LUCID ENTERTAINMENT GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

Company Registration No. 12750278 (England and Wales)

LUCID ENTERTAINMENT GROUP LIMITED

COMPANY INFORMATION

Directors	Miss H L Davidson	(Appointed 1 December 2020)
	Mr P C Wallace	(Appointed 17 July 2020)
	Mr B T Woodhouse	(Appointed 1 December 2020)
	Mr N J Davies	(Appointed 1 December 2020)
Secretary	Miss H L Davidson	
Company number	12750278	
Registered office	31 Parliament Street 5th Floor Liverpool L8 5RN	
Auditor	DSG Castle Chambers 43 Castle Street Liverpool L2 9TL	

LUCID ENTERTAINMENT GROUP LIMITED

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LUCID ENTERTAINMENT GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2021

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

Principal activity and fair review of business
The principal activity of the group continued to be video games production. The company is considered to be a holding company for the group.

Company background and comparative figures
The company was incorporated on 17 July 2020 and hence the company only results are from the date of incorporation to 31 March 2021.

On the 5 October 2020 the group was restructured such that the company became the 100% owner of the entire share capital in the subsidiaries listed in note 15. This was done by a share for share exercise with the previous shareholders, such that the owners of the company retained there existing shareholding percentages via shares in Lucid Entertainment Group Limited.

The restructuring was accounted for as a merger in accordance with group reconstruction provisions of FRS 102.19.27 'Acquisitions and Mergers.' Consequently, although Lucid Entertainment Group Limited was not incorporated and did not acquire its subsidiaries until the dates noted above, the consolidated financial statements are presented as if these entities and subsidiaries had been part of the same group throughout the year ended 31 March 2020.

On the 5 October, Lucid Games Limited, purchased Lucid Publishing Limited which was previously held outside of the group, this has been accounted for under normal business combinations rules.

See accounting policies for further information on this.

Review of business
In the year turnover has increased by c.83% from £8.7m to £15.9m at 31 March 2021. This has led to an increase in operating profit from £0.2m to £3.8m. The balance sheet has remained strong at c.£9.8m (2020: £4.9m) and cash has increased over the year to c.£5.1m.

The performance in the current year is the group's most successful year to date. The current year saw the launch of the Sony PS5 exclusive Destruction Allstars game and expansion of the co-development business with EA Partnerships, working on franchises such as Apex Legends and Star Wars Jedi: Fallen Order. Despite the global difficulties faced by COVID-19, the business has remained stable, achieving the strategic goals set for the period, whilst ensuring employee wellbeing remained a priority.

During the year, the group successfully recruited an additional 29 employees, closing the period with an overall studio headcount of 140. We are proud to have been able to support our employees and ensure their well being without accessing any government COVID funding or furloughing any of our people.

The group acquired Lucid Publishing Limited as part of a company wide restructure, creating Lucid Entertainment Group Limited as the new ultimate parent company. Three new directors were appointed, formalising the group's existing senior management team.
See KPI's for further information.

Principal risks and uncertainties
The principal risks and uncertainty's facing the group are as follows:

Liquidity risk
The group manages its cash in order to maximise interest income and minimise interest expense, whilst ensuring the group has sufficient liquid resources to meet the operating needs of the businesses.

Credit risk
The group monitors credit risk closely and considers that its current credit checking policy meets it objectives in mitigating risk in this area. Trade debtors are reviewed on a regular basis and provision made for doubtful debts when necessary.

Contract loss
The group has a number of contracts with its customers and loss of revenue from losing contracts or completing projects without securing follow up work is a key area of focus. This is mitigated by ensuing that we sign longer term contracts with publishers and expand relationships so that we are not overly financially reliant on one contract. The Directors are responsible for contingency planning and ensuring that these risks are managed.

Coronavirus risk
Whilst the gaming industry has remained resilient during COVID, management has considered the potential operational challenges posed by COVID 19, including but not restricted to, an assessment, of the robustness of the company's infrastructure, staff availability and logistical arrangements as well as the impact this might have on going concern. The group's mitigation plans include allowing for full remote working, as well as a hybrid option for those will still want the flexibility to work wherever they feel comfortable. From a recruitment perspective, COVID has meant that were previously, the group was a strictly studio-based, localised development company, we are now able to attract and hire talent from anywhere in the world.

Non financial risk
The quality and technical ability of staff is fundamental to the operations of the business. Therefore, being able to retain and also recruit new staff remains a key focus for the business.

Key performance indicators
The group strategy is one of growth and continued profitability. Performance for the current year, together with comparative data for the previous year, is set out below:

(a) Turnover
Turnover has increased by c.83% in the year from c.£8.7m to £15.9m. This is driven by new or extended contracts in the year with the group's main customers. The ability to successfully recruit during the period has allowed us to grow our work for hire relationships, which has contributed to the increase in revenue.

(b) Operating profit
Operating profit has increased from £0.2m to £3.8m in the year, an increase of £3.6m. The Group heavily invested in the previous period in its working capital, expanding office space and upgrading hardware and software to accommodate the growth of the studio. This investment has paid off and hence the increase in operating profit in the year.

Future developments
The goal is to continue the growth of the studio and focus on creating our own internally generated IP alongside expanding our co-development teams.

On behalf of the board

Miss H L Davidson
Director

21 December 2021

LUCID ENTERTAINMENT GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

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

The report contains the statutory information disclosed to that set out in the strategic report. Information relating to the principal activity, financial risk management policies and future developments, which would otherwise be included in the Directors Report, is included in the Strategic Report.

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £550,500; of this amount £232,000 was paid by the Company to the shareholders and £318,500 was paid via the LLP's to the members, which are the same as the current shareholders. The directors do not recommend payment of a final dividend.

Directors

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

Miss H L Davidson	(Appointed 1 December 2020)
Mr P C Wallace	(Appointed 17 July 2020)
Mr B T Woodhouse	(Appointed 1 December 2020)
Mr N J Davies	(Appointed 1 December 2020)

Auditor

DSG were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

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

On behalf of the board

Miss H L Davidson
Director

21 December 2021

LUCID ENTERTAINMENT GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LUCID ENTERTAINMENT GROUP LIMITED

Opinion

We have audited the financial statements of Lucid Entertainment Group Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2021 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

Discussions were held with, and enquiries made of, management and those charged with governance with a view to identifying those laws and regulations that could be expected to have a material impact on the financial statements. During the engagement team briefing, the outcomes of these discussions and enquiries were shared with the team, as well as consideration as to where and how fraud may occur in the entity.

The following laws and regulations were identified as being of significance to the entity:

- Those laws and regulations considered to have a direct effect on the financial statements include UK financial reporting standards, Company Law, Tax and Pensions legislation.

- It is considered that there are no laws and regulations for which non-compliance may be fundamental to the operating aspects of the business.

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of: inquiries of management and those charged with governance as to whether the entity complies with such laws and regulations; enquiries with the same concerning any actual or potential litigation or claims; inspection of relevant legal correspondence; testing the appropriateness of entries in the nominal ledger, including journal entries; reviewing transactions around the end of the reporting period; and the performance of analytical procedures to identify unexpected movements in account balances which may be indicative of fraud.

No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

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

Other matters which we are required to address
In the previous accounting period the directors of the company took advantage of audit exemption under s477 of the Companies Act. Therefore the prior period financial statements were not subject to audit.

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.

Andrew Moss (BA FCA) Senior Statutory Auditor
For and on behalf of DSG

21 December 2021

Chartered Accountants
Statutory Auditor

Castle Chambers
43 Castle Street
Liverpool
L2 9TL

LUCID ENTERTAINMENT GROUP LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 (as restated) £
Turnover	3	15,963,304	8,692,597
Cost of sales		(5,898,057)	(3,922,691)
Gross profit		10,065,247	4,769,906
Administrative expenses		(6,288,569)	(4,581,488)
Other operating income		35,000	-
Operating profit	4	3,811,678	188,418
Interest receivable and similar income	8	3	34
Interest payable and similar expenses	9	(31,367)	-
Profit before taxation		3,780,314	188,452
Tax on profit	10	1,637,648	6,531
Profit for the financial year	23	5,417,962	194,983

Profit for the financial year is all attributable to the owners of the parent company.

LUCID ENTERTAINMENT GROUP LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	2021	2020 (as restated)
	£	£
Profit for the year	5,417,962	194,983
Other comprehensive income	-	-
Total comprehensive income for the year	5,417,962	194,983

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

LUCID ENTERTAINMENT GROUP LIMITED

GROUP BALANCE SHEET

AS AT 31 MARCH 2021

		2021		2020 (as restated)	
	Notes	**£**	**£**	**£**	**£**
Fixed assets					
Goodwill	**12**		2,476,976		-
Other intangible assets	**12**		1,418,997		72,711
Total intangible assets			3,895,973		72,711
Tangible assets	**13**		446,527		314,425
Investments	**14**		33		33
			4,342,533		387,169
Current assets					
Debtors	**18**	3,171,165		3,517,378	
Cash at bank and in hand		5,090,087		2,035,319	
		8,261,252		5,552,697	
Creditors: amounts falling due within one year	**19**	(2,793,109)		(996,652)	
Net current assets			5,468,143		4,556,045
Net assets			9,810,676		4,943,214
Capital and reserves					
Called up share capital	**22**		100		100
Profit and loss reserves	**23**		9,810,576		4,943,114
Total equity			9,810,676		4,943,214

The financial statements were approved by the board of directors and authorised for issue on 21 December 2021 and are signed on its behalf by:

Miss H L Davidson
Director

LUCID ENTERTAINMENT GROUP LIMITED

COMPANY BALANCE SHEET

AS AT 31 MARCH 2021

	Notes	2021 £	£
Fixed assets			
Investments	**14**		635
Current assets			
Debtors	**18**	49,707	
Cash at bank and in hand		38,797	
		88,504	
Creditors: amounts falling due within one year	**19**	(39,452)	
Net current assets			49,052
Net assets			49,687
Capital and reserves			
Called up share capital	**22**		100
Profit and loss reserves	**23**		49,587
Total equity			49,687

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £281,587 (2020 - £0 profit).

The financial statements were approved by the board of directors and authorised for issue on 21 December 2021 and are signed on its behalf by:

Miss H L Davidson
Director

Company Registration No. 12750278

LUCID ENTERTAINMENT GROUP LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Share capital	Profit and loss reserves	Total
		£	£	£
Balance at 1 April 2019		100	5,298,631	5,298,731
Year ended 31 March 2020:				
Profit and total comprehensive income for the year		-	194,983	194,983
Dividends	**11**	-	(550,500)	(550,500)
Balance at 31 March 2020		100	4,943,114	4,943,214
Year ended 31 March 2021:				
Profit and total comprehensive income for the year		-	5,417,962	5,417,962
Dividends	**11**	-	(550,500)	(550,500)
Balance at 31 March 2021		100	9,810,576	9,810,676

LUCID ENTERTAINMENT GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Share capital	Profit and loss reserves	Total
		£	£	£
Balance at 1 April 2019		-	-	-
Year ended 31 March 2020:				
Profit and total comprehensive income for the year		-	-	-
Balance at 31 March 2020		-	-	-
Year ended 31 March 2021:				
Profit and total comprehensive income for the year		-	281,587	281,587
Issue of share capital	**22**	100	-	100
Dividends	**11**	-	(232,000)	(232,000)
Balance at 31 March 2021		100	49,587	49,687

LUCID ENTERTAINMENT GROUP LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

		2021		2020	
	Notes	**£**	**£**	**£**	**£**
Cash flows from operating activities					
Cash generated from operations	**28**		6,389,269		821,340
Interest paid			(31,367)		-
Income taxes (paid)/refunded			(52,452)		6,531
Net cash inflow from operating activities			6,305,450		827,871
Investing activities					
Purchase of business		(1,206,000)		-	
Purchase of intangible assets		(2,807,344)		-	
Purchase of tangible fixed assets		(291,841)		(188,510)	
Interest received		3		34	
Net cash used in investing activities			(4,305,182)		(188,476)
Financing activities					
Repayment of borrowings		1,605,000		-	
Dividends paid to equity shareholders		(550,500)		(550,500)	
Net cash generated from/(used in) financing activities			1,054,500		(550,500)
Net increase in cash and cash equivalents			3,054,768		88,895
Cash and cash equivalents at beginning of year			2,035,319		1,946,424
Cash and cash equivalents at end of year			5,090,087		2,035,319

1 Accounting policies

Company information

Lucid Entertainment Group Ltd ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is .

The group consists of Lucid Entertainment Group Ltd and all of its subsidiaries.

The principal activity of the company and group is disclosed in the strategic report.

1.1 Accounting convention

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

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

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

1.2 Business combinations

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

1 Accounting policies **(Continued)**

1.3 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Lucid Entertainment Group Ltd together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 March 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the g roup.

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

Subsidiaries are consolidated in the group's financial statements from the date that control commences until the date that control ceases.

Entities in which the group holds a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates.

Investments in associates are carried in the group balance sheet at cost plus post-acquisition changes in the group's share of the net assets of the entity, less any impairment in value.

If the group's share of losses in an associate equals or exceeds its investment in the associate, the group does not recognise further losses unless it has incurred obligations to do so or has made payments on behalf of the associate.

Unrealised gains arising from transactions with associates are eliminated to the extent of the group's interest in the entity.

The financial statements have been prepared using merger accounting principles (applicable to group reconstructions) set out tin FRS 102 Section 19 in order to meet the overriding requirements under section 404 of the Companies Act 2006 for financial statements to present a true and fair view. Under merger accounting the results of the subsidiaries are combined from the beginning of the comparative period before the merger occurred. Profit and loss account and balance sheet comparatives are restated on a combined basis and adjustments made to achieve consistency of accounting principles. As the company was not incorporated until part way through the current year, this merger accounting has required a true and fair override of the Accounting Regulations from The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 (SI 2015/980), as the principles of merger accounting, which are recognised in Schedule 6 of the Accounting Regulations, require the presentation of information for the 12 month period with 12 month comparatives.

1.4 Going concern

As part of assessing the potential impact of the ongoing COVID-19 virus situation management has prepared financial forecasts. These forecasts indicate that the company and group will continue to trade profitably, and generate cash, over the period considered by them in their assessment of the appropriateness of adopting the going concern basis in the preparation of these financial statements.

Management has also considered the impact of potential operational challenges posed by COVID-19, including but not restricted to, an assessment of the group's infrastructure, staff availability and logistical arrangements. Management has concluded that any operational pressures caused directly by the COVID-19 situation are unlikely to have a material impact on the company or group. On this basis the directors consider it appropriate to prepare these financial statements on a going concern basis.

1 Accounting policies **(Continued)**

1.5 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Turnover is recognised as and when services are delivered in line with underlying contracts.

1.6 Research and development expenditure

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

1.7 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

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

1.8 Intangible fixed assets other than goodwill

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

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

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

Development costs	10% straight line

1.9 Tangible fixed assets

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

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

Plant and equipment	20% straight line
Fixtures and fittings	20% straight line
Computers	33% straight line

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

1 Accounting policies **(Continued)**

1.10 Fixed asset investments

Investments are recognised at cost less impairment until a reliable measure of fair value becomes available.

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

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

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

1.11 Impairment of fixed assets

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

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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

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

1 Accounting policies **(Continued)**

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

1.12 Cash and cash equivalents

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

1.13 Financial instruments

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

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

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

Basic financial assets

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

Other financial assets

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

Impairment of financial assets

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

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

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

1 Accounting policies **(Continued)**

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

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

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

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

Other financial liabilities

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

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

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.14 Equity instruments

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

1.15 Taxation

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

1 Accounting policies **(Continued)**

Current tax

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

Deferred tax

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

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

1.16 Employee benefits

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

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

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

1.17 Retirement benefits

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

1.18 Leases

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

1.19 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1 Accounting policies **(Continued)**

1.20 Foreign exchange

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

2 Judgements and key sources of estimation uncertainty

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

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

3 Turnover and other revenue

	2021	2020
	£	£
Turnover analysed by class of business		
Video game production	15,963,304	8,692,597

	2021	2020
	£	£
Turnover analysed by geographical market		
UK	15,963,304	8,692,597

	2021	2020
	£	£
Other significant revenue		
Interest income	3	34
Grants received	35,000	-

4 Operating profit

	2021	2020
	£	£
Operating profit for the year is stated after charging/(crediting):		
Government grants	(35,000)	-
Depreciation of owned tangible fixed assets	160,131	123,049
Amortisation of intangible assets	270,995	45,523
Operating lease charges	-	5,129

Government grants relates to coronavirus business support grants received in the year.

5 Auditor's remuneration

	2021
Fees payable to the company's auditor and associates:	£
For audit services	
Audit of the financial statements of the group and company	3,500
Audit of the financial statements of the company's subsidiaries	22,550
	26,050
For other services	
Taxation compliance services	3,450

6 Employees

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

	Group 2021 Number	2020 Number	Company 2021 Number	2020 Number
Administrative	9	9	-	-
Production	117	108	-	-
Total	126	117	-	-

Their aggregate remuneration comprised:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Wages and salaries	3,976,150	2,893,414	-	-
Social security costs	434,883	311,814	-	-
Pension costs	444,098	238,813	-	-
	4,855,131	3,444,041	-	-

7 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	63,750	14,167
Company pension contributions to defined contribution schemes	2,741	-
	66,491	14,167

8 Interest receivable and similar income

	2021	2020
	£	£
Interest income		
Interest on bank deposits	3	34

9 Interest payable and similar expenses

	2021	2020
	£	£
Other interest	31,367	-

10 Taxation

	2021	2020
	£	£
Current tax		
UK corporation tax on profits for the current period	(1,018,104)	-
Adjustments in respect of prior periods	(619,544)	(6,531)
Total current tax	(1,637,648)	(6,531)

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

	2021	2020
	£	£
Profit before taxation	3,780,314	188,452
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	718,260	35,806
Tax effect of expenses that are not deductible in determining taxable profit	1,953	9,045
Unutilised tax losses carried forward	-	1,153,957
Change in unrecognised deferred tax assets	(66,832)	(12,493)
Under/(over) provided in prior years	(619,544)	(6,531)
Surrender of losses for tax credits	290,748	-
Enhanced tax relief	(1,962,233)	(1,186,315)
Taxation credit	(1,637,648)	(6,531)

11 Dividends

Recognised as distributions to equity holders:	2021 £	2020 £
Paid by Company to shareholders	232,000	-
Paid via the LLP's to members	318,500	550,500
	550,500	550,500

12 Intangible fixed assets

Group	Goodwill £	Development costs £	Total £
Cost			
At 1 April 2020	-	585,344	585,344
Additions - separately acquired	2,607,343	200,001	2,807,344
Additions - business combinations	-	1,286,913	1,286,913
At 31 March 2021	2,607,343	2,072,258	4,679,601
Amortisation and impairment			
At 1 April 2020	-	512,633	512,633
Amortisation charged for the year	130,367	140,628	270,995
At 31 March 2021	130,367	653,261	783,628
Carrying amount			
At 31 March 2021	2,476,976	1,418,997	3,895,973
At 31 March 2020	-	72,711	72,711

The company had no intangible fixed assets at 31 March 2021 or 31 March 2020.

13 Tangible fixed assets

Group	Plant and equipment	Fixtures and fittings	Computers	Total
	£	£	£	£
Cost				
At 1 April 2020	-	232,013	475,708	707,721
Additions	93,915	3,934	193,992	291,841
Business combinations	-	392	-	392
At 31 March 2021	93,915	236,339	669,700	999,954
Depreciation and impairment				
At 1 April 2020	-	96,852	296,444	393,296
Depreciation charged in the year	9,391	37,343	113,397	160,131
At 31 March 2021	9,391	134,195	409,841	553,427
Carrying amount				
At 31 March 2021	84,524	102,144	259,859	446,527
At 31 March 2020	-	135,161	179,264	314,425

The company had no tangible fixed assets at 31 March 2021 or 31 March 2020.

14 Fixed asset investments

		Group		Company	
		2021	2020	2021	2020
	Notes	£	£	£	£
Investments in subsidiaries	15	-	-	602	-
Investments in associates	16	33	33	33	-
		33	33	635	-

Movements in fixed asset investments

Group	Shares in associates
	£
Cost or valuation	
At 1 April 2020 and 31 March 2021	33
Carrying amount	
At 31 March 2021	33
At 31 March 2020	33

14 Fixed asset investments **(Continued)**

Movements in fixed asset investments

Company	**Shares in subsidiaries and associates**
	£
Cost or valuation	
At 1 April 2020	-
Additions	635
At 31 March 2021	635
Carrying amount	
At 31 March 2021	635
At 31 March 2020	-

The company was incorporated on 17 July 2020 and the restructure of the group took place on 5 October 2020, hence the additions to investments during the current year.

However, as previously discussed, the consolidated accounts have been prepared on the merger accounting basis.

15 Subsidiaries

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

Name of undertaking	**Registered office**	**Nature of business**	**Class of shares held**	**% Held Direct**
Lucid Play Limited	England	Video games production	Ordinary	100.00
Lucid Tech Limited	England	Video games production	Ordinary	100.00
Lucid Ex Limited	England	Video games production	Ordinary	100.00
Lucid Co-Dev Limited	England	Non trading company	Ordinary	100.00
Lucid Apps Limited	England	Non trading company	Ordinary	100.00
Lucid Publishing Limited	England	Video games production	Ordinary	100.00
Lucid Digital Limited	England	Video games production	Ordinary	100.00
Prickle Bang Limited	England	Non trading company	Ordinary	100.00
App Games Limited	England	Dormant	Ordinary	100.00
Lucid Games Limited	England	Video games production	Ordinary	100.00
Bloom Interactive Limited	England	Dormant	Ordinary	100.00

The registered address of all the subsidiaries is the same as the registered address of the group, as disclosed on the contents page.

16 Associates

Details of associates at 31 March 2021 are as follows:

16 Associates (Continued)

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Muffin Games Limited	England	Non trading company	Ordinary	33

The registered address of all the associate is the same as the registered address of the group, as disclosed on the contents page.

17 Financial instruments

	Group 2021	2020	Company 2021	2020
	£	£	£	£
Carrying amount of financial assets				
Debt instruments measured at amortised cost	187,943	1,569,473	n/a	n/a
Carrying amount of financial liabilities				
Measured at amortised cost	2,168,801	686,993	n/a	n/a

18 Debtors

	Group 2021	2020	Company 2021	2020
Amounts falling due within one year:	£	£	£	£
Trade debtors	185,600	38,250	-	-
Corporation tax recoverable	1,690,100	-	-	-
Other debtors	64,481	1,613,326	100	-
Prepayments and accrued income	1,230,984	1,865,802	49,607	-
	3,171,165	3,517,378	49,707	-

19 Creditors: amounts falling due within one year

		Group 2021	2020 (as restated)	Company 2021	2020
	Notes	£	£	£	£
Other borrowings	20	1,605,000	-	-	-
Trade creditors		320,452	450,367	-	-
Other taxation and social security		624,308	309,659	38,817	-
Other creditors		29,159	51,055	635	-
Accruals and deferred income		214,190	185,571	-	-
		2,793,109	996,652	39,452	-

20 Loans and overdrafts

	Group 2021 £	2020 £	Company 2021 £	2020 £
Other loans	1,605,000	-	-	-
Payable within one year	1,605,000	-	-	-

Other loans represents a loan in the current year with a director for £1,605,000. Interest is charged at 8% and interest paid in the year totalled £31,367. The loan is to be repaid when called upon by the director.

21 Retirement benefit schemes

Defined contribution schemes	2021 £	2020 £
Charge to profit or loss in respect of defined contribution schemes	444,098	238,813

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

22 Share capital

Group **Ordinary share capital**	2021 Number	2020 Number	2021 £	2020 £
Issued and fully paid				
100 Ordinary shares of £1 each	100	100	100	100

23 Reserves

Equity reserve

Called up share capital represents the nominal value of shares that have been issued.

Profit and loss reserve includes all current and prior year retained profit and losses including dividends.

24 Acquisition of a business

On 5 October 2020 the group acquired 100 percent of the issued capital of Lucid Publishing Limited.

Net assets acquired	Book Value £	Adjustments £	Fair Value £
Intangible	1,286,913	-	1,286,913
Tangible	392	-	392
Other debtors	144,874	-	144,874
Other creditors	(2,833,522)	-	(2,833,522)
Total identifiable net assets	(1,401,343)	-	(1,401,343)
Goodwill			2,607,343
Total consideration			1,206,000

The consideration was satisfied by:	£
Cash	1,206,000

Contribution by the acquired business for the reporting period included in the group statement of comprehensive income since acquisition:

	£
Turnover	-
Loss after tax	(101,042)

The company is not revenue generating and holds development titles. As such the loss in the year represents the amortisation charge from date of acquisition.

25 Operating lease commitments

Lessee

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

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Within one year	265,460	287,460	-	-
Between two and five years	369,062	669,422	-	-
	634,522	956,882	-	-

26 Related party transactions

During the year the company entered into a contract with a related party which generated revenue of £739,903 (2020: £nil). The company is deemed a related party due to common directors.

Recharges to related parties, due to common directors and shareholders was £27,334 (2020: £50,768).

During the year the company incurred costs of £620,000 (2020: £550,000) with a related party. The company is deemed to be a related party due to common shareholders.

At the year end amount owing from related parties was £1,742 (2020: £1,531,224). The companies are deemed to be related parties due to common directors and shareholders.

There was a directors loan of £1,605,000 in the year, which is shown in current liabilities in the balance sheet. Interest is charged at 8% and a total of £31,367 was paid in the year.

All related party transactions are done at arms length.

There were no transactions during the year with related parties other than with group companies. The company is exempt from disclosing transactions with group companies that are wholly owned within the same group.

27 Prior year restatement

In the previous year the group took advantage of the audit exemption under s477 of the Companies Act. As part of the 2021 audit, opening balance review was undertaken of 2020 and the following adjustments have been made to the accounts:

- Consultancy costs of £506,728 have been reclassified from administrative costs to cost of sales; and
- Consultancy and outsourcing costs were increased by £180,537 due to understatement of accrual in 2020.

The profit and loss and balance sheet along with any corresponding notes in the financial statements have been updated accordingly. The overall impact of the above amendments was to decrease underlying profit by £180,537.

28 Cash generated from group operations

	2021	2020
	£	£
Profit for the year after tax	5,417,962	194,983
Adjustments for:		
Taxation credited	(1,637,648)	(6,531)
Finance costs	31,367	-
Investment income	(3)	(34)
Amortisation and impairment of intangible assets	270,995	45,523
Depreciation and impairment of tangible fixed assets	160,131	123,049
Movements in working capital:		
Decrease in debtors	2,181,187	512,482
Decrease in creditors	(34,722)	(48,132)
Cash generated from operations	6,389,269	821,340

29 Analysis of changes in net funds - group

	1 April 2020	Cash flows	31 March 2021
	£	£	£
Cash at bank and in hand	2,035,319	3,054,768	5,090,087
Borrowings excluding overdrafts	-	(1,605,000)	(1,605,000)
	2,035,319	1,449,768	3,485,087