

Adgistics Limited

Annual Report and Financial Statements

For the year ended 31 December 2020

Company Registration No. 03859657 (England and Wales)

Adgistics Limited

Company Information

Directors	R G Banner J Hubbard A R Payne B M Richardson J H Waite G Angelici (appointed on 1 November 2021) S Dreyfus (appointed on 1 November 2021)
Company number	03859657
Registered office	6th Floor Charlotte Building 17 Gresse Street W1T 1QL
Auditor	Moore Kingston Smith LLP Charlotte Building 17 Gresse Street London W1T 1QL
Business address	1st Floor Runway East London 20 St. Thomas Street London SE1 9RS

Adgistics Limited

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Adgistics Limited

Strategic Report

For the year ended 31 December 2020

The directors present the strategic report for the year ended 31 December 2020.

Fair review of the business

Adgistics continues to make progress on many fronts. Customers continue to delight in the enhanced stability and reliability of our platform. Satisfaction scores have reached levels not seen previously which is a testament to the amazing work that has been delivered by our technology team. With the levels of support calls plunging, we have been able to focus more of their resources on developing new tools and functionality.

The Covid 19 pandemic has created many challenges during the year.

Fortunately, the company had already rolled out online provisions for home working last year but with the added pressure of forced office closures, all our staff had to toil incredibly hard to build, refine and implement new working practices that ensured all our customers were well served.

Turnover was down 38% this year due, in part, to several large contracts coming to an end and, as predicted, the impact on our variable income which has traditionally accounted for between 30-40% of our overall revenues. In 2020, this dropped down to 17%. Covid made it difficult to generate incremental, variable income - largely due to most marketing budgets being frozen.

With improvements to our marketing strategy and process, the flow of leads grew strongly but we were unable to close sales in the uncertainty of national lockdowns. This impacted our new business revenues which turned out at only 40% of forecast.

We remain optimistic, that the opportunities generated have not been lost, but simply deferred.

Future outlook

In order to further develop the company's products, drive sales and promote future growth, the directors are exploring various options to inject more capital. However, having forecast a range of scenarios for next year, we can confirm the company has sufficient resources to support the business and its customers in the year ahead.

We are continuing to invest in product development in 2 key areas – the new Design Studio, a key revenue generating feature that customer's love and Monorepo, our code unification initiative that has already contributed massively toward reducing the support burden and overall operating costs.

Happy customers and an improving product place us well for growth. As Covid restrictions end, we hope to see companies investing and we stand ready to help them.

Management remains positive about the future and will continue to strive to make the business more efficient, ahead of next year, when hopefully, the pandemic will have been vanquished.

Key performance indicators

The group's turnover decreased by 27% from £2,628,271 to £1,907,845.

The group's staff costs decreased by 11% to £1,202,331, from £1,329,280 in the prior year.

The group's operating margin shifted from 10% in 2019 to (13%) in 2020.

The group balance sheet shows net liabilities decreasing from £619,932 to £363,801.

Adgistics Limited

Strategic Report (Continued)

For the year ended 31 December 2020

On behalf of the board

R G Banner
Director

23 February 2022

Adgistics Limited

Directors' Report

For the year ended 31 December 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the company and group continued to be that of a developer of customised internet-based software systems, which facilitate the controlled distribution of brand and communications assets to authorised users within domestic and international organisation and their respective partners.

Results and dividends

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

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

R G Banner
J Hubbard
A R Payne
B M Richardson
J H Waite
G Angelici (appointed on 1 November 2021)
S Dreyfus (appointed on 1 November 2021)

Auditor

The auditor, Moore Kingston Smith LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

R G Banner
Director

23 February 2022

Adgistics Limited

Directors' Responsibilities Statement

For the year ended 31 December 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

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

Adgistics Limited

Independent Auditor's Report

To the Members of Adgistics Limited

Opinion

We have audited the financial statements of Adgistics Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 1.2 of the financial statements, which indicates that the group has been affected by challenging trading conditions and the global impact of the Coronavirus (COVID-19) pandemic. This has led to a deterioration in the group's business performance and uncertainties over its ability to meet all of its liabilities for the next twelve months. The directors have taken cost cutting measures and are exploring various options to inject more capital into the business to further develop the company's products, drive sales and promote future growth. Having forecast a range of scenarios for next year, the directors believe that the company has sufficient resources to support the business and its customers in the year ahead, however, this is not certain. As stated in note 1.2 these events or conditions, along with the other matters as set forth in note 1.2 indicate that a material uncertainty exists that may cast significant doubt on the group and company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

Adgistics Limited

Independent Auditor's Report (Continued)

To the Members of Adgistics Limited

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report

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

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

Responsibilities of directors

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

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

Adgistics Limited

Independent Auditor's Report (Continued)

To the Members of Adgistics Limited

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Adgistics Limited

Independent Auditor's Report (Continued)

To the Members of Adgistics Limited

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation.
- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Adgistics Limited

Independent Auditor's Report (Continued)

To the Members of Adgistics Limited

Use of our report

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

Valerie Cazalet (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP

23 February 2022

Chartered Accountants
Statutory Auditor

Charlotte Building
17 Gresse Street
London
W1T 1QL

Adgistics Limited

Group Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 £	2019 £
Turnover	3	1,907,845	2,628,271
Cost of sales		(295,147)	(272,187)
Gross profit		1,612,698	2,356,084
Administrative expenses		(1,929,785)	(2,280,744)
Other operating income	8	66,521	181,484
Operating (loss)/profit	4	(250,566)	256,824
(Loss)/profit before taxation		(250,566)	256,824
Tax on (loss)/profit	8	(5,565)	(3,286)
(Loss)/profit for the financial year	20	(256,131)	253,538

(Loss)/profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

Adgistics Limited

Group Balance Sheet

As at 31 December 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Goodwill	9		62,214		81,861
Other intangible assets	9		64,778		86,853
Total intangible assets			126,992		168,714
Tangible assets	10		6,571		15,262
			133,563		183,976
Current assets					
Debtors	14	589,837		802,900	
Cash at bank and in hand		356,410		186,129	
			946,247		989,029
Creditors: amounts falling due within one year	15	(711,618)		(552,770)	
Net current assets			234,629		436,259
Total assets less current liabilities			368,192		620,235
Provisions for liabilities					
Deferred tax liability	17	(4,391)		(303)	
			(4,391)		(303)
Net assets			363,801		619,932
Capital and reserves					
Called up share capital	19		1,152		1,152
Share premium account	20		856,477		856,477
Other reserves	20		99,885		99,885
Profit and loss reserves	20		(593,713)		(337,582)
Total equity			363,801		619,932

The financial statements were approved by the board of directors and authorised for issue on 23 February 2022 and are signed on its behalf by:

R G Banner
Director

Adgistics Limited

Company Balance Sheet

As at 31 December 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Intangible assets	9		64,778		86,853
Tangible assets	10		6,571		15,262
Investments	11		115		115
			<u>71,464</u>		<u>102,230</u>
Current assets					
Debtors	14	973,643		799,825	
Cash at bank and in hand		47,852		108,211	
		<u>1,021,495</u>		<u>908,036</u>	
Creditors: amounts falling due within one year	15	(560,925)		(384,251)	
Net current assets			<u>460,570</u>		<u>523,785</u>
Total assets less current liabilities			<u>532,034</u>		<u>626,015</u>
Provisions for liabilities					
Deferred tax liability	17	(4,391)		(303)	
		<u>(4,391)</u>	<u>(4,391)</u>	<u>(303)</u>	<u>(303)</u>
Net assets			<u><u>527,643</u></u>		<u><u>625,712</u></u>
Capital and reserves					
Called up share capital	19		1,152		1,152
Share premium account	20		856,477		856,477
Profit and loss reserves	20		(329,986)		(231,917)
Total equity			<u><u>527,643</u></u>		<u><u>625,712</u></u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £98,069 (2019 - £256,140 profit).

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 23 February 2022 and are signed on its behalf by:

R G Banner
Director

Company Registration No. 03859657

Adgistics Limited

Group Statement of Changes in Equity

For the year ended 31 December 2020

	Notes	Share capital £	Share premium account £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 January 2019		1,037	856,477	-	(591,120)	266,394
Year ended 31 December 2019:						
Profit and total comprehensive income for the year		-	-	-	253,538	253,538
Issue of share capital	19	115	-	-	-	115
Merger reserve on acquisition of subsidiary		-	-	99,885	-	99,885
Balance at 31 December 2019		1,152	856,477	99,885	(337,582)	619,932
Year ended 31 December 2020:						
Loss and total comprehensive income for the year		-	-	-	(256,131)	(256,131)
Balance at 31 December 2020		1,152	856,477	99,885	(593,713)	363,801

Adgistics Limited

Company Statement of Changes in Equity

For the year ended 31 December 2020

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2019		1,037	856,477	(488,057)	369,457
Year ended 31 December 2019:					
Profit and total comprehensive income for the year		-	-	256,140	256,140
Issue of share capital	19	115	-	-	115
Balance at 31 December 2019		1,152	856,477	(231,917)	625,712
Year ended 31 December 2020:					
Loss and total comprehensive income for the year		-	-	(98,069)	(98,069)
Balance at 31 December 2020		1,152	856,477	(329,986)	527,643

Adgistics Limited

Group Statement of Cash Flows

For the year ended 31 December 2020

		2020	2019
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	24	182,896	137,130
Income taxes paid		(1,477)	(184,467)
Net cash inflow/(outflow) from operating activities		181,419	(47,337)
Investing activities			
Purchase of business		-	2,598
Purchase of intangible assets		(51,378)	(44,208)
Purchase of tangible fixed assets		(1,882)	(5,943)
Net cash used in investing activities		(53,260)	(47,553)
Financing activities			
Net cash used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		128,159	(94,890)
Cash and cash equivalents at beginning of year		186,129	281,019
Cash and cash equivalents at end of year		314,288	186,129
Relating to:			
Cash at bank and in hand		356,410	186,129
Bank overdrafts included in creditors payable within one year		(42,122)	-

Adgistics Limited

Notes to the Financial Statements

For the year ended 31 December 2020

1 Accounting policies

Company information

Adgistics Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Charlotte Building, 17 Gresse Street, London, W1T 1QL.

The group consists of Adgistics Limited and all of its subsidiaries.

1.1 Accounting convention

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

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

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

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Adgistics Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

All financial statements are made up to 31 December 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Adgistics Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

1 Accounting policies

(Continued)

1.3 Going concern

These financial statements are prepared on the going concern basis. The directors have a reasonable expectation that the group will continue in operational existence for the foreseeable future. However, the directors are aware of certain material uncertainties which may cast significant doubt on the group's ability to continue as a going concern.

The group made a loss for the year of £256,131 (2019 - profit of £253,538) and as at the balance sheet date had net assets of £363,801 (2019 - £619,932). The group has been affected by challenging trading conditions and the global impact of the Coronavirus (COVID-19) pandemic. This has led to a deterioration in the group's business performance and uncertainties over its ability to meet all of its liabilities for the next twelve months.

The directors have taken cost cutting measures and are exploring various options to inject more capital into the business to further develop the group's products, drive sales and promote future growth. Having forecast a range of scenarios for next year, the directors confirm that the group has sufficient resources to support the business and its customers in the year ahead,

The directors have prepared detailed forecasts for the group's future cash requirements and are satisfied that the group has sufficient available cash and banking facilities to allow it to pay all its creditors as they fall due.

The directors are confident that they have the ability to respond effectively to continued uncertainty and as a result, the directors believe that the group will be able to continue to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of the financial statements.

1.4 Turnover

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

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Turnover for software development is assessed on a contract by contract basis and reflected in the statement of comprehensive income by recording revenue as contract activity progresses. Turnover is ascertained in a manner appropriate to the stage of completion of the contract and credit taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty. The amount by which revenue exceeds payments received on account is classified as amounts recoverable on contracts and to the extent that payments on account exceed revenue the excess is included as deferred income.

1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Adgistics Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

1 Accounting policies

(Continued)

1.6 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 5 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.7 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Development costs	3 years straight line
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1.8 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	3 years straight line
Fixtures and fittings	5 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.9 Fixed asset investments

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Adgistics Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

1 Accounting policies

(Continued)

1.10 Impairment of fixed assets

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

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

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

1.11 Cash and cash equivalents

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

1.12 Financial instruments

The group only has basic financial instruments measured at amortised cost, with no financial instruments classified as other or basic instruments measured at fair value.

1.13 Equity instruments

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

1.14 Taxation

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

Current tax

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

Adgistics Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

1 Accounting policies

(Continued)

Deferred tax

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

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

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

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

1.16 Retirement benefits

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

1.17 Leases

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

1.18 Foreign exchange

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

Adgistics Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Revenue Recognition

Revenue from contracts is assessed on an individual basis with revenue earned being ascertained based on the stage of completion of the contract which is estimated using a combination of the milestones in the contract and the time spent to date compared to the total time expected to be required to undertake the contract. Estimates of the total time required to undertake the contracts are made on a regular basis and subject to management review.

Depreciation

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the tangible fixed assets and note 1.8 for the useful economic lives for each class of asset.

Amortisation

The annual amortisation charge for intangible assets is sensitive to changes in the estimated lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. Goodwill impairment reviews are also performed annually. These reviews require an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise for the cash generating unit and a suitable discount rate to calculate present value. See note 9 for the carrying amount of the intangible assets and notes 1.6 and 1.7 for the useful economic lives for each class of asset.

3 Turnover and other revenue

	2020	2019
	£	£
Turnover analysed by class of business		
IT software services	1,907,845	2,628,271

Adgistics Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

3 Turnover and other revenue (Continued)

	2020 £	2019 £
Turnover analysed by geographical market		
United Kingdom	1,334,689	1,629,822
Europe	41,527	27,424
United States	495,507	835,653
Rest of the world	36,122	135,372
	<u>1,907,845</u>	<u>2,628,271</u>

4 Operating (loss)/profit

	2020 £	2019 £
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	25,694	(22,930)
Depreciation of owned tangible fixed assets	10,573	14,002
Amortisation of intangible assets	93,100	104,430
Operating lease charges	81,795	137,160
	<u>210,162</u>	<u>232,662</u>

5 Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	22,750	19,500
	<u>22,750</u>	<u>19,500</u>

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
25	30	24	29
<u>25</u>	<u>30</u>	<u>24</u>	<u>29</u>

Adgistics Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

6 Employees

(Continued)

Their aggregate remuneration comprised:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Wages and salaries	1,068,668	1,186,718	1,025,901	1,175,451
Social security costs	112,235	120,040	108,660	118,057
Pension costs	21,428	22,522	21,428	22,522
	<u>1,202,331</u>	<u>1,329,280</u>	<u>1,155,989</u>	<u>1,316,030</u>

7 Other operating income

	2020 £	2019 £
Large company research and development tax relief	66,521	181,484
	<u>66,521</u>	<u>181,484</u>

8 Taxation

	2020 £	2019 £
Current tax		
Foreign current tax on profits for the current period	1,477	2,731
	<u>1,477</u>	<u>2,731</u>
Deferred tax		
Origination and reversal of timing differences	4,088	555
	<u>4,088</u>	<u>555</u>
Total tax charge	<u>5,565</u>	<u>3,286</u>

Adgistics Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

8 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

	2020 £	2019 £
(Loss)/profit before taxation	(250,566)	256,824
<i>Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)</i>	(47,608)	48,797
Tax effect of expenses that are not deductible in determining taxable profit	4,262	2,185
Tax effect of utilisation of tax losses not previously recognised	-	(24,911)
Unutilised tax losses carried forward	40,748	-
Depreciation on assets not qualifying for tax allowances	2,009	2,660
Amortisation on assets not qualifying for tax allowances	17,689	19,722
Other permanent differences	-	555
Effect of overseas tax rates	1,477	(982)
Other timing differences	(18,951)	(37,173)
Provisions adjustment	1,851	(7,567)
Deferred tax movements	4,088	-
Taxation charge	5,565	3,286

9 Intangible fixed assets

Group	Goodwill	Development costs	Total
	£	£	£
Cost			
At 1 January 2020	98,233	1,310,369	1,408,602
Additions - internally developed	-	51,378	51,378
At 31 December 2020	98,233	1,361,747	1,459,980
Amortisation and impairment			
At 1 January 2020	16,372	1,223,516	1,239,888
Amortisation charged for the year	19,647	73,453	93,100
At 31 December 2020	36,019	1,296,969	1,332,988
Carrying amount			
At 31 December 2020	62,214	64,778	126,992
At 31 December 2019	81,861	86,853	168,714

Adgistics Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

9 Intangible fixed assets (Continued)

Company	Development costs £
Cost	
At 1 January 2020	1,310,369
Additions - internally developed	51,378
At 31 December 2020	1,361,747
Amortisation and impairment	
At 1 January 2020	1,223,516
Amortisation charged for the year	73,453
At 31 December 2020	1,296,969
Carrying amount	
At 31 December 2020	64,778
At 31 December 2019	86,853

10 Tangible fixed assets

Group	Plant and equipment £	Fixtures and fittings £	Total £
Cost			
At 1 January 2020	42,572	18,411	60,983
Additions	1,882	-	1,882
At 31 December 2020	44,454	18,411	62,865
Depreciation and impairment			
At 1 January 2020	28,596	17,125	45,721
Depreciation charged in the year	9,572	1,001	10,573
At 31 December 2020	38,168	18,126	56,294
Carrying amount			
At 31 December 2020	6,286	285	6,571
At 31 December 2019	13,976	1,286	15,262

Adgistics Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

10 Tangible fixed assets (Continued)

Company	Plant and Fixtures and equipment £	fittings £	Total £
Cost			
At 1 January 2020	42,572	19,419	61,991
Additions	1,882	-	1,882
At 31 December 2020	44,454	19,419	63,873
Depreciation and impairment			
At 1 January 2020	28,596	18,133	46,729
Depreciation charged in the year	9,572	1,001	10,573
At 31 December 2020	38,168	19,134	57,302
Carrying amount			
At 31 December 2020	6,286	285	6,571
At 31 December 2019	13,976	1,286	15,262

11 Fixed asset investments

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Investments in subsidiaries	12	-	-	115	115

Movements in fixed asset investments

Company	Shares in subsidiaries £
Cost or valuation	
At 1 January 2020 and 31 December 2020	115
Carrying amount	
At 31 December 2020	115
At 31 December 2019	115

12 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Adgistics Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

12 Subsidiaries

(Continued)

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Adgistics Canada Inc	1	Dormant	Ordinary	100.00	-
Adgistics Inc	2	Internet-based software	Ordinary	100.00	-
FindTheRipple Limited	3	IT consultancy	Ordinary	100.00	-

1 - 439 University, Avenue 1200, Toronto, Ontario M5S 1Y8, Canada

2 - 1900 E. Golf, Road Ste 950a, Schaumburg, IL 60173

3 - Park House, 15-23 Greenhill Crescent, Watford, England, WD18 8PH

Adgistics Inc. is a wholly owned subsidiary of the company. Adgistics Limited owns 100% of the ordinary share capital (being one share) at its nominal value of \$1 per share.

Adgistics Canada Inc. is a wholly owned subsidiary of the company. Adgistics Limited owns 100% of the ordinary share capital (being one thousand shares) at its nominal value of £0.06 per share.

13 Financial instruments

	Group 2020 £	2019 £	Company 2020 £	2019 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	277,406	567,950	667,575	585,437
Carrying amount of financial liabilities				
Measured at amortised cost	273,746	217,874	240,078	162,177

14 Debtors

	Group 2020 £	2019 £	Company 2020 £	2019 £
Amounts falling due within one year:				
Trade debtors	211,734	406,771	87,488	90,917
Corporation tax recoverable	248,005	181,484	248,005	181,484
Amounts due from group undertakings	-	-	526,157	364,683
Other debtors	24,567	28,712	24,189	28,334
Prepayments and accrued income	105,531	185,933	87,804	134,407
	589,837	802,900	973,643	799,825

Included in other debtors is a rental deposit of £25,920 (2019: £25,920).

Adgistics Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

15 Creditors: amounts falling due within one year

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Bank overdrafts	16	42,122	-	42,122	-
Trade creditors		117,352	27,504	92,160	9,538
Corporation tax payable		1,651	1,651	1,651	1,651
Other taxation and social security		117,237	98,198	117,237	98,198
Other creditors		9,590	5	9,543	-
Accruals and deferred income		423,666	425,412	298,212	274,864
		<u>711,618</u>	<u>552,770</u>	<u>560,925</u>	<u>384,251</u>

The bank overdraft is secured by a fixed and floating charge over the Parent company's assets.

16 Loans and overdrafts

	Group 2020 £	2019 £	Company 2020 £	2019 £
Bank overdrafts	<u>42,122</u>	<u>-</u>	<u>42,122</u>	<u>-</u>
Payable within one year	<u>42,122</u>	<u>-</u>	<u>42,122</u>	<u>-</u>

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Liabilities 2020 £	Liabilities 2019 £
Group		
Accelerated capital allowances	<u>4,391</u>	<u>303</u>

Adgistics Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

17 Deferred taxation (Continued)

	Liabilities 2020 £	Liabilities 2019 £
Company		
Accelerated capital allowances	4,391	303
	<u>4,391</u>	<u>303</u>
	Group 2020 £	Company 2020 £
Movements in the year:		
Liability at 1 January 2020	303	303
Charge to profit or loss	4,088	4,088
	<u>4,391</u>	<u>4,391</u>
Liability at 31 December 2020	<u>4,391</u>	<u>4,391</u>

There were no deferred tax movements in the year.

18 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	21,428	22,522
	<u>21,428</u>	<u>22,522</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

19 Share capital

Group and company	2020 Number	2019 Number	2020 £	2019 £
Ordinary share capital				
Issued and fully paid				
A ordinary shares of 0.1p each	250,000	250,000	250	250
B ordinary shares of 0.1p each	902,000	902,000	902	902
	<u>1,152,000</u>	<u>1,152,000</u>	<u>1,152</u>	<u>1,152</u>

All classes of ordinary shares have the same rights except that there are pre-emption rights assigned to each class of shares which allow holders of those shares first refusal of any new share sales arising in that class.

20 Reserves

Adgistics Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

20 Reserves

(Continued)

Other reserves

Other reserves movement in the year relates to the merger reserve on acquisition of a subsidiary undertaking.

21 Operating lease commitments

Lessee

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

	Group 2020 £	2019 £	Company 2020 £	2019 £
Within one year	6,900	495	6,900	495
	<u>6,900</u>	<u>495</u>	<u>6,900</u>	<u>495</u>

22 Related party transactions

Included in administrative expenses is a charge from directors of £15,000 (2019: £15,000) for consultancy work during the year.

The company has taken advantage of the exemption under FRS 102 section 33 not to disclose transactions with parties that are wholly owned members of the group.

23 Controlling party

The directors do not consider there to be an ultimate controlling party.

Adgistics Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

24 Cash generated from group operations

	2020 £	2019 £
(Loss)/profit for the year after tax	(256,131)	253,538
Adjustments for:		
Taxation charged	1,477	3,286
Amortisation and impairment of intangible assets	93,100	104,430
Depreciation and impairment of tangible fixed assets	10,573	14,002
Increase in provisions	4,088	-
Movements in working capital:		
Decrease/(increase) in debtors	236,283	(185,775)
Increase/(decrease) in creditors	93,506	(52,351)
Cash generated from operations	182,896	137,130

25 Analysis of changes in net funds - group

	1 January 2020 £	Cash flows £	31 December 2020 £
Cash at bank and in hand	186,129	170,281	356,410
Borrowings excluding overdrafts	-	(42,122)	(42,122)
	186,129	128,159	314,288

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