

Company Registration No. 13127277

SAMARKAND GROUP PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021



SAMARKAND GROUP PLC

COMPANY INFORMATION

Directors	S P Smiley D R Hampstead J Hern K Higgins T C Dodge
Secretary	E Hang
Company number	13127277
Registered office	Unit 13 & 14 Nelson Trading Estate The Path Merton London SW19 3BL
Auditor	Crowe U.K. LLP 55 Ludgate Hill London EC4M 7JW

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FY21 Financial highlights:

- Revenue increased significantly by 201% to £20.6m (2020: £6.8m)
- Like for like revenues increased 116% to £14.8m (2020: £6.8m) excluding the exceptional revenues of £5.8m
 - Nomad Technology revenue increased 317% to £6.4m (2020: £1.5m)
 - Brand Ownership revenues increased 66% to £3.5m (2020: £2.1m)
 - Distribution revenues increased 51% to £4.8m (2020: £3.2m)
- Gross margin, excluding exceptional revenue, improved from 48% to 62% reflecting a shift to greater technology and direct-to-consumer revenues
- EBITDA profit increased to £1.1m* (2020: loss £0.8m)
- Adjusted EBITDA loss improved 50% to £0.4** (2020: loss £0.8m)
- Listed on the Apex segment of the AQSE Growth Market raising £17m

* after deducting £0.5m in listing fees and share based payment charge

** adjusted EBITDA is EBITDA adjusted to exclude the profit generated from exceptional revenues, listing fees and share based payment charge as noted on page 26.

FY21 Operational highlights:

- Orders processed for consumers in China increased 107% to 122k (2020: 59k)
- Number of product lines processed on the Nomad platform in 2021 was 2111 (2020: 381)
- Significant investment in the Group's proprietary technology platform, Nomad continued with £0.6m (2020: £0.4m) in capitalised development costs
- Nomad Checkout enterprise launched in November 2020 with c. £1m GMV processed on the platform on behalf of UK brands and retailer

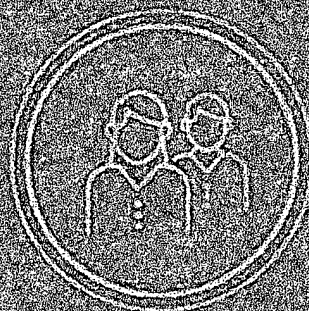
Post period end highlights:

- £3.1m net investment received from our strategic partner SF Express
- Acquired Zita West Products Limited and majority interest in Babawest Ltd
- Established Samarkand Global (Japan) KK based in Tokyo
- Nomad Checkout beta launched on 4 SME brands

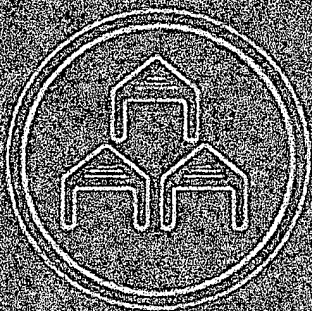
Samarkand is a cross-border eCommerce technology and retail group focusing on connecting International Brands with China, the world's largest eCommerce market. The Group has developed a proprietary software platform, the Nomad platform, which is integrated across all necessary touchpoints required for eCommerce in China including eCommerce platforms, payments, logistics, social media and customs. The Nomad platform is the foundation on which the Group's technology and service solutions are built. The core products include Nomad Checkout, Nomad Storefront and Nomad Distribution.



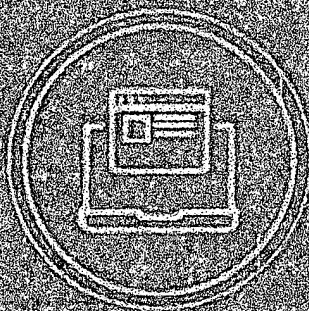
3 offices
London, Shanghai, Tokyo



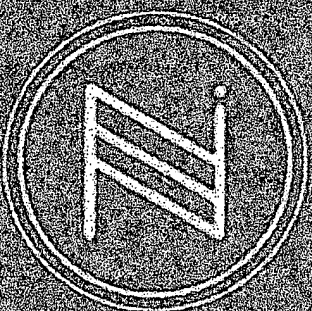
100 employees



3 distribution centres



**20 eCommerce
Storefronts**

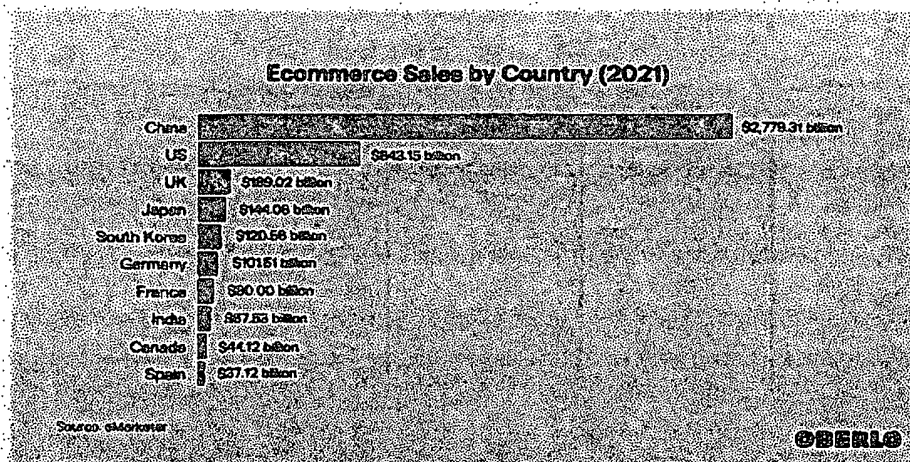


Proprietary technology



Publicly listed company
London AQUIS Growth
Market (SMK:PI)

MARKET OVERVIEW



A LARGE BUT CHALLENGING MARKET

The Chinese eCommerce market alone accounts for over 50 per cent. of global eCommerce sales, larger than the next top 10 markets combined. China is the clear global leader when it comes to eCommerce, in 2021 eMarketer forecasts that 52% of retail transaction in China will happen online. Many of the trends and technologies that originated in China are spreading to other markets, not just in Asia but also in the West. The Group primarily operates in the Chinese Cross-Border eCommerce (CBEC) market, which is defined as consumers purchasing foreign products online. The CBEC market has grown rapidly since 2014 when the Chinese government announced a range of policies and infrastructure to support the sector. Since 2014, the CBEC market in China has grown from approximately £14 billion¹ to a forecast £138 billion in 2021². During this period, 1053 CBEC Zones ("CBEC Zone") have been established across China alongside further policies to encourage and promote the growth of CBEC.

The size and scale of this market is attractive to many brands and retailers but an unfamiliar digital ecosystem means they face a unique set of challenges when it comes to selling in China. There is no Google, Facebook, Instagram or Twitter. Instead of Amazon, Chinese platforms reign supreme such as Alibaba's Tmall, JD and PDD. Chinese consumers use an entirely different set of payment technologies, Visa and Mastercard have almost no penetration and instead Alipay, WeChat Pay are ubiquitous. Parcel delivery is dominated by local companies like SF Express who are trusted by Chinese consumers but relatively unknown to international brands. Adding to this, tightly controlled and well-enforced customs make China the largest and most challenging market for many international brands. The level of complexity, high costs and the need to work with local distribution partners means China has typically been the preserve of larger brands and retailers.

¹ <https://www.statista.com/statistics/1006878/china-cross-border-e-commerce-retail-imports-market-size/>

² <https://www.emarketer.com/content/trade-war-will-have-little-effect-on-cross-border-e-commerce>




³ <https://www.china-briefing.com/news/china-unveils-46-new-cross-border-e-commerce-zones-incentives-foreign-investors-faqs/>

STRATEGY & BUSINESS MODEL

Our strategy is built upon three complimentary activities. Nomad technology, distribution and brand ownership.

Nomad Technology

The Nomad technology platform is the foundation on which the Group's solutions are built. The three core products, Nomad Storefront, Nomad Distribution and Nomad Checkout provide international brands with a wide range of options for the multi-faceted Chinese eCommerce industry.

Nomad Checkout	Nomad Distribution	Nomad Storefront
SaaS website plugin	Platform integrations & managed services	Platform integrations & managed services
Nomad Checkout enables Clients to introduce their products through their own website to Chinese consumers. The sale is finalised by the Chinese consumer on the Nomad licensed platform in China. There are many obstacles for Chinese consumers buying products from foreign websites, including payments, shipping and customs. Nomad Checkout reduces these obstacles and allows Clients to use their existing eCommerce infrastructure to reach and sell directly to Chinese consumers.	Social commerce in China is highly fragmented with a great number of KOLs working across a range of eCommerce channels and platforms, which makes it difficult for Western brands to access this route to market in an efficient manner. Nomad Distribution integrates with multiple social commerce channels and provides a way for brands to penetrate this market and promote their products in China. Through Nomad Distribution, a KOL's followers can purchase and receive the Client's products via drop - shipping from the Group's fulfilment centres in the UK and China.	The Group designs, builds and operates stores in Chinese for Clients on eCommerce platforms in China, such as Tmall and RED. Order processing and fulfilment from the Group's distribution centre in the UK and bonded warehouses in Chinese CBEC Zones. Detailed information on product sales, customers, stock management and order fulfilment as well as information from social media platforms, such as WeChat, through the Nomad Analytics tools.
Subscription and transaction - based fee model.	Service fee and a commission or buy-and-sell model	Service fee and a commission or buy-and-sell model
		

Brand Ownership

Complimenting the technology and managed services a 'buy in the West, build in the East' acquisition strategy has successfully been developed. The Group has identified brands in the West, which can be acquired and subsequently developed and launched in the Group's domestic and international distribution channels. To date, the Group has implemented this strategy with the acquisition of digestive health brand Probio7 in 2017 and pregnancy and fertility health brand Zita West Products in May 2021.

Distribution

The Group supplies offline and online retailers in the UK, Europe and China on a wholesale basis. It undertakes this on behalf of third-party clients on a buy-and-sell model and typically in the health & beauty sectors. In the UK and Europe this includes retailers and online marketplaces such as Harrods, Selfridges and Amazon. In China there are a wide range of resellers operating across various digital channels that the Group supplies.

CASE STUDY: BRAND OWNERSHIP – PROBIO7

Buy in the West, Build in the East

In December 2017 the Group acquired the consumer health brand Probio7 and was able to deploy to market through the same channels and technology it provides to Clients.

Launched in 1995, Probio7 is one of the UK's leading digestive health supplements.

Since 2018 Samarkand Global has built a brand presence in China through a wide distribution network and a Tmall Global Flagship Store.

Live streaming, KOL campaigns and CPC activity have grown brand awareness with the largest campaign reaching 20m consumers and engaging 1 million.

Development of China first products has been central to the growth of the brand with £600k revenue generated by Probio7 Contours (8000+ units) since launch in July 2020.

Timeline

1995: Probio7 was founded in 1995

1997: Products became available to buy from Harrods, John Bell & Croydon and several independent pharmacies in London.

2002: Probio7 Original was listed in GNC centres (now Holland & Barret) and is available in over 700 Holland & Barrett stores.

2006: The Probio7 range is extended for the first time with the introduction of Probio7 Advanced and Probio7 50 Plus

2006-2017: Probio7 continues to grow in the UK and adds listings in Superdrug, Tesco, Ocado and Boots

2017: Acquired by Samarkand

2018: New products launched Probio7 Ultra, Probio7 Global Travel and Asia Travel, Probio7 Bifikalm and Kidskalm

2019: Probio7 launched Women's Health range, including Probio7 Intiflor, Probio7 Pregnakalm, Probio7 Lactakalm and also Probio7 Restore

2020: Probio7 launched Probio7 Immune+. Probio7 was awarded the Best Probiotics Supplement Brand - UK in the 5th annual Healthcare & Pharmaceutical Awards, hosted by Global Health & Pharma (GHP). Probio7 Contours was designed for the Chinese Market

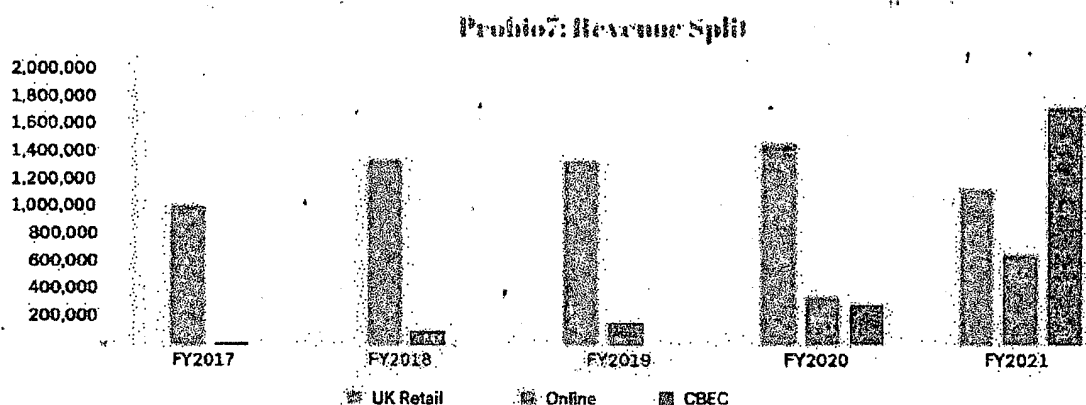
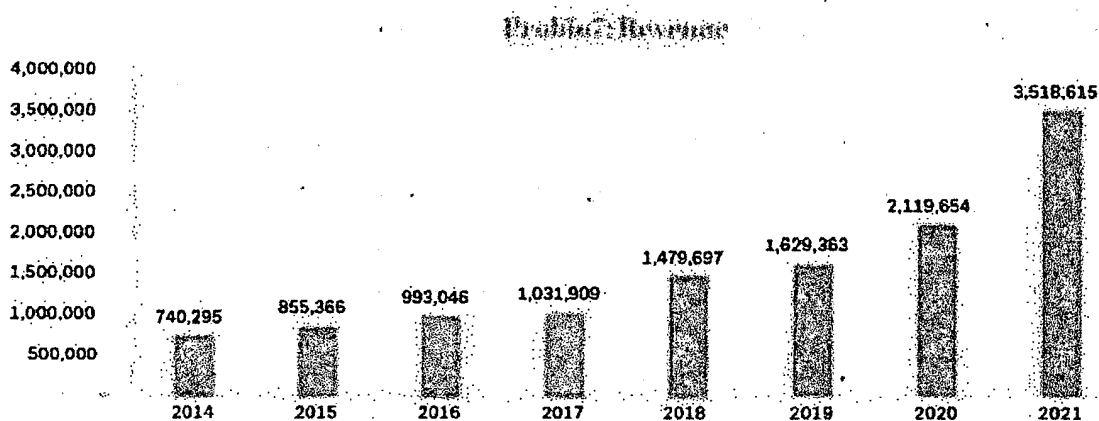
2021: Rebranding, Probio7 Intiflor was awarded Best Women's Product 2021 by the Rude Health awards. Probio7 launched a new range, Probio7 Professionals.

Probio7 Performance

Having acquired the probiotic brand Probio7, the Group has grown the revenue of the brand from £1.0m for the year ended 31 March 2017 to £3.5m for year ended 31 March 2021.

For the year ended 31 March 2021, revenue generated from Probio7 sales was £3.5m, representing a growth of 66% from £2.1m in 31 March 2020. The growth in revenue is attributed to the selling the Probio7 product range on eCommerce platforms in China which has grown to £1.7m in FY 2021 (2020: £0.3m) and represents c. 50% of total probio7 sales, and the growth in online sales from probio7.com and Amazon in Europe, to £0.7m (2020: £0.4m). Traditional UK retail channel sales in the UK were substantially affected by the covid restrictions in place throughout the period.

Gross margins improved to 68% in 2021 (2020: 53%) this was driven by an improved sales mix and the growth of some higher margin products.



CASE STUDY: BRAND OWNERSHIP – PROBIO7 (continued)

Having developed the brand successfully through cross-border eCommerce the Group is now exploring stronger partnerships in China to develop the brands domestic eCommerce and offline retail channels.

With the successful execution of the Group's "buy in the West, build in the East" strategy, the Group has recently acquired Zita West Products Limited and majority interest in Babawest Ltd, both of which have significant potential in China. The Group intends to make further acquisitions of brand assets primarily in the health and wellness sectors. The Directors believe these sectors have the highest growth potential when incorporated into the UK and international distribution and eCommerce channels already developed by the group.

CASE STUDY: LIVESTREAMING

What is livestreaming?

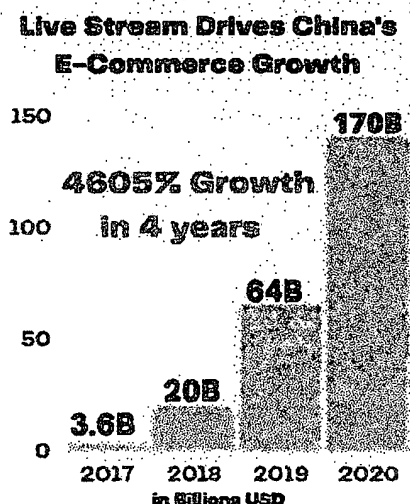
While it remains lesser known in the West, in recent years livestreaming has taken off as a sales channel on social platforms in the East. Business through livestreaming is booming in Asia. This method of selling compares to the traditional idea of teleshopping. The key difference being that livestreaming takes place on social networks or ecommerce platform apps on smartphones. In Western countries livestreaming has developed differently, particularly when compared to its evolution in China. In Europe and America livestreaming is mostly used for entertainment – not sales. Generally Western celebrities will livestream on social networks such as Instagram, Tiktok and Facebook to engage with their followers and share opinions on a variety of topics.

Conversely In China, livestreaming is exploited as a key sales channel. It has developed in conjunction with the rise of eCommerce giants such as Alibaba, JD, Kaola and Pinduoduo and video sharing apps such as Kuaishou and Douyin (the Chinese version of Tiktok). Livestreaming eCommerce in China refers to promoting and selling goods through influencer streams on their social media channels, most often housed on China's eCommerce platforms and in four years has become a \$300bn market. If China's livestream eCommerce sellers were their own country, they would be the third largest eCommerce market in the world now.

How it works

The differences between livestreaming eCommerce and traditional eCommerce are notable. Consumers follow their favorite brand or influencer (aka Key Opinion Leaders, "KOL") and then receive a phone notification to alert them when a livestream is beginning. The consumer then follows a link that directs them to the in-app livestreaming. During the event presenters review products, explain the key features and highlight the main selling points and answering questions in real-time.

Livestreaming In Numbers



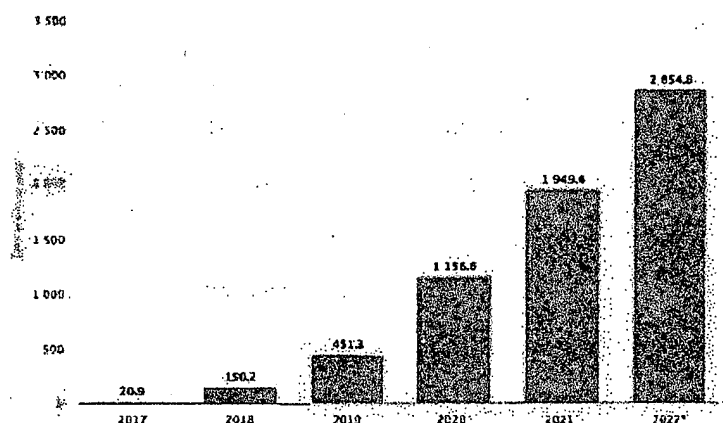
\$300B

Estimated Market Size in China by the end of 2021

80%

Of all e-Commerce Transactions on Alibaba Platforms Will be Generated Through Live Streaming in 2025

CASE STUDY: LIVESTREAMING (continued)



Why you need to know about livestreaming

Simply put livestreaming equals sales in China. Thanks to the advantages it offers consumers and the level of trust consumers place in it, livestreaming drives a much higher level of conversion when compared to traditional eCommerce. Alibaba forecasts by 2025 80% of the GMV will be driven by livestream commerce and this format is now moving into other markets outside of China. In the USA livestreaming eCommerce is still in its infancy and worth an estimated \$5bn. Since 2017 the China market has grown to be \$300bn. Whilst the adoption of livestream commerce is unlikely to be as rapid as it has been in China it is undoubtedly set to increase significantly in the coming years, particularly as traditional offline retail continues to be disrupted by COVID-19.

Through our technology and managed services, we provide brands with access to the incredible sales opportunity that livestream commerce in China represents in a way that is extremely hard for them to access on their own. As one of the few Western companies experienced in this eCommerce format we are uniquely positioned for when this becomes a dominant form of eCommerce in other markets.

CHAIRPERSON'S STATEMENT

Introduction

Despite the challenging year we have all faced the Group continues to build on the strong foundations put in place since incorporation in 2016. I am delighted to have joined such a fast-growing company at such an exciting time and I am particularly pleased to be releasing our maiden full year results as a publicly listed company, following our successful oversubscribed IPO and listing onto the Apex segment of the Aquis Growth Market in March 2021.

The results we are reporting today show the significant progress that has been made over the past year. Our teams have remained focused on providing our customers with a more direct-to-consumer route to the world's largest eCommerce market. The mission of the Company, to connect consumers of the eCommerce market in China with international merchants, comes at a time when the need to reach new markets and new consumer groups has never been greater for businesses of all sizes. The pandemic has made eCommerce even more relevant than ever before, characterised by digital trade and technology and we believe Samarkand is at the frontier of this growing market.

Financial Results

The Group delivered significant revenue growth in FY21 of 201% to £20.6m (FY20: £6.8m) with like for like revenues increasing 116% to £14.8m (FY20: £6.8m) excluding exceptional revenues of £5.8m. As a result of the proceeds raised at the IPO, the Group has moved from a net debt to net cash position. At the year end, the Group's net cash position was £11.6m (2020: net debt £5.9m), which provides the ideal platform to execute plans and deliver sustainable value.

People

None of this success would be possible without the passion and diligence shown by our people, who have risen to every challenge posed by the pandemic. These results are a reflection of that endeavour and on behalf of the Board, I offer them my sincere thanks.

Board and governance

At the time of the IPO, we established the Board and governance structures suitable for a fast-growing listed company. The newly formed Board, supported by the Nomination & Remuneration, Sustainability and Audit Committees, bring a breadth of experience in eCommerce, public markets, finance, and governance. We have established a solid working relationship, remaining well connected and communicative despite the restraints of the pandemic. It is a pleasure to work with a group of such knowledgeable and experienced professionals and I am grateful for the contributions that have been made to date.

Summary and Outlook

We operate in one of the fastest changing markets where new trends and technologies can, and do, change the market rapidly. This is what makes this such an exciting industry to operate in but also brings with it a unique set of challenges. The ability to adapt and react quickly to the opportunities this environment brings will be key to our success and we are investing heavily in the technology that will best position us to succeed as this market continues to evolve.

We are making good progress towards our goal of acquiring additional consumer brands and making strategic acquisitions which is evidenced by our recent acquisition of Zita West Products and Baba West Ltd. The focus for the year ahead is to further develop the Nomad platform's functionality and services, as well as expand the Group's business development activities in Europe, Northeast Asia, and North America.

The Group has implemented a "buy in the West, build in the East" strategy in relation to its acquisition of own brands. We plan to continue to extend marketing of our own brands over the coming months. This strategy is focused on the identification of Western brands with growth potential, their acquisition, subsequent redevelopment and launch into the Group's sales channels in China and elsewhere.

The market appetite for our technology is being well received by our customers and we believe that the long-term opportunity remains significant. We are continuing to build strong momentum with our customers and our own brands and look positively to the year ahead.

Tanith C Dodge

Tanith Dodge

Chairperson

2 August 2021

CEO REVIEW

Despite the many challenges over the last year, it has been a year of phenomenal growth and major milestones achieved by the Group. The stand-out event was our over-subscribed IPO and listing onto the Apex segment of the Aquis Growth Market. Our listing was only possible due to the solid foundations we had built since incorporation and the successful execution of our strategy to make the world's largest but most complex eCommerce market more accessible through our technology and expertise.

Our teams in the UK and China responded and adapted remarkably well to perhaps the most disruptive event in our generation. Our UK distribution centre remained opened throughout the pandemic whilst maintaining the highest levels of safety for the operational teams working there. Our priority going forward is to continue providing a safe working environment and ensuring our teams remain safe, supported and motivated.

Our IPO & Strategic Investment

In March 2021 we successfully completed our IPO and admission on to the Aquis Growth Market in London in what was the first time a growth prospectus had been used in Europe. The IPO was supported by both institutional and retail investors and due to the high demand the amount raised was increased from the initial target of £10m to £17m. This was quickly followed by a further strategic investment by one of the leading express delivery companies in China, with whom we have been working for several years. Whilst the net proceeds of £3.1m will help to accelerate our growth, it is the commitment from such a major partner and the opportunity that it represents which is truly significant.

The IPO has enabled many of our colleagues to become shareholders and I am very pleased that over 10.4% of the shares at 31 March 2021, are held by employees. The support from our initial investor, Smollan Group, one of the world's leading retail service companies, continues and they converted £1m loan note to equity.

Nomad Technology

The development of our technology continues at pace. We have increased our development and delivery capability to allow us to roll out our solutions faster and further afield. Our solutions are now being deployed by major enterprises in Europe and Northeast Asia which represent a huge addressable market. In Europe one of the largest eCommerce companies has deployed our Nomad Checkout solution to one of their flagship eCommerce sites. In Northeast Asia, in line with our strategy to expand into this market, one of the world's largest beauty conglomerates is also deploying our Nomad Checkout solution to power direct-to-consumer sales from South Korea to Chinese consumers. North America is another enormous market opportunity for our technology and the group is already in advance discussions with a major partner for the market. We expect to provide an update on this in due course.

With projects already underway and adoption of our technology by multi-national corporations we are executing our vision of becoming an integral part of the infrastructure that will power eCommerce between China and the rest of the world on the digital silk road. I'm very excited about what comes next and the potential for our solutions to help the millions of smaller merchants that have great potential in the world's largest eCommerce market but currently lack access.

Buy in the West Build in the East

In line with our strategy of acquiring businesses in the West with high growth potential in Asia we completed our first acquisition since the IPO in May. The acquisition of Zita West Products Limited ("ZWPL") and 51% of Babawest Ltd ("BW") is complimentary to the existing health brand owned by the Group, Probio7 and is positioned for significant growth in China through the Group's sales channels and technology. Zita West herself is a world-renowned specialist in fertility, IVF and assisted reproductive therapy (ART). The Zita West clinics have treated thousands of couples and has amongst the highest success rates in the UK. Zita is a widely published author on the subject of fertility and reproductive health and the range of nutritional supplements that have been developed over the last 20 years are specifically designed to support this process. As the global birth rates has dropped, China has become the biggest consumer of ART and in the same month as the acquisition, the Chinese government announced the introduction of a "3 child policy" to reverse the population decline. The acquisition of ZWPL represents a significant opportunity to rapidly grow this brand in the world's largest market.

The performance of our health brand, Probio7, has continued to improve throughout 2020. During the pandemic wholesale to retailer sales dropped significantly due to lockdown closures. The impact of this was offset by the higher margin sales through our own eCommerce channels and the enormous growth the brand experienced in the Chinese market during this period. When we acquired Probio7 in December 2017 it was a brand with a loyal consumer following developed over 20 years and had grown sales to £1.2m annually over that time. In FY2021 under our ownership, sales increased to £3.5m with over £1.7m coming from launching the brand in China.

We will continue to evaluate opportunities and acquisitions that fit within our strategy and are complementary to our portfolio.

Accelerated Investment

The original target for the fund raising of £10m was significantly surpassed which has allowed us to invest more aggressively to accelerate our strategy. We have significantly increased investment in our technology and operational teams and have begun the process of expansion into other international markets starting with Japan and continental Europe.

The company now employs over 140 up from 61 in March 2020. All of our employees are working extremely hard to deliver the objectives of the business, innovating and creating solutions to problems that are complex to solve in one of the fastest moving and changing industries. Our technology team which now spans the UK and China has increased from 14 in March 2021 to 23 in July 2021. The team has successfully delivered our unique Nomad Checkout solution across a number of eCommerce sites for one of Europe's largest eCommerce companies, providing a strong validation both of our technology and the addressable market for our solutions.

Markets and the Environment

In 2014 the Chinese government introduced the first policies designed to promote the cross-border eCommerce industry. These included pilot free trade zones, preferential tax policy for goods purchased through this route and dispensations on products in certain categories such as no need for animal testing on skincare and cosmetic products which was previously required for general imports. Since then, this policy has been further strengthened with more free trade zones, even lower tax rates and higher transaction limits. During this time China has become the global leader in eCommerce both in terms of size and scale but also innovation. Social commerce and live-streaming is a phenomenon that started in China and has grown at an incredible rate, from \$4bn in 2017 to a forecasted \$300bn this year. This represents an enormous opportunity but also comes with its own set of challenges as traffic moves to different platforms and channels at a relentless pace. We have experienced that first-hand with some of the channels we work on moving to Douyin where we didn't have a presence initially. We have now integrated Nomad into this very exciting platform and plan to generate our first sales in the coming months.

An interesting development is the adoption of these livestream technologies and trends appearing in Western markets which presents unique opportunities for the Group as one of the few Western companies with such exposure to what, I believe will become the dominant form of eCommerce for the Post 2000 generation in markets outside of China in the near future.

In the aftermath of the pandemic, there have been some notable developments in the market and industry in which we operate that present future opportunities and challenges. COVID-19 has caused immense disruption to international travel which is one of the ways Western brands have been discovered by Chinese consumers. This disruption has resulted in a rise of domestic Chinese brands replacing the once popular international brands. The almost complete cessation of international travel by Chinese tourists to overseas destinations means that the consumers who do want to purchase international brands have had to do so online which has created opportunities particularly in markets such as Japan and South Korea that have relied on physical retail and tourism. In response we have accelerated our timeline to enter these markets.

Commentary on KPIs

With the launch and rollout of our Nomad Checkout solution, one of the key KPI's we will be focussed over the next 12 months is the adoption and retention of merchants installing and using the solution. The merchant has the option to take an off-the-shelf plugin for eCommerce software platforms such as Shopify or an Enterprise version for companies that require a tailored solution to fit with their own technology and fulfilment processes.

Top line revenue is a key metric however the way we derive that revenue will evolve and change as we execute our plan. We anticipate that as more of our technology is adopted by clients it will become more repeatable and with a higher gross margin than revenue derived from our "buy-and-sell" model and own brand sales.

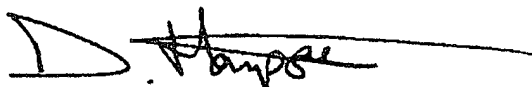
Outlook statement

I am extremely proud of what we have achieved over the last few years with a very modest amount of investment. We are truly excited by what the future holds now that we are well resourced. We have a solid foundation operationally, technically, and financially from which we can now build. The adoption of our technology solutions by significant and distinguished companies, combined with the investment from SF Express validates our vision and gives us confidence that the road ahead is a very positive one for the Company. As true pioneers, bridging technical and cultural divides between international merchants and consumers in the world's largest eCommerce market there will inevitably be challenges to overcome but I am confident that the partners and teams we have in place can deliver success.

The pace of change of Chinese eCommerce means we need to be constantly evolving and innovating. We have the benefit of operating in the most dynamic eCommerce market which is now shaping the evolution of eCommerce on a global scale. Chinese eCommerce has been driving trends in other parts of Asia for some time and we are now starting to see that spread to Europe and North America where platforms such as TikTok and trends such as live-stream commerce are starting to gain traction. This is an area where we will be paying close attention given our unique position in both geographies.

Our expansion into Northeast Asia through our newly formed entity and office in Japan represents an enormous and exciting opportunity for us to deploy our solutions and technology to a new market which already has huge demand from Chinese consumers. Japanese and South Korean brands are amongst the most sought-after and the cross-border trade between Chinese consumers and brands from these countries dwarfs that of almost all other markets.

We operate in an innovative, fast-moving eCommerce market, one that is shaping the way consumers shop online and defining what eCommerce will become not just in Asia but in other parts of the world. All aspects of life are accelerating towards digitalisation and the exchange of goods across geographical borders has become part of everyday life for consumers across the globe. It is an exciting time to be building the technology and infrastructure, the pipes and plumbing, that make digital commerce more efficient between international merchants and the world's largest group of consumers in China.



David Hampstead

Chief Executive Officer

2 August 2021

Our People

Team Samarkand is a diverse mix spanning two continents and four countries.

Cantonese

English

Mandarin

Japanese

Italian

French

Many of our team are bilingual and languages spoken include English, Mandarin, Cantonese, Japanese, French and Italian.

The company is proud to be a Home Office sponsor and welcome talent from across the globe. Finding expert, motivated professionals enables us to work seamlessly across our diverse locations. This cross-cultural team is essential in delivering results, continuing the growth of the company and exploration of new markets.





Samarkand relies on a unified team of talented individuals. During the pandemic we have had to adapt our processes and find more virtual ways to support old and new team members working remotely. We are proud of the many team members who have faced these challenges head-on and flourished, such as Brand Manager, Eva Merkel who joined during the COVID-19 outbreak and our long standing team member Victor Cret who continues to master many new digital platforms.



As the company grows we continue to seek out talent with varied educational and work experience. We encourage and support professional development for all. We are proud to offer internships to promising students and have valued members of our team who started with us in this capacity and are now full-time permanent employees. Providing opportunities is at the forefront of what we do and we are proud to have been a partner on the 2021 Loughborough University Collaborative Project.





Diversity and inclusion

Level	Gender			Ethnicity			Age		
	Male	Female	Not Disclosed ^a	British/ Dual ^a	Non- British	Not Disclosed ^a	SAME	Non- SAME	Not Disclosed ^a
Plc Board	3	2	0	4	1	0	0	5	0
Senior Management	7	4	0	6	5	0	6	5	0
Workforce (Total)	35	56	10	23	74	3	70	18	12

Principal Risks and Uncertainties

The Board monitors and assess the risks faced by the Group across the business activities and territories in which it operates and has identified the areas it considers to be most relevant.

Risk	Description	Mitigation
Competition in the markets in which the Group operates is expected to increase in the future 	<p>As the cross-border eCommerce market in China matures the Group may encounter more competition. Existing competition may expand their services and offerings. The number of brands entering the Chinese market is expected to increase and consumer preferences may change increasing competition for brands already invested in the market.</p>	<p>The Group, with its diversified activities, revenue streams, geographical operations and focus on eCommerce is well positioned to accelerate and capitalise on its positioning. The Group seeks to strengthen its position through key partnerships. In addition, the Group routinely reviews the competitive landscape to identify potential threats.</p>
Brexit risks and disruptions to supply chains 	<p>On 31 December 2020, the United Kingdom exited the European Union. Although certain terms were agreed in connection with the United Kingdom's exit, there remains significant uncertainties as to what the impact will be on the fiscal, monetary and regulatory and legal landscape in the UK, including, amongst other things, the UK's regulatory and tax system, the conduct of cross-border business and export and import tariffs. There is also uncertainty in relation to how, when and to what extent these developments will impact on the economy in the UK and European Union and the future growth of its various industries and on levels of investor activity and confidence, on market performance and on exchange rates. Although it is not possible to predict fully the effects of the UK's exit from the European Union, any of these risks, taken singularly or in the aggregate, could have a material adverse effect on companies and therefore could affect the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations.</p>	<p>The Group maintains a high level of expertise in its purchasing and supply chain team. Contingency plans were implemented in the lead up to the 31 December 2020 date and Group continues to manage the disruption due to the changes in customs regulation and processes.</p> <p>The potential export implications are also assessed and tracked accordingly in line with government updates. The overall impact of Brexit on the Group's export business is expected to be low and the Group will continue to manage the ongoing developments.</p>

Risk	Description	Mitigation
<p>The Group's business is subject to seasonal and quarterly fluctuations centred around large "shopping festivals"</p>	<p>The Chinese shopping calendar has evolved to centre around large shopping festivals such as Singles day in November. As much as 30% of the annual revenue for a brand can occur in the month of November alone. This can place strain on supply chains, particularly amongst SME brands who have typically been the Group's client base. The success of these sales events can have an impact on the Group's results. In periods before and after these events consumer spending significantly drops resulting in an unequal distribution of revenue on a monthly or quarterly basis. These events are also characterised by discounts and promotions which as competition increases, may impact the profitability of sales.</p>	<p>The promotional calendar in China is set to continue for the foreseeable future and will remain a mainstay of Chinese eCommerce. The Group will focus and prioritise third-party brands that can support the supply chain demands.</p> <p>There are an increasing number of influencers and channels that eschew these ultra-competitive periods and focus on other times of the year. As the Group increases the number of channels that it sells across and the penetration of its pure software-based products increases the impact of these seasonal fluctuations will reduce.</p>
<p>Geopolitical issues or negative consumer sentiment towards international brands</p>	<p>Geopolitical tensions have and could continue occur between the Group's primary market and other countries which may have adverse impacts on trade of goods from those countries. Consumers may also form negative sentiments towards products or brands from countries or regions due to social, political or other reasons outside of the Group's control.</p> <p>China's strong domestic manufacturing base could increase the prevalence of quality domestic brands which have historically been the preserve of international brands. An increasing preference for domestic brands and products has been a notable trend in China during 2021 as consumers have been unable to travel and supply chain disruptions have reduced access to some international brands which has allowed domestic brands to increase market share in certain categories and amongst certain demographics.</p>	<p>The Group is diversifying its client base and geographic coverage to mitigate the effect of negative sentiment or restrictions directed at specific territories. Expansion into continental Europe and North East Asia is already underway and the Group will look to increase its global footprint over time to other territories.</p> <p>The primary market is currently China but the Group's software and solutions could also be adapted to solve the challenges of other complex eCommerce markets.</p>

Risk	Description	Mitigation
Structural changes in the eCommerce market in China	<p>China is a fast-changing eCommerce market. New platforms can rise and fall from relevance very quickly and traffic patterns can change. Regulations can be introduced or changed at short notice that may not be favourable to the Group's activities.</p> <p>A recent change in Chinese policy directly relating to the Group's activities is the relaxation of the animal testing policy on skin care and beauty products. This category forms a core part of the Group's business.</p>	<p>The Group closely monitors policy in relation to its activities in China and retains a top tier Chinese law firm to provide advice and opinion on its products. Where possible the Group has direct interaction with relevant authorities to ensure it follows all relevant laws and regulations. With regards the recent changes on animal testing the Group is engaging with its clients and relevant organisations and sales channels in China to understand the impact.</p> <p>The Group must decide where to deploy its resources to ensure it is present on the relevant channels and platforms. It does this by engaging directly, through its operations in China, with the key players in the industry, consultants, data sources and professional and trade bodies relevant to its operations.</p>
The Group relies on third parties over whom the Group has limited control for transportation, delivery and fulfilment of its orders	<p>Fast, reliable delivery is a key component of eCommerce in any market but particularly in advanced markets like China. Integrations both from a software and operational perspective are required to maximise efficiency. In order to deliver cross-border orders special licences are required which is typically limited to Chinese companies which limits the Groups options for logistics partners.</p>	<p>A commercial relationship has been in place with SF Express for a number of years already and as China's leading express delivery company it has fulfilled all the requirements of a reliable and quick delivery partner. They have their own fleet of aircraft and as a result have not been adversely affected by the changes in air travel and have continued to deliver reliably throughout the pandemic.</p> <p>The Group has deepened the relationship beyond a pure commercial basis by welcoming SF Holdings as a shareholder. The Group aims to mitigate any dependencies on one single provider or partner by working with, where possible, complimentary providers.</p>

Risk	Description	Mitigation
<p>Influencers and KOLs becoming brands themselves.</p>	<p>The Group works extensively with influencers and KOLs who can and do change their focus as they grow in popularity from promoting third-party brands to developing their own brands. This has been seen in some of the larger KOLs that the Group works with in China and we expect this trend to continue. This may affect the Group's ability to sell its own or third-party products through these sales channels.</p>	<p>The Group is working to extend the range of influencers and KOLs that it works with across broader categories and in size and scale.</p> <p>The Group may also pursue partnerships, co-branding and joint ventures with relevant KOLs and influencers.</p>
<p>Impact of COVID-19</p>	<p>The COVID-19 pandemic during 2020, and continuing into 2021, has presented the Group with opportunities and challenges.</p> <p>Some of the key challenges faced by the Group as a result of COVID-19 have been:</p> <ul style="list-style-type: none"> • Supply chain disruption of its own brands and third party clients resulting in Transport and logistics as a result of changes in air transportation resulting in higher logistics costs and sales disruptions. • The free flow of people between the Group's offices in the UK, China and Japan resulting in management and personnel challenges. Despite the roll-out of vaccination programs restricted entry to China is expected to last until the second half of 2022 	<p>Effective safety and prevention measures were quickly implemented at the outbreak of the pandemic which has allowed the Group to maintain operations from its UK distribution centre without any downtime or drop in fulfilment capacity. The Group was already configured for effective remote working before the pandemic given its distributed workforce and international team structure.</p> <p>The Group continues to actively monitor the course of the pandemic and to adapt to the government guidelines in the countries we operate in.</p>

Risk	Description	Mitigation
The Group is engaged in creating new technology products	The nature of the Group's business is to create technology-based solutions to solve the challenges of new industry with little or no precedent. There are few if any peers to draw direct comparison with and many of the problems being solved are being solved for the first time or in new ways. These solutions may not achieve the commercial success anticipated in the timeframes imagined. Competitors may create competing technology and solutions with more resources to capture market share.	<p>The Group has invested significantly in its software development team alongside working with key experts in the eCommerce industry to navigate the complexity of the landscape in which it operates.</p> <p>The Group continues to believe that its approach and technology solutions differentiates it from its competitors and will seek to invest further in this area to widen these differentiations.</p>
Loss of a major sales channel or client	A small number of sales channels and clients which the Group has a long-term historical relationship contribute over 20% of annual revenue. The loss of any such channel would have a direct impact on the earnings potential of the business.	<p>The Group continues to focus on diversifying its client base and revenue streams and has expanded this through the opening of new channels and bringing on board more technology and service revenues.</p> <p>The Group has a good working relationship with all its major customers and channels and has invested in growing its key account management and sales teams to manage delivery of our services and support across geographical regions.</p>

FINANCIAL REVIEW

Overview

During the year, the Group demonstrated high growth in revenue and gross profit, as total revenue (including exceptional revenues of £5.8m) grew by 201% to £20.6m (2020: £6.8m) and gross margin improving to 58% (2020: 48%).

Revenues and gross margin

Revenues excluding exceptional revenues are up 116% to £14.8m (2020: £6.8m), with revenues on our Nomad technology up 317% to £6.4m (2020: £1.5m), brand ownership revenues up 66% to £3.5m (2020: £2.1m) and distribution revenues up 51% to £4.8m (2020: £3.2m).

The significant increases are largely driven by the increase in revenues on our Nomad technology platform, including high levels of social selling, the growth of online sales during the first lockdown, as well as increases in revenue generated from our own brand, Probio7 in China. Due to the temporary closures and reduction in travel, the Group saw a dramatic shift in consumer behaviour towards online shopping, particularly during the months where different parts of the world were in lockdown.

The Group's gross margin (excluding exceptional revenues) increased to 62% (2020: 48%). The improving margins are a result of the Group's continued development of its B2C capabilities and the transition away from its low margin B2B distribution model. In addition, the increasing gross margin performance reflects the Group's focus on technology and services, which typically yields higher margin than distribution sales.

Exceptional Revenues

With teams in both the UK and China the group was ideally positioned to source and supply products necessary for the coronavirus response. As a result, a £5.8m government contract from the Department of Health and Social Care (the "Exceptional Revenue") was awarded to the company in April 2020 for the supply of personal protective equipment. This contract was successfully fulfilled.

Operating expenses

Selling and distribution expenses, excluding exceptional revenues have increased to 37% (2020: 22%) of revenue, as a result in the increase in social selling, with transaction fees paid to KOLs as well as an increase in marketing investment in our own brand probio7. Variable costs (which includes cost of sales, selling and distribution expenses) have remained steady at 76% (2020: 74%) of revenue.

Administrative expenses, excluding exceptional revenues, listing fees, share-based payment expense, decreased to 27% (2020: 38%) of revenue as a result of operational efficiency and the Group's ability to scale its current operations and facilities as revenue grew. With the proceed from the IPO, the Group have begun investing heavily in its people and in additional regulatory, compliance costs as a result of being publicly listed.

SAMARKAND GROUP PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

Earnings per share

Basic and diluted earnings per share was 0.78 pence per share (2020: (3.93)4 pence per share).

IPO and net cash/(debt)

The Group listed on the Apex segment of the AQSE Growth Market in March 2021 and raised a total of £17m from both institutional investors and qualified investors. The subscription and placing shares represented approximately 29% of the enlarged share capital at the time.

As a result of the proceeds raised at the IPO, the Group has moved from a net debt to net cash position. Alongside the funds raised, the directors' loans, former director loans and loan notes were converted into shares or repaid.

	Mar-21	Mar-20
Cash and cash equivalents	14,606,867	572,586
Right-of-use lease liabilities	(972,994)	(1,216,486)
Borrowings	(2,082,538)	(4,746,478)
Directors' loans	-	(499,511)
Net cash / (debt)	11,551,335	(5,889,889)

At the year end, the Group's net cash position was £11.6m (2020: net debt £5.9m), which places the Group in a good position to accelerate its growth, bringing forward investments in its technology and increasing its client service, fulfilment and operational capabilities to execute on its plans and deliver on long term value.

Financing costs of £0.4m (2020: £0.3m) comprised of interest expenses of £0.3m (2020: £0.3m).

Depreciation and amortisation

The total depreciation and amortisation costs were £0.2m and £0.3m respectively (2020: £0.1m and £0.3m). The Group continued to invest in its Nomad Technology platform with a total of £0.6m (2020: £0.4m) development costs capitalised during the year.

⁴ Comparative EPS calculated over the sub division of shares as part the share for share exchanged completed prior to the IPO.

SAMARKAND GROUP PLC**STRATEGIC REPORT (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2021**

EBITDA

EBITDA increased to £1.1m (2020: loss £0.8m) after deduction £0.5m in listing fees and share based payment charges.

	Mar-21	Mar-20
EBITDA	1,133,858	(828,971)
Share-based payment expense	26,914	-
IPO Listing Fees and restructuring costs	460,174	-

EBITDA before Listing Fees and Share-based payment expense	1,620,946	(828,971)
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The increase in EBITDA is driven by the exceptional revenue contract with the Department of Health and Social Care, which contributed £2m in net profit. Adjusted EBITDA has improved from £0.8m to £0.4m loss.

	Mar-21	Mar-20
EBITDA before Listing Fees and Share-based payment expense	1,620,946	(828,971)
Exceptional Revenues Contract (net profit)	(2,039,621)	-
Adjusted EBITDA	(418,675)	(828,971)

Going Concern

The financial statements have been prepared on a going concern basis. In adopting this basis, the Directors have carried out a robust assessment of the emerging and principal risks facing the business. As a result of the assessment performed, the Directors consider that the Group has adequate resources to continue its normal course of operations for the foreseeable future.

ENGAGING WITH OUR STAKEHOLDERS

The Board recognises that Samarkand has a number of stakeholders, including shareholders, customers, employees and suppliers.

Section 172 statement

The Board of Directors, in line with their duties under section 172 ("s172") of the Companies Act 2016, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors.

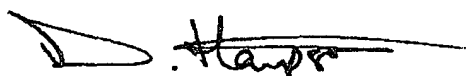
Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, the impact of its activities on the community, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its members in the long term. We explain in this annual report, and below, how the Board engages with stakeholders.

The Board regularly reviews the Company's principal stakeholders and how it engages with them. This is achieved through information provided by management and also by direct engagement with stakeholders themselves.

The table below sets out some examples of how the directors have exercised this duty:

Stakeholder	How we engage
<p>Our Shareholders</p> <p>The Board and Executive Management Team maintains strong relationships with investors and supports open channels of communication.</p>	<p>The Company listed on the Apex segment of the AQSE Growth Market in March 2021 after a highly over-subscribed IPO. During the listing phase, the Executive Management Team had the opportunity of meeting 28 institutional investors and presenting to c. 80 high net worth individuals during the roadshow. Due to COVID-19 restrictions all meetings were conducted virtually.</p> <p>The Company proactively engages in dialogue with shareholders. Since the IPO in March 2021, the CEO has participated in number of investor presentations and at various other investment led events.</p> <p>Our first AGM will be held on 7 September 2021. This will provide an opportunity for shareholders to meet the directors and discuss the year's results.</p> <p>Website and shareholder communications</p> <p>Further details on the Group, our business and key financial dates can be found on our corporate website: https://www.samarkand.global/</p>

Stakeholder	How we engage
<p>Our People</p> <p>Our employees are at the core of everything we do</p>	<p>At Samarkand, we believe that our strength comes from Our People and success comes from shared goals and values. We are proud to celebrate the diversity of our employees and work hard to empower our workforce and to create a positive and inclusive culture within which our teams can grow. The sustainable success of the business is dependent upon the development of and investment in our teams of highly talented and dedicated employees.</p> <p>Our teams are kept fully informed of the business' performance, operational and strategic initiatives through our monthly newsletters and quarterly townhalls. We continually strive to maintain open communication and encourage collaboration from all our employees through shared learning sessions.</p>
<p>Our Customers and Brand partners</p> <p>Communication with our customers and brand partners is fundamental to understanding how we can continue to add value through our Nomad Technology and in the services we provide.</p>	<p>The trust of our customers and partners is fundamental to our success. We are committed to building innovative customer-led technology solutions and products. We maintain a strong relationship with our partners through our dedicated accounts management team. Through regular meetings and conversations, we regularly review their feedback which enables us to improve the services and solutions we provide.</p>
<p>Our Suppliers</p> <p>The relationship we have with our suppliers is key to ensuring that the quality of the products we deliver to our customers are maintained at a high standard and the delivery is managed for the smooth-running of our business and its operations.</p>	<p>We rely on suppliers across a number of geographical locations. Throughout the year we have worked closely with our key suppliers to manage the disruptions as a result of the social distancing requirements required at manufacturing facilities as a result of COVID-19. We have also had to assist our key suppliers in Europe transition post Brexit. It is important that we continue to communicate with our suppliers and adapt to ensure the high quality of our products and services are maintained.</p>



David Hampstead

Chief Executive Officer

2 August 2021

SAMARKAND GROUP PLC

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 MARCH 2021

BOARD OF DIRECTORS AND SECRETARY PROFILES

Board of Directors

The Board comprises a team of individuals who individually and collectively bring considerable experience to bear in promoting and managing the interests of the Group.

A summary of the management expertise and experience of each of the Directors

Tanith Dodge (60) Independent Non-Executive Chairperson	David Hampstead (42) Co-founder, Chief Executive Officer	Simon Smiley (40) Co-founder, Chief Operating Officer	Jeanette Hern (53) Non-Executive Director	Keith Higgins (58) Independent Non-Executive Director
<p>Tanith is an International Business Leader working as a member of senior executive teams and providing a commercial approach to the business and people agenda and has over 35 years of experience working as an HR Director across a broad sector of International businesses. Her previous positions included Group HR Director Bicester Village Collection, member of the Management Committee and Group HRD at Marks and Spencer Group PLC and at WH Smiths PLC. Tanith has held senior HR roles at Intercontinental Hotels, Diageo, Prudential PLC and Allied Domecq.</p> <p>Her current Board experience includes Non-Executive Director and Chair of Remuneration Committee, Chair of</p>	<p>David began his career as a software engineer at large blue-chip firms such as Hewlett Packard and Vodafone before moving to a mobile technology start-up leading a team of engineers building software for mobile phone companies across EMEA and Asia. In 2008 David established QuickThink Media and Bejig Ltd. Both businesses were subsequently combined and floated on the London AIM Market as</p>	<p>Simon started his career as a store management trainee in 2004 with Rank PLC in London. Later Simon co-founded QuickThink Media with David Hampstead. Post QuickThink's exit to Gaming Realms PLC, Simon became the group's Chief Marketing Officer planning and executing large consumer acquisition campaigns. Simon holds an MA (hons) In economic</p>	<p>Jeanette has considerable experience in international finance having joined Smollan as Global CFO in March 2015. Jeanette has played a key role in the geographic expansion of the Group, managing the successful integration of acquired businesses, as Smollan's footprint grew from 22 to 59 countries across the world.</p> <p>Prior to joining Smollan, Jeanette was a partner at Grant Thornton for 26 years, becoming the youngest partner and second female</p>	<p>Keith has 20 years of eCommerce experience with two of the largest consumer goods companies in the world. From 2000 to 2010, Keith held senior positions at Proctor & Gamble ("P&G") as Innovation Centre & eCommerce Director (2000-2006) and then as eCommerce and Pharmacy Channel Director (2000-2010). In 2010, Keith moved to Unilever to become Vice President eCommerce and Channel Development, becoming Senior Vice President of eCommerce in 2012 and Executive Vice President eCommerce in 2013. In 2010, after 10 years heading up</p>

SAMARKAND GROUP PLC

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 MARCH 2021

Organisational Health Committee and member of Audit Committee and Nominations Committee at Robert Walters PLC. In addition, she is a member of the Advisory Council for Price Waterhouse Coopers responsible for advising internal business leaders on a range of subjects and Trustee for Ambitious About Autism. She has also been a director of Regents Inns Plc and Busy Bees Plc and is a former Trustee of Kids Out and former board member of CIPD.	Gaming Realms plc (GMR:LSE) where he served as Chief Technology Officer. In 2016 he founded Samarkand Global with the vision to make the world's largest eCommerce market more accessible to international brands.	and social history.	partner. Promoted to Deputy CEO during her tenure, her position allowed her to successfully champion transformation. She is a qualified Chartered Accountant – CA(SA) and a member of the South African Institute of Chartered Accountants (SAICA).	Unilever's global eCommerce strategy he was promoted to a C-level role as Chief Customer Development Officer. Keith's experience across two decades at P&G and Unilever brings a unique level of insight, understanding and network in the global eCommerce industry to the board
External Appointments Robert Walters PLC Member of the Advisory Council at PricewaterhouseCoopers Trustee of Ambitious About Autism Schools Trust	External Appointments None	External Appointments Tamacre Limited	External Appointments Global Smollan Holdings, subsidiaries and associates	External Appointments None

Senior Managers

In addition to the Board of directors, the Group employs the following Senior Managers:

Eva Hang – Chief Financial Officer and Company Secretary

Eva is responsible for directing the global financial strategy, planning and forecasting for the Group. She is also responsible for ensuring that all financial management information and reporting is in line with the strategic and operational objectives of the business. Having spent two years in a fintech start-up in London, Eva previously served as Group Financial Controller at Gaming Realms plc (LSE:GMR) where she supervised all aspects of the finance function and was responsible for the implementation of several acquisitions and disposals. Eva holds a BSc in Computer Science and a BCom in Finance and Accounting from the University of Sydney and was previously an audit manager at BDO in the UK. She is a qualified Chartered Accountant and a member of the Chartered Accountants Australia and New Zealand .

CORPORATE GOVERNANCE REPORT

The Board comprises the Independent Non-Executive Chair, two Non-Executive Directors and two Executive Directors. Short biographical details are set out on pages 29 to 30.

The Board is responsible for the group's overall strategy and for the overall management of the group. The Strategic Report on pages 1 to 28 outlines the key approach to driving the performance of the Group and promoting the long-term sustainable growth of the company for all shareholders.

The Board has established Nomination & Remuneration, Sustainability and Audit Committees, each with formally delegated duties and responsibilities with written terms of references. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

Audit and Risk Committee

The Audit and Risk Committee assists the Board in, amongst other matters, discharging its responsibilities with regard to financial reporting, external audits, including reviewing the Group's annual financial statements, reviewing and monitoring the extent of non-audit work undertaken by external auditors, advising on the appointment, reappointment, removal and independence of external auditors, and reviewing the effectiveness of the Group's internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board.

The Audit and Risk Committee is also responsible for advising the Board on the Group's risk strategy, risk policies and current risk exposures, overseeing the implementation and maintenance of the overall risk management framework and systems, and reviewing the Group's risk assessment processes and capability to identify and manage new risks. The Audit and Risk Committee will meet with appropriate employees of the Group at least once annually.

The membership of the Audit and Risk Committee comprises Jeanette Hern (as its Chairperson), Tanith Dodge and Keith Higgins. The Audit and Risk Committee will meet formally twice per year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee assists the Board in determining its responsibilities in relation to remuneration and nominations, including, amongst other matters, making recommendations to the Board on the Group's policy on executive remuneration, determining the individual remuneration and benefits package of each of the executive directors. At the time of this report, the Group has appointed an experienced remuneration adviser to assist in the development of the Group's Remuneration policy. Details of the policy will be included in future annual reports. The membership of the Remuneration and Nomination Committee comprises Tanith Dodge (as its Chairperson), Keith Higgins and Jeanette Hern. The Remuneration Committee will meet formally twice a year and otherwise as required.

CORPORATE GOVERNANCE REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

Sustainability Committee

The Sustainability Committee assists the Board in determining its responsibilities in relation to sustainability aspects of the Group's operations to ensure that sustainability and its positive contribution to society is incorporated in all aspects of the Group's development. Since the IPO, the Committee has established a number of objectives and plans to address its corporate social responsibility, reduce its carbon footprint, enhance our governance and risk management framework around our supply chain. The objectives and plans aim to build more responsible, inclusive, and sustainable practices across the Group.

The membership of the Sustainability Committee comprises Keith Higgins (as its Chairman), Tanith Dodge and Jeanette Hern. The Sustainability Committee will meet formally twice a year and otherwise as required.

Committee Reports

The Group has elected to comply with the regulations of the QCA Code of Corporate Governance from its admission on the 22 March 2021. Due to the timing of the year end and its close proximity to the listing date, the Group has not had sufficient time to produce the Audit, Sustainability and Remuneration Committee Report for these annual reports. The Group will look to publish these reports in future annual reports.

Directors' Emoluments

Directors' emoluments for the year were as follows:

Name	2021				2020			
	Fees/Basic Salary	Bonus	Pension	Total	Fees/Basic Salary	Bonus	Pension	Total
Executive Directors								
David Hampstead	67,025	-	1,085	68,111	65,000	-	611	65,611
Simon Smiley	67,025	-	1,085	68,111	65,000	-	611	65,611
Non-executive Directors								
Tanith Dodge	14,232	-	-	14,232	-	-	-	-
Keith Higgins	-	-	-	-	-	-	-	-
Jeanette Hern	-	-	-	-	-	-	-	-
	148,282	-	2,170	150,454	130,000	-	1,222	131,222

CORPORATE GOVERNANCE REPORT (CONTINUED)**FOR THE YEAR ENDED 31 MARCH 2021**

Director's Interests

As at 31 March 2021 the Directors of the Company held the following number of shares:

	Number of Ordinary Shares	% of the issued share capital
David Hampstead ⁽¹⁾	7,910,951	15.33%
Simon Smiley ⁽²⁾	7,295,793	14.13%
Tanith Dodge	43,478	0.08%
Keith Higgins	30,435	0.06%
Jeanette Hern		0.00%

(1) 486,400 Ordinary Shares registered in the name of David Hampstead is under option pursuant to the terms of a Hedging Agreement

(2) 505,600 Ordinary Shares registered in the name of Simon Smiley is under option pursuant to the terms of a Hedging Agreement

David Hampstead, Simon Smiley and the Group entered into a hedging agreement on 16 February 2021 pursuant to which David Hampstead and Simon Smiley each agreed to transfer such number of their Ordinary Shares to satisfy the outstanding options granted to employees pursuant to the Option Exchanges subject to a maximum of 992,000 Ordinary Shares.

Warrants

The following Directors have outstanding warrants to subscribe for Ordinary Shares:

	Date of Grant	Number of Ordinary Shares	Exercise Price	Vesting period
Tanith Dodge	12/03/2021	43478	115p	5 years
Keith Higgins	12/03/2021	21739	115p	5 years

CORPORATE GOVERNANCE REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

Transactions with Directors

The only material transactions between directors and the company were as follows:

- Jeanette Hern is a Director of Global Smollan Holdings. During the year the Group received secured convertible and non-convertible loan note instruments from Global Smollan Holdings. Interest accrues at 5% per annum. Details of the loan notes can be found in note 21.
- Simon Smiley and David Hampstead director loans of £365,135 were converted immediately prior to the IPO by the subscription and issue of new Ordinary Shares at a subscription price that is equal to 90% of the IPO price. The total number of shares issued were 317,509.

The QCA Corporate Governance Code

The Directors recognise importance of sound corporate governance principles being embedded into the operations of the Group. From its listing on the 22 March 2021, the Group has adopted the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code').

The principles of the Quoted Company Alliance (QCA) Code:

QCA Code Principle	What we do and why
1: Establish a strategy and business model which promote long-term value for shareholders	The Group has established a strategy and business model which aims to promote long-term shareholder value. The Group's strategy is reviewed each year. Further details can be found on pages 1 to 28.
2: Seek to understand and meet shareholder needs and expectations	Meetings are held with investors and analysts at half-yearly interim and final accounts. The AGM provides a forum for all shareholders to meet and hear from the Directors, and shareholder comments and suggestions are welcomed by the Board. Further details can be found in our section 172 statement on pages 27 to 28.
3: Take into account wider stakeholder and social responsibilities and their implications for long-term success	The Group's stakeholders include shareholders, employees, customers and suppliers. The Group focuses on building strong and sustainable relationships with a range of different stakeholders in order to support the long-term success of the Group. Further information can be found in Our Stakeholders section on pages 27 to 28.
4: Embed effective risk management, considering both opportunities and threats, throughout the organisation	The Group is exposed to a number of potential risks which may have a material effect on its reputation, financial or operational performance. The Board has overall responsibility for risk management and internal controls and is fully supported by the Audit Committee. More detail about the identified principal risks and uncertainties can be found on pages 19 to 23.

CORPORATE GOVERNANCE REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

QCA Code Principle	What we do and why
5: Maintain the Board as a well-functioning, balanced team led by the Chair	<p>The Board consists of the three Non-Executive directors the Chief Executive Officer and Chief Operating Officer. The Directors' biographies, together with their respective Board Committee memberships, are set out on pages 29 to 32.</p> <p>Directors' conflict of interest</p> <p>The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.</p>
6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	<p>The Board as a whole is confident that it has a strong team which contains the necessary mix and balance of experience, skills, personal qualities and capabilities to deliver the Company's strategy for the benefit of the shareholders.</p>
7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	<p>Since the Company's IPO in March 2021, the Board has established the Ways of Working principles to provide for a consistent approach for reporting and analysis by the Board. A formal Board effectiveness review will be undertaken following the first year of its establishment and will be carried out each year.</p>
8: Promote a corporate culture that is based on ethical values and behaviours	<p>The Group promotes a culture of integrity, trust, honesty and respect. Employees are expected to operate in an ethical manner in both their internal and external dealings. The Board and the Senior Managers take responsibility for the promotion of ethical values and behaviours throughout the Group and maintain appropriate policies such the anti-bribery and anti-corruption policy. The Group looks to provide further details on how it monitors and promotes a healthy corporate culture in a future statement.</p>
9: Maintain governance structures and processes that are fit for purpose and support good decision making by the Board	<p>The role of the Board is to ensure delivery of the business strategy and long-term shareholder value. The Board, which will meet formally at least 6 times a year, is responsible for the management of the business of the Group, establishing the policies and setting the strategic direction of the Group. The Company will also hold additional Board meetings as and when required. It is the Directors' responsibility to oversee the financial position of the Group and monitor the business and affairs of the Group on behalf of the Shareholders, to whom they are accountable. The Board is aided by three subcommittees to undertake specific work. As the IPO occurred on the 22 March 2021, during the year the board have not formally convened.</p>

QCA Code Principle	What we do and why
10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	<p>The Company encourages two-way communication with both its institutional and private Investors. The Company listed on the Apex segment of the AQSE Growth Market in March 2021. The Executive Management Team had the opportunity of meeting its institutional investors and a number of private investors during the roadshow.</p> <p>In addition, the Company intends to communicate with shareholders through the Annual Report, full-year and half-year announcements, the Annual General Meeting, general meetings, and one-to-one meetings with large existing or potential new shareholders.</p>

DIRECTORS' REPORT

The Directors present their Annual Report together with the audited financial statements for the year ended 31 March 2021. The Corporate Governance Statement set out on pages 29 to 36 forms part of this Report.

Principal activities

The Group's principal activities during the year are that of a UK & European distribution business engaged in the B2B and B2C sale of products primarily to premium London retailers, chain retailers and online e-commerce stores. The Group also provide e-commerce technology solutions for brands and retailers selling into China.

These financial statements present the results of the Group for the year ended 31 March 2021.

Directors

The Company's current directors are listed on pages 29 to 30, together with their biographical details. The directors who served at any time during the year and since the year end were as follows:

- Tanith Dodge (appointed 22 March 2021)
- David Hampstead (appointed 12 January 2021)
- Simon Smiley (appointed 12 January 2021)
- Keith Higgins (appointed 22 March 2021)
- Jeanette Hern (appointed 22 March 2021)

Directors' and Officers' liability insurance

The Group has purchased and maintains appropriate insurance cover in respect of Directors' and Officers' liabilities. The Group has also entered into qualifying third-party indemnity arrangements for the benefit of all its Directors, in a form and scope which comply with the requirements of the Companies Act 2006.

Results and dividends

The results for the year are set out on page 48. The Company will not be paying a dividend this year.

Going concern

The Directors have a reasonable expectation that the Group as a whole has adequate resources to continue in operational existence for the foreseeable future.

The Group raised £17 million of funds through the IPO in March 2021 resulting in a positive cash position. Additionally, the Group has reduced its overall debt as of 31 March 2021, after repaying and converting the director loans, convertible loan notes and other loans during the year.

Management has performed a going concern assessment for a period up to 30 September 2022, which indicates that Group will have sufficient funds to settle operate and settle its liabilities as they fall due.

The Directors consider the strong Statement of Financial Position, with good cash reserves and working capital, provide ample liquidity. Accordingly, the Group has prepared the financial statements on a going concern basis.

Notice of Meeting

This year's Annual General Meeting will be held on Tuesday, 7 September 2021.

A separate circular will be sent to shareholders and includes the following:

- notice of meeting;
- Form of Proxy; and
- details and Information on the resolutions to be proposed.

Crowe U.K. LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting in accordance with Section 489 of the Companies Act 2006.

Strategic Report

The Strategic Report set out on pages 1 to 28 provides a fair review of the Group's business for the year ended 31 March 2021. It also explains the objectives and strategy of the Group, its competition and the markets in which it operates, the principal risks and uncertainties it faces, employee information, the Group's financial position, key performance indicators and likely future developments of the business.

Key Stakeholders

For our key stakeholders and employees please refer to Our Stakeholders section on pages 27 to 28.

Future Development details of branches outside UK

With the two centres of operation in the UK and China well established, the Group intends to add additional locations, as needed, to support international growth in Europe, Asia and North America. The Group plans to utilise a combination of logistics partners and serviced office providers to support the Group's international business development plans. The plug - and - play nature of the Nomad platform's cloud - based technology and service solution allows it to be deployed to third - party warehouse and logistics providers.

The Group has recently opened its next overseas office in Tokyo, Japan, to provide technology and services to Northeast Asian Clients who are facing similar challenges accessing Chinese CBEC as their European Client's counterparts.

The Group intends to deploy resources and teams in other European markets, as well as Japan, in order to promote its technology and service solutions.

SAMARKAND GROUP PLC

CORPORATE GOVERNANCE REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

Research and Development

The Nomad technology platform is the foundation on which the Group's solutions are built. The three core products, Nomad Storefront, Nomad Distribution and Nomad Checkout provide international brands with a wide range of options for the multi-faceted Chinese eCommerce Industry. The Group continues to invest in the development of its technology platform. During the year the Group capitalised £0.6m (2020: £0.4m) of development costs with a total of £1.2m in total capitalised development costs at 31 March 2021.

Post balance sheet events

On 4 May 2021, the Group announced that it had acquired the entire share capital of London based Zita West Products Limited (ZWPL), www.zitawest.com, and 51% of Babawest (BW), www.babawest.co.uk, for a total consideration of £2.4m.

On 10 May 2021, the Group announced a placing of 2,737,840 new ordinary shares at a price of 115 pence raising £3,148,516 from United Win Asia Limited, a subsidiary of S.F. Holding Co., Ltd, as part of a strategic investment to further develop the Group's international expansion and technology.

Substantial shareholdings

As at 23 July 2021, the following shareholders had notified the Company that they held an interest in 3% or more of its issued ordinary share capital:

Significant Shareholders	Shareholding	Percentage of issued shares
Global Smollan Holding	8,087,539	14.8%
David Hampstead ⁽¹⁾	7,910,951	14.5%
Simon Smiley ⁽²⁾	7,295,793	13.3%
Thomas Gooding	5,463,111	10.0%
Schroders Investment Management	4,347,826	7.9%
SF Express	2,737,840	5.0%

(1) 486,400 Ordinary Shares registered in the name of David Hampstead is under option pursuant to the terms of a Hedging Agreement

(2) 505,600 Ordinary Shares registered in the name of Simon Smiley is under option pursuant to the terms of a Hedging Agreement

Save for these interests, the directors have not been notified that any person is directly or indirectly interested in 3% or more of the issued ordinary share capital of the Company. Save as disclosed above, the Company is not aware of any person who, as at the date of this Document, directly or indirectly, has a holding of Ordinary Shares which is notifiable under English law.

Directors' interests in the company are disclosed on page 33 of the Corporate Governance Report.

None of the Shareholders referred to in this paragraph has different voting rights from any other Shareholder in respect of any Ordinary Shares held by them.

Statement of directors' responsibilities

The Directors are responsible for preparing the Annual Report and 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 Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the company 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 they have been prepared in accordance with IFRSs in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Disclosure to auditors


The Directors who held office at the date of approval of this Directors' report confirm the following:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Directors report was approved on behalf of the Board on 2/8/21 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'D. Hampstead', followed by a long horizontal line.

David Hampstead
Chief Executive Officer

SAMARKAND GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAMARKAND GROUP PLC

FOR THE YEAR ENDED 31 MARCH 2021

Opinion

We have audited the financial statements of Samarkand Group plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 March 2021, which comprise:

- the Group income statement and statement of comprehensive income for the year ended 31 March 2021;
- the Group and parent company statements of financial position as at 31 March 2021;
- The Group and parent company statement of changes in equity for the year then ended;
- the Group and parent company statements of cash flows for the year then ended; and
- the notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards including FRS 102 The Financial Reporting Standards applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2021 and of the Group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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.

Conclusions relating to going concern

In auditing the financial statements for the group and the parent company, 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 evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included the following procedures:

The going concern assessment period used by the Directors was at least 12 months from the date of the approval of the financial statements.

Further details of the Directors' assessment of going concern is provided in Note 2.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAMARKAND GROUP PLC (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021**

We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment. Additionally, we reviewed and challenged the results of management's stress testing, to assess the reasonableness of economic assumptions in light of the impact of Covid-19 on the Group's solvency and liquidity position.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £160,000 based on 0.75% of the Group's turnover per pre-year end management accounts. Materiality was subsequently reviewed based on final results with no amendments being required.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. Our level of performance materiality ranged from £76,000 to £114,000.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £4,800. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

Samarkand Group Plc is principally located in the United Kingdom. Our audit was conducted remotely due to Covid restrictions in place in the UK. The operations of its subsidiaries, Samarkand Holdings Limited, Forever Young International Limited, Samarkand Global Limited, Immergruen Limited and New Silk Road Brand Management Limited are located in the UK. The operations of its subsidiaries, Samarkand Global (Beijing) Limited, Shanghai Samarkand Technology Services Co. Limited, Shanghai EastWest Network Technology Co. Limited and Samarkand Global Hong Kong Limited are based in China. We conducted specific audit procedures in relation to these entities from the UK.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAMARKAND GROUP PLC (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

<i>Key audit matter</i>	<i>How the scope of our audit addressed the key audit matter</i>
Revenue Recognition	
Revenue is recognised in accordance with the accounting policy set out in the financial statements.	Our work focused on assessing that revenue accounting policies were compliant with IFRS and validating that revenue is recognised in accordance with the accounting policies and that cut off was correctly applied through testing.
We focus on the risk of material misstatement in the recognition of revenue, as a result of both fraud and error, because revenue is material and is an important determinant of the group's profitability, which has a consequent impact on its share price performance.	We validated a sample of revenue items to confirm revenue was being recognised in line with IFRS ensuring the goods were delivered within the period. We also assessed the adequacy of the Group's disclosures related to revenue.
Carrying value of inventory	
As at 31 March 2021 the value of inventory amounted to £1.86 million, representing 10.3% of current assets.	Our audit procedures in this area included:
Inventories were considered to be a key audit matter due to the size of the balance and because the valuation of inventory held at the year-end date involves judgement. There is a risk that some inventory may not be adequately provided or carried at the lower of cost or net realisable value.	<ul style="list-style-type: none"> - Physically attending inventory counts at the group's key operating location in the UK. - Assessing the compliance of the group's accounting policies with IFRS. - Assessing the inventory valuation processes and practices. - Validating the assessment made by management with respect to slow moving and obsolete inventory.
Carrying value of intangible assets other than goodwill	
The carrying value of intangible assets other than goodwill at 31 March 2021 was £1.41 million.	We evaluated, in comparison to the requirements set out in IAS 36, management's assessment (using discounted cash flow models) as to whether other intangible assets were impaired. We challenged, reviewed and considered by reference to post year end trading evidence, management's impairment

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAMARKAND GROUP PLC (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021**

The Group's intangible assets comprise of software development and brands and trademarks acquired through business combinations.

When assessing the carrying value of intangible assets, management makes judgements regarding future trading, strategy, profitability and the assumptions underlying these. We considered the valuation risk that intangible assets were impaired.

The key judgements are in relation to growth and profitability. Changes in these factors could result in an impairment to the carrying value of the intangible assets.

and fair value models as appropriate and their key estimates, including the discount rate. We reviewed the appropriateness and consistency of the process for making such estimates.

We obtained management's discounted cash flow models supporting the intangible asset valuation. We challenged the key assumptions into the model, including the forecast revenue and gross margin, discount rates and growth rates. We compared cash flow forecasts used in the impairment review to historical performance, and challenged where forecasts indicated performance that deviated significantly from historical performance, in the absence of significant changes in the business or market environment.

Discount rates and growth rates were benchmarked to our knowledge of sector performance, to evaluate the reasonableness of these assumptions. Sensitivity analysis was performed on the key assumptions such as growth, margin and discount rates to identify those assumptions to which the intangible asset valuation was highly sensitive.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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.

SAMARKAND GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAMARKAND GROUP PLC (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

Opinion on other matter 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 light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 the directors for the financial statements

As explained more fully in the directors' responsibilities statement as set out on page 40 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.

Auditor's responsibilities for the audit of the financial statements

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

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

SAMARKAND GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAMARKAND GROUP PLC (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and taxation legislation in the countries in which the group operates.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases.

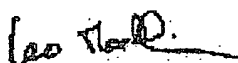
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

Use of our report

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



Leo Malkin
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
London
3 August 2021

SAMARKAND GROUP PLC
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

		Year ended 31 March 2021	Year ended 31 March 2020
	Notes	£	£
Revenue	6	20,600,541	6,844,100
Cost of sales	6	(8,770,887)	(3,562,548)
Gross profit		11,829,654	3,281,552
Selling and distribution expenses		(6,189,506)	(1,519,294)
Administrative expenses	7	(4,506,290)	(2,591,229)
Adjusted EBITDA		(418,675)	(828,971)
Share-based payment expense		(26,914)	-
IPO Listing Fees and restructuring costs		(460,174)	-
Exceptional revenue (net profit)	3	2,039,621	-
EBITDA		1,133,858	(828,971)
Depreciation and amortisation		(503,354)	(313,069)
Operating profit/(loss)		630,504	(1,142,040)
Finance income		115	6,392
Finance costs		(401,076)	(296,158)
Income/(loss) before taxation		229,543	(1,431,806)
Taxation	11	177,514	44,247
Income/(loss) after taxation		407,057	(1,387,559)
<i>Other comprehensive income:</i>			
Exchange differences on translation of foreign operations		(18,517)	(1,331)
Items that may be reclassified to profit and loss in subsequent periods		(18,517)	(1,331)
Total comprehensive income/(loss) for the year		388,540	(1,388,890)
Income/(loss) attributable to:			
Equity holders of the Company		405,074	(1,373,059)
Non-controlling interests		1,983	(14,500)
		407,057	(1,387,559)
Earnings/(loss) per share (basic and diluted)	10	0.0078	(0.0393)
Comprehensive income/(loss) attributable to:			
Equity holders of the Company		386,557	(1,374,390)
Non-controlling interests		1,983	(14,500)
		388,540	(1,388,890)

SAMARKAND GROUP PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

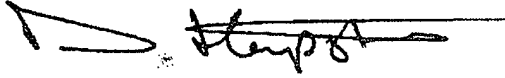
		31 March 2021	31 March 2020
	Notes	£	£
ASSETS			
Intangible assets	12	1,462,981	1,083,373
Property, plant and equipment	13	151,262	134,550
Right-of-use assets	14	840,607	1,072,580
Non-current assets		2,454,850	2,290,503
Inventories	15	1,857,239	1,295,193
Trade receivables	16	1,013,631	1,056,443
Corporation tax recoverable		98,893	-
Other receivables and prepayments	17	522,022	313,398
Cash and cash equivalents		14,606,867	572,586
Current assets		18,098,652	3,237,620
Total assets		20,553,502	5,528,123
EQUITY AND LIABILITIES			
Share capital	18	516,190	1,767
Retained earnings		(929,672)	(3,342,203)
Currency translation reserve	20	(8,267)	(3,333)
Capital contribution	20	-	266,072
Share premium		17,412,900	-
Merger relief reserve	18	(2,063,814)	28,764
Non-controlling interest		-	(32,168)
Total equity		14,927,337	(3,081,101)
Right-of-use lease liabilities	14	720,353	973,512
Borrowings	21	1,372,964	1,924,387
Deferred tax liability		67,576	76,314
Total non-current liabilities		2,160,893	2,974,213
Trade and other payables		1,981,054	1,661,312
Accrued liabilities		472,807	204,762
Deferred revenue		42,563	201,715
Borrowings	21	709,574	2,822,091
Right-of-use lease liabilities	14	252,641	242,974
Loans from directors	22	-	499,511
Refund liabilities		6,633	2,646
Total current liabilities		3,465,272	5,635,011
Total liabilities		5,626,165	8,609,224
Total liabilities and equity		20,553,502	5,528,123

SAMARKAND GROUP PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 MARCH 2021

The financial statements were approved by the board of directors and authorised for issue on 2 August 2021 and are signed on its behalf by:



David Hampstead
Director

Company Registration No. 13127277

SAMARKAND GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Share Capital £	Share Premium £	Merger relief reserve £	Capital contribution £	Currency Translation reserve £	Retained earnings £	Non-controlling interests £	Total equity £
Balance at 1 April 2019	1,767	-	28,764	266,072	(2,002)	(1,969,144)	(3,716)	(1,678,259)
Loss after taxation	-	-	-	-	-	(1,373,059)	(14,500)	(1,387,559)
Other comprehensive loss	-	-	-	-	(1,331)	-	-	(1,331)
Total comprehensive loss for the year	-	-	-	-	(1,331)	(1,373,059)	(14,500)	(1,388,890)
Acquisition of minority interests	-	-	-	-	-	-	(19,970)	(19,970)
Minority interest arising on new subsidiary	-	-	-	-	-	-	6,018	6,018
Transactions with owners	-	-	-	-	-	-	(13,952)	(13,952)
Balance at 31 March 2020	1,767	-	28,764	266,072	(3,333)	(3,342,203)	(32,168)	(3,081,101)
Profit after taxation	-	-	-	-	-	405,074	1,983	407,057
Other comprehensive loss	-	-	-	-	(18,517)	-	-	(18,517)
Total comprehensive income/(loss) for the year	-	-	-	-	(18,517)	405,074	1,983	388,540
Disposal of minority interests	-	-	-	-	-	(12,891)	30,185	17,294
Transactions with owners	-	-	-	-	-	(12,891)	30,185	17,294
Group reconstruction	351,633	-	(2,092,578)	(266,072)	13,583	1,993,434	-	-
Shares issued on listing net of transaction fees	-	-	-	-	-	-	-	-
Shares issued on conversion of loans	147,804	15,852,283	-	-	-	-	-	16,000,087
Share based payments	14,986	1,560,617	-	-	-	26,914	-	1,575,603
	514,423	17,412,900	(2,092,578)	(266,072)	13,583	2,020,348	-	17,602,604
Balance at 31 March 2021	516,190	17,412,900	(2,063,814)	-	(8,267)	(929,672)	-	14,927,337

Group Reconstruction:

The acquisition by the Company of the entire Issued share capital of Samarkand Holdings Limited has been accounted for as a reverse acquisition under IFRS3. Consequently, the previously recognised book value, assets and liabilities have been retained and the consolidated financial information for the year to 31 March 2021 has been presented as if the Company has always been the parent company of the Group.

SAMARKAND GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	31 March 2021 £	31 March 2020 £
<i>Cash flows from operating activities</i>		
Income/(loss) after taxation	407,057	(1,387,559)
<i>Cash flow from operations reconciliation:</i>		
Depreciation and amortisation	503,354	313,069
Interest expense	314,027	270,927
Finance income	(115)	(4)
Income tax credit	(177,514)	(44,247)
Share based payment	26,914	
<i>Working capital adjustments:</i>		
(Increase) in inventories	(562,046)	(493,588)
(Increase) in trade and other receivables	(209,168)	(291,544)
Increase in trade and other payables	482,589	1,038,256
Cash generated from/(used) in operating activities	785,098	(594,690)
Taxes received	69,883	35,509
Net cash generated from/(used in) operating activities	854,981	(559,181)
<i>Cash flows from investing activities</i>		
Purchase of property, plant and equipment	(71,238)	(123,913)
Payment of intangible assets	(586,226)	(467,088)
Acquisition of subsidiary, net of cash acquired	(9,125)	
Disposal of subsidiary, net of cash sold	17,294	
Finance income	115	4
Net cash used in investing activities	(649,180)	(590,997)
<i>Cash flows from financing activities</i>		
Proceeds from issue of shares, net of fees	16,000,087	
Interest paid		(73,920)
Repayment of right-of-use lease liabilities	(283,424)	(159,512)
Proceeds from borrowings	1,833,400	1,958,729
Repayment of borrowings	(3,703,069)	(271,733)
Net cash from financing activities	13,846,994	1,453,564
Net increase in cash and cash equivalents	14,052,795	303,386
Cash and cash equivalents – beginning of the year	572,586	270,564
Effects of exchange rate changes on the balance of cash held in foreign currencies	(18,514)	(1,364)
Cash and cash equivalents – end of the year	14,606,867	572,586

SAMARKAND GROUP PLC

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1. General information

Samarkand Group plc was incorporated in England and Wales on 12 January 2021 as a public company with limited liability under the Companies Act 2006.

Samarkand Group plc's registered office is Unit 13 & 14 Nelson Trading Estate, The Path, Merton, London SW19 3BL.

The Consolidated Group financial statements represents the consolidated results of Samarkand Group plc 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.

These are the first consolidated financial statements of the Group following the reorganisation of the Group to facilitate the listing. The result of the application of the capital reorganisation is to present the consolidated financial statements (including comparatives) as if the Company has always owned the Group. The share capital structure of the Company as at the date of the Group reorganisation is pushed back to the first date of the comparative period (1 April 2020). A Merger Reserve is created as a separate component of equity, representing the difference between the share capital of the Company at the date of the Group reorganisation and that of the previous parent of the Group, Samarkand Holdings Limited.

2. Basis of preparation and measurement

(a) Basis of preparation

The financial statements have been prepared in accordance with International Accounting Standards in conformity with the Companies Act 2006.

Unless otherwise stated, the financial statements are presented in Pounds Sterling (£) which is the currency of the primary economic environment in which the Group operates.

Transactions in foreign currencies are translated into £ at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date. The resulting gain or loss is reflected in the "*Consolidated Statements of Comprehensive Income*" within either "*Finance income*" or "*Finance costs*".

The financial statements have been prepared under the historical cost convention except for certain financial instruments that have been measured at fair value.

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. The directors of Samarkand Group plc have reviewed the Group's overall position and outlook and are of the opinion that the Group is sufficiently well funded to be able to operate as a going concern for at least the next twelve months from the date of approval of these financial statements.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

(b) Basis of consolidation

The Consolidated Group financial statements comprises the financial statements of Samarkand Group plc and its subsidiaries listed in Note 5 "*Subsidiaries*" to the Consolidated Group financial statements.

A subsidiary is defined as an entity over which Samarkand Group plc has control. Samarkand Group plc controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Intra-group transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

(c) New standards and interpretations

New standards impacting the Group that have been adopted in the annual financial statements for the year ended 31 March 2021 are:

- Definition of a Business (Amendments to IFRS 3);
- Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39 and IFRS 7); and
- COVID-19-Related Rent Concessions (Amendments to IFRS 16).

Management anticipates that these new standards, interpretations and amendments will be adopted in the financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, will be reviewed for their impact on the financial statements prior to their initial application.

3. Significant accounting policies

The preparation of the Consolidated Group financial statements in compliance with IFRS requires the directors to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Group financial statements are disclosed in Note 4 "*Significant judgements, estimates and assumptions*" to the Consolidated Group Financial Information.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

(a) Foreign currency transactions and translation

The Consolidated Group financial statements are presented in Pounds Sterling, which is the functional currency of the parent company.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the *"Statement of Financial Position"*;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, the Group recognises in *"other comprehensive income"* the exchange differences arising from the translation of the net investment in foreign entities, and of monetary items receivable from foreign subsidiaries.

(b) Property, plant and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Group.

Property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives:

Office equipment	3 years
Computer equipment	3 years
Leasehold improvements	Straight line over the lease term

Property and equipment held under leases are depreciated over the shorter of the lease term and estimated useful life.

(c) *Research and development expenditure*

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except those costs incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if the group can demonstrate all of the following:

- its ability to measure reliably the expenditure attributable to the asset under development;
- the product or process is technically and commercially feasible;
- its future economic benefits are probable;
- its ability to use or sell the developed asset; and
- the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Certain internal salary costs are included where the above criteria are met. These internal costs are capitalised when they are incurred in respect of technology with commercial applications. Development expenditure initially recognised as an expense is not recognised as assets in subsequent periods.

Capitalised development expenditure is amortised on a straight-line basis over an asset's expected useful life which has been estimated at 5 years when the technology or services are ready for use. In the event that it is no longer probable that the expected future economic benefits will be recovered, the development expenditure is written down to its recoverable amount.

(d) *Intangible assets*

All intangible assets, except goodwill, are stated at cost less accumulated amortisation and any accumulated impairment losses.

Goodwill

Goodwill represents the amount by which the fair value of the cost of a business combination exceeds the fair value of the net assets acquired. Goodwill is not amortised and is stated at cost less any accumulated impairment losses.

The recoverable amount of goodwill is tested for impairment annually or when events or changes in circumstance indicate that it might be impaired. Impairment charges are deducted from the carrying value and recognised immediately in the income statement. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. 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

Goodwill (continued)

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. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Acquisition-related intangible assets

Net assets acquired as part of a business combination includes an assessment of the fair value of separately identifiable acquisition-related intangible assets, in addition to other assets, liabilities and contingent liabilities purchased. These are amortised on a straight-line basis over their useful lives which are individually assessed.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite.

The estimated useful lives are as follows:

Patents and trademarks	7 years
Internally developed assets	5 years
Brand names	10 years

(e) *Impairment of financial assets*

IFRS 9 "*Financial Instruments*" requires an expected credit loss model to be adopted. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. The credit event does not have to occur before credit losses are recognised.

IFRS 9 "*Financial Instruments*" allows for a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets.

The Group has one type of financial asset subject to the expected credit loss model: trade receivables.

The expected loss rates are based on the Group's historical credit loss experience, adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

(f) *Impairment of non-financial assets*

At each reporting date, the Directors assess whether indications exist that an asset may be impaired. If indications do exist, or when annual impairment testing for an asset is required, the Directors estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the Directors consider the asset impaired and write the subject asset down to its recoverable

amount. In assessing value-in-use, the Directors discount the estimated future cash flows 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. In determining fair value less costs to sell, the Directors consider recent market transactions, if available. If no such transactions can be identified, the Directors utilise an appropriate valuation model.

When applicable, the Group recognises impairment losses of continuing operations in the *"Statements of Profit or Loss and Other Comprehensive Income"* in those expense categories consistent with the function of the impaired asset.

(g) *Right-of-use assets*

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(h) *Leases*

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of 12 months or less.

IFRS 16 *"Leases"* was adopted on 1 April 2018 with full retrospective effect.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used, which the Directors have assessed to be 4%.

(h) *Leases (continued)*

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

Extension option:

The property lease contains an extension option exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

(i) *Taxation*

Deferred taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Group Financial Information. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and expected to apply when the related deferred tax is realised or the deferred liability is settled.

Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

Income taxation

Current income tax assets and liabilities are measured at the amount to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the jurisdictions where the Group operates and generates taxable income.

(j) *Revenue from contracts with customers and other income*

The Group's revenue represents the fair value of the consideration received or receivable for the rendering of services and sale of goods, net of value added tax and other similar sales-based taxes, rebates and discounts after eliminating intercompany sales. In particular:

Sale of goods

For Distribution, Brand Ownership and Nomad Technology, revenue includes the sale and distribution of goods. The primary performance obligation is the transfer of goods to the customer. For wholesale revenue (revenue from other businesses), control is transferred when the goods are collected from the Group's premises. For online revenue, control transfers when the title and risk of loss has passed to the customer, this could be when the goods are shipped from the Group's premises or when the goods are delivered to the customer, the timing of transfer is dependent on the terms of trade with the online platform. Provision for returns and other allowances are reflected in revenue when revenue from the customer is first recognised. Returns are initially estimated based on historical levels and adjusted subsequently as returns are incurred.

When the Group acts as principal in sale of goods and services, revenue from customers and costs with suppliers are reported on a gross basis. When the Group acts as agent in sale of goods and services, revenue from customer and costs with suppliers are reported on a net basis, representing the net margin earned. Whether the Group is acting as principal or agent depends on management's analysis of both legal form and substance of the agreement between the Group and its business partner.

Acting as principal to a contract for services

For Nomad technology, the Group provides managed services with certain arrangements that may be sub-contracted to third party agents. Under these arrangements, a business partner may appoint the Group as the service provider in respect of the managed services. The Group is responsible for planning and execution of such services. Whilst the Group may sub-contract its obligation under the arrangement, it remains responsible for delivery of the service obligations to the business partner. In these circumstances, the Group is considered to be the principal to the arrangement as it controls the service before transferring it to the customer. In particular, the Group retains the ability to direct the use of, and obtain substantially all of the remaining benefits from, the agreement. Accordingly, the Group recognises revenue and cost on a gross basis.

Revenue for these managed services are recognized as the services are performed and the obligations are discharged, or if there are no key performance obligations, straight line over the relevant period.

Exceptional revenues

Exceptional revenues in respect of the delivery of personal protective equipment ("PPE") were recognised when the performance obligations were discharged, at the time of delivery of the PPE.

(k) *Employee benefits*

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long-term benefits

Defined contribution plans

The income statement expense for the defined contribution pension plans operated represent the contributions payable for the year.

(l) *Finance income and expenses*

Financing expenses comprise interest payable on lease liabilities, leases recognised in profit or loss using the effective interest method, and net foreign exchange losses that are recognised in the income statement. Financing income comprise interest receivable on cash deposits and net foreign exchange gains.

Interest income and Interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(m) *Cash and cash equivalents*

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(n) *Trade and other receivables*

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(o) *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first in first out principle and includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition.

(p) Provisions

A provision is recognised when the Group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

(q) Contingent liabilities

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or present obligations where the outflow of resources is uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the Consolidated Group Financial Information, but are disclosed unless they are remote.

(r) Merger relief

The issue of shares by Samarkand Group plc is accounted for at the fair value of the consideration received. Any excess over the nominal value of the shares issued is credited to the share premium account other than in a business combination where the consideration for shares in another company includes the issue of shares, and on completion of the transaction, Samarkand Holdings has secured at least a 90% equity holding in the other company. In such circumstances the credit is applied to the merger relief reserve.

In the case of the Samarkand Holdings' acquisition of Samarkand Global Limited in 2016, where all of the issued shares were acquired on a share for share basis, then merger relief has been applied to those shares issued in exchange for shares in Samarkand Global Limited.

(s) Share-based payment arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

Where the conditions are non-vesting, the expense and equity reserve arising from share-based payment transactions is recognised in full immediately on grant.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

(t) Segmental reporting

The directors consider that the Group has three reportable segments, namely that of Brand Ownership, Nomad Technology and Distribution business units engaged in the B2B and B2C sale of products and e-commerce technology solutions for Western brands and retailers selling into China. Revenues and direct costs of sale are allocated to each segment by nature of activity.

The Group also analyses and measures its sales performance into geographic regions, specifically the UK, China and the Rest of the World.

An analysis is included in Note 6 to the Consolidated Financial Information.

4. Significant accounting judgements, estimates and assumptions

The directors have made the following judgements which may have a significant effect on the amounts recognised in the Consolidated Group financial statements:

(a) Valuation of intangible assets

The determination of the fair value of assets and liabilities arising on the acquisition of businesses, the acquisition of industry-specific knowledge, software technology and brand names, whether arising from separate purchases or from the acquisition as part of business combinations, and development expenditure which is expected to generate future economic benefits, are based, to a considerable extent, on the Directors' estimations.

The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset where no active market for the assets exists. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets.

Allocation of the purchase price affects the results of the Group as finite life intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised and could result in differing amortisation charges based on the allocation to indefinite lived and finite lived intangible assets.

The useful life used to amortise intangible assets relates to the expected future performance of the assets acquired and management's estimate of the period over which economic benefit will be derived from the asset.

The estimated useful life principally reflects management's view of the average economic life of each asset and is assessed by reference to historical data and future expectations. Any reduction in the estimated useful life would lead to an increase in the amortisation charge.

(b) Impairment of non-financial assets

IFRS requires the Directors to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

(b) *Impairment of non-financial assets (continued)*

Impairment testing is an area involving judgement in determining estimates, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- growth in EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- the level of capital expenditure to support long-term growth; and
- the selection of discount rates to reflect the risks involved.

The directors prepare and approve cash flow projections which are used in the fair value calculations.

Changing the assumptions selected by the Directors, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect their impairment evaluation and hence the Group's results.

(c) *Research and development costs*

Research expenditure is recognised in the income statement in the period in which it is incurred. Development expenditure is recognised in the income statement in the period in which it is incurred unless it is probable that economic benefits will flow to the Group from the asset being developed, the cost of the asset can be reliably measured and technical feasibility can be demonstrated, in which case it is capitalised as an intangible asset on the statement of financial position.

Initial capitalisation of costs is based on the Directors' judgement that technological and economic feasibility of the asset is confirmed, usually when a development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, the Directors have made assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. Capitalisation ceases when the asset being developed is ready for use.

Cost of internally generated intangible assets comprise of directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by the Group. More specifically, time spent that is eligible for capitalisation includes time that is intrinsic to the development of new software and the enhancement of existing software. Development costs that do not meet the above criteria are expensed as it is incurred. In particular, time that is spent on the maintenance of existing software is recognised as an expense.

At 31 March 2021, the carrying amount of capitalised development costs was £1,027,488 (31 March 2020: £633,374).

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

(d) *Right-of-use assets*

At the commencement of a lease, an initial assessment is made as to whether or not it is likely that a renewal option will be exercised and therefore the lease term is determined at this point. Judgement as to the likely lease term has a direct impact on the calculation of right-of-use assets and lease liabilities as well as related depreciation and finance expenses. The Directors have assumed that the Group will not extend its lease terms.

5. *Subsidiaries*

Details of the Group's subsidiaries as at 31 March 2021 are as follows:

<i>Company</i>	<i>Country of registration or incorporation</i>	<i>Registered office</i>	<i>Principal activity</i>	<i>Percentage of ordinary shares held</i>
Samarkand Holdings Limited	England & Wales	Unit 13 & 14 Nelson Trading Estate, The Path, Merton, London, SW19 3BL	Holding company	100%
Forever Young International Limited	England & Wales	As above	UK & European distribution	100%*
Samarkand Global Limited	England & Wales	As above	eCommerce provider	100%*
New Silk Road Brand Management Limited	England & Wales	As above	Inactive	100%*
Immergruen Limited	England & Wales	As above	UK distribution	100%*
Samarkand Global (Beijing) Limited	People's Republic of China	Room 107 No.701, 7 th Floor, Building 1 Westend, No. 100 Balfazhuang, Chaoyang District, Beijing	Administrative	100%*
Shanghai Samarkand Technology Service Co., Ltd	People's Republic of China	Room 205, No.438 Pudian Road, China (Shanghai) Pilot Free Trade Zone	Administrative	100%*
Samarkand Global Hong Kong Limited	Hong Kong (SAR), China	Suite 1113A, 11/F, Ocean Centre, Harbour City, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	Sale of goods into Hong Kong	100%*
Shanghai EastWest Network Technology Co., Ltd	People's Republic of China	Room 2021, Building 2, No. 181 Songyu Road, Tinglin Town, Jinshan District, Shanghai	Technology licensing	100%*

* held indirectly

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

6. Segmental analysis

An analysis of the Group's revenue and cost of sales is as follows:

	31 March 2021 £	31 March 2020 £
Revenue by business unit:		
Brand ownership	3,518,615	2,119,654
Nomad technology	6,360,740	1,527,094
Distribution	4,832,644	3,191,211
Exceptional revenue	5,780,000	-
Other	108,542	6,141
Total revenue	<u>20,600,541</u>	<u>6,844,100</u>
Revenue by geographical destination:		
UK	8,960,128	2,910,994
China	11,131,560	3,497,842
Rest of the world	508,853	435,264
Total revenue	<u>20,600,541</u>	<u>6,844,100</u>
Cost of sale by business unit:		
Brand ownership	1,126,480	998,333
Nomad technology	2,001,204	536,369
Distribution	2,496,299	2,006,172
Exceptional	3,091,046	-
Other	55,858	21,674
Total costs of sale	<u>8,770,887</u>	<u>3,562,548</u>

Exceptional revenues:

With teams in both the UK and China, the Group was ideally positioned to source and supply products necessary for the coronavirus response. As a result, a £5.8m government contract from the Department of Health and Social Care (DHSC) (the "Exceptional Revenue") was awarded to the Company in April 2020 for the supply of personal protective equipment. This contract was successfully fulfilled on time and within budget.

Segment assets:

The non-current assets of the Group are not measured or reported internally on a segmental basis as they are not considered to be attributable to any specific business segment.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

7. Expenses by nature

An analysis of the Group's expenses by nature is as follows:

	31 March 2021 £	31 March 2020 £
Administrative expenses:		
Property costs	227,910	253,729
Staff costs	2,982,338	1,749,679
Professional fees	382,068	201,240
Other	426,886	386,581
Share based payment	26,914	-
IPO costs	460,174	-
Total administrative expenses	4,506,290	2,591,229

8. Staff costs

	31 March 2021 £	31 March 2020 £
Aggregate staff costs (including directors)		
Wages and salaries (including bonuses)	2,515,677	1,926,867
Social security and other payroll taxes	290,226	209,199
Pension costs	89,399	33,274
Share based payment charge	26,914	-
Capitalised development costs	(557,181)	(419,661)
Total staff costs	2,365,035	1,749,679
Average number of employees		
Management	9	8
Sales operations	54	35
Finance and administration	6	6
Technology	15	8
	84	57

Capitalised development costs comprise of directly attributable costs necessary to create, produce, and prepare the intangible to be capable of operating in the manner intended by the company. More specifically, time spent that is eligible for capitalisation includes time that is intrinsic to the development of new software and the enhancement of existing software.

8. Staff costs (continued)

Remuneration of key management personnel

Key Management personnel of the Group comprise the directors of Samarkand Group plc and other senior members of staff. The emoluments and benefits of Key Management personnel were as follows:

	31 March 2021 £	31 March 2020 £
Aggregate staff costs (including directors)		
Wages and salaries (including bonuses)	754,569	617,531
Social security and other payroll taxes	96,287	69,887
Pension costs	11,513	9,355
Capitalised development costs	(46,843)	(63,303)
Total staff costs	<u>815,526</u>	<u>633,470</u>

9. Auditors' remuneration

	31 March 2021 £	31 March 2020 £
Fees payable to the Company's auditor:		
For audit services		
Audit of the financial statements of the Group	<u>60,000</u>	<u>-</u>
For other services		
Support in connection with admission to Aquis Exchange Growth Market	<u>152,500</u>	<u>-</u>

Non-audit services were provided prior to the Company's admission to the Aquis Exchange Growth Market.

10. Earnings per share

	31 March 2021	31 March 2020
Basic and diluted earnings/(loss) per share	0.78 pence	(3.93) pence
Basic and diluted number of shares in issue	51,618,966	35,340,000

Basic earnings per share is calculated by dividing the profit/loss after tax attributable to the equity holders of Samarkand Group plc by number of shares in issue after the allotment of ordinary shares on 22 March 2021. The same number of shares is used for the corresponding period in order to provide a meaningful comparison

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

11. Taxation

The components of the provision for taxation on income included in the "Statement of Profit or Loss and Other Comprehensive Income" for the periods presented are summarised below:

	31 March 2021 £	31 March 2020 £
Current tax		
UK corporate income tax credit	(168,776)	(35,509)
Deferred tax		
UK deferred income tax credit	(8,738)	(8,738)
Total income tax credit	<u>(177,514)</u>	<u>(44,247)</u>

The differences between the statutory income tax rate and the effective tax rates are summarised as follows:

	31 March 2021 £	31 March 2020 £
Profit/(loss) before income taxes	229,543	(1,431,806)
Expected tax at statutory UK corporation tax rate of 19%	43,613	(272,043)
<i>Increase/(decrease) in tax resulting from:</i>		
Effect of different tax rates in foreign jurisdictions	76,829	58,567
Research and development tax credits	(168,776)	(35,509)
Tax losses utilised	(131,381)	150,660
Capital allowances less depreciation	(6,151)	(1,159)
Over provision in previous periods	(10,822)	
Deferred tax credit	(8,738)	(8,738)
Non-deductible expenditure	27,912	63,975
	<u>(177,514)</u>	<u>(44,247)</u>

The Group had a deferred tax liability of £67,576 (2020: £76,314). The deferred tax liabilities relate to taxable temporary differences.

The Group had £1,492,553 (2020: £2,184,034) of tax losses available to be carried forward against future profits.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

12. Intangible assets

	Development costs	Trademarks	Brands	Goodwill	Total
	£	£	£	£	£
Cost					
At 1 April 2019	193,614	13,999	459,916	57,807	725,336
Additions	439,760	27,328	-	-	467,088
At 31 March 2020	633,374	41,327	459,916	57,807	1,192,424
 Additions	557,181	29,045	-	-	586,226
Additions through business combinations *	-	-	10,235	-	10,235
At 31 March 2021	1,190,555	70,372	470,151	57,807	1,788,885
 Amortisation					
At 1 April 2019	-	1,077	57,490	-	58,567
Charge for the year	-	4,491	45,993	-	50,484
At 31 March 2020	-	5,568	103,483	-	109,051
Charge for the year	163,067	7,775	46,011	-	216,853
At 31 March 2021	163,067	13,343	149,494	-	325,904
 Net book value					
At 31 March 2021	1,027,488	57,029	320,657	57,807	1,462,981
At 31 March 2020	633,374	35,759	356,433	57,807	1,083,373

See Note 5 "Business acquisitions" to the Consolidated Group financial statements for more information about the Group's subsidiaries.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

13. Property, plant and equipment

	Office equipment £	Computer equipment £	Leasehold improvements £	Total £
Cost				
At 1 April 2019	26,356	16,824	5,854	49,034
Additions	47,601	27,930	48,382	123,913
At 31 March 2020 (as previously reported)	73,957	44,754	54,236	172,947
Reclassification	(8,084)	3,859	4,194	(31)
At 31 March 2020 (restated)	65,873	48,613	58,430	172,916
Additions	22,734	48,917	-	71,651
Transfer	(459)	459	-	-
Foreign exchange	-	(771)	-	(771)
At 31 March 2021	88,148	97,218	58,430	243,796
Depreciation				
At 1 April 2019	1,057	5,556	1,171	7,784
Charge for the year	13,482	11,966	5,165	30,613
At 31 March 2020 (as previously reported)	14,539	17,522	6,336	38,397
Redclassification	-	(31)	-	(31)
At 31 March 2020 (restated)	14,539	17,491	6,336	38,366
Charge for the year	19,694	23,759	11,073	54,526
Transfer	(83)	3	-	(80)
Foreign exchange	-	(278)	-	(278)
At 31 March 2021	34,150	40,975	17,409	92,534
Net book value				
At 31 March 2021	53,998	56,243	41,021	151,262
At 31 March 2020	59,418	27,232	47,900	134,550

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

14. Right-of-use assets

	Land and buildings £	Total £
Cost		
At 1 April 2019	1,362,545	1,362,545
Additions	-	-
At 31 March 2020	1,362,545	1,362,545
Additions	-	-
At 31 March 2021	1,362,545	1,362,545
Amortisation		
At 1 April 2019	57,993	57,993
Charge for the year	231,972	231,972
At 31 March 2020	289,965	289,965
Charge for the year	231,973	231,973
At 31 March 2021	521,938	521,938
Net book value		
At 31 March 2021	840,607	840,607
At 31 March 2020	1,072,580	1,072,580

The Group leases land and buildings for its offices and warehouses under agreements of between five to six years with, in some cases, options to extend. The leases have initial rent-free periods and 5 yearly upward only rent reviews. No extension to these leases has been assumed.

Future minimum lease payments associated with the land and building leases were as follows:

	31 March 2021 £	31 March 2020 £
Not later than one year	283,579	282,906
Later than one year and not later than two years	283,579	283,579
Later than two years and not later than five years	472,545	756,642
Total minimum lease payments	1,039,703	1,323,127
Less: future finance charges	(66,709)	(106,641)
Present value of minimum lease payments	972,994	1,216,486

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

14. Right-of-use assets – Group (continued)

Impact of IFRS 16 "Leases" on the statement of comprehensive income

The following tables summarises the effect of IFRS 16 "Leases" on the Group's profit/loss before tax for each period presented:

	31 March 2021	31 March 2020
	£	£
Profit/(loss) before tax excluding lease charges	597,766	(1,024,542)
Lease payments under short-term and low value assets	(96,320)	(126,720)
Depreciation of right of use assets	(231,973)	(231,972)
Lease finance expense	(39,930)	(48,572)
Profit/(loss) before tax and after lease charges	229,543	(1,431,806)

15. Inventories

	31 March 2021	31 March 2020
	£	£
Finished goods	1,908,560	1,315,193
Provision for obsolescence	(51,321)	(20,000)
Total inventories	1,857,239	1,295,193
Cost of inventory recognised in profit and loss	8,770,887	3,562,548

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

16. Trade receivables

The majority of trade receivables are current and the directors believe these receivables are collectible. The directors consistently assess the collectability of these receivables. As at 31 March 2021, the directors considered a portion of these receivables uncollectable and recorded a provision in the amount of £14,689 (31 March 2020: £6,096).

	31 March 2021	31 March 2020
	£	£
Trade receivables	1,028,320	1,062,539
Provision for expected credit loss	(14,689)	(6,096)
Total trade receivables	1,013,631	1,056,443

The provision for expected loss rates are based on the Group's historical credit loss experience, client based and the economic conditions. Most significantly, the rate of provision is 100% for amounts more than one year past due. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. Both historic losses and expected future losses being very low, the directors consider it appropriate to apply a single average rate for expected credit losses to the overall population of trade receivables. The single expected rate applied is 1.42% (31 March 2020: 0.57%). The directors have identified the gross domestic product growth rates as the key macroeconomic factors in the countries in which the Group operates.

Invoice discount facilities

The carrying amounts of the trade receivables include receivables which are subject to an invoice discounting arrangement. Under this arrangement, the Group has transferred the relevant receivables to HSBC Invoice Finance (UK) Limited in exchange for cash and is prevented from selling or pledging the receivables. However, the Group has retained late payment and credit risk. The Group therefore continues to recognise the transferred assets in their entirety in its Statement of Financial Position. The amount repayable under the agreement is presented as secured borrowing. The Group considers the held to collect business model to remain appropriate for these receivables and hence continues measuring them at amortised cost.

The relevant carrying amounts are as follows:

	31 March 2021	31 March 2020
	£	£
Receivables	383,201	663,140
Associated secured borrowing (Note 22)	(210,996)	(422,133)

SAMARKAND GROUP PLC**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
FOR THE YEAR ENDED 31 MARCH 2021**17. Other receivables and prepayments**

	31 March 2021	31 March 2020
	£	£
Accrued income	660	65,352
Prepayments	400,205	111,814
Other receivables	121,157	136,232
Total other receivables and prepayments	522,022	313,398

18. Share capital and merger relief reserve

The following table summarises the share capital of Samarkand Group plc for the periods presented:

	Number of shares No.	Share capital £
Issued share capital in Samarkand Holdings Ltd at 31 March 2020	1,767	1,767
Sub-division of shares (a)	174,933	
At 31 March 2020	176,700	1,767
Exchanged for shares in Samarkand Group plc (b)	35,340,000	353,400
Share issued on incorporation	1	
Shares issued on 22 March 2021	16,278,965	162,790
At 31 March 2021	51,618,966	516,190

(a) By way of an ordinary resolution passed on 24 September 2020, Samarkand Holdings Limited resolved to sub-divide each of its ordinary shares of £1.00 each in issue into 100 ordinary shares of £0.01 each. Accordingly, the number of shares in issue increased from 1,767 to 176,700.

(b) On 16 February 2021, Samarkand Group plc issued 35,340,000 ordinary shares of £0.01 each in exchange for the entire share capital of Samarkand Holdings Limited on the basis of 1 ordinary share in Samarkand Holdings Limited for 200 shares in Samarkand Group plc.

Shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per ordinary share at meetings of Samarkand Group plc.

Merger relief reserve

At 31 March 2021, the merger relief reserve arises from the issue of shares by Samarkand Group plc in exchange for shares in Samarkand Holdings Limited. At 31 March 2020, the merger relief reserve arises from the issue of shares by Samarkand Holdings Limited in exchange for shares in Samarkand Global Limited. In both cases, merger relief has been applied to those shares issued on a share for share basis.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

19. Share option plan

EMI share option scheme

As part of its strategy for executive and key employee remuneration, Samarkand Holdings established an Approved Enterprise Management Incentive ("EMI") Share Option Scheme on 20 October 2020 under which share options may be granted to officers and employees or members of the Group. Under the rules of the Share Option Scheme, Samarkand Holdings may grant EMI options to recruit or retain an eligible employee.

There are overall and individual limits on the total market value (at the relevant dates of grant) of the shares in Samarkand Holdings that can be acquired on the exercise of all EMI Options. The earliest date on which an option may be exercised shall be the earlier of: (i) the Business Day immediately following the 18-month anniversary of the Grant Date; and (ii) the date on which an exit occurs (the vesting date). The Option shall lapse on the tenth anniversary of the Grant Date, assuming it is not exercised before then and no event occurs to cause it to lapse earlier under the Rules. The exercise of option is not subject to any exercise conditions.

Options over 16,964 shares were granted on 20 November 2020.

Unapproved share option scheme

On 20 October 2020, Samarkand Holdings adopted an Unapproved share option scheme whereby Samarkand Holdings may grant an option to any employee it chooses.

On the grant date of any option, the Board may specify one or more appropriate exercise conditions for the option. The maximum number of shares over which options that may be granted under the scheme is 11,044.

An option holder may not exercise an option before an exit unless otherwise provided for in that option holder's option certificate.

Options over 10,335 shares were granted on 3 December 2020.

	2021	2021
	Weighted	
	average Exercise	
	price	
	(pence)	Number
Outstanding at 1 April 2020		-
Granted	9.86	5,459,800.00
Exercised	9.86	(4,467,800.00)
Outstanding at 31 March 2021	9.86	992,000.00
Exercisable as at 31 March 2021	9.86	992,000.00

Following the share for share exchange, Samarkand Group plc had the following share options outstanding as at the year-end.

SAMARKAND GROUP PLC**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021****20. Other reserves*****Currency translation reserve***

The currency translation reserve represents cumulative foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Capital contribution

The capital contribution comprises the difference between the amount of any long-term loans made on interest-free terms and the fair value of the liabilities and is recorded as a capital contribution as a separate component of equity.

21. Borrowings

The Group's borrowings consist of:

- Fixed rate secured loan notes which incur interest at 5% per annum;
- Shareholder loans which incurs interest at between nil and base rate plus a margin of 6% per annum;
- Secured bank loans which incur interest at 3.99% and 5.0% per annum;
- Unsecured bank loans which incur interest at 5.0% per annum
- Other loans which incur interest at between nil and 15% per annum; and
- An invoice discount facility;

The following table provides a reconciliation of the Group's future maturities of its total borrowings for each of the periods presented:

	31 March 2021 £	31 March 2020 £
Not later than one year:		
Fixed rate secured loan notes	-	-
Loans from shareholders	-	2,208,288
Bank loans	413,333	-
Invoice discount advances	210,996	422,133
Other loans	85,245	191,670
Current	709,574	2,822,091
Payable after one year but less than five years:		
Fixed rate secured loan notes	1,176,304	1,903,145
Bank loans	186,667	-
Other loans	9,993	21,242
Non-current	1,372,964	1,924,387
Total borrowings	2,082,538	4,746,478

21. Borrowings (continued)

(a) Fixed rate secured loan notes

On 26 July 2019, Samarkand Holdings executed a Convertible Loan Note Instrument for up to £1,500,000 Fixed Rate loan Notes 2022 and, on 20 February 2020, Samarkand Holdings executed a Supplementary Deed of Variation increasing the amount of the Notes to £1,850,000 – the 'Fixed Rate Secured Loan Notes 2023'. The maturity date on which the principal amount is due to be redeemed is 26 July 2023, or, if earlier, the date on which the Notes are redeemed or converted. The redemption value is the par value of such Notes. Interest is fixed at 5% per annum.

On 24 September 2020, Samarkand Holdings executed a Non-convertible Loan Note Instrument for up to £1,146,299.50 fixed rate secured loan notes 2025. The maturity date on which the principal amount is due to be redeemed is 24 September 2025, or, if earlier, the date on which the Notes are redeemed. The redemption value is the par value of such Notes. Interest is fixed at 5% per annum.

The Notes are secured by way of: i) a debenture from Samarkand Holdings in favour of Global Smollan Holdings ("Smollan") dated 26 July 2019; and ii) a deed of priority amongst Samarkand Holdings, Smollan and HSBC Bank plc.

On the 16 February 2021, as part the reorganisation of the Group, prior to the admission, the Convertible Loan Note Instrument and Non-convertible Loan Note Instruments were transferred to Samarkand Group plc.

Immediately prior to the admission, on the 22 March 2021, £1.1m of the Convertible Loan Note Instrument was converted in to Shares in Samarkand Group plc equal to 90% of the IPO price. This equated to 967,539 Ordinary Shares in the Company. A further £1m was repaid in cash.

(b) Loans from shareholder

A shareholder had made the following loans to Samarkand Holdings:

- An unsecured interest-free loan of £1,499,470 drawn on 14 December 2017. The loan was repayable in full on or before the third anniversary of the drawdown date.
- Three further loans with an aggregate principal amount of £700,000 were made during the year ended 31 March 2019, each repayable on the first anniversary of the loan. By letters of variation, each such loan was now repayable on the second anniversary. The loans incurred interest at the rate of 6% per annum above the base rate from time to time of HSBC Bank plc.

The loans from shareholder was repaid in September 2020.

(c) Bank loans

On 13 October 2020, Samarkand Holdings entered in a loan from a bank under the Coronavirus Business Interruption Loans Scheme ("CBILS") for a principal sum of £400,000. The loan is guaranteed by the UK Government. The loan incurs interest at a rate of 3.99% over the Bank of England's Base Rate from time to time and is repayable over six years. No capital repayments are due for the first 12 months following the loan advance. Thereafter the loan is repayable in 60 monthly instalments. The repayment of the CBILS loan was triggered following the reorganisation of the Group to facilitate the listing and as such, the loan is classified as current.

- On 21 October 2020, Forever Young International Limited entered in a loan from Funding Circle under the Coronavirus Business Interruption Loans Scheme ("CBILS") for a principal sum of £200,000. The loan is guaranteed by the UK Government. The loan incurs interest at a fixed rate of 5.0% and is repayable over five years. No capital repayments are due for the first 12 months following the loan advance. Thereafter the loan is repayable in 48 monthly instalments.

(d) Invoice discount advances

These relate to receivables (see note 16 above) and are secured by an indemnity and undertaking by each of the Directors and a fixed and floating charge.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

21. Borrowings (continued)

Fair value of borrowings

The carrying value of borrowings approximates their fair value.

The following table represents the Group's finance costs for each of the periods presented:

	31 March 2021	31 March 2020
	£	£
Interest on borrowings	261,862	213,310
Right-of-use lease finance expenses	39,931	48,572
Invoice discounting charges	12,235	25,348
Bank charges	13,387	8,928
Foreign exchange	73,661	
Total finance costs	401,076	296,158

22. Loans from directors

	31 March 2021	31 March 2020
	£	£
Loans from directors	-	499,511

The loans from directors were unsecured and incurred interest at 5% per annum which was payable when the loans were repaid or on conversion to ordinary shares of Samarkand Holdings.

On 24 February 2021, as part of the reorganisation of the Group, prior to the admission, the loans from directors were transferred to Samarkand Group plc.

Immediately prior to the admission, on the 22 March 2021, two of the loans from the directors' were repaid by conversion to ordinary shares of Samarkand Group plc at 90% of the IPO price. The total number of shares equates to 317,509. The other directors' loan was repaid by conversion to ordinary shares of Samarkand Group plc at the IPO price, the total number of shares being 83,111 with the remainder £90,000 of the loan repaid in cash after the IPO.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

23. Fair value of financial instruments

(a) Fair value

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the directors utilise valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. IFRS 13 "Fair Value Measurement" establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is defined as follows:

Level 1: Inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date.

Level 2: Inputs (other than quoted prices included in Level 1) can include the following:

- observable prices in active markets for similar assets;
- prices for identical assets in markets that are not active;
- directly observable market inputs for substantially the full term of the asset; and
- market inputs that are not directly observable but are derived from or corroborated by observable market data.

Level 3: Unobservable inputs which reflect the Directors' best estimates of what market participants would use in pricing the asset at the measurement date.

All financial instruments measured at fair value use Level 3 valuation techniques for the both years ended 31 March 2021 and 31 March 2020.

Level 2 fair value measurements are those including inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly.

There were no transfers between fair value levels during the periods presented.

The Group measures financial instruments at fair value.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

23. Fair value and financial instruments (continued)**(b) Financial Instruments**

For trade receivables, the Group applies the simplified approach permitted by IFRS 9 "Financial Instruments", which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. In the case of loans from a shareholder made on interest-free terms, the difference between the loan amount and the fair value is recorded as a capital contribution as a separate component of equity.

The Group is not a financial institution. The Group does not apply hedge accounting and its customers are considered creditworthy and pay consistently within agreed payments terms.

A classification of the Group's financial instruments for the periods presented is included in the table below:

	31 March 2021 £	31 March 2020 £
Cash and cash equivalents held at amortised cost	14,606,867	572,586
Trade receivables and accrued income held at amortised cost	1,013,631	1,121,795
Financial assets at amortised cost	121,157	136,231
Financial liabilities at amortised cost	(2,503,057)	(2,070,435)
Borrowings and leases	(3,055,532)	(6,462,475)
Total	<u>10,183,066</u>	<u>(6,702,298)</u>

24. Financial risk management

For the purposes of capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of Samarkand Group plc. The primary objective of Samarkand Group plc's capital management is to ensure that the Group maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

To maintain or adjust the capital structure, the directors may adjust any future dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the periods presented.

The directors manage Samarkand Group plc's capital structure and adjust it, in light of changes in economic conditions and the requirements of its financial covenants. The Group includes in its net debt, all loans and borrowings less cash and short-term deposits.

24. Financial risk management (continued)

The Group's principal financial liabilities comprise of borrowings and trade and other payables, which it uses primarily to finance its operations.

The Group's principal financial assets include cash and cash equivalents and trade and other receivables derived from its operations.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is subject to this risk exposure as it relates to changes in interest rates on its variable rate borrowings. As discussed in Note 25 "Borrowings", the Group had £2.1 million of third-party borrowings outstanding as at 31 March 2021 (31 March 2020: £4.8 million). The variable rate loans which incur interest are at HSBC base lending rate plus a margin of 6%.

The impact of an increase of 1% in the variable interest rates incurred by the Group is as follows:

	31 March 2021	31 March 2020
	£	£
Total	<u>2</u>	<u>7,038</u>

(c) Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will not meet its obligations under a contract and arises primarily from the Group's cash in banks and trade receivables.

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts included in the Statement of Financial Position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. The Group has a low retail credit risk due to transactions being principally of high volume, low value and short maturity. The Group's trade receivables are primarily with large retail companies with which the Group has long-standing relationships, and the risk of default and write-offs due to bad debts is considered to be low.

The Group has no significant concentration of credit risk, as exposure is spread over a large number of counterparties and customers.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

24. Financial risk management (continued)

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to its operational activities (when financial assets and liabilities are denominated other than in a company's functional currency).

Most of the Group's transactions are carried out in Pounds Sterling (£). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group's net exposure to foreign exchange risk was as follows:

	CNY £	EUR £	HK\$ £	US\$ £	NZ\$ £
As at 31 March 2021					
Financial assets in £	375,739	4,212	13,348	313	-
Financial liabilities in £	(14,896)	(139,592)	(367,899)	(55,994)	(215)
Net foreign currency risk	<u>360,843</u>	<u>(135,380)</u>	<u>(354,551)</u>	<u>(55,681)</u>	<u>(215)</u>
As at 31 March 2020					
Financial assets in £	614,031	39,594	27,467	50,346	-
Financial liabilities in £	(52,388)	(413,105)	(37,796)	(39,079)	(81,499)
Net foreign currency risk	<u>561,643</u>	<u>(373,511)</u>	<u>(10,329)</u>	<u>11,267</u>	<u>(81,499)</u>

Foreign currency sensitivity analysis:

The following tables demonstrate the sensitivity to a reasonably possible change in foreign currency exchange rates.

A 10 per cent movement in each of the Chinese Yuan (CNY), Euro (EUR), Hong Kong Dollar (HK\$), US Dollar (US\$) and New Zealand Dollar (NZ\$) would increase/(decrease) net assets by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	CNY £	EUR £	HK\$ £	US\$ £	NZ\$ £
As at 31 March 2021					
Effect on net assets					
Strengthened by 10%	36,084	(13,538)	(35,455)	5,568	(8,150)
Weakened by 10%	<u>(36,084)</u>	<u>13,538</u>	<u>35,455</u>	<u>(5,568)</u>	<u>8,150</u>
As at 31 March 2020					
Effect on net assets					
Strengthened by 10%	56,164	(37,351)	(1,033)	1,127	(8,150)
Weakened by 10%	<u>(56,164)</u>	<u>37,351</u>	<u>1,033</u>	<u>(1,127)</u>	<u>8,150</u>

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

24. Financial risk management (continued)

(e) *Cash and cash equivalents*

The Group assesses credit risk from its cash and cash equivalents on a regular basis before any credit losses are experienced. The Group considers such risk is limited as cash is held with banks with high credit ratings.

(f) *Trade receivables*

Trade receivables are due from customers and collectability is dependent on the financial condition of each individual customer as well as the general economic conditions of the industry. The directors review the financial condition of customers prior to extending credit and generally does not require collateral in support of the Group's trade receivables. The majority of trade receivables are current and the directors believe these receivables are collectible.

(g) *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they are due. The directors manage this risk by:

- maintaining adequate cash reserves through the use of the Group's cash from operations and borrowings; and
- continuously monitoring projected and actual cash flows to ensure the Group maintains an appropriate amount of liquidity.

The maturity profile of the Group's financial obligations are as follows:

	Less than 1 year £	2 to 5 years £	More than 5 years £	Total £
Trade and other payables	1,981,054	-	-	1,981,054
Borrowings	709,574	1,372,964	-	2,082,538
Leases (gross cash flows)	283,579	756,124	-	1,039,703
Other liabilities	522,003	67,576	-	589,579
At 31 March 2021	3,496,210	2,196,664	-	5,692,874
Trade and other payables	1,661,312	-	-	1,661,312
Borrowings	2,822,091	1,924,387	-	4,746,478
Leases (gross cash flows)	260,674	952,420	117,758	1,330,852
Other liabilities	908,634	76,314	-	984,948
At 31 March 2020	5,652,711	2,953,121	117,758	8,723,590

SAMARKAND GROUP PLC

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

25. Notes to the statements of cash flows

Net debt reconciliation:

	Opening balances £	Cash flows £	Foreign exchange movements £	Closing balances £
Year ended 31 March 2021				
Cash & cash equivalents	572,586	14,052,795	(18,514)	14,606,867
Right of use lease liabilities	(1,216,486)	243,492	-	(972,994)
Borrowings	(4,746,478)	2,663,940	-	(2,082,538)
Directors' loans	(499,511)	499,511	-	-
Totals	(5,889,889)	17,459,738	(18,514)	11,551,335
Year ended 31 March 2020				
Cash & cash equivalents	270,564	303,386	(1,364)	572,586
Right of use lease liabilities	(1,375,998)	159,512	-	(1,216,486)
Borrowings	(2,870,198)	(1,876,280)	-	(4,746,478)
Directors' loans	(499,511)	-	-	(499,511)
Totals	(4,475,143)	(1,413,382)	(1,364)	(5,889,889)

26. Contingencies

There are no known contingencies which might impact on the Group's operations or financial position.

27. Related party transactions

Amounts owed to related parties

In addition to the borrowings from shareholders described in Note 21 above, the Group had the following amounts owed to related parties:

- As at 31 March 2021, the Group had a net amount owing to a shareholder of £Nil (31 March 2020: £17,931).
- As at 31 March 2021, the Group had a net amount owing to a shareholder of £Nil (31 March 2020: £3,334).

Each of the above balances were unsecured, interest-free and repayable on demand.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

27. Related party transactions (continued)

Services provided to/purchases from related parties

During the year ended 31 March 2021, the Group made sales of £nil to a shareholder (31 March 2020: £30,774). The Group made purchases from the same party totalling £nil (31 March 2020: £29,579).

During the year ended 31 March 2021, the Group made sales of £10,002 to a shareholder (31 March 2020: £3,334).

During the year ended year 31 March 2021, the Group made sales of £nil to a company owned and controlled by a key member of management (31 March 2020: £68,515). The Group made purchases from the same party totalling £nil in the year (31 March 2020: £2,530).

All of the above transactions were entered into on terms equivalent to those that prevail in arm's length transactions. The amounts owing are to be settled in cash.

28. Material subsequent events

On 4 May 2021, the Group announced that it had acquired the entire share capital of London based Zita West Products Limited (ZWPL), www.zitawest.com, and 51% of Babawest Ltd (BW), www.babawest.co.uk, for a total consideration of £2.4m. For the 6 month period ending 31 March 2021, ZWPL generated unaudited revenue of £635,901, a 60% increase on the same period in the previous year.

On 10 May 2021, the Group announced a placing of 2,737,840 new ordinary shares at a price of 115 pence raising £3,148,516 from United Win Asia Limited, a subsidiary of S.F. Holdings Co., Ltd, as part of a strategic investment to further develop the Group's international expansion and technology.

29. Ultimate controlling party

As at 31 March 2021, Samarkand Group plc did not have any one identifiable controlling party.

SAMARKAND GROUP PLC**COMPANY STATEMENT OF FINANCIAL POSITION****FOR THE YEAR ENDED 31 MARCH 2021**

		31 March 2021 £
	Notes	
ASSETS		
Investments	4	353,400
Non-current assets		<u>353,400</u>
Amounts due from group undertakings		4,785,174
Other receivables and prepayments	6	274,106
Cash and cash equivalents		13,463,910
Current assets		<u>18,523,190</u>
Total assets		<u>18,876,590</u>
 EQUITY AND LIABILITIES		
Share capital	9	516,190
Share premium		17,412,900
Retained earnings		(499,805)
Total equity		<u>17,429,285</u>
Borrowings		1,176,304
Total non-current liabilities		<u>1,176,304</u>
Trade and other payables		170,605
Accrued liabilities		100,396
Total current liabilities		<u>271,001</u>
Total liabilities		<u>1,447,305</u>
Total liabilities and equity		<u>18,876,590</u>

The Parent Company loss for the period was £499,805.

The financial statements were approved by the board of directors and authorised for issue on 2nd August 2021 and are signed on its behalf by:



David Hampstead
Director

Company Registration No. 13127277

SAMARKAND GROUP PLC**COMPANY STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 MARCH 2021**

	Share capital £	Share premium £	Retained earnings £	Total equity £
Loss and total comprehensive income for the period		-	(499,805)	(499,805)
Issue of shares	516,190	17,412,900	-	17,929,090
Balance at 31 March 2021	<u>516,190</u>	<u>17,412,900</u>	<u>(499,805)</u>	<u>17,429,285</u>

SAMARKAND GROUP PLC**COMPANY STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 MARCH 2021**

	31 March 2021 £
<i>Cash flows from operating activities</i>	
Loss after taxation	(499,805)
<i>Working capital adjustments:</i>	
Increase in trade and other receivables	(5,059,280)
Increase in trade and other payables	271,001
Net cash used in operating activities	<u>(5,288,084)</u>
<i>Cash flows from investing activities</i>	
Acquisition of subsidiary, net of cash acquired	(353,400)
Net cash used in investing activities	<u>(353,400)</u>
<i>Cash flows from financing activities</i>	
Proceeds from borrowings	3,691,906
Repayment of borrowings	(1,090,000)
Proceeds from issue of shares	16,503,488
Net cash from financing activities	<u>19,105,394</u>
Net increase in cash and cash equivalents	13,463,910
Cash and cash equivalents – beginning of the year	
Cash and cash equivalents – end of the year	13,463,910

NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. Basis of preparation

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 in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In preparing these financial statements the Company has taken advantage of available disclosure exemptions available under FRS 102. Therefore, these financial statements do not include:

- No disclosures in respect of the parent company's income, expense, net gains and net losses on financial instruments measured at amortised cost have been presented as equivalent disclosures have been provided in respect of the Group as a whole;
- No disclosures have been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole

In addition, and in accordance with FRS 102 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Samarkand Group plc. These financial statements do not include certain disclosures in respect of:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41 (b), 11.41 (c), 11.41 (e), 11.41 (f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

2. Accounting policies

Financial instruments

Financial instruments are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument. Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which comprise of debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present

NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

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

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

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

(b) Transactions and balances

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income or expense'.

3. Critical accounting estimates and judgements

The preparation of financial statements under FRS 102 requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Impairment of Investments

Determining whether there are indicators of impairment of investments in subsidiaries. Factors taken into consideration in reaching such a decision include the value in use and the fair value less costs to sell. See note 4 for the net carrying amount of the investment in subsidiaries.

NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

4. Investment in subsidiaries

	31 March
	2021
	£
Investment in subsidiaries	353,400

The Company's investments are not impaired. Further details of the Company's subsidiaries are contained in note 5.

5. Subsidiaries

Details of the Group's subsidiaries as at 31 March 2021 are as follows:

<i>Company</i>	<i>Country of registration or incorporation</i>	<i>Registered office</i>	<i>Principal activity</i>	<i>Percentage of ordinary shares held</i>
Samarkand Holdings Limited	England & Wales	Unit 13 & 14 Nelson Trading Estate, The Path, Merton, London, SW19 3BL	Holding company	100%
Forever Young International Limited	England & Wales	As above	UK & European distribution	100%*
Samarkand Global Limited	England & Wales	As above	eCommerce provider	100%*
New Silk Road Brand Management Limited	England & Wales	As above	Inactive	100%*
Immergruen Limited	England & Wales	As above	UK distribution	100%*
Samarkand Global (Beijing) Limited	People's Republic of China	Room 107 No.701, 7 th Floor, Building 1 Westend, No. 100 Bailizhuang, Chaoyang District, Beijing	Administrative	100%*
Shanghai Samarkand Technology Service Co., Ltd	People's Republic of China	Room 205, No.438 Pudian Road, China (Shanghai) Pilot Free Trade Zone	Administrative	100%*
Samarkand Global Hong Kong Limited	Hong Kong (SAR), China	Suite 1113A, 11/F, Ocean Centre, Harbour City, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	Sale of goods into Hong Kong	100%*
Shanghai EastWest Network Technology Co., Ltd	People's Republic of China	Room 2021, Building 2, No. 181 Songyu Road, Tinglin Town, Jinshan District, Shanghai	Technology licensing	100%*

* held indirectly

SAMARKAND GROUP PLC**NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS (CONTINUED)**
FOR THE YEAR ENDED 31 MARCH 2021**6. Other receivables and prepayments**

	31 March 2021 £
Prepayments	157,178
Other receivables	116,928
Total other receivables and prepayments	<u>274,106</u>

7. Trade and other payables

	31 March 2021 £
Trade payables	170,605
Accruals	100,396
Total trade and other payables	<u>271,001</u>

8. Borrowings

	31 March 2021 £
Fixed rate secured loans	<u>1,176,304</u>

On 26 July 2019, Samarkand Holdings executed a Convertible Loan Note Instrument for up to £1,500,000 Fixed Rate loan Notes 2022 and, on 20 February 2020, Samarkand Holdings executed a Supplementary Deed of Variation increasing the amount of the Notes to £1,850,000 – the 'Fixed Rate Secured Loan Notes 2023'. The maturity date on which the principal amount is due to be redeemed is 26 July 2023, or, if earlier, the date on which the Notes are redeemed or converted. The redemption value is the par value of such Notes. Interest is fixed at 5% per annum.

On 24 September 2020, Samarkand Holdings executed a Non-convertible Loan Note Instrument for up to £1,146,299.50 fixed rate secured loan notes 2025. The maturity date on which the principal amount is due to be redeemed is 24 September 2025, or, if earlier, the date on which the Notes are redeemed. The redemption value is the par value of such Notes. Interest is fixed at 5% per annum.

The Notes are secured by way of: i) a debenture from Samarkand Holdings in favour of Global Smollan Holdings ("Smollan") dated 26 July 2019; and ii) a deed of priority amongst Samarkand Holdings, Smollan and HSBC Bank plc.

On the 16 February 2021, as part the reorganisation of the Group, prior to the admission, the Convertible Loan Note Instrument and Non-convertible Loan Note Instruments were transferred to Samarkand Group plc.

Immediately prior to the admission, on the 22 March 2021, £1.1m of the Convertible Loan Note Instrument was converted in to Shares in Samarkand Group plc equal to 90% of the IPO price. This equated to 967,539 Ordinary Shares in the Company. A further £1m was repaid in cash.

SAMARKAND GROUP PLC**NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2021****9. Share Capital**

The following table summarises the share capital of Samarkand Group plc for the periods presented:

		Number of shares No.	Share capital £
Issued share capital in Samarkand Holdings Ltd at 31 March 2020		1,767	1,767
Sub-division of shares	(a)	174,933	
At 31 March 2020		<u>176,700</u>	<u>1,767</u>
Exchanged for shares in Samarkand Group plc	(b)	35,340,000	353,400
Share issued on incorporation		1	-
Shares issued on 22 March 2021		16,278,965	162,790
At 31 March 2021		<u>51,618,966</u>	<u>516,190</u>

10. Director's remuneration

Details of Directors' and key management remuneration, including that of the highest paid Director, are set out in note 8 to the consolidated financial statements and on page 33 in the Corporate Governance Report.

11. Post balance sheet events

On 10 May 2021, the Group announced a placing of 2,737,840 new ordinary shares at a price of 115pence raising £3,148,516 from United Win Asia Limited as part of a strategic investment to further develop the Group's International expansion and technology.

12. Ultimate parent undertaking and controlling party

As at 31 March 2021, Samarkand Group plc did not have any one identifiable controlling party.