Barclays Bank which included:

- Term Loan: reduced payments in the current year with offsetting increases in subsequent years although no increase in overall duration of the loan; a change in pricing from 3.25% above LIBOR to 3.75% above the Bank of England interest rate;
- RCF: a change in pricing, effective January 2022; from 3.50% above LIBOR to 4.00% above the Bank of England interest rate;
- Covenants: revised leverage and debt service covenants with effect from 1 April 2021 for the balance of the facility (June 2024);
- Cash: the requirement to maintain a minimum cash balance, across the Group, of £0.5m.

In the 12 month period from the balance sheet date capital repayments of £2.3 million is due be repaid to the bank with the remaining £2.3 million due in subsequent periods.

These revised facilities and covenants will help support the Group in the aftermath of the Covid-19 pandemic and we are thankful for the continued support of Barclays Bank.

23. Deferred tax liability

The following are the major deferred tax liabilities and assets recognised by the Group, and movements thereon during the current year and prior year:

	Liabilities	Assets			
	Intangible assets £'000	Other timing differences £'000	Accelerated capital allowances £'000	Tax losses £'000	**Total £'000**
At 31 March 2019	713	(4)	(42)	(180)	**487**
Acquisition of subsidiary	693	-	-	-	**693**
Other movements	(155)	-	-	-	**(155)**
Charge/(credit)	(140)	45	2	(70)	**(163)**
At 31 March 2020	1,111	41	(40)	(250)	**862**
Charge/(credit)	(152)	(65)	15	(438)	**(640)**
At 31 March 2021	**959**	**(24)**	**(25)**	**(688)**	222

Deferred tax assets and liabilities have been offset in both the current year and preceding year as the current tax assets and liabilities can be legally offset against each other, and they relate to taxes levied by the same taxation authority or the Group intends to settle its current tax assets and liabilities on a net basis.

At the balance sheet date, the Group has tax losses of £10.5 million (2020: £8.1 million) available for offset against future profits when there will be greater availability of taxable profits. A deferred tax asset of £688,000 (2020: £250,000) has been recognised in respect of such losses.

24. Issued capital

	9p deferred shares Number	1p ordinary shares Number	**Total £'000**
Issued share capital as at 1 April 2020	151,998,453	555,929,713	19,239
Shares issued during the year	-	26,141,667	262
Issued share capital as at 31 March 2021	**151,998,453**	**582,071,380**	**19,501**

Holders of the deferred shares do not have the right to receive notice of any general meeting of the Company or any right to attend, speak or vote at such meeting. The deferred shareholders are not entitled to receive any dividend or distribution and shall on a return of assets in a winding up of the Company entitle the holders only to the repayment of 1 pence aggregate. The deferred shares are also incapable of transfer and no share certificate will be issued.

During the year the Company issued 26,141,667 ordinary shares priced at 4 pence due to the consideration on the acquisition of Meritgroup.

On 16 April 2021 the Group's shareholders approved the resolutions set out in the 1 April 2021 circular to all shareholders which recommended proposals for a cancellation of share premium account, a capitalisation of merger account and cancellation of the resulting share, the cancellation of Deferred Shares, the consolidation and sub division of the Company's Ordinary Shares, the purchase of certain of the Company's Ordinary Shares, the change of the Company's name and the adoption of new Articles of Association.

The impact of the consolidation and subdivision was to reduce the number of ordinary shares by a factor of 28 and to increase the nominal value by a factor of 28 (so from 1p to 28p nominal).

25. Leases

The Group had adopted IFRS 16 Leases as at 1 April 2019, which replaced IAS 17 Leases. The Group had elected to apply the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised as an opening balance adjustment to retained earnings as at 1 April 2019. Prior periods have not been restated.

On transition to IFRS 16 on 1 April 2019, the Group recognised a £4.9 million right-of-use asset, along with a corresponding lease liability of £6.2 million. Accrued rent has been adjusted by £1.1 million and the difference of £0.2 million against opening retained earnings. The incremental borrowing rate used by the Group in applying IFRS 16 is 5 percent.

A reconciliation of total operating lease commitments disclosed at 31 March 2019 to the lease liability amount recognised on adoption of IFRS 16 is as follows:

	£'000
Total operating lease commitments disclosed at 31 March 2019	**7,546**

Discounted using incremental borrowing rate	**(1,359)**
Total lease liabilities recognised under IFRS 16 at 1 April 2019	**6,187**

	Right-of-use assets £'000	**Lease liabilities £'000**
On adoption – 1 April 2019	**4,927**	**(6,187)**
Additions through acquisition of subsidiary	**4,209**	**(4,209)**
Depreciation	**(1,210)**	**-**
Lease interest	**-**	**(420)**
Lease payments	**-**	**1,732**
Decrease in accruals/prepayments	**-**	**(132)**
As at 31 March 2020	**7,926**	**(9,216)**
Additions	**713**	**(765)**
Depreciation	**(1,330)**	**-**
Lease Interest	**-**	**(422)**
Lease payments[1]	**-**	**1,846**
Disposals	**(89)**	**72**
Translation	**(532)**	**549**
As at 31 March 2021	**6,688**	**(7,936)**
Current	**n/a**	**(1,467)**
Non-current	**n/a**	**(6,469)**

1. Of the £1,846k, payment of the lease liability was £1,181k, payment of the interest expense £362k and an accrual of £303k paid post year end.

The statement of profit or loss shows the following amounts relating to leases:

	2021 £'000	**2020 £'000**
Depreciation charge of right-of-use assets	**1,330**	**1,210**
Interest expense (included in finance cost)	**422**	**420**

The right-of-use assets relate to office space in five locations and at the balance date have remaining terms ranging up to 9 years.

There were £nil of expenses relating to diminutive payments not included in the measurement of lease liabilities. (2020: £nil)

The Group is potentially exposed to adverse changes in lease liabilities as there is a rent review due on its London premises in July 2021 and the Brussels lease has an immaterial inflationary increase every January.

Lease liabilities includes £77,000 of IT equipment. These assets are capitalised in Note 15 under IT equipment.

25. Share-based payments

Executive Share Option Scheme

The Company operated an Unapproved Executive Share Option Scheme under which equity-settled share options are granted to selected Group employees. Only 1 employee held options under the scheme, and this employee is not a director of the Company. The contractual life of each grant was 10 years. No more awards will be made under this scheme.

Grant date	Outstanding options at 1 April 2020	Granted during the year	Lapsed/exercised during the year	**Outstanding options at 31 March 2021**
4 November 2010	100,000	-	(100,000)	**-**
	100,000	**-**	(100,000)	**-**

All options granted are discretionary (as determined by the Board) and carry a pre-exercise performance condition, requiring the Company's Earnings Per Share achievement during any rolling three-year financial performance year to exceed the retail/consumer price index by at least 3%, in aggregate, during the same period. No consideration is received for an award and no grants can be made at an option exercise price per share which is less than the market price at the time of grant.

Long-Term Incentive Plan (LTIP)

On 21 September 2018, the Company granted the former Chief Executive Officer a conditional award under a new long-term incentive plan. No more awards will be made under this scheme.

Grant date	Outstanding options at 1 April 2020	Granted during the year	Lapsed/exercised during the year	**Outstanding options at 31 March 2021**
21 September 2018	1,562,000	-	-	**1,562,000**
	1,562,000	-	-	**1,562,000**

To become exercisable, the options are dependent on the market capitalisation of the Group. The options have a contractual life of 3 years, with the potential for additional value to be realised after a 4th year, subject to performance hurdles. The first £250,000 of this long-term incentive plan are under an approved EMI scheme. The option pricing model used in relation to the LTIP is a Monte-Carlo simulation model. Significant assumptions used include volatility and risk-free rates.

Details of the share options outstanding during the year are as follows.

	Number of Ordinary shares	Weighted average exercise price (pence)
As at 1 April 2019	1,812,000	n/a
Lapsed during the year	(150,000)	n/a
As at 31 March 2020	**1,662,000**	**n/a**
Lapsed during the year	**(100,000)**	**n/a**
As at 31 March 2021	**1,562,000**	**n/a**

The following options were outstanding under the Company's Executive Share Option Scheme and LTIP, as at 31 March 2021:

	Number of Ordinary shares	Exercise price per share (pence)	Exercise period
Long-Term Incentive Plan			
21 September 2018	1,562,000	16.1087p	Oct 2021
	1,562,000		

The income statement charge in respect of the LTIP for the year was £27,000 (2020: £20,000).

26. Pensions

Defined benefit pension

The Group operates a defined benefit pension scheme for qualifying employees based in India known as Gratuity Benefits which is classified as Post-Retirement Benefits under IAS19 (revised). Under the scheme, the eligible employees are entitled to a retirement benefit in cash based on final salary on attainment of retirement age (or earlier withdrawal/resignment or death) after 5 years of continual service. The assets of the scheme are held separately to the assets of the Group in a trustee administered fund.

The Group employed an independent actuary to update the Gratuity Benefits valuation to measure the scheme's liabilities.

The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method. The projected unit credit method is based on the plans accrual formula and upon services as of the beginning or end of the year, but using a member's final compensation, projected to the age at which the employee is assumed to leave active service. The plan liability is the actuarial present value of the "projected accrued benefits" as of the beginning of the year for active members.

The scheme's costs are borne by the Group. Any surplus or deficits in the scheme may affect the Group through periodic adjustments to the Group's contribution rate as determined by the actuary.

The plan exposes the group to actuarial risks such as interest rate risk, investment risk, longevity risk and inflation risk.

- Interest rate risk – The present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields of high quality corporate bonds.
- Investment risk – The plan assets at 31 March 2021 are policy from insurance. The value of assets certified by the insurer may not be the fair value of instruments backing the liability. In such cases the present value of the asset is independent of the future discount rate. This can result in wide fluctuations in the net liability or the funded status if there are significant changes in the discount rate during the valuation period.
- Longevity risk – The Group is required to provide benefits for the members in the gratuity scheme. Increases in the continual tenure of employment will increase the defined benefit liability.
- Inflation risk – A significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the Group's liability. High salary growths will lead to higher level of benefits to be paid by the Group.

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the withdrawal rates. The assumptions used for the valuation of the defined benefits obligation are as follow in the "principle actuary assumption table".

Funded status of the plan

	2021	2020
	£'000	£'000
Present value of funded defined benefit obligations	371	294
Fair value of plan Assets	(132)	(156)
Present value of unfunded defined benefit obligations	239	138
Current	73	54
Non-current	166	84
Net Deficit	239	138
Net Liability	**239**	**138**

Prior year balance sheet has been reclassed to show the balances of the net liability, £54k current and £84k non-current. This balance was previously part of trade payables.

Movement in present value of obligation	**2021**	**2020**
	£'000	£'000
At 1 April	294	146
Current service cost	70	50
Interest cost	17	10
Remeasurement losses (gains) (OCI)		
Due to changes in financial assumptions	48	(10)
Due to changes in demographic assumptions	-	(13)
Due to experience adjustments	(4)	111
Benefits paid from fund	(33)	-
FX revaluation	(21)	-
At 31 March	**371**	**294**

Movement in fair value of plan assets	**2021**	**2020**
	£'000	£'000
At 1 April	156	146
Net interest Income	10	10
Return on plan assets	(1)	-
Contribution by employer	11	-
Benefits paid	(33)	-
FX revaluation	(11)	-
At 31 March	**132**	**156**

The Breakdown of plan asset is 100% policy of insurance. The plan assets are all based geographically in India.

Amount recognised in the Income statement	2021	2020
	£'000	£'000
Service cost	70	50
Interest cost	17	-
Interest Income	(10)	-
Contribution by ER	11	-
FX Revaluation	(32)	-
Total expenses recognised in Income Statement	**56**	**50**

Amount recognised in the statement of OCI	2021	2020
	£'000	£'000
Actuarial changes in financial assumptions	48	(10)
Actuarial changes in demographic assumptions	-	(13)
Actuarial experience adjustments	(4)	111
Return on plan assets	1	-
Total expenses recognised in OCI	**45**	**88**

In 2020 the £88k charge was included within admin expenses. Due to its immaterial value of OCI impact in 2020, this prior year reclassification error has not been restated.

Principle actuarial assumptions (expressed as weighted averages) are as follow:

Principle Actuarial assumptions	2021	2020
	p.a	p.a
Discount rate	6.25%	6.60%
Salary growth rate	8.50%	6.00%
Withdrawal rates by age		
Below 35	25.00%	25.00%
35 to 45	15.00%	15.00%
Above 45	10.00%	10.00%
Rate of return on plan assets	6.25%	6.60%

In valuing the liabilities of the pension fund, mortality assumptions have been made as indicated below.

Mortality rates

Age (in years)	2021	2020
20	0.09%	0.09%
30	0.10%	0.10%

40	0.17%	0.17%
50	0.44%	0.44%
60	1.12%	1.12%

At 31 March 2021 the mortality rates were derived from the Indian Assured Lives Mortality (2012-2014) report.

The Group expects to contribute approximately £120,000 in the next financial year.

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 5.90 years (2020: 5.77 years).

The calculation of the defined benefit obligation (DBO) is sensitive to the assumptions set out above.

The following table summarises how the define benefit obligation at the end of the reporting period would have been because of a change in the respective assumptions.

Sensitivity to key assumptions	**2021**	**2020**
	£'000	£'000
	p.a	p.a
Discount rate		
Increase by 0.5%	360	287
Decrease by 0.5%	382	302
Salary growth rate		
Increase by 0.5%	379	301
Decrease by 0.5%	362	287
Withdrawal rate (W.R)		
W.R x 110%	365	292
W.R x 90%	376	296

27. Related party transactions

During the year, the Group received a repayment of £nil (2020: £140,000) on its interest free loan to its associate Sans Frontieres Associates (SFA). At 31 March 2021 the balance outstanding was £560,000 (2020: £560,000).

During the year, an amount of £69,493 (2020: £55,720) was payable to an associate Social 360 Limited, in relation to profit-share for monitoring services provided. At 31 March 2021, £nil (2020: £22,620) of this balance was outstanding.

On acquisition of Meritgroup, an arm's length non-repairing 7-year lease was entered into between a Merit subsidiary (Letrim Intelligence Services Private Limited) and Merit Software Services Private Limited. Cornelius Conlon, a director of the Group, is the beneficial owner of Merit Software Services Private Limited. The lease relates to the Chennai office of Merit. During the year, payments of £752,000 (2020: £535,000) were made to Merit Software Services Private Limited in relation to the lease.

Cornelius Conlon, a director of the Group is entitled to shares and a cash consideration on the first three anniversaries of the Meritgroup acquisition. The total number of shares issued were 13,333,819 of value of £533,352 and cash consideration of £220,000.

The Executive directors of the Group are considered key management personnel. See note 7 for details of directors' remuneration.

28. Events occurring after the reporting date

On the 1 April 2021 the Company wrote to all shareholders recommending proposals for a cancellation of share premium account, a capitalisation of merger account and cancellation of the resulting share, the cancellation of Deferred Shares, the consolidation and sub division of the Company's Ordinary Shares, the purchase of certain of the Company's Ordinary Shares, the change of the Company's name and the adoption of new Articles of Association. This would have the effect of increasing distributable reserves to £22,782,434.

The Deferred Shares are not admitted to trading on AIM (unlike the Ordinary Shares) and the Deferred Shares are economically valueless.

The impact of the consolidation and subdivision was to reduce the number of ordinary shares by a factor of 28 and to increase the nominal value by a factor of 28 (so from 1p to 28p nominal).

The proposals were all agreed by shareholders on 16 April 2021.

The Board has no current intention of declaring dividends but as a result of the above proposals would have greater scope to do so if it resolved that the Company's cash reserves and profitability merited it.

Proforma capital and reserves

	31/03/2021	Step 1	Step 2	Step 3	Step 4	31/03/2021
Capital and reserves	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Issued capital	**19,501**	**-**	**409**	**(409)**	**(13,680)**	**5,821**
Share premium	**20,866**	**(20,866)**	**-**	-	-	**-**
Merger reserves	**409**	**-**	**(409)**	**-**	-	**-**
Retained loss	**(6,447)**	**20,866**	**-**	**409**	**-**	**14,738**
Share option reserve	**58**	**-**	-	-	-	**58**
Translation reserve	**(80)**	**-**	-	-	-	**(80)**
Other reserves	**(45)**	**-**	-	-	-	**(45)**
Redemption Reserve	**-**	**-**	-	-	**13,680**	**13,680**
Total equity	**34,262**	**-**	**-**	**-**	**-**	**34,262**

The proposed changes were approved by our shareholders; the impact of the restructure is shown in the following steps below and table above, with the closing balance restated as a proforma.

1. The share premium account of the company of £20,866,209 was cancelled and the balance was credited to the reserves;

2. The merger reserve balance of £409,286 was issued into a Capital Reduction Share;

3. The Capital Reduction Share was subsequently cancelled and credited to the reserves;

4. The deferred shares of 151,998,453 at a value of 9 pence each were cancelled and credited to the reserve at a value of £13,679,861.

On the 9 April 2021 Group received a loan repayment of £70k from its associate SFA.

On 18 May 2021, the Group successfully completed its tranche 1 of its €600k investment into DataWorks. Tranche 2 is payable by the end of September 2021.

On the 30 June 2021 the Group agreed revised facilities with Barclays Bank plc which include:

- Term Loan: reduced payments in the current year with offsetting increases in subsequent years although no increase in overall duration of the loan; a change in pricing from 3.25% above LIBOR to 3.75% above the Bank of England interest rate;
- RCF: a change in pricing, effective January 2022; from 3.50% above LIBOR to 4.00% above the Bank of England interest rate;
- Covenants: revised leverage and debt service covenants with effect from 1 April 2021 for the balance of the facility (June 2024);
- Cash: the requirement to maintain a minimum cash balance, across the Group, of £0.5 million.

On 7 and 8 July 2021 Group received further loan repayments of £70k from its associate SFA, bringing total loan repayment received since 1 April 2021 to £140k.

<End>