



Annual Report 2023



About Samarkand

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.

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Consolidated Statement of Comprehensive Income

Notes Forming Part of the Consolidated Financial Statements

Notes Forming Part of the Company Financial Statements

Consolidated Statement of Financial Position

Consolidated Statement of Changes in Equity

Consolidated Statement of Cash Flows

Company Statement of Financial Position

Company Statement of Changes in Equity

Company Statement of Cash Flows

Highlights

Revenues

+5.4%

Brand Ownership revenues

18.1%

FY23 Financial Highlights:

- Revenue increased by 5.4% to £17.5m (2022: £16.6m)
 - Brand Ownership revenues increased 48.1% to £6.7m (2022: £4.5m)
 - Nomad Technology revenue decreased 19.4% to £6.0m (2022: £7.5m)
 - Distribution revenues remained flat at £4.4m (2022: £4.4m)
- Gross margin increased from 50% to 55%
- Adjusted EBITDA loss decreased by 64% to £2.2m* (2022: £6.2m)
- Operating loss after taxation decreased by 40% to £4.6m (2022: £7.7m)

FY23 Strategic and Operational Highlights:

- Launched successful open offer in September 2022, raising £1.9m from existing shareholders, giving the group the ability to continue to pursue its strategic objectives.
- Generated top line growth across the Group despite ongoing COVID related disruptions in China during the year.
- Major reduction in losses vs prior year as a result of adjustment of cost base and improvement in gross profit margins as we focus on our core activities and our goal of moving the Group into profitability.
- Expanded the portfolio of niche premium skincare and health and wellness brands, targeting key consumer trends in China.
- Saw the benefit of investment in acquisitions and impact of improvements made in higher growth rates for our owned brand portfolio in the UK and in China.
- Expanded the Napiers the Herbalists premium natural beauty product line, grew sales channels and successfully introduced the brand in China.
- Expanded our influencer livestream commerce capabilities through the Douyin social commerce platform. New material sales opportunities were unlocked for our brands, working in partnership with Chinese influencers.

- Shifted the focus of our technology resources to embedding and commercialising what has already been developed vs feature innovation enabling a reduction in our cost base.
- Improved operating efficiency across the business and strong progress in reducing inventory levels and improving stock turns.

Post Period End Highlights:

- April and May revenue 13% above prior year, with an improvement in gross profit percentage from 53% to 63%.
- Revenue during the key shopping festival in June was 25% lower than prior year. The cancellation of key promotional events and weaker than expected performance across several livestream channels resulted in lower than expected sales. As a result, Q1 FY24 overall revenue is 5% below
- July month is on track to be in line with our expectations in terms of top and bottom line results. A number of new sales channels and partner relationships in the China market will come on stream in Q2 expanding the route to market and sales potential for our brands.
- Strong growth in influencer led livestream commerce with sales via the Douyin platform growing 220% year over year in Q1 FY24.
- Extended partnership with 1 existing brand and added 7 new niche beauty and skin care brands to our portfolio related to emerging skincare trends and beauty tools.
- Signed leading Southeast Asian duty-free retailer to our Nomad Checkout platform for cross-border DTC sales.
- Samarkand named "Best Cross-border Campaign" finalist in 2023 eCommerce Awards, in recognition of highly innovative China market entry strategy for Napiers the Herbalists, effectively leveraging the rapidly expanding Douyin platform to generate substantial sales.
- EBITDA and Adjusted EBITDA are non-GAAP measures used to represent the trading performance and results of the Group. EBITDA is defined as profit or loss before tax adjusted for finance income and expense, depreciation and amortisation. Adjusted EBITDA excludes those items the Group considers to be non-recurring or material in nature that may distort an understanding of financial performance or impair comparability.

Achievements

Our position as a pioneer in China cross-border eCommerce was recognised in multiple industry awards across the year



China Scotland Business Awards 2023 Winner Entrepreneur of the Year

Samarkand Co-Founder, Simon Smiley, was awarded Entrepreneur of the Year at the sixth annual China-Scotland Business Awards 2023. This award is testament to Simon's strong entrepreneurial leadership and unwavering commitment to the team at Samarkand Group plc.

China High Tech Enterprise Certification

In December 2022 Samarkand was certified as a 高新技术企业 or China state approved High-Tech Enterprise by the National High-tech Enterprise Certification Management Bureau.

2022 British Business Awards Finalists Innovation & Entrepreneur of the Year

Samarkand, was pleased to have been shortlisted as a finalist in two categories at the 2022 British Business Awards – celebrating UK-China business excellence.

The British Business Awards showcase organisations and individuals who are achieving outstanding results, and who demonstrate the highest level of commitment to Sino-British trade and investment relations across a variety of disciplines in China.







Market Overview

A Year Dominated by COVID Disruptions with a Rapid Change in Approach to COVID in Q4

China's zero tolerance approach to containing COVID continued until December 2022 at which point there was a rapid and sudden lifting of COVID restrictions. Up to that point we experienced significant supply side disruption through the year as severe lockdowns continued to be introduced country wide at short notice.

The rapid lifting of restrictions in December 2022 caused further disruption as the disease spread quickly through the population causing widespread absenteeism. Towards the end of the period, the economy has begun to reopen as consumers return to normal lives. China economic growth is forecast to be in the range of 5% to 6% in calendar year 2023 although we note that while household savings balances continue to rise, Chinese consumer confidence remains bruised by the COVID period and concerns over the property market and employment prospects in light of widespread layoffs which are historically uncommon in China.

Large, Growing eCommerce Market Despite Disruption

The overall Chinese eCommerce market is the world's largest valued at over \$2.0 trillion. Despite the many challenges, the market is estimated to have grown by 10.4% in 2022¹ and market revenue is forecast to grow 12.17% between 2023 and 2027².

A recent McKinsey report forecast that the number of middle and upper middle-class households will grow to over 300 million by 2025 increasing by over 40 million households from 20213. The growth of the middle and upper middle classes in China continues to bode well for the sustained growth of eCommerce and cross-border eCommerce in particular with consumers trading up to niche and premium brands.

The eCommerce market in China moves quickly as new business models and platforms constantly emerge, the most notable trend being the growth in influencer led livestream commerce enabled by platforms such as Douyin (TikTok in China) which have taken share from leading marketplaces such as Alibaba.

Continued Growth in Cross-Border eCommerce

Cross-border eCommerce is flourishing globally as the barriers that have traditionally made it difficult for merchants and disappointing for consumers to shop overseas start to dissipate. The global cross-border eCommerce market was estimated to be worth \$888.57 billion in 2022 and is forecast to grow at a compound annual growth rate of 25.8% from 2022 to 20304.

China represents the single largest cross-border eCommerce market estimated to be worth £300 billion with compound growth forecast in the range of 20%-25%⁵.

Increasingly wealthy and discerning Chinese consumers seek international brands they can't buy domestically and to take advantage of the lower taxes offered by compliant cross-border transactions. The return of overseas travel to pre-pandemic levels bodes well for the continued growth in cross-border eCommerce as consumers discover new brands whilst abroad and seek to continue purchasing on their return.

Chinese authorities continue to support the growth and development of cross-border eCommerce by expanding free trade zones and adding new product categories to the approved list. The China cross-border eCommerce market comes with a unique set of complexities which our software and services solve, positioning us well in this rapidly developing market.

A Rapidly Evolving Industry

The Chinese eCommerce industry is ahead of all other markets in terms of size but also in terms of technology, trends and business models. Alibaba has long been the dominant platform but over the last 12-24 months there has been a significant shift to other platforms. Pinduoduo (PDD) has taken market share at the lower end of the value spectrum.

Douyin and Kuaishou are the leading and fastest growing short video platforms. Both have introduced eCommerce capabilities which has had a dramatic impact on the market, particularly for cross-border and beauty sectors. Little Red Book (RED) has grown in popularity over the years as a consumer search engine and has this year also entered the livestream commerce market whilst Tencent owned WeChat has also announced new initiatives to regain eCommerce market share.

¹ https://www.globaldata.com/media/banking/china-continues-to-lead-global-e-commerce-market-with-over-2-trillion-sales-in-2022-says-globaldata/

² https://www.statista.com/outlook/dmo/ecommerce/china

³ McKinsey & Company, 2023 McKinsey China Consumer Report: A Time of Resilience, 2023

⁴ https://www.grandviewresearch.com/industry-analysis/cross-border-b2c-e-commerce-market-report

⁵ https://www.azoyagroup.com/blog/view/china-cross-border-e-commerce-import-market-in-2023-trends-opportunities-and-challenges/

Strategy & Business Model

Our strategy is built upon three complementary activities:

- Cross-border eCommerce Acceleration Services enabled by our Nomad Platform and B2B network;
- Cross-border eCommerce Technology a set of solutions which enable international merchants to sell direct to Chinese consumers; and
- Brand Ownership our portfolio of owned consumer brands covering the major long term consumer trends of fertility, natural health and beauty and digestive health.

The Group's capabilities are well positioned against positive macro trends in terms of:

- Continued growth in global and Chinese eCommerce and cross-border shopping, growth of middle and upper middle-class households in China, and the Chinese consumers' desire to seek out niche international brands.
- The desire of many international brands and merchants to unlock sales in China through the application of technology and use of specialist market partners to reduce friction in developing the market opportunity.
- Long term global growth in consumer expenditure on beauty, health and wellness and the growing preference for niche prestige offerings over mass

We increasingly see a force multiplier effect from these three complimentary activities in the Group as our acceleration capabilities are enhanced by technology, our owned brands capitalise on our China sales channels and merchants leveraging our technology solutions seek to expand their presence in the market.

1. eCommerce Enabled by Nomad Platform

We operate as the China market development partner for international skincare, beauty and health and wellness brands, offering them controlled, profitable, visible China growth with a turnkey service. We partner with a portfolio of over 20 brands and leverage our Nomad platform and B2B distribution network to launch and grow these brands in China via cross-border eCommerce.

Our brand, marketing, channel and logistics, and operations teams market and distribute these brands to Chinese consumers through multiple routes including social commerce platforms, online marketplaces, specialist online retailers and by working with leading influencers to capitalise on the fast-growing livestream commerce opportunity.

This can take the form of building and running flagship stores on leading marketplaces such as Tmall and JD.com or working with social commerce channels such as WeChat and fast-growing livestream platforms such as Douyin.

Notable in the period is the expansion of our Douyin influencer led livestream commerce capabilities enabling us to offer this channel to many of our brands in partnership with leading Chinese influencers, leveraging our Nomad integrations into the Douyin platform.

We have expanded the portfolio of brands we work with in the period, with 7 new leading niche skincare, haircare and beauty tool brands joining our platform. Increasingly discerning Chinese consumers are attracted to niche brands which they cannot find locally.

Our underlying Nomad Technology, our integrations into Chinese eCommerce platforms and B2B relationships enable us to quickly introduce our brands to Chinese cross-border shoppers via a number of channels and to give the brands full visibility of their performance in China.

This part of the group was most impacted by the COVID related disruptions in the China market in the year with revenues falling by 8% vs prior year.

2. Cross-border eCommerce Technology

Key components of our Nomad platform have been packaged into solutions which enable international merchants and DTC brands and their logistics partners to trade directly with Chinese consumers from their eCommerce sites and to operate in a compliant cross-border manner with local partners.

Our technology is live with a number of international merchants including large scale retailers such as WConcept and PacSun enabling them to sell direct to consumers in China. Nomad also supports a large number of independent international merchants in securing compliant cross-border transactions.

As part of our focus on becoming profitable we took steps to reduce our investment in new technology development in the year, concentrating our resources on commercialising and enhancing what has already been developed.

Revenues generated by our pure technology solutions continue to grow from a small base and we intend to expand our merchant base selectively over time through direct relationships and via partnerships with logistics firms such as SF Express and FedEx.



3. Owned Brands

We operate a portfolio of 3 health, wellness and beauty brands which are well positioned against global mega trends of fertility and reproductive health, natural herbal wellness and beauty and digestive health.

Probio7

Probio7 is a specialist digestive health supplement line offering consumers a number of condition and benefit specific solutions. The Group acquired Probio7 in 2017 and it remains our most established brand.

We distribute Probio7 in the UK directly to consumers and via leading health and beauty retailers such as Holland and Barrett and Boots and have used our China sales channels to establish the brand in China. Our focus is on developing sales of the brand through existing channels and markets with selective innovation to enhance the proposition.

In the year we launched the Probio7 yoghurt machine which enables consumers to produce high quality probiotic yoghurt at home and expanded our childrens' offering with the launch of Strawberry Fruit Bears.

Zita West

Zita West is a specialist fertility and reproductive health supplement product line and education platform which assists men and women in achieving their fertility goals. Founded by Zita West, a leading authority on fertility following a 25-year career as midwife, we acquired Zita West Products Limited in May 2021.

Through product development, enhanced marketing with a focus on education and support for customers and introduction of the brand to Amazon we have been able to grow the proposition substantially and help an increasing number of customers on their fertility journeys.

Zita West revenues overall grew by 85% (or 70% on a like-for-like basis) in the year, 46% growth in the UK and ROW as a result of a higher level of customer acquisition and 206% growth in China. We are excited about the future potential of the brand as an increasing number of people across the world face issues with fertility. A recent study by the World Health Organisation found that 1 in 6 adults worldwide, 17.5% of the adult population experience infertility⁶.



Case Study

Brand Ownership - Napiers

Napiers the Herbalists is one of the jewels of Edinburgh's heritage retail scene.

Napiers the Herbalists is one of the jewels of Edinburgh's heritage retail scene. A part of the Group's brand portfolio, Napiers was founded by eminent Victorian botanist and the most famous herbalist in Scotland, Duncan Napier, in 1860. Over the last 163 years it has become one of the UK's leading names in complementary and natural health care. Napiers' natural herbal apothecary and clinic offers herbal remedies and natural herbal skin care solutions to consumers from their original store at Bristo Place in Edinburgh's Old Town and online.

Today, Napiers continues to honour Duncan Napier's passion for providing natural health care to all. Napiers products are proudly made in Britain with carefully selected natural ingredients that harness the healing power of plants.

In addition to the apothecary and online channels, Napiers herbal products are sold to several hundred health stores and independent pharmacies in the UK including Selfridges and John Bell & Croyden, pharmacists to the Queen from 1958 until 2022.

The Group acquired Napiers the Herbalists in November 2021 and have made a number of investments in transforming the proposition including upgrading the apothecary and clinic, relaunching the eCommerce site, expanding the range of natural herbal skin care, introducing the product line on Amazon, and generating our first international sales in the China market. A notable highlight was the launch of Napiers the Herbalists range in China via influencer livestream commerce, leveraging Samarkand's Nomad Checkout technology and capitalising on our group capabilities.

Napiers sales in the period have grown from $\mathfrak{L}0.3m$ to $\mathfrak{L}1.7m$, of which $\mathfrak{L}0.6m$ was generated in China. This is a result of investment in the business, and we see strong future growth potential through continued product innovation, introducing new sales channels and entering new markets.

Napiers Performance

Since its acquisition, the Group has grown Napiers' revenue by 419% £0.3m to £1.7m for the year ending 31 March 2023 or 201% on a like-for-like basis.





Chairperson's Statement

The Group is well positioned to capitalise on a reopening economy with a strong portfolio of desirable, premium international brand partners and proprietary technology which enables merchants and brands to sell direct to Chinese consumers in a compliant cross-border manner.



I am delighted with the progress being made at Samarkand despite operating in a period of ongoing disruption, as result of the extended zero tolerance approach to COVID in China. The fact that the business has produced growth and significantly reduced losses in a volatile and uncertain environment is of great credit to the whole team.

I would like to take this opportunity to thank the entire team for their contribution and commitment, as well as their resilience and adaptability in moving the group forward over the last 12 months. The business has responded well to an evolving situation in China and continued to make strategic progress despite the disruptions.

It is particularly pleasing to note the growing contribution of the 2021 acquisitions Zita West and Napiers the Herbalists and their impact on the group performance, providing some protection from the disruption in China.

The team's focus on becoming profitable is abundantly clear from the excellent progress made in reducing losses through improvements in gross margins, cutting costs, and better

financial planning and analysis across the business.

A well-timed open offer in September 2022 received strong backing from existing shareholders enabling the team to focus on delivering their ambition and making progress towards their goal of becoming profitable.

Financial Results

The Group delivered revenues of £17.5m which equates to growth of 5.4% over the prior year. More importantly, adjusted EBITDA losses were reduced by over 60% to £2.2m and operating losses reduced by 40% to £4.6m as a result of stronger gross margins and reduction in operating costs.

Strong growth in owned brands and a small decline in revenues from acceleration and distribution activities which were most impacted by COVID related issues in China, combined to produce year over year growth in revenues in what was another year of disruption.

People

The Samarkand team has responded well to the challenges of the year and demonstrated their ability to deal with disruption on many fronts as well their willingness to take difficult decisions and execute at speed. I would like to give a special mention to our colleagues in China who despite extended lockdowns followed by a sudden and unexpected reopening were able to continue to operate and serve our partners and clients in the most difficult of circumstances. The team's performance can largely be attributed to the sense of community we have built across the Group and a culture that encourages our teams to grow and take on new challenges. They have not only displayed resilience in the face of various challenges throughout the year but have also consistently exhibited their capacity to adapt and thrive.

Board and Governance

Our Board which was established at the time of the IPO is operating well, bringing a wealth of experience to the Group. Sustainability, Remuneration, Nomination and Audit committees have been established and I would like to thank my fellow Directors for their service and flexibility in the last year in which their guidance has been invaluable.

Summary and Outlook

The Chinese economy has reopened and is recovering from two years of extended and extremely tough lockdowns. There is ground for optimism as consumers and channels return to some degree of normality, although it is important to note that while COVID related restrictions are now lifted, Chinese consumer confidence has yet to recover to pre-COVID levels.

The Group is well positioned to capitalise on a reopening economy with a strong portfolio of desirable, premium international brand partners and proprietary technology which enables merchants and brands to sell direct to Chinese consumers in a compliant cross-border manner.

The Group has demonstrated its ability to adapt to an ever-changing eCommerce landscape in China where market dynamics shift rapidly, and new channels emerge at great speed – as evidenced by the strong growth in sales we have been experiencing through livestream influencer commerce.

The brands we acquired in 2021, Zita West and Napiers the Herbalists are well placed for further growth as investments made in FY23 begin to translate into higher sales with the added benefit of being less dependent on the China market.

In line with their goal of becoming profitable, I am confident that the team continue to challenge costs and look for opportunities to improve operational efficiencies across the business.

Tarith C Dodge

Tanith Dodge
Chairperson
4 August 2023

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CEO Review

I am proud of how our team adapted and pulled together throughout the year, enabling us to make good progress against our strategic goals despite a volatile situation on the ground with China.



In our third year as a public company, we have made strong progress towards our goal of becoming profitable despite encountering a significant amount of disruption as strict lockdowns continued in China, disrupting sales and distribution activities.

We acted quickly to adjust our cost base and benefited from strong growth in our UK based acquisitions, the combination of which enabled to us to deliver revenue growth year over and reduce our Adjusted EBITDA losses by over 60%.

I am proud of how our team adapted and pulled together throughout the year, enabling us to make good progress against our strategic goals despite a volatile situation on the ground with China. We moved quickly to open new sales channels and navigate the supply side disruptions throughout the year and have made positive improvements to the brands we acquired, this is testimony to our ability to execute at speed.

At 31 March 2023, cash and cash equivalents was £2.0m and net current assets of £3.3m. Following a successful open offer it is our intent to use the proceeds to reach profitability in the coming 12 months. In a fast-evolving industry we remain open to potential new strategic investors.

China Market Environment

The zero-tolerance approach to COVID was rapidly abandoned in December 2022 and the following months were a period of adjustment for the market as restrictions were lifted almost overnight and the disease spread quickly through society.

The macroeconomy appears to be recovering with most analysts predicting GDP growth in the 5%-6% range, lower than historical levels but still a growth leader among the world's largest economies.

Household savings balances in China are at record levels and while some analysts have predicted a major rebound in consumer spending. Our assessment is slightly more cautious based on the fact that Chinese consumer confidence is yet to recover to pre-pandemic levels, although we do observe undoubtedly improving prospects.

Overall, we are more optimistic about the year to come given lockdowns are now a thing of the past and, despite mixed economic signals, we are confident in the secular trends for eCommerce, cross-border eCommerce and consumer appetite for niche, premium brands in beauty and health and wellness.

We note that the geopolitical environment between China and the West in particular is strained at the moment and while we are optimistic that the impact of potential future developments on trade will be limited, it is conceivable that shifts in the political environment could impact trade in the future. The continued growth of our owned brand portfolio in markets outside of China provides the Group with some protection against this.

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Strategic Progress

Our overriding goal is to become profitable and I am pleased to report that we made strong progress towards this objective in the year. This can be attributed to a strong performance from our owned brand portfolio, a focus on profitable growth in everything we do, as well as selective adjustments to our cost base.

Our owned brand portfolio grew at 48% in the year, or 27% on a like-for-like basis, in turn improving our gross margin mix. Zita West revenues grew 85% from prior year or 70% on a like-for-like basis and Napiers the Herbalists grew by 419% or 201% on a like-for-like basis. We were able to make material improvements to both brands in terms of marketing, customer acquisition, expanding sales channels and developing international sales.

In China eCommerce acceleration we strengthened the portfolio of brands we work with adding high potential brands in trending areas including Doctor led skincare, beauty tools and haircare. We are excited about the potential for our existing partner brands and have put strong plans in place for the year to come designed to capitalise on the reopening of the economy. We strengthened our capabilities in the fast-growing livestream eCommerce market and have been able to offer new sales opportunities to our brands, all enabled by our underlying Nomad platform.

With our cross-border eCommerce technology solutions we shifted our attention to consolidating and commercialising what we have already developed vs adding new features. This enabled us to reduce our software development cost base to a core team. With the re-opening of the Chinese economy we anticipate that a growing number of merchants will see China as an opportunity market and will opt to use partners and technology to tap into this opportunity.

Outlook Statement

As the Chinese economy reopens we are positive about the opportunities that may emerge in the year to come. Our brand portfolio and sales channels are well positioned to take advantage of demand without the supply side restrictions we experienced in FY23.

In addition to accelerating top line growth, we will continue to challenge our cost base and look for opportunities to improve operating efficiency as we seek to move into profitability in the coming financial year.

The reopening of international travel means our leadership can visit China for the first time in over 3 years and we look forward to getting back into the market and re-connecting with our team and partners on the ground.

I recently observed first-hand the changes that have occurred over the last few years when I visited China in June 2023. The market has always been fast moving and constantly evolving and it was clear that the pace of change is accelerating.

D. Japan

David Hampstead Chief Executive Officer 4 August 2023

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Our People

We are proud of our skilled, diverse and flexible team and are committed to giving them opportunities to grow and develop with the business. In September 2022 teams completed our bespoke Management Development Training Programme, receiving qualifications from the Institute of Leadership and Management and The City and Guilds of London Institute. We picked up a number of industry awards during the year which is testament to the quality of our team.

The Group introduced quarterly success factors for every employee giving them the opportunity to set practical priorities for the coming quarter with their manager and to review progress made in the previous quarter. This ensures that individual goals are aligned to company priorities yet flexible in recognition of the dynamic fast paced nature of the business and the markets we work in.

We believe in expanding employee ownership widely across the business and will continue to issue available share options when conditions permit. All of our management team and many of our colleagues across the business are incentivised with share options.







Diversity and Inclusion

We are committed to a diverse workforce which reflects the markets in which we operate. Our team is inclusive of 19 different nationalities.

Gender	der
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Nationality

Ethnicity

Level	Male	Female D	Not Disclosed ²	British/ Dual ³	Non- British	Not Disclosed*	ВАМЕ	Non- BAME	Not Disclosed ²
Plc Board	4	2	-	5	1	-	0	6	-
Senior Management	4	3	-	3	4	-	4	3	-
Workforce Total	29	73	2	33	70	1	67	35	2

- 1. Data as at 31/03/23 inclusive of full, part time and voluntary workforce
- 2. Not Disclosed refers to employees who have not disclosed this information to the Company due to personal preference or as a result of incomplete records
- 3. British/Dual refers to employees who have dual nationality (where one of the dual nationalities disclosed is British)

In each annual report we shine a light on some stand out talents in our business and recognise their hard work and dedication:



Pengcheng Yu **eCommerce Operation Assistant**

With a background in MA Fashion Marketing and Branding, Pengcheng takes great joy in learning about the great niche brand partners at Samarkand and recommending them to friends and clients. He has extensive experience in influencer marketing and has assisted with our checkout team's efforts in this area while also successfully establishing and managing Samarkand's TikTok store for livestreaming. His primary focus has been on B2B sales, handling notable brands like The Organic Pharmacy, Olivanna, and Bleach London. Recently, he relaunched and managed MZ SKIN's Little Red Book store, expanding sales through KOL-driven live streams. Since joining Samarkand in 2021, he has consistently demonstrated a strong work ethic and unwavering dedication as a team player.

As a passionate marketer with a keen interest in branding, Pengcheng has seamlessly integrated into our brand management team. We are committed to nurturing his professional growth and look forward to his continued development within the Samarkand community.



Shiwen Xiong General Manager China

Shiwen became a part of the Samarkand team in 2017, shortly after the establishment of the Company. Starting as our Group Financial Controller, Shiwen showcased exceptional financial expertise. Her leadership qualities, combined with a genuine enthusiasm and thoughtfulness, quickly made her an invaluable asset to our organisation.

As the company expanded, Shiwen's role naturally evolved. Today, she holds the position of General Manager China, where she oversees the operations of Samarkand in Shanghai. Throughout the challenging period of the pandemic, Shiwen exemplified remarkable adaptability. She successfully supported the business by seamlessly splitting her time between London and Shanghai as required, demonstrating her unwavering commitment to our success. Shiwen's exceptional leadership has been pivotal to the growth and resilience of our Shanghai office. We greatly appreciate her contributions and look forward to her continued leadership as we navigate future opportunities and challenges together.



Strategic Report / Corporate Governance / Financial Statements

The Board monitors and assesses 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
Disruptions to supply chains	Global supply chains have been broadly and severely impacted due to COVID and the war in Ukraine with increasing fuel prices and other macroeconomic events. This may increase the costs for moving goods and fulfilling consumer orders. Specific disruptions relating to COVID lockdowns in China include parcel quarantine procedures which significantly delay the delivery of overseas parcels. Continued disruption because of the UK leaving the EU making the European market more difficult to service and also causes delays and additional cost and complexity for the importation of goods into the UK.	The Group has formed strong logistics partnerships which has insulated the Group from some of the effects of price rises. To mitigate the restrictions on overseas parcels entering China, a switch in business model was required to focus more heavily on distribution sales and increase the use of bonded warehouses within China. The Group has moved some of its purchases from the EU to UK to reduce complexity in its supply chain.
Geopolitical issues	Geopolitical tensions have and could continue to 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. The increased interest in domestic brands has gained traction in some categories but as anticipated has not extended to the main sectors in which the Group operates.	Revenue from markets outside China and from the Group's own brand portfolio has increased and will be a continued focus. There is a continued focus on unique, high efficacy and quality products within the Group's client and own brands to mitigate against domestically produced brands.
Structural and regulatory changes in the eCommerce market in China	The Chinese eCommerce market and associated industries have and may continue to face new regulations that disrupt the Group's activities. Livestream commerce, which the Group uses for a significant amount of its sales, is a relatively new form of eCommerce and as such is likely to be further regulated as it grows in significance. The market is also very dynamic with new channels and platforms rising and falling from relevance quickly which may impact the Group's strategy and sales.	The Group maintains relationships with relevant trade bodies and customs authorities within China. The Group works with a wide range of influencers of varying reach to avoid exposure to any single influencer. As new channels emerge the Group evaluates the commercial and strategic importance of each and deploys resources in line with that assessment.

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Principal Risks and Uncertainties

Continued

Risk	Description	Mitigation
Impact of COVID-19	China's zero COVID policy caused significant amounts of disruption for the Group over the last few years including delays caused by parcel quarantine, employees in lockdown and unable to travel, lockdown of ports, airports and warehouses, increased cost of freight and transportation, with potential and existing clients deciding to deprioritise or retreat from the China market due to these challenges. China's rapid ending of the zero COVID position in December 2022 generated further disruptions to the Group's trade.	Many changes have been necessary to adapt to the risks imposed by COVID-19, from staff safety and business continuity, to how the Group services its clients and forecasts its business. The inability to ship parcels from overseas in a timely manner has necessitated placing more inventory within China. These practices have been adopted and adapted to suit post COVID China as consumers and channels return to some degree of normality.
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. The success of these solutions relies on China being seen as an attractive market for international brands and for Chinese consumers to continue to be interested in international brands and products. This may not be the case due to logistics, price, geopolitical or macroeconomic factors.	The Group has invested ahead of revenue on key strategic projects where it sees long-term future value but has adapted its cost base in response to a slower rate of adoption due to changes in the market in which it operates. Continued investment will be made in these technologies and solutions in line with the prevailing level of risk and demand for its technology solutions.
Loss of a major sales channel or client	Client contracts typically have annual sales targets attached which may or may not be met based on factors outside of the Group's control such as stock availability, logistics or delivery issues and disruptions caused by COVID.	The Group has been working closely with clients and partners throughout the periods of most significant disruptions to ensure they are fully appraised of the prevailing conditions in China. Frequent demand planning and reforecasting has been necessary to deal with the volatile market.

Risk	Description	Mitigation
Loss of a major sales channel or client cont.	Channels and platforms that the Group sells on may reduce their activity or cease to trade in the event of economic downturn.	The Group has sought to develop a wider base of channels including more top-tier social selling channels and emerging marketplaces such as Douyin. The ratio of revenue and gross profit derived from portfolio of owned brands has also been increased.
Rapidly changing industry	The Chinese eCommerce industry is highly advanced and rapidly changing. Platforms that achieve rapid market share can become significant parts of the eco-system or fall as quickly as they rise. There has been a large movement of consumers from Alibaba platforms such as Tmall and Taobao to newer platforms such as Pinduoduo and Douyin in the past 18 months. The Group invests time and resources to develop integrations, sales channels and partnerships with key platforms but these platforms may be superseded in relatively short periods.	The Group closely monitors developments in the industry and evaluates the opportunity vs resource requirement for each potential sales channel.



Overview

Group revenues for the year increased by 5.4% to £17.5m (2022: £16.6m). Revenue growth in China was dampened by the disruptions caused by the continued impacts of the pandemic in China with revenues remaining flat at £11.7m (2022: £11.6m). Revenue growth in UK and ROW remained strong and was augmented by growth in the acquisitions made in the prior year, revenues in the UK increased by 16% to £5.8m (2022: £5.0m).

Revenues in Brand Ownership up 48% to £6.7m (2022: £4.5m), Nomad Technology down 19.3% to £6.0m (2022: £7.5m), and Distribution revenues remaining flat at £4.4m (2022: £4.5m).

The Group's gross margin increased to 55% from 50% in FY 2022, driven by increase in revenues from Brand Ownership as a % of total revenue.



Operating Expenses

Selling and distribution expenses, have decreased significantly to 31% (2022: 42%) of revenue, as a result of increasing use of bonded warehouses in China to mitigate disruptions, more targeted investments in our own brands and structural changes in our sales mix as well as focus on improving operating efficiency across the business.

Administrative expenses decreased to 44% (2022: 49%) of revenue as the Group made selective adjustments to its cost base. The Group's total head count as at 31 March 2023 was 104 (2022: 158). During the year the Group incurred a number of significant non-recurring costs which have been shown as exceptional items in the financial statements. These items include redundancy and restructuring costs as a result of the Group's adjustment to its cost base in light of the challenges presented by the disruptions.

Depreciation and Amortisation

The total depreciation and amortisation costs were $\mathfrak{L}0.4\text{m}$ and $\mathfrak{L}0.8\text{m}$ respectively (2022: $\mathfrak{L}0.3\text{m}$ and $\mathfrak{L}0.5\text{m}$). The Group continued to invest in its Nomad Technology platform with a total of $\mathfrak{L}1.1\text{m}$ (2022: $\mathfrak{L}1.1\text{m}$) development costs capitalised during the year.

Adjusted EBITDA

Adjusted EBITDA means the non-GAAP measure which is defined as Earnings Before Interest, Taxes, Depreciation, and Amortisation and exceptional items. It provides a useful measure of the underlying profitability of the business and is used by management to evaluate the operating performance to make financial, strategic and operating decisions and provides the underlying trends on a comparable basis year on year.

Adjusted EBITDA losses decreased to £2.2m (2022: £6.2m), after deducting £0.5m in restructuring costs and £0.7m for share based payment expenses. The decrease in losses is a result of the adjustments made to the Group's cost base and improvements made in operating efficiencies.

Financial Review

Continued

March 2023 March 2022

Operation (loss)/profit	(4,587,848)	(7,677,082)
Depreciation and amortisation	1,140,524	786,639
Share-based payment	712,271	-
Repayment of share option plan	-	306,579
Acquisition and restructuring costs	507,085	347,615
Adjusted EBITDA	(2,227,968)	(6,236,249)

Earnings Per Share

Basic and diluted loss per share was 7.78 pence per share (2022: 14 pence per share).

Net Cash/(Debt)

	March 2023	March 2022
Cash and cash equivalents	2,017,150	4,049,118
Right-of-use lease liabilities	(573,785)	(720,353)
Borrowings	(1,453,298)	(1,452,127)
Net cash/(debt)	(9,933)	1,876,638

At the year end, the Group's net debt position was $\mathfrak{L}0.01$ m (2022: net cash $\mathfrak{L}1.9$ m), excluding the IFRS 16 lease liabilities, net cash was $\mathfrak{L}0.6$ m (2022: $\mathfrak{L}2.6$ m). The adjustments made to the Group's cost base including the reduction in its head count and the improvements to its operating efficiencies with targeted marketing and structural changes in its sales mix and activities saw the Group's negative operating cash flow fall to $\mathfrak{L}2.4$ m from $\mathfrak{L}8.0$ m.

The payment of deferred consideration in relation to the prior year acquisition of Napiers the Herbalists, together with the continued investment into its technology platform resulted in cash outflow from investing activities of £1.2m (2022: £4.7m). In September 2022, the Group received £1.9m from its existing Shareholders in an open offer together with the repayment of borrowings and lease liabilities, the net cash from financing activities was £1.5m (2022: £2.3m).

Financing costs of £0.16m (2022: £0.17m) comprised of interest expenses of £0.1m (2022: £0.1m).

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 them-



Engaging with Our Stakeholders

Continued

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

Stakeholder	How We Engage
Our Shareholders The Board and Executive Management Team maintains strong relationships with investors and supports open channels of communication.	The Company proactively engages in dialogue with shareholders. During the year the CEO has participated in number of investor presentations and at various other investment led events. This included an investor roadshow in April 2023. Our last AGM was held on 29 September 2022 and our next will be held on 27 September 2023. This will provide an opportunity for shareholders to meet the Directors and discuss the year's results. Website and shareholder communications Further details on the Group, our business and key financial dates can be found on our corporate website: https://www.samarkand.global/
Our People Our employees are at the core of everything we do.	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. Our teams are kept fully informed of the business' performance, operational and strategic initiatives through newsletters and quarterly townhalls. We continually strive to maintain open communication and encourage collaboration from all our employees through shared learning sessions. Refer to Our People section on page 13 for more details.
Our Customers and Brand Partners 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.	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.
Our Suppliers 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.	We rely on suppliers and logistics partners across a number of geographical locations. Throughout the year we have worked closely with our key suppliers and logistics partners to manage the continued disruptions as a result of COVID-19 and Brexit. 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.

On behalf of the Board

David Hampstead
Chief Executive Officer
4 August 2023



Corporate Governance

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 (62)
Independent Non-Executive
Chairperson

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 a 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.

Her current Board experience includes Acting Chairperson and Senior Independent Director, Chair of Remuneration Committee, Chair of 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. 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.

External Appointments

Robert Walters PLC, Member of the Advisory Council at Pricewaterhouse-Coopers, Member of the board of Silverwood Brands Plc



David Hampstead (44) Co-founder, Chief Executive Officer

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 Gaming Realms plc (GMR:LSE) where he served as Chief Technology Officer. In 2016 he co-founded Samarkand Global with the vision to make the world's largest eCommerce market more accessible to international brands.

External Appointments



Simon Smiley (42) Co-founder, Chief Operating Officer

Simon started his career as a store management trainee in 2004 with Rank PLC in London. He later 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 was recently awarded Entrepreneur of the Year at the 6th annual China-Scotland Business Awards 2023.

This award is testament to Simon's strong entrepreneurial leadership and proven business acumen. As Co-founder and COO he offers unwavering commitment to the team at Samarkand Group, leading the own brand portfolio and pursuing international expansion.

External Appointments

Tamacre Limited



Philip Smiley (53) **Executive Director**



Philip started his career in the retail industry.

He focuses on overall strategy and corporate development, the growth of Samarkand's strategic partnerships to accelerate the distribution of our technology and services in global markets.

External Appointments

Acting advisor to VST, Advisor to Rural Senses



Jeanette Hern (55) **Non-Executive Director**

in international finance having joined Smollan as Global CFO in March 2015. 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.

pion transformation.

She is a qualified Chartered Accountant - CA(SA) and a member of the South Keith's experience across two decades African Institute of Chartered Accountants (SAICA).

External Appointments

Global Smollan Holdings, subsidiaries and associates



Keith Higgins (60) Independent Non-Executive Director

perience with two of the largest consumer goods companies in the world. Jeanette has played a key role in the 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 Prior to joining Smollan, Jeanette was a eCommerce and Channel Developpartner at Grant Thornton for 26 years, ment, becoming Senior Vice President becoming the youngest partner and of eCommerce in 2012 and Executive second female partner. Promoted to Vice President eCommerce in 2013. In Deputy CEO during her tenure, her po- 2010, after 10 years heading up Unisition allowed her to successfully cham-lever's global eCommerce strategy he was promoted to a C-level role as Chief Customer Development Officer.

> at P&G and Unilever brings a unique level of insight, understanding and network in the global eCommerce industry to the board.

External Appointments

Member of Supplier Advisory at Ocado, Strategic Advisor at BAIN

Board of Directors

Continued

Senior Manager

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



Eva HangChief Financial Officer & 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.

The Board comprises the Independent Non-Executive Chair, two Non-Executive Directors and three Executive Directors. Short biographical details are set out on pages 26 to 27.

The Board is responsible for the Group's overall strategy and management. The Strategic Report on pages 1 to 24 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 Report

This report is intended to give an overview of the role and activities of the Audit and Risk Committee in assisting the board to fulfil its oversight responsibilities in relation to risk management, the independence and effectiveness of the external auditors and the integrity of the Group's financial statements.

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

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 meets with appropriate employees of the Group at least once annually.

Specific actions taken by the Committee since the last annual report include:

- A review of the interim accounts of the Group for the period ending 30 September 2022 and the Statutory Accounts of the Group for the year ended 31 March 2023
- A review of the findings of the auditors arising out of the audit for the Group for the year ended 31 March 2022
- A review of the disclosures in the Chairperson's Statement, Chief Executive's Review and Strategic Report, to ensure that the performance and risks of the Group are adequately described and reported
- Assessment of the performance and continuing independence of Crowe U.K. LLP as auditors of the Group
- Continued development and review of the Group's risk management framework and systems
- Monitoring of progress of any management actions recommended by Crowe U.K. LLP
- Review of the effectiveness of the Group's internal controls



Corporate Governance Report

Continued

Sustainability Committee Report

The purpose of this report is to provide a comprehensive overview of the role and responsibilities undertaken by the Sustainability Committee in supporting the Board's efforts to integrate sustainability and its positive societal impact into every facet of the Group's growth and development. The Committee has established a number of ambitions and plans, designed to foster the adoption of responsible, inclusive, and sustainable practices. By implementing these measures, we aim to contribute positively to society while ensuring the long-term sustainability of our operations. The Sustainability Committee comprises Keith Higgins (the Chairperson), Tanith Dodge and Jeanette Hern. The Sustainability Committee meets formally twice per year at appropriate intervals and otherwise as required.

In the course of the previous year the Committee agreed to scale and manage ESG activities and resources appropriately to allow the business to comprehensively address the effects of the pandemic.

Building on the previous year's review, in FY23 the committee remained committed to key messaging and a flexible roadmap. The core ambitions and strategy identified by the committee including underpinning of approach by two pillars - planet well-being and people well-being - remain unchanged.

Specific actions taken by the committee since the last annual report include:

Planet Well-being

 Supply chain plastic reduction achieved for the Probio7 brand

People Well-being

- Provision of enhanced Family Well-being Policy across majority of UK Group entities
- Free employee well-being session
- Launch of employee volunteering initiative

This year the Sustainability Committee has sought to continue its efforts to reach the long-term sustainability goals we have set ourselves as an organisation whilst also considering the resource available and balancing the interests of all Samarkand Group Plc stakeholders.

Remuneration and Nomination Committee Report

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.

The membership of the Remuneration and Nomination Committee comprises Tanith Dodge (the Chairperson), Keith Higgins and Jeanette Hern. The Remuneration Committee meets formally twice a year and otherwise as required.

Specific actions taken by the Committee since the last annual report include:

 Review and approval of the structure of the FY23 and FY24 Annual Bonus Scheme and the financial and non-financial targets

Details of Directors' remuneration are disclosed below.

Directors' Emoluments

Directors' emoluments for the year were as follows:

	2023				2022				
Name Executive Directors	Fees/Basic Salary	Bonus	Pension	Total	Fees/Basic Salary	Bonus	Pension	Total	
David Hampstead	110,000 ¹	165,308	3,300	278,608	118,000(1)	135,000	3,362	256,362	
Simon Smiley	108,000¹	165,308	3,300	276,608	118,000(1)	135,000	3,362	258,422	
Philip Smiley	110,000¹	165,308	-	275,308	27,231(1)	-	-	27,231	
Non-Executive Directo	ors								
Tanith Dodge	25,000¹	-	-	25,000	50,000	-	-	50,000	
Keith Higgins	12,500 ¹	-	-	12,500	25,000	-	-	25,000	
Jeanette Hern	-	-	-	-	-	-	-	-	
	365,500	495,924	6,600	868,024	338,231	270,000	6,784	617,015	

¹ Salary Reduction

In light of the disruptions in China and the widespread logistic and operational challenges resulting in reduced revenue performance and increased losses, the Executive Directors decided to take a 20% reduction in their base salaries for 6 months from 1 March 2022 to 31 August 2022. The Non-Executive Directors waivered their fees from 1 April 2022 to 30 September 2022.

Bonus Scheme

During the year, the Remuneration and Nomination Committee has developed a Bonus Scheme. The Executive Directors participate in the Bonus Scheme under which they are entitled to a maximum of 350% of their salary subject to performance against objectives.

The Bonus Scheme is based on the achievement of pre-set Group Financial and Non-Financial Performance Targets. The performance targets for the financial year ending 31 March 2023 have been set by the Remuneration and Nomination Committee, it considers that the targets will support the business strategy and the Scheme to be an important element of the performance related pay for the Executive Directors.

To align the executives' interests with those of shareholders, and manage cash costs, 100% of the bonus payable is deferred into Company Share Awards in the form of nil cost options. 50% of the bonus award will be granted after the approval of the 31 March 2023 accounts and will vest one year from the date of grant, the remaining 50% will be granted a year from the first grant date. The number of options to be granted will be determined by the price of the last equity transaction by the Company.

For the financial year ending 31 March 2023, the bonus pay out was subject to the assessment of performance against financial (70%) and non-financial measures (30%).

Corporate Governance Report

Continued

The financial measures set by the Committee were based on revenue, gross margin and working capital targets, the non-financial measures were in relation to our expansion of our Nomad Technology solution, the performance of the Group's acquisitions and improving the quality of the Group's stock holding and reducing overall stock write offs.

As noted in the Chairperson and CEO statements above, it is important to note the significant challenges faced by the Group during the year ended 31 March 2023. These challenges include the well documented disruptions in China both as a result of its zero COVID policy and the subsequent abandonment of this policy. The Group has managed to navigate through these challenges and has achieved 100% of its financial targets and 67% of its non-financial targets.

After careful evaluation of the Company's performance and considering the achievements made despite the challenges faced, the Remuneration Committee recommends a bonus payout of 90% to the Executive Directors. The bonus payout is in recognition of the efforts and contributions made towards the Company's financial and non-financial targets and aligns with the Company's remuneration policy ensuring that it remains competitive in the market and the executives are appropriately rewarded for their performance.

Director's Interests

As at 31 March 2023 the Directors of the Company held the following number of shares:

	nary Shares	% of the issued share capital
David Hampstead ¹	7,916,169	13.56%
Simon Smiley ²	7,301,011	12.51%
Phil Smiley	917,395	1.57%
Keith Higgins	52,174	0.09%
Tanith Dodge	43,478	0.07%
Jeanette Hern	-	0.00%

n/ of the leaved

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.

Long-term Incentive Plans

	Options at 1 April 2022	Options Granted	Options Exercised	Options Lapsed	Options at 31 March 2023	Exercise Price	Date of Grant
David Hampstead ¹		133.334	_	_	133,334	0.01	01/04/2022
David Harripstead	-	100,004	-	-	133,334	0.01	01/04/2022
Simon Smiley ¹	-	133,334	-	-	100,004	0.01	01/0 #/LOLL

¹⁾ On the 1 April 2022, the Company granted equity settled awards to certain Directors which vest in 3 years subject to certain performance criteria.

^{1) 220,285} Ordinary Shares registered in the name of David Hampstead is under option pursuant to the terms of a Hedging Agreement 2) 239,485 Ordinary Shares registered in the name of Simon Smiley is under option pursuant to the terms of a Hedging Agreement

Warrants

On 12 March 2021, the Company granted warrants to two Directors, conditional on Admission, for a period of five years from admission. At 31 March 2023, the following Directors have outstanding warrants to subscribe for Ordinary Shares:

	Date of Grant	Number of Ordinary Shares	Exercise Price
Tanith Dodge	12/03/2021	43,478	115p
Keith Higgins	12/03/2021	21,739	115p

The QCA Corporate Governance Code

The Directors recognise importance of sound corporate governance principles being embedded into the operations of the Group. 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 busi- ness 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 5 to 8.
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 23 to 24.
3: Take into account wider stake- holder 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 23 to 24.
4: Embed effective risk manage- ment, considering both opportu- nities 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 16 to 19.
5: Maintain the Board as a well-functioning, balanced team led by the Chair	The Board consists of the three Non-Executive Directors and three Executive Directors (including the Chief Executive Officer and Chief Operating Officer). The Directors' biographies, together with their respective Board Committee memberships, are set out on pages 26 to 27.

Corporate Governance Report

QCA Code Principle	What We Do and Why
5. Maintain the Board as a well-functioning, balanced team led by the Chair cont.	Directors' conflict of interest 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.
6: Ensure that between them the Directors have the necessary up-Sto-date experience, skills and capabilities	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.
7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	The Board has established the Ways of Working principles to provide for a consistent approach for reporting and analysis by the Board. The Ways of Working sets out clear objectives for the Board. During the first full year the Board have adapted to feedback and changes to ensure it continues it meets its key objectives. A full review will be carried out each year.
8: Promote a corporate culture that is based on ethical values and behaviours	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.
9: Maintain governance struc- tures and processes that are fit for purpose and support good de- cision making by the Board	The role of the Board is to ensure delivery of the business strategy and long-term share-holder 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. During the year the board met a total of 14 times.
10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Company encourages two-way communication with both its institutional and private investors. The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting (AGM) and one-to-one meetings with large existing or potential new shareholders.

Strategic Report / Corporate Governance / Financial Statements

Directors' Report

The Directors present their Annual Report together with the audited financial statements for the year ended 31 March 2023. The Corporate Governance Statement set out on pages 25 to 34 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 eCommerce stores. The Group also provide eCommerce technology solutions for brands and retailers selling into China.

These financial statements present the results of the Group for the year ended 31 March 2023.

Directors

The Company's current Directors are listed on pages 26 to 27, 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
- David Hampstead
- Simon Smiley
- Keith Higgins
- Jeanette Hern
- Philip Smiley

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 44. The Company will not be paying a dividend this year.

Going Concern

The financial statements have been prepared on a going concern basis, assuming that the Group will continue its operations for the foreseeable future. The Directors have assessed the Company's ability to continue as a going concern, taking into consideration the current economic and market conditions, as well as the Group's financial performance and cash flow projections.

The Group faced another challenging year, with ongoing widespread COVID lockdowns in China and China's rapid exit of the zero COVID position in December 2022 which generated high levels of disruptions to the Group's trade.

During the year ended 31 March 2023, the Group has continued to take significant measures to reduce its cost base. These cost reduction initiatives included streamlining its operations, optimising resource allocation, and implementing efficiency measures. These actions were aimed at improving the Group's financial position and mitigating the impact of challenging market conditions. For the year ended 31 March 2023, the Group reported an adjusted EBITDA loss of £2.2m (2022: £6.2m) and total comprehensive loss of £4.7m (2022: £7.7m).

The Directors recognise the importance of moving the Group into profitability for the year ended 31 March 2024 and have made significant progress towards this goal. In addition, the Directors are actively exploring additional funding options to support the Group's operations and long-term viability. In this regard the Group is considering various options including but not limited to trade financing, sale of non-core assets and other strategic opportunities. These efforts are ongoing, and the Directors are diligently working towards these goals.

Despite the cost base reduction and ongoing exploration of additional funding, in the event that trading does not proceed as planned, the Group's financial performance and cash flow projections indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.



Directors' Report

Continued

Although there are material uncertainties, several mitigating factors have been considered by the Directors in their assessment of the going concern assumption. These include the steps taken to further reduce costs, the progress made in exploring various strategic options to raise additional funds and its pre-COVID trading record. The Directors believe that these factors, will enable the Group to overcome the identified challenges and continue its operations.

To address the material uncertainties, the Directors will continue to closely monitor the Group's financial performance, cash flow projections, and market conditions. They will continue to proactively manage the Group's cost base, seeking further efficiencies where possible.

The Directors are confident in the Group's ability to mitigate the identified risks and uncertainties. There is no certainty regarding the economic and market conditions after the exit of zero COVID policy in China or the timing or success of securing additional funding. As a result, the financial statements have been prepared on a going concern basis, acknowledging the material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

Notice of Meeting

This year's Annual General Meeting will be held on Wednesday, 27 September 2023.

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 24 provides a fair review of the Group's business for the year ended 31 March 2023. 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 23 to 24.

Future Development

Future developments are discussed in the Chairperson's Statement on pages 9 to 10 and the CEO Review on pages 11 to 12.

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 £1.1m (2022: £1.1m) of development costs with a total of £3.4m in total capitalised development costs at 31 March 2023.

Substantial Shareholdings

As at 31 July 2023, 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 Holdings	10,269,357	17.60%
David Hampstead ¹	7,916,169	13.56%
Simon Smiley ²	7,301,011	12.51%
Thomas Gooding	5,463,111	9.36%
Schroders Investment Management	4,347,826	7.45%
SF Express	2,737,840	4.69%

^{1) 220,285} Ordinary Shares registered in the name of David Hampstead is under option pursuant to the terms of a Hedging Agreement $\,$

^{2) 239,485} 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 32 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 UK-adopted International Accounting Standards 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 UK-adopted International Accounting Standards, 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 4 August 2023 and signed on its behalf by:

David Hampstead
Chief Executive Officer

Financial Statements



Independent Auditor's Report to the Members of Samarkand Group Plc

For the year Ended 31 March 2023

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 2023, which comprise:

- the Group statement of comprehensive income for the year ended 31 March 2023;
- the Group and Parent Company statement of financial position as at 31 March 2023;
- the Group and Parent Company statement of changes in equity for the year then ended;
- the Group and Parent statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards. 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 Financial Reporting Standard 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 of the Parent Company's affairs as at 31 March 2023 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting
- 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 as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2(a) in the financial statements, which indicates that the Group made a total comprehensive loss of £4.7m during the year ended 31 March 2023 and had an adjusted EBITDA loss of £2.2m.

The Directors recognise the importance of moving the Group into profitability for the year ended 31 March 2024 and are additionally actively exploring additional funding options to support the Group's operations and long-term viability. In this regard the Group is considering various options including but not limited to trade financing, sale of non-core assets and other strategic opportunities. Despite the cost base reduction and ongoing exploration of additional funding, in the event that trading does not proceed as planned, the Group's financial performance and cash flow projections indicate the existence of material uncertainties that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and the parent Company's ability to continue to adopt the going concern basis of accounting included.



Independent Auditor's Report

Continued

We have obtained and reviewed the Board's paper setting out the going concern assessment and examined supporting working capital forecasts. Our audit procedures were as follows:

- Tested the numerical accuracy of the models used by management in their assessment;
- Challenged with management whether the assumptions are realistic, achievable and consistent when compared to past performance and other forecast information used during the audit:
- Performed sensitivity analysis on key inputs used in the model:
- Utilised external market data to corroborate forecasts;
- Verified cost savings to third party evidence where applicable.
- Discussed the going concern assumption with management and evaluated their assessment of the Group and the parent Company's liquidity requirements;
- Assessed the reasonableness of management's budget/ forecasts, including comparison to actual results achieved in the year and the evaluation of downside sensitivities.
- Gained an understanding what forecast expenditure is committed and what could be considered discretionary;
- Considered the liquidity of existing assets on the statement of financial position; and
- Considered the potential downside scenarios and the resultant impact on available funds.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant section 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 £210,000 with a benchmark based on 5% of Group's loss before tax. Materiality for the Parent Company financial statements as a

whole was set at Σ 25,000 with a benchmark based on 0.2% of total assets.

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. This is set at £157,500 for the Group and £18,750 for the Parent Company.

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 and Risk Committee to report to it all identified errors in excess of $\mathfrak{L}10,500$. 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 located in the United Kingdom. Our audit was conducted remotely. The operations of 8 of its subsidiaries are in the UK and were subjected to full scope audits. The operations of the other 6 of the group's subsidiaries are based in China. We conducted specific audit procedures in relation to these entities from UK.

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.

In addition to the material uncertainty in relation to going concern section above, we have determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key Audit Matter

Revenue Recognition

(See note 6)

Revenue is recognised in accordance with the accounting policy set out in the financial statements. The risk is that revenue has been materially misstated in the year in order to meet financial targets in response to the material uncertainty around going concern. The risk is focused around the end of the financial year.

We focus on the risk of material misstatement in the recognition of revenue because revenue is a material and important determinant of the group's profitability, which has a consequent impact on its share price performance.

How the Scope of Our Audit Addressed the Key Audit Matter

Our procedures included:

- validating that revenue is recognised in accordance with the stated accounting policies and that such policies are in compliance with IFRS.
- validating a sample of point in time revenue items back to supporting invoice and proof of delivery, to confirm revenue was being recognised in line with accounting policy and
- validating that a sample of service revenue, recognised over time, were either delivered fully within the period or correctly accrued or deferred, to confirm revenue was being recognised in line with accounting policy and IFRS.
- assessing the adequacy of the Group's disclosures related to revenue.

We concluded that revenue was reasonably stated.

Carrying Value of Goodwill and Other Intangible Assets

(See note 13)

The carrying value of goodwill and other intangible assets at 31 March 2023 was £ 7.3 million.

The Group's intangible assets comprise of goodwill arising on acquisition of subsidiaries, brands, trademarks, websites software developments.

When assessing the carrying value of goodwill and intangible assets, management makes judgements regarding the appropriate cash generating unit, strategy, future trading and profitability and the assumptions underlying these. We considered the risk that goodwill and/or other 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 goodwill and intangible assets.

Our procedures included:

- Evaluating in comparison to the requirements set out in IAS 36, management's assessment (using discounted cash flow models) as to whether goodwill and/or other intangible assets were impaired.
- Reviewing and challenging management's impairment and fair value models as appropriate and their key estimates, including the discount rate.
- Reviewing the appropriateness and consistency of the process for making such estimates. We have also reviewed the constitution of CGU's identified by the management.
- Challenging the key assumptions in management's discounted cash flow models, including the forecast revenue and gross margin, discount rates and growth rates.
- Comparing cash flow forecasts used in the impairment review to historical performance and forecasts used in the assessment of going concern, and challenging where forecasts indicated performance that deviated significantly from historical performance, in the absence of significant changes in the business or market environment.
- Benchmarking discount rates to external information and our knowledge of sector performance, to evaluate the reasonableness of these assumptions.
- Performing sensitivity analysis on key assumptions such as growth, margin and discount rates to identify those assumptions to which the goodwill or intangible asset valuation was highly sensitive.
- Assessing whether the Group's disclosures about the sensitvity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.

We found the resulting estimate of the recoverable amount of goodwill and intangible assets to be acceptable.

Independent Auditor's Report

Continued

Key Audit Matter

Carrying Value of Inventory

(See note 16)

As at 31 March 2023 the value of inventory amounted to £2.2 million

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.

How the Scope of Our Audit Addressed the Key Audit Matter

Our audit procedures in this area included:

- Attending inventory counts at the group's key operating location in the UK to check the existence and conditions of the inventory.
- 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.
- We concluded that the carrying value of inventory was reasonably stated.

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

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

We have nothing to report in this regard.

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 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 however the primary responsibility for the prevention and detection of fraud lies with management and those charged with governance of the company.

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 for the audit of the financial statements is located 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 (Senior Statutory Auditor) for and on behalf of **Crowe U.K. LLP**

Statutory Auditor London

4 August 2023

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2023

	Notes	Year ended 31 March 2023 £	Year ended 31 March 2022
	6	17,476,825	16 576 200
Revenue Cost of sales	6	(7,814,362)	16,576,228 (8,226,260)
	0	9,662,463	8,349,968
Gross profit Selling and distribution expenses		(5,381,270)	(7,056,415)
Administrative expenses	8	(7,728,517)	(8,183,996)
Adjusted EBITDA*		(2,227,968)	(6,236,249)
Share-based payment and related expenses	8	(712,271)	-
Repayment of share option plan	8	-	(306,579)
Acquisition costs	8	-	(218,143)
Restructuring costs	8	(507,085)	(129,472)
EBITDA*		(3,447,324)	(6,890,443)
Depreciation and amortisation		(1,140,524)	(786,639)
Operating loss		(4,587,848)	(7,677,082)
Finance income		20	86
Finance costs		(162,502)	(171,455)
Loss before taxation		(4,750,330)	(7,848,451)
Taxation	12	129,465	141,499
Loss after taxation		(4,620,865)	(7,706,952)
Other comprehensive income:			
Exchange differences on translation of foreign operations		(47,859)	(23,234)
Items that may be reclassified to profit and loss in subsequent perio	ods	(47,859)	(23,234)
Total comprehensive loss for the year		(4,668,724)	(7,730,186)
Loss attributable to:			
Equity holders of the Company		(4,571,494)	(7,617,081)
Non-controlling interests		(49,371)	(89,871)
		(4,620,865)	(7,706,952)
Loss per share (basic and diluted)	11	(0.0778)	(0.1399)
Comprehensive loss attributable to:			
Equity holders of the Company		(4,619,353)	(7,640,315)
Non-controlling interests		(49,371)	(89,871)
		(4,668,724)	(7,730,186)

^{*} EBITDA and Adjusted EBITDA are non-GAAP measures used to represent the trading performance and results of the Group. EBITDA is defined as profit or loss before tax adjusted for finance income and expense, depreciation and amortisation. Adjusted EBITDA excludes those items the Group considers to be non-recurring and material in nature that may distort an understanding of financial performance or impair comparability.

Consolidated Statement of Financial Position

As at 31 March 2023

		31 March 2023	31 March 2022
	Notes	£	£
ASSETS			
Intangible assets	13	7,338,884	7,011,236
Property, plant and equipment	14	203,417	243,417
Right-of-use assets	15	489,890	608,635
Non-current assets		8,032,191	7,863,288
Inventories	16	2,212,227	3,720,248
Trade receivables	17	1,722,637	1,512,702
Corporation tax recoverable		227,946	113,710
Other receivables and prepayments	18	706,513	1,012,371
Cash and cash equivalents		2,017,150	4,049,118
Current assets		6,886,473	10,408,149
Total assets		14,918,664	18,271,437
EQUITY AND LIABILITIES			
Share capital	19	583,582	547,148
Share premium		22,954,413	21,022,958
Merger relief reserve	19	(2,063,814)	(2,063,814)
Accumulated loss		(12,901,901)	(8,546,753)
Currency translation reserve	21	(79,360)	(31,501)
Total equity attributable to parent		8,492,920	10,928,038
Non-controlling interest		(139,242)	(89,871)
Total equity		8,353,678	10,838,167
Right-of-use lease liabilities	15	260,779	458,352
Borrowings	22	1,398,787	1,390,035
Deferred tax liability		347,884	370,590
Accrued liabilities	26	512,441	512,441
Total non-current liabilities		2,519,891	2,731,418
Trade and other payables		2,088,101	3,597,110
Accrued liabilities		1,261,043	566,266
Deferred revenue		328,434	214,383
Borrowings	22	54,511	62,092
Right-of-use lease liabilities	15	313,006	262,001
Total current liabilities		4,045,095	4,701,852
Total liabilities		6,564,986	7,433,270
Total liabilities and equity		14,918,664	18,271,437

The financial statements were approved by the Board of Directors and authorised for issue on 4 August 2023 and are signed on its behalf

David Hampstead

Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Share capital	Share premium	Merger relief reserve	Currency translation reserve	Accumulated loss	Non- controlling interests	Total equity
	£	£	£	£	£	£	£
Balance at 1 April 2021	516,190	17,412,900	(2,063,814)	(8,267)	(929,672)	-	14,927,337
Loss after taxation	-	-	-	-	(7,617,081)	(89,871)	(7,706,952)
Other comprehensive loss	-	-	-	(23,234)	-	-	(23,234)
Total comprehensive income/ (loss) for the year	-	-	-	(23,234)	(7,617,081)	(89,871)	(7,730,186)
Shares issued on subscription	27,378	3,113,638	-	-	-	-	3,141,016
Shares issued on acquisition	3,580	496,420	-	-	-	-	500,000
	30,958	3,610,058	-	-	-	-	3,641,016
Balance at 31 March 2022	547,148	21,022,958	(2,063,814)	(31,501)	(8,546,753)	(89,871)	10,838,167
Loss after taxation	-	-	-	-	(4,571,494)	(49,371)	(4,620,865)
Other comprehensive loss	-	-	-	(47,859)	-	-	(47,859)
Total comprehensive income/ (loss) for the year	-	-	-	(47,859)	(4,571,494)	(49,371)	(4,668,724)
Shares issued on subscription	35,976	1,902,413	-	-	-	-	1,938,389
Shares issued on acquisition	458	29,042	-	-	-	-	29,500
Share based payments	-	-	-	-	216,346	-	216,346
	36,434	1,931,455	-	-	216,346	-	2,184,235
Balance at 31 March 2023	583,582	22,954,413	(2,063,814)	(79,360)	(12,901,901)	(139,242)	8,353,678

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	31 March 2023 £	31 March 2022 £
Cash flows from operating activities		
Income/(loss) after taxation	(4,620,865)	(7,706,952)
Cash flow from operations reconciliation:		
Depreciation and amortisation	1,140,524	786,639
Finance expense	20,630	60,182
Finance income	(20)	(86)
Income tax credit	(129,465)	(141,499)
Share based payment	216,346	-
Working capital adjustments:		
Decrease/(increase) in inventories	1,508,021	(1,544,851)
Decrease/(increase) in trade and other receivables	131,918	(780,763)
(Decrease)/increase in trade and other payables	(626,169)	1,258,687
Cash used in operating activities	(2,359,080)	(8,068,643)
Taxes (paid)/received	(7,477)	20,803
Net cash used in operating activities	(2,366,557)	(8,047,840)
Cash flows from investing activities		
Purchase of property, plant and equipment	(67,602)	(175,151)
Purchase of intangible assets	(1,095,564)	(1,228,096)
Payment of deferred consideration	(80,000)	-
Acquisition of subsidiary, net of cash acquired	-	(3, 341,477)
Disposal of property, plant and equipment	9,336	-
Finance income	20	86
Net cash used in investing activities	(1,233,810)	(4,744,638)
Cash flows from financing activities		
Proceeds from issue of shares, net of fees	1,937,889	3,141,016
Repayment of right-of-use lease liabilities	(329,001)	(252,641)
Interest paid	(24,671)	-
Repayment of borrowings	(71,131)	(630,411)
Net cash generated from financing activities	1,513,086	2,257,964
Net decrease in cash and cash equivalents	(2,087,282)	(10,534,514)
Cash and cash equivalents – beginning of the year	4,049,118	14,606,867
Effects of exchange rate changes on the balance of cash held in foreign currencies	55,314	(23,235)
Cash and cash equivalents – end of the year	2,017,150	4,049,118

For the year ended 31 March 2023

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.

2. Basis of Preparation and Measurement

(a) Basis of Preparation

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards.

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.

Going concern

The financial statements have been prepared on a going concern basis, assuming that the Group will continue its operations for the foreseeable future. The Directors have assessed the Company's ability to continue as a going concern, taking into consideration the current economic and market conditions, as well as the Group's financial performance and cash flow projections.

The Group faced another challenging year, with ongoing widespread COVID lockdowns in China and China's rapid exit of the zero COVID position in December 2022 which generated high levels of disruptions to the Group's trade.

During the year ended 31 March 2023, the Group has continued to take significant measures to reduce its cost base. These cost reduction initiatives included streamlining its operations, optimising resource allocation, and implementing efficiency measures. These actions were aimed at improving the Group's financial position and mitigating the impact of challenging market conditions. For the year ended 31 March 2023, the Group reported an adjusted EBITDA loss of £2.2m (2022: £6.2m) and total comprehensive loss of £4.7m (2022: £7.7m).

The Directors recognise the importance of moving the Group into profitability for the year ending 31 March 2024 and have made significant progress towards this goal. In addition, the Directors are actively exploring additional funding options to support the Group's operations and long-term viability. In this regard the Group is considering various options, including but not limited to, trade financing, sale of non-core assets and other strategic opportunities. These efforts are ongoing, and the Directors are diligently working towards these goals.

Despite the cost base reduction and ongoing exploration of additional funding, in the event that trading does not proceed as planned, the Group's financial performance and cash flow projections indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Although there are material uncertainties, several mitigating factors have been considered by the Directors in their assessment of the going concern assumption. These include the steps taken to further reduce costs, the progress made in exploring various strategic options to raise additional funds and its pre-COVID trading record. The directors believe that these factors, will enable the group to overcome the identified challenges and continue its operations.

To address the material uncertainties, the Directors will continue to closely monitor the Group's financial performance, cash flow projections, and market conditions. They will continue to proactively manage the Group's cost base, seeking further efficiencies where possible.

The Directors are confident in the Group's ability to mitigate the identified risks and uncertainties. There is no certainty regarding the economic and market conditions after the exit of zero COVID policy in China or the timing or success of securing additional funding. As a result, the financial statements have been prepared on a going concern basis, acknowledging the material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Group is unable to continue as a going concern.

(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 and amended IFRS standards that are effective for the current year

In the current year, a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) and endorsed by the UK Endorsement Board became mandatorily effective for an accounting period that begins on or after 1 April 2022. These amendments had no effect on the current or prior period.

New standards, amendments and interpretations which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standard and Interpretations relevant to the Group, which have not yet been applied in these financial statements, were in issue but not yet effective:

Standard, amendment or interpretation	Description	Effective date for accounting period beginning on or after
IAS 1	Amendments regarding disclosure of accounting policies	1 January 2023
IAS 1	Amendments regarding the classification of covenants	1 January 2023
IAS 8	Amendments regarding the definition of accounting estimates	1 January 2023
IAS 12	Amendments resulting from deferred tax assets and liabilities arising from a single transaction	1 January 2023
IFRS 16	Amendments to clarify seller-lessee subsequently measured sale and lease-back transactions	1 January 2024

Management anticipates that these new standards, interpretations and amendments will be adopted in the financial statements as and when they are applicable. The application of these standards and amendments in future periods is not currently expected to have a material impact on the Group's financial statements.



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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.

(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.

(b) 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 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:

Website3-5 yearsPatents and trademarks7 yearsInternally developed assets5 yearsBrand names10-20 years

(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) 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
Machinery 7 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.

(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

Continued

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

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.

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) 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.

(j) 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.

(k) Taxation

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.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base. 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.

(I) 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 leave the Group's premises. For online revenue, control transfers when the title and risk of loss has passed to the customer, this is 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.

Continued

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

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) 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 2017, 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.

(u) 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 there are no vesting conditions, 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.

(v) Segmental Reporting

The Board is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board for the purposes of allocating resources and assessing performance. The Group has one reportable segment with three revenue streams, being Brand Ownership, Nomad Technology and Distribution business units engaged in the B2B and B2C sale of products and eCommerce technology solutions for Western brands and retailers selling into China. An analysis is included in Note 6 and 7 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:

Accounting Estimates

(a) Inventory Provisions

Inventory is carried at the lower of cost and net realisable value, on a 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. A provision is also made to write down any obsolete inventory to the net realisable value. The provision is £768,400 at 31 March 2023 (2022: £673,832) and an overall charge of to the consolidated statement of comprehensive income of £259,856 (2022: £805,550)

(b) Impairment of Intangibles

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.

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.

Whilst the Directors consider their assumptions to be realistic, the Group's impairment evaluation is highly sensitive to the actual results and factors outside the control of the Directors, including the ability of the Group to secure sufficient funding to be able to fulfil the financial projections and continue as a going concern, and if those differ from the expectations of the Group's impairment could be affected. In addition, the use of different estimates, assumptions and judgements, in particular those involved in a) determining a value base on our current expectations of future conditions and associated cashflows from the Group's operation b) our determination level at which the Group assets can be reasonably tested for impairment separately from other parts of the business and c) our treatment of centrally held assets, could each result in material differences in the carrying values of assets and assessments of impairment.

Accounting Judgement

(c) Internally Developed Assets

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 incurred. In particular, time that is spent on the maintenance of existing software is recognised as an expense.

At 31 March 2023, the carrying amount of capitalised development costs was £2,340,304 (2022: £1,836,889).

(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 determined that the Group will not extend its lease terms.

5. Subsidiaries

Details of the Group's subsidiaries as at 31 March 2023 are as follows:

Company	Country of registration or incorporation	Registered office	Principal activity	Percentage of ordinary shares held
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%*
Immergruen Limited	England & Wales	As above	UK distribution	100%*
Zita West Products Limited	England & Wales	As above	UK distribution	100%*
Babawest Ltd	England & Wales	As above	UK distribution	51%*
Napiers 1860 Group Limited	Scotland	18 Bristo Place, Edinburgh, Scotland, EH1 1EZ	UK distribution	100%*
The Edinburgh Herbal Dispensary Limited	Scotland	As above	UK distribution	100%*
Duncan Napier Limited	Scotland	As above	UK distribution	100%*
Samarkand Global (Beijing) Limited	People's Republic of China	Room 107 No.701, 7th Floor, Building 1 Westend, No. 100 Balizhuang, Chaoyang District, Beijing	Administrative	100%*
Samarkand Global (Japan) KK	Japan	2-2-10-605 Shinjuku Shinjuku-ku Tokyo, Japan	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 HK 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%*
Shanghai Samarkand Import & Export Trading Co. Ltd	People's Republic of China	Room 563, South 5th Floor, No. 333, Tianyueqiao Road, Xuhui District, Shanghai, China	Chinese distribution	100%*

^{*} held indirectly

6. Revenue from Contracts with Customers

Disaggregation of revenue from contracts with customers:

	31 March 2023 £	31 March 2022 £
Revenue analysed by class of business:		
Brand ownership	6,678,067	4,509,979
Nomad technology	6,027,090	7,480,941
Distribution	4,423,676	4,447,990
Other	347,992	137,318
Total revenue	17,476,825	16,576,228
Cost of sale by business unit:		
Brand ownership	2,516,506	1,991,401
Nomad technology	2,072,450	3,240,269
Distribution	3,222,704	2,992,880
Other	2,702	1,710
Total costs of sale	7,814,362	8,226,260

7. Operating Segments

The activities 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.

	31 March 2023 £	31 March 2022 £
Revenue by geographical destination:		
UK	5,378,273	4,917,082
China	11,712,321	11,606,545
Rest of the world	386,231	52,601
Total revenue	17,476,825	16,576,228

8. Administrative Expenses

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

	31 March 2023 £	31 March 2022 £
Administrative expenses:		
Property costs	279,992	393,714
Staff costs	4,629,379	5,330,434
Professional fees	622,188	714,495
Other	977,602	1,091,159
Share based payment	712,271	-
Repayment of share option plan (a)	-	306,579
Acquisition costs (b)	-	218,143
Restructuring costs (c)	507,085	129,472
Total administrative expenses	7,728,517	8,183,996

- In September 2020, when the Group repaid the initial seed loan to Iceland Foods, Simon Smiley and David Hampstead personally, from their own funds, acquired 26,500 shares in Samarkand Holdings, the then holding company of the Group, from Iceland Foods and from an existing shareholder, for a total sum of £174,000.
 - The shares were acquired for the purposes of satisfying the Employee Share Option Scheme which were granted to key employees of the Group. Typically, this would have been satisfied by new shares issued by the Company, however this was instead effected in a manner that did not dilute the existing shareholders. The Board and the Remuneration Committee have agreed to repay Simon Smiley and David Hampstead the cost of these shares, by way of a one-off bonus payment. This would result in Simon Smiley and David Hampstead being in a net nil position after tax.
- b. Acquisition costs relate to the costs incurred in relation to the acquisitions in the prior year.
- Restructuring costs are as a result of corrective actions taken in light of the challenges presented by the disruptions caused by the continued impacts of the pandemic in China.

9. Staff Costs

	31 March 2023 £	31 March 2022 £
Aggregate staff costs (including directors)		
Wages and salaries (including bonuses)	5,060,803	5,834,498
Social security and other payroll taxes	717,719	595,420,226
Pension costs	161,331	70,754
Share based payment charge	712,271	-
Capitalised development costs	(1,076,159)	(1,018,149)
Other	64,901	269,430
Total staff costs*	5,640,866	5,751,953
*Staff costs include £299,215 (2022: £421,519) of restructuring costs		
	31 March 2023 £	31 March 2022 £
Average number of employees		
Management	13	13
Sales operations	78	91
Finance and administration	13	11
Technology	18	23
	122	138

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.



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 2023 £	31 March 2022 £
Aggregate staff costs (including directors)		
Wages and salaries (including bonuses)	1,140,710	1,306,158
Social security and other payroll taxes	135,481	142,994
Pension costs	32,262	28,260
Capitalised development costs	(81,460)	(49,249)
Total staff costs	1,226,993	1,428,163

10. Auditors' Remuneration

	31 March 2023 £	31 March 2022 £
Fees payable to the Company's auditor:		
For audit services		
Audit of the financial statements of the Group	100,000	95,000

11. Earnings Per Share

	31 March 2023 £	31 March 2022 £
Basic loss per share	(7.78) pence	(13.99) pence
Diluted loss per share issue	(7.78) pence	(13.99) pence
Weighted average number of shares (basic)	56,635,964	54,419,885
Weighted average number of shares (diluted)	56,635,964	54,419,885

Basic earnings per share is calculated by dividing the profit/loss after tax attributable to the equity holders of Samarkand Group plc by weighted average number of shares in issue.

12. Taxation

i) Tax Expense

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 2023 £	31 March 2022 £
Current tax		
UK corporate income tax credit	(106,759)	(132,539)
Deferred tax		
UK deferred income tax credit	(22,706)	(8,960)
Total income tax credit	(129,465)	(141,499)

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

	31 March 2023 £	31 March 2022 £
Profit/(loss) before income taxes	(4,750,330)	(7,848,451)
Expected tax at statutory UK corporation tax rate of 19%	(902,563)	(1,491,206)
Increase/(decrease) in tax resulting from:		
Effect of different tax rates in foreign jurisdictions	42,536	21,966
Research and development tax credits	(108,275)	(132,539)
Tax losses carried forward	747,220	1,494,714
Capital allowances less depreciation	41,775	(39,525)
Over provision in previous periods	(981)	-
Deferred tax credit	(22,706)	(8,960)
Non-deductible expenditure	73,529	14,051
	(129,465)	(141,499)

ii) Deferred Tax

The following are the major deferred tax liabilities recognised by the Group and any movements thereon:

	Accelerated capital allowances £	Total £
At 1 April 2021	67,576	67,576
Movement	(20,174)	(20,174)
Deferred tax from acquisition	323,188	323,188
At 31 March 2022	370,590	370,590
Movement	(22,706)	(22,706)
At 31 March 2023	347,884	347,884

13. Intangible Assets

	Development costs £	Trademarks £	Brands £	Goodwill £	Website £	Total £
Cost						
At 1 April 2021	1,190,555	70,372	470,151	57,807	-	1,788,885
Reclassification	-	-	(10,235)	10,235	-	-
Acquired through business combinations	-	8,857	2,024,175	2,761,676	-	4,794,708
Additions	1,139,882	20,367	-	-	70,198	1,230,447
At 31 March 2022	2,330,437	99,596	2,484,091	2,829,718	70,198	7,814,040
Additions	1,076,159	18,624	-	-	782	1,095,565
At 31 March 2023	3,406,596	118,220	2,484,091	2,829,718	70,980	8,909,605
Amortisation						
At 1 April 2021	163,067	13,343	149,494	-	-	325,904
Acquired through business combinations	-	7,663	-	-	-	7,663
Charge for the year	330,481	11,497	122,186	-	5,073	469,237
At 31 March 2022	493,548	32,503	271,680	-	5,073	802,804
Charge for the year	572,744	14,108	161,960	-	19,105	767,917
At 31 March 2023	1,066,292	46,611	433,640	-	24,178	1,570,721
Net book value						
At 31 March 2023	2,340,304	71,609	2,050,451	2,829,718	46,802	7,338,884
At 31 March 2022	1,836,889	67,093	2,212,411	2,829,718	65,125	7,011,236

Impairment of Intangible Assets

At each reporting date, the Directors assess whether indications exist that an asset may be impaired. If indications do exist, the Directors estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash-generating unit's fair value less costs to sell and its value-in-use.

Management have assessed that there are 3 cash generating units, these include Nomad Technology, Brand Ownership and Distribution. Nomad Technology encompasses the technology and service solutions designed to provide Clients cross border eCommerce solutions into China, the solutions are built on the Nomad Platform and is integrated with Chinese eCommerce platforms, payment providers and logistic companies. Brand Ownership includes the sale of our owned branded products through retailers, online and other marketplaces across the UK, China and ROW. Distribution includes the sale of third-party brands to UK and European retailers as well as through resellers on wholesale basis in China.

Management have performed an impairment review as required by IAS 36 and have concluded that no impairment is indicated for its 2 core cash generating units, Nomad Technology and Brand Ownership. The recoverable amount of the assets has been determined from a review of the current and forecasted performance of the cash generating units through to March 2028. The key assumptions for these calculations are discount rates and revenue growth rates. In preparing these projections, a discount rate of 15% has been used based on the weighted average cost of capital and the perpetual growth rate of 4% has been assumed. Management has also made assumptions around the growth in relation to revenues generated from its Nomad Technology platform and Brand Ownership Sales. This includes acquiring new customers, adding new third-party brands to its portfolio, increasing the number of sales channels and partners in its distribution network and adjusting its cost base.

If management's assumptions with regards to revenue were to change by 1% over the projected period with corresponding change to variable costs, the value in use calculation would result in a £30k change for Nomad Technology and £267k change for Brand Ownership, in the recoverable amount of the assets. If management's assumptions with regards to discount rate were to change by 1% over the projected period, the value in use calculation would result in a £599k change for Nomad Technology and £570k change for Brand Ownership, in the recoverable amount of the asset.

14. Property, Plant and Equipment

	Office equipment	Computer equipment	Leasehold improvements	Machinery	Total
	£	£	£	£	£
Cost					
At 1 April 2021	88,148	97,218	58,430	-	243,796
Additions	23,059	90,492	20,145	50,745	184,441
Reclassify	(7,541)	7,541	-	-	-
Acquisition	24,388	17,255	-	-	41,643
Disposal	-	(23,014)	-	-	(23,014)
Foreign exchange	66	2,816	-	-	2,505
At 31 March 2022	128,120	192,308	78,575	50,745	449,748
Additions	30,330	6,302	30,970	-	67,602
Reclassify	(23,588)	(3,500)	27,088	-	-
Disposal	(12,750)	(51,500)	-	-	(64,250)
Foreign exchange	(13)	(718)	-	-	(731)
At 31 March 2023	122,099	142,892	136,633	50,745	452,369
Depreciation					
At 1 April 2021	34,150	40,975	17,409	-	92,534
Charge for the year	12,235	56,459	11,905	4,830	85,429
Reclassify	(4,481)	4,481	-	-	-
Acquisition	21,086	15,754	-	-	36,840
Disposal	-	(10,459)	-	-	(10,459)
Foreign exchange	31	2,156	-	-	2,882
At 31 March 2022	63,021	109,366	29,314	4,830	206,531
Charge for the year	19,833	45,802	25,382	7,249	98,266
Reclassify	5,218	(12,268)	7,050	-	-
Disposal	(12,750)	(43,048)	-	-	(55,798)
Foreign exchange	(9)	(38)	-	-	(47)
At 31 March 2023	75,313	99,813	61,746	12,079	248,952
Net book value					
At 31 March 2023	46,786	43,078	74,887	38,666	203,417
At 31 March 2022	65,099	82,942	49,261	45,915	243,217

15. Right-of-use Assets

15. Right-of-use Assets	Land and buildings £	Total £
Cost		
At 1 April 2021	1,362,545	1,362,545
Additions	-	-
At 31 March 2022	1,362,545	1,362,545
Additions	155,596	155,596
At 31 March 2023	1,518,141	1,518,141
Amortisation		
At 1 April 2021	521,938	521,938
Charge for the year	231,972	231,972
At 31 March 2022	753,910	753,910
Charge for the year	274,341	274,341
At 31 March 2023	1,028,251	1,028,251
Net book value		
At 31 March 2023	489,890	489,890
At 31 March 2022	608,635	608,635

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, the impact is not considered material to users of the financial statements.

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

	31 March 2023 £	31 March 2022 £
Not later than one year	328,491	283,579
Later than one year and not later than two years	218,190	284,356
Later than two years and not later than five years	48,750	188,190
Total minimum lease payments	595.431	756,125
Less: future finance charges	(21,645)	(35,772)
Present value of future lease payments	573,786	720,353

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 2023 £	31 March 2022 £
Profit/(loss) before tax excluding lease charges	(4,247,994)	(7,367,635)
Lease payments under short-term and low value assets	(201,167)	(217,905)
Depreciation of right of use assets	(274,341)	(231,973)
Lease finance expense	(26,828)	(30,938)
Profit/(loss) before tax and after lease charges	(4,750,330)	(7,848,451)

16. Inventories

	31 March 2023 £	31 March 2022 £
Finished goods	2,980,627	4,394,080
Provision for obsolescence	(768,400)	(673,832)
Total inventories	2,212,227	3,720,248
Cost of inventory recognised in profit and loss	7,814,364	8,226,260

17. Trade Receivables

	31 March 2023 £	31 March 2022 £
Trade receivables	1,840,464	1,584,768
Provision for expected credit loss	(117,827)	(72,066)
Total trade receivables	1,722,637	1,512,702

	31 March 2023 £	31 March 2022 £
Not due	1,501,686	1,172,757
0 to 3 months overdue	232,656	294,749
3 to 6 months overdue	106,122	117,262
Total trade receivables	1,840,464	1,584,768

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 2023, the Directors considered a portion of these receivables uncollectable and recorded a provision in the amount of £117,827 (2022: £72,066).

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 6.40% (31 March 2022: 4.59%). The Directors have identified the gross domestic product growth rates as the key macroeconomic factors in the countries in which the Group operates.

18. Other Receivables and Prepayments

	31 March 2023 £	31 March 2022 £
Accrued income	-	2,517
Prepayments	423,352	561,910
Other receivables	283,161	447,944
Total other receivables and prepayments	706,513	1,012,371



19. Share Capital and Merger Relief Reserve

	31 March 2023 £	31 March 2022 £
Allotted, issued and fully paid:		
58,358,201 (2022: 54,714,783) ordinary shares of 1p each	583,582	547,148

Ordinary shares issued:

·	Number of shares No.	Share Capital £
At 1 April 2021	51,618,966	516,190
Shares issued on 4 May 2021 (a)	357,977	3,580
Shares issued on 10 May 2021 (b)	2,737,840	27,378
At 31 March 2022	54,714,783	547,148
Shares issued on 15 August 2022 (c)	45,802	458
Shares issued on 26 September 2022 (d)	3,597,616	35,976
At 31 March 2023	58,358,201	583,582

- a. On 4 May 2021, Samarkand Group plc issued 357,977 ordinary shares of £0.01 each as part of the consideration paid for the acquisition of the entire share capital of Zita West Products Limited and 51% of Babawest Ltd
- b. On 10 May 2021, Samarkand Group plc issued 2,737,840 ordinary shares for a total consideration of £3,148,516
- c. On 15 August 2022, new shares were issued 45,802 ordinary shares of £0.01 each as part of the deferred consideration for the acquisition of Napiers the Herbalists
- d. On 26 September 2022, Samarkand Group plc issued 3,597,616 ordinary shares as part of an open offer for a total consideration of £1,937,889 net of fees

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

The merger relief reserve arises from the issue of shares by Samarkand Group plc in exchange for shares in Samarkand Holdings Limited.

20. Share Based Payments

Samarkand Long Term Incentive Plan

On the 1 April 2022, the Company adopted the Samarkand Long Term Incentive Plan to allow at the discretion of the Board, eligible employees to be granted EMI and non-EMI options at an exercise price to be determined by the Board not less than the nominal value of a share. Options will vest to time based and, if applicable financial and non-financial targets, as the Board may determine.

Options to acquire ordinary shares under the EMI play may be granted up to a maximum of £3m (based on the market value of the shares placed under option at the date of the grant). No consideration is payable for the grant of the option and the options are not transferable or assignable. Cash consideration is paid to the Company by the employee at the point that the share options are exercised.

During the year 1,657,070 share options were granted to certain employees as follows.

Grant Date	1 April 2022	1 April 2022	1 April 2022	1 November 2022
Туре	EMI	Unapproved	EMI	EMI
No of Options	493,338	68,890	87,295	1,007,547
Vesting Date	1 April 2025	1 April 2025	1 April 2023	1 November 2025
Model Used	Black Scholes	Black Scholes	Black Scholes	Black Scholes
Share price at date of grant	£1.125	£1.125	£1.125	£0.55
Additional conditions	Yes	Yes	N/A	N/A
Volatility	35%	35%	35%	38%
Expected option life (years)	3	3	1	3
Dividend yield	N/A	N/A	N/A	N/A
Risk free investment rate	3.57%	3.57%	3.57%	3.57%
Fair value per option at grant date	£1.116	£1.116	£1.1154	£0.52
Exercise price	£0.01	£0.01	£0.01	£0.01
Exercisable to	1 April 2032	1 April 2032	1 April 2032	1 November 2032

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 granted options to its employees. The maximum number of shares over which options that may be granted under the scheme is 11,044. Options over 10,335 shares were granted on 3 December 2020. Following the share for share exchange in March 2021, Samarkand Group plc had the following share options outstanding as at the year-end.

·	hted average exercise price (pence)	Number
Outstanding at 1 April 2021 and 2022	9.86	992,000
Forfeited	9.86	(179,031)
Exercised	9.86	(353,200)
Outstanding at 31 March 2023	9.86	459,769
Exercisable at 31 March 2023	9.86	459,769



Continued

Samarkand Preliminary Award

Under the terms of the Samarkand Preliminary Award, certain Executive Directors and members of management were granted awards the base value is calculated as a fixed multiple of salary and will only vest when the related non-financial and financial performance targets are met.

The following table illustrates the number and weighted average exercise price of share options:

	Number	Weighted average exercise price
Outstanding at 1 April 2022	992,000	£0.0986
Granted	1,657,070	£0.0100
Forfeited	(198,583)	£0.0899
Exercised	(353,200)	£0.0986
Number of options outstanding at 31 March 2023	2,097,287	£0.0294
Exercisable at 31 March 2023	532,663	£0.0865

Options to subscribe under various schemes, including those noted in Directors' interests on page 32, are shown in the table below:

	Date granted	Exercise Price	Exercisable Between	2023 Number of Share Options	2022 Number of Share Options
Approved	20 Nov 2020	£0.0986	20 Nov 2020 to 20 Nov 2030	123,400	550,400
Unapproved	3 Dec 2020	£0.0986	20 Nov 2020 to 20 Nov 2030	336,369	441,600
Approved	1 Apr 2022	£0.01	1 Apr 2022 to 1 Apr 2025	493,338	-
Unapproved	1 Apr 2022	£0.01	1 Apr 2022 to 1 Apr 2025	68,890	-
Approved	1 Apr 2022	£0.01	1 Apr 2022 to 1 Apr 2023	72,894	-
Approved	1 Nov 2022	£0.01	1 Nov 2022 to 1 Nov 2025	1,002,396	-
				2,097,287	992,000

21. Other Reserves

Currency translation reserve

The currency translation reserve represents cumulative foreign exchange differences arising from the translation of the financial statements of subsidiaries with a functional currency that differs to the Group's presentation currency.

22. Borrowings

The Group's borrowings consist of:

- Fixed rate secured loan notes which incur interest at 5% per annum;
- Unsecured bank loans which incur interest at 2.5% and 5.0% per annum
- Other loans which incur interest at between nil and 15% per annum; and

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

	31 March 2023 £	31 March 2022 £
Not later than one year:		
Bank loans	54,511	52,099
Invoice discount advances	-	-
Other loans	-	9,993
Current	54,511	62,092
Payable after one year but less than five years:		
Fixed rate secured loan notes	1,299,746	1,236,485
Bank loans	99,041	153,550
Other loans	-	-
Non-current	1,398,787	1,390,035
Total borrowings	1,453,298	1,452,127

(a) Fixed Rate Secured Loan Notes

On 24 September 2020, Samarkand Holdings executed a Non-convertible Loan Note Instrument for up to £1,146,299.50. 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 dated 26 July 2019.

(b) Bank Loans

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.

On the 14 June 2020, The Edinburgh Herbal Dispensary Limited received a Bounce Back Loan from Bank of Scotland for a principal sum of £25,000. The loan is guaranteed by the UK Government. The loan incurs a fixed rate of 2.5% 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 following table represents the Group's finance costs for each of the periods presented:

	31 March 2023 £	31 March 2022 £
Interest on borrowings	75,475	70,503
Right-of-use lease finance expenses	26,828	30,938
Invoice discounting charges	-	10,627
Bank charges	21,501	17,136
Foreign exchange	38,698	42,251
Total finance costs	162,502	171,455



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.

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.

As at 31 March 2023 and 31 March 2022 there are no financial instruments measured at fair value.

(b) Financial Instruments

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

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost.

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 2023 £	31 March 2022 £
Cash and cash equivalents held at amortised cost	2,017,150	4,049,118
Trade receivables and accrued income held at amortised cost	1,722,637	1,512,702
Financial assets at amortised cost	283,161	339,537
Total	4,022,948	5,901,357
Financial liabilities at amortised cost	(3,677,577)	(4,377,760)
Borrowings and leases	(2,027,083)	(2,172,480)
	(5,074,660)	(6,550,242)
Total	(1,681,712)	(648,883)

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 plo'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.

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) 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 below.

The Group believes the credit risk on liquid funds, being cash and cash equivalents, is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. However, the concentration of credit risk by counterparty does exceed 10% of the overall cash and cash equivalent balance.

(c) Foreign Currency Risk

Foreign currency risk is the risk that 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\$ £	JPY £
As at 31 March 2023					
Financial assets in £	1,048,107	9,928	1,810	391,551	2,140
Financial liabilities in $\mathfrak L$	(174,855)	(67,308)	(5,765)	(66,750)	(2,140)
Net foreign currency risk	873,252	(57,380)	(3,955)	324,801	-
As at 31 March 2022					
Financial assets in £	955,650	49,969	18,504	409,717	16,447
Financial liabilities in $\mathfrak L$	(173,019)	(711,134)	(540,273)	(6,548)	(394)
Net foreign currency risk	782,631	(661,165)	(521,769)	403,169	16,053

Notes to the Consolidated Financial Statements

Continued

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 Japanese Yen (JPY) 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\$	JPY
As at 31 March 2023	£	£	£	£	£
Effect on net assets					
Strengthened by 10%	87,325	(5,738)	(396)	32,480	-
Weakened by 10%	(87,325)	5,738	396	(32,480)	-
As at 31 March 2022					
Effect on net assets					
Strengthened by 10%	78,263	(66,117)	(52,177)	40,317	(1,605)
Weakened by 10%	(78,263)	66,117	52,177	(40,317)	1,605

(d) 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.

(e) 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.

(f) 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 £
2,088,101	-	-	2,088,101
54,509	1,398,787	-	1,453,296
328,491	266,940	-	595,431
1,589,476	512,441	-	2,101,917
4,060,577	2,178,168	-	6,238,745
3,597,110	-	-	3,597,110
62,092	1,390,035	-	1,452,127
283,579	472,545	-	756,124
780,650	512,441	-	1,293,091
4,723,431	2,375,021	-	7,098,452
	1 year £ 2,088,101 54,509 328,491 1,589,476 4,060,577 3,597,110 62,092 283,579 780,650	1 year £ years £ 2,088,101 - 54,509 1,398,787 328,491 266,940 1,589,476 512,441 4,060,577 2,178,168 3,597,110 - 62,092 1,390,035 283,579 472,545 780,650 512,441	1 year £ years £ 5 years £ 2,088,101 - - 54,509 1,398,787 - 328,491 266,940 - 1,589,476 512,441 - 4,060,577 2,178,168 - 3,597,110 - - 62,092 1,390,035 - 283,579 472,545 - 780,650 512,441 -

25. Notes to the Statements of Cash Flows

Net debt reconciliation:

	Opening balances £	Cash flows £	Non-cash movements £	Closing balances
Year ended 31 March 2023				
Cash & cash equivalents	4,049,118	(2,087,282)	55,314	2,017,150
Right of use lease liabilities	(720,353)	329,001	(182,433)	(573,785)
Borrowings	(1,452,127)	71,131	(72,302)	(1,453,298)
Totals	1,876,638	(1,687,150)	(199,421)	(9,933)
Year ended 31 March 2022				
Cash & cash equivalents	14,606,867	(10,534,514)	(23,235)	4,049,118
Right of use lease liabilities	(972,994)	252,641	-	(720,353)
Borrowings	(2,082,538)	630,411	-	(1,452,127)
Totals	11,551,335	(9,651,462)	(23,235)	1,876,638

26. Accrued Liabilities

In November 2021, the Group acquired the Napiers brand and its subsidiaries, for a total consideration of £2.3m. £0.5m of the total £2.3m consideration is contingent upon a certain transaction occurring post-acquisition which will be settled either in cash or the issuance of new Ordinary Shares, at the discretion of Company.

27. Contingencies

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

28. Related Party Transactions

Amounts owed to related parties

As at 31 March 2023, the Group had a net amount owing to related parties of £64,000 (2022: £64,000). The amounts owing were to directors of one of the Group's subsidiaries. The above balances were unsecured, interest-free and repayable on demand.

Services provided to/purchases from related parties

During the year ended 31 March 2023, the Group made £68,850 (2022:£52,800) of consultancy fees to a related party. The related party is a Director of one of the Group's subsidiary.

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.

29. Material Subsequent Events

There have been no material post balance sheet events.

30. Ultimate Controlling Party

As at 31 March 2023, Samarkand Group plc did not have any one identifiable controlling party.

Company Statement of Financial Position

For the year ended 31 March 2023

	Notes	31 March 2023 £	31 March 2022 £
ASSETS			
Investments	4	520,771	353,400
Amounts due from group undertakings		11,205,241	9,907,815
Non-current assets		11,726,012	10,261,215
Other receivables and prepayments	5	59,130	63,343
Cash and cash equivalents		734,378	1,870,150
Current assets		793,508	1,933,493
Total assets		12,519,520	12,194,708
EQUITY AND LIABILITIES			
Share capital	8	583,582	547,148
Share premium		22,954,412	21,022,958
Accumulated loss		(13,102,518)	(10,731,941)
Total equity		10,435,476	10,838,165
Borrowings	7	1,299,746	1,236,485
Total non-current liabilities		1,299,746	1,236,485
Trade and other payables	6	171,833	47,728
Accrued liabilities	6	612,465	72,330
Total current liabilities		784,298	120,058
Total liabilities		2,084,044	1,356,543
Total liabilities and equity		12,519,520	12,194,708

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss and related notes in these financial statements. The Parent Company loss for the period was £2,586,448 (2022: £10,232,136)

The financial statements were approved by the Board of Directors and authorised for issue on 4 August 2023 and are signed on its behalf by:

David Hampstead

Director

Company Registration No. 13127277

Company Statement of Changes in Equity

For the year ended 31 March 2023

	Share capital £	Share premium £	Accumulated loss £	Total equity £
Balance at 1 April 2021	516,190	17,412,900	(499,805)	17,429,285
Loss and total comprehensive income for the period	-	-	(10,232,136)	(10,232,136)
Issue of shares	30,958	3,610,058	-	3,641,016
Balance at 31 March 2022	547,148	21,022,958	(10,731,941)	10,838,165
Loss and total comprehensive income for the period	-	-	(2,586,448)	(2,586,448)
Share based payments	-	-	215,871	215,871
Issue of shares	36,434	1,931,454	-	1,967,888
Balance at 31 March 2023	583,582	22,954,412	(13,102,518)	10,435,476

Company Statement of Cash Flows

For the year ended 31 March 2023

	31 March 2023 £	31 March 2022 £
Cash flows from operating activities		
Loss before taxation	(2,586,448)	(10,232,136)
Interest expensed	63,261	60,181
Share based payments	48,500	-
Provision against intercompany loans	1,245,274	9,144,918
Working capital adjustments:		
Decrease in trade and other receivables	4,213	210,763
Increase/(decrease) in trade and other payables	664,240	(150,943)
Net cash used in operating activities	(560,960)	(967,217)
Cash flows from investing activities Loans to subsidiaries Net cash used in investing activities	(2,542,700)	(14,266,559)
Cash flows from financing activities	(2,542,700)	(14,266,559)
Proceeds from issue of shares	1,967,888	3,641,016
Net cash from financing activities	1,967,888	3,641,016
Net decrease in cash and cash equivalents	(1,135,772)	(11,593,760)
Cash and cash equivalents – beginning of the year	1,870,150	13,463,910
Cash and cash equivalents – end of the year	734,378	1,870,150

Notes to the Company Financial Statements

For the year ended 31 March 2023

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").

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 statement of financial position 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 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.

Notes to the Company Financial Statements

Continued

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.

4. Investment in Subsidiaries

	31 March 2023 £	31 March 2022 £
Investment in subsidiaries	520,771	353,400

The Company's investments are not impaired.

5. Other Receivables and Prepayments

	31 March 2023 £	31 March 2022 £
Prepayments	59,130	56,687
Other receivables	-	6,656
Total other receivables and prepayments	59,130	63,343

6. Trade and Other Payables

	31 March 2023 £	31 March 2022 £
Trade and other payables	171,833	47,728
Accruals	612,465	72,330
Total trade and other payables	784,298	120,058

7. Borrowings

	31 March 2023 £	31 March 2022 £
Fixed rate secured loans	1,299,746	1,236,485

On 24 September 2020, Samarkand Holdings executed a Non-convertible Loan Note Instrument for up to £1,146,299.50. 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 secured loan interest is settled on redemption.

8. Share Capital

	31 March 2023 £	31 March 2022 £
Allotted, issued and fully paid:		
58,358,201 (2022: 54,714,783) ordinary shares of 1p each	583,582	547,148

Ordinary shares issued:		Number of shares No.	Share capital £
At 1 April 2021		51,618,966	516,190
Shares issued on 4 May 2021	(a)	357,977	3,580
Shares issued on 10 May 2021	(b)	2,737,840	27,378
At 31 March 2022		54,714,783	547,148
Shares issued on 15 August 2022	(c)	45,802	458
Shares issued on 26 September 2022	(d)	3,597,616	35,976
At 31 March 2023		58,358,201	583,582

- a. On 4 May 2021, Samarkand Group plc issued 357,977 ordinary shares of £0.01 each as part of the consideration paid for the acquisition of the entire share capital of Zita West Products Limited and 51% of Babawest Ltd
- b. On 10 May 2021, Samarkand Group plc issued 2,737,840 ordinary shares for a total consideration of £3,148,516
- c. On 15 August 2022, new shares were issued 45,802 ordinary shares of £0.01 each as part of the deferred consideration for the acquisition of Napiers the Herbalists
- d. On 26 September 2022, Samarkand Group plc issued 3,597,616 ordinary shares as part of an open offer for a total consideration of £1,937,889 net of fees



Notes to the Company Financial Statements

Continued

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.

9. Director's Remuneration

Details of Directors' and key management remuneration, including that of the highest paid Director, are set out on page 31 in the Corporate Governance Report.

10. Related Party Transactions

At 31 March 2023, the Company was owed by £21,595,432 (2022: £19,052,733) by its subsidiaries against which a provision of £10,390,191 (2022: £9,144,918) has been made at the year end, leaving a net balance of £11,205,241 (2022: £9,907,815) in the accounts.

11. Ultimate Parent Undertaking and Controlling Party

As at 31 March 2023, Samarkand Group plc did not have any one identifiable controlling party.

Company Information

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D R Hampstead

J Hern K Higgins T C Dodge G P Smiley

Secretary E Hang

Company Number 13127277

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