ENSCO 1314 LIMITED

REVISED ANNUAL REPORT AND
CONSOLIDATED FINANCIAL
STATEMENTS

FOR THE YEAR ENDED
28 FEBRUARY 2021

COMPANY NUMBER 11649494

Ensco 1314 Limited
Revised annual report and consolidated financial statements
For the year ended 28 February 2021

Contents

Ensco 1314 Limited

Corporate information

Company registration number:	11649494
Directors:	Peter Reid Daniel Yardley Catherine Howe Charles Courtier Patrick Sellers John Clarke Jonathan Bell Ben Rudman
Banker:	*HSBC UK Bank plc* 1 Centenary Square Birmingham B1 1HQ
Solicitor:	Browne Jacobson LLP Mowbray House Castle Meadow Road Nottingham NG2 1BJ
Auditor:	*Grant Thornton UK LLP* Chartered Accountants & Statutory Auditor The Colmore Building 20 Colmore Circus Birmingham B4 6AT
Registered office:	34 Bow Street London WC2E 7AU

Ensco 1314 Limited

Strategic report

For the year ended 28 February 2021

The Directors present their Strategic report for the year ended 28 February 2021.

Principal activity

The principal activity of the Group is that of advertising, marketing and related services.

The principal activity of the Company is that of a holding company.

Business review and future developments

Ensco is the ultimate parent company of the MSQ Partners Group of companies, all of which operate across the disciplines of marketing and communications and was incorporated for the purpose of being an acquisition vehicle to acquire MSQ Partners Group Limited and all of its subsidiary companies which completed on 10 May 2019. LDC, the Private Equity arm of the Lloyds Banking Group, joined the business at this time as its largest shareholder.

COVID-19 has created significant macro-economic headwinds. Our services are a discretionary part of our clients' budgets which means we are not immune to it. Despite this, we have continued to make material investments in our future growth.

Most significantly, the Group acquired the entire Share Capital of Be Heard Group plc which saw it delisted from London Stock Exchange (AIM) on 1 September 2020. This move saw Be Heard's agencies MMT Digital (tech and digital transformation), Freemavens (data analytics/insight) and Agenda 21 (digital media) join the group. It adds further strength and depth to the group's capabilities and talent, along with an impressive client list and scale in London.

This saw Ben Rudman, a founder of MMT and formed Board member of Be Heard, joining the MSQ board as Executive Director.

Additional investments have been made in talent across many of our businesses. These are notable in the USA where we have made the following additions:

- MSQ USA. Aaron Lang and Justin Cox, both formerly of Deloitte Digital's Heat, have joined the business to lead the development and evolution of our multi-disciplinary proposition in the US
- Smarts USA. We have commenced an operation in the US where Mike DaRe, latterly Global Head of Culture, Entertainment and Johnnie Walker Red Label, has joined the business as Managing Director to spearhead further growth in this extremely successful PR and Content business.
- The Gate New York. Nancy Aresu joins us as President and will be helping to further grow this well-established business in North America.

In addition, in the UK, Nick Gray has joined as MD of Holmes & Marchant to expand the footprint of our high growth Asian based design and communications business. Nick is an industry veteran who has deep experience across the sector.

Following year-end, effective 11 March 2021, the Group completed the acquisition of the share capital of Maher Bird Holdings Limited (trading as MBA). MBA is a well renowned business and has been combined with our Stack business to create MBAstack, a leading Customer Acquisition and marketing business.

Clearly COVID-19 did create macroeconomic headwinds. Our Chinese subsidiary saw the first impact in late January 2020, with the rest of Asia, the UK and then US markets being impacted progressively from March 2020 onwards.

Despite this, our businesses have traded robustly and ahead of the market. Reported Gross Profit was £58.1m which is up £19.1m (49%) from £39m in the prior period. Current year figures contain 6 months of the Be Heard acquisition and the prior period figures represent 9.5 months of reported trading from the inception of the Group in its current form.

Strategic report

For the year ended 28 February 2021

Business review and future developments (continued)

If we look at the Group for the 6 months following the Be Heard acquisition, gross profit was £35.9m. For the same period in the prior year, gross profit for the combined businesses were £36.2m, representing a 0.7% year on year reduction. Given the impact of COVID-19 on the economy, we consider this to be a very strong performance indeed.

Operating profit (before exceptional items and amortisation) in the period was £6.8m, up from £3.6m, an 89% increase. Once again, current year figures contain 6 months of the Be Heard acquisition and the prior period figures represent 9.5 months of reported trading from the inception of the Group in its current form.

If we look at the Group for the 6 months following the Be Heard acquisition, headline operating profit was £4.1m. If we look at the combined business for the same period in the prior year, headline operating profit was £4.4m, an 8% decline. Operating margins over the same period fell from 12.2% to 11.4%.

In the context of COVID-19, alongside ongoing investments in talent, we also consider the operating profit and margin outcomes to be a very strong performance. Most importantly, the business has excellent momentum and is growing strongly into our new financial year.

Exceptional items in the year were £1.9m vs £1.1m in the prior year. £0.9m of these costs relate to M&A activity, £0.3m property related charges and £0.7m due to restructuring and reorganisation costs, primarily due to cost reduction as a result of the challenges presented by COVD-19.

Interest expense in the year has increased by £1.4m from £3.6m to £5m. This is due to a full year of interest relating to our financial structure, and additional borrowings to fund the Be Heard acquisition. It is worth noting that £3.5m of this interest expense relates to Loan Notes, so is non-cash.

Operational assessments and evaluations

Operating profit, which includes exceptional items and the amortisation of intangibles, was £1,307k for the year, up from £18k in the prior period, a significant step forwards in any environment.

Cash generated from operating activities was a very strong £13.3m and net cash increased by £9.8m. While this does contain a material working capital inflow which is timing related, given the challenging economic environment, this was very encouraging indeed.

Despite the headwinds created by COVID-19, we are delighted with these results. We have continued (and will continue) to invest in the future growth of the business, and consider our core proposition of data and technology led, multi-disciplinary communications to be at the forefront of our industry.

At an individual agency level, our PR/Content agency (Smarts), and Business to Business agency (Stein IAS) both delivered material revenue and operating profit growth, as well as operating profit margins over 20%, which would represent a very good year in normal circumstances.

Overall, we continue to make ongoing structural and operational modifications to facilitate the delivery of our strategy, position the Group to benefit from on-going shifts to digital and tech-enabled marketing strategies and enable us to deliver market leading growth in the years ahead.

Directors Duties

The Directors of the Company must act in accordance with a set of general duties, as detailed in s172 of the Companies Act 2006. These duties include the following:

People

People are at the heart of our specialist services. For our business to succeed, we need to manage our people's performance and develop and bring through talent while ensuring we operate as efficiently as possible. We must also ensure we share common values that inform and guide our behaviour so we achieve our goals in the right way.

Ensco 1314 Limited

Strategic report

For the year ended 28 February 2021

Directors Duties (continued)

Business Relationships

Our strategy prioritises organic growth, driven by cross-selling and up-selling services to existing clients and bringing new clients into the Group. To do this, we need to develop and maintain strong client relationships. We value all of our suppliers and have multi-year contracts with our key suppliers.

Community

The Company's approach is to create positive change for the people and communities with which we interact. We want to enable colleagues to support the communities around us and are committed to remaining a carbon-negative company in the future.

Shareholders

The Board is committed to openly engaging with our shareholders, as we recognise the importance of a continuing effective dialogue, whether with institutional investors, private or employee shareholders. It is important to us that shareholders understand our strategy and objectives, so these must be explained clearly, feedback heard and any issues or questions raised properly considered.

Principal risks and uncertainties

The directors consider that the principal risks and uncertainties facing the group are:

Failure to respond to changes in the market or failure to establish marketing and service initiatives which maintain the competitiveness of our services

The Group continues to review its offer and focus on the quality of our products and services to enable us to respond to changes in the market and needs of our clients.

The Group remains exposed to uncertain economic conditions

The Group is currently uncertain about the impact of the UK leaving the European Union, which has been somewhat masked by the wider economic impact of COVID-19, as well as the ongoing economic impact of COVID-19. Specifically, we do not know how this will continue to affect the UK economy beyond the short term.

The Group has reviewed its strategy and put in place the foundations for future growth. We consider the Group well positioned for future growth and to exploit more favourable trading conditions if and when they arise.

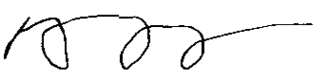
The Group is reliant on its people and critical to its success is the recruitment and retention of skilled sales personnel

Management reviews the teams in the Group regularly to ensure those high performers are rewarded and retained within the business. The Group strive for an actively engaged team which will consequently leave us well placed to deliver the Group's strategic objectives.

The Group operates globally and enters into contracts and transactions denominated in currencies other than sterling exposing the Group to foreign currency movements

The Group monitors the impact of foreign currency movements and looks to mitigate this where possible. The Group does not have a policy of using hedging instruments.

APPROVED BY AND SIGNED ON BEHALF OF THE BOARD



Daniel Yardley
Director
Date:
Company registration number: 11649494
6/12/2021

Ensco 1314 Limited

Directors' report

For the year ended 28 February 2021

The Directors present their report together with the audited financial statements for the year ended 28 February 20201. Ensco 1314 Limited is the holding company of a group of businesses in the marketing and communications sector.

Directors

The directors who served during the year and up until the date of this report were:

Peter Reid	Chief Executive Officer
Daniel Yardley	Chief Financial Officer
Catherine Howe	Executive Director
Charles Courtier	Non-executive Chairman
Patrick Sellers	Non-executive Director
John Clarke	Non-executive Director
Jonathan Bell	Non-executive Director
Ben Rudman	Executive Director (appointed on 1 September 2020)

Dividends

The company did not declare or pay any dividends during the current year.

Matters included in the Strategic report

The business review, future developments and principal risks and uncertainties have been included in the Strategic report.

Post balance sheet events

Purchase of Maher Bird Holdings Limited

Following year-end, effective 11 March 2021, the Group completed the acquisition of the share capital of Maher Bird Holdings Limited (trading as MBA). MBA is a well renowned business and has been combined with our Stack business to create MBAstack, a leading Customer Acquisition and marketing business.

COVID-19

While the impact of COVID-19 has lessened, there remains a degree of medium-term macroeconomic uncertainty associated with it.

At an overall Group level, both revenue and profits are growing materially, and we have more than adequate cash reserves to support the business through another downturn, should it arise.

At the time of writing, trading remains robust in the context of the wider economy and our sector.

We remain cautious and continue to manage costs and cash sensibly, to ensure that the business is in strong enough condition to take advantage of any future improvement in the wider economy, both in the UK and overseas.

Going concern

Following the acquisition of Be Heard, and with the impact of COVID-19 on the wider business and economy, the directors of Ensco and the MSQ Partners Group of companies have prepared a detailed set of financial forecasts to assess the ability of the Group to meet its obligations going forwards. The directors have stress-tested the financial forecasts for reasonably possible alternative scenarios, including the uncertainty of the impact of COVID-19.

These show that the Group has sufficient cash reserves, along with headroom in financial facilities and covenants to support its activities based on both forecasted trading levels (against which the business is currently trading favourably) and in the event of a further significant and extended economic downturn in all markets. The funding is also held for a period of at least 12 months from the date of signing of the financial statements, implicit within this is that the Group has sufficient resources to pay all debts as they fall due for the next 12 months. As such, these financial statements have been prepared on a going concern basis.

Directors' report

For the year ended 28 February 2021

Financial risk management objectives and policies

The objective of the Board is to manage risk across the Group enabling the Group to achieve its business objectives. A strong system of internal controls is a key component of the risk management process.

Changes in key business objectives, which may alter the risks faced by the operating businesses or the Group's central function, are monitored closely by the Board throughout the year to ensure that the necessary changes to internal controls or procedures are implemented.

The Group uses financial instruments comprising cash and short-term deposits, shareholder loans, bank loans, bank credit facilities, finance leases, and various items such as trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, market risk, interest rate risk and foreign currency risk. In addition, the Group faces on-going operational risk, the potential loss of key clients and the potential loss of key personnel.

Refer to Financial Instruments (Note 22) for detailed disclosure regarding the Group's exposure to financial risks, as well as the policies and controls implemented by management in order to reduce them to an acceptable level.

Employment policies

The employment policies of the Group embody the principles of equal opportunity and are tailored to meet the needs of its different businesses and the local areas in which they operate. This includes suitable procedures to support the Group's policy that individuals should not be discriminated against on the basis of race, disability, age, gender, sexuality or religion and that they should be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities.

The Group gives full consideration to applications for employment from mentally and physically disadvantaged people where the requirements of the job can be adequately fulfilled by a disadvantaged person. Where existing employees become disadvantaged, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disadvantaged employees wherever appropriate.

As a business with people at its core, and with a large number of its senior employees as shareholders in the Group, we place significant value on the involvement of its employees in all matters relating to the overall performance of the Group, and each of its constituent parts.

Employee consultation

The Group strives to empower its people to realise their full potential and achieve their ambitions through a culture of development focused on increasing their capacity to learn, grow and innovate. There is a long-established practice of communicating and consulting with all staff on a wide range of matters that impact upon both the current and future performance and strength of the Group. This is done via a range of methods, from regular written communication, to formal and informal functions.

Revision by replacement

These revised annual report and financial statements replace the original annual report and financial statements for the financial year ended 28 February 2021.

These revised annual report and financial statements are now the statutory accounts of the company for the financial year ended 28 February 2021.

These revised annual report and financial statements have been prepared as at the date of the original annual report and financial statements and not at the date of revision and accordingly do not deal with events between those dates.

Directors' report

For the year ended 28 February 2021

Revision by replacement (continued)

The original annual report and financial statements, which were approved and published on 13 September 2021, did not make reference to the audit exemption being claimed by a subsidiary company under section 479A of the Companies Act 2006. A statement to that effect has now been added to correct this in note 28 to the revised financial statements to ensure they comply with the Companies Act 2006.

Directors' responsibilities statement

The Directors are responsible for preparing the Revised Directors' report, Strategic report and the Revised 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 the International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements under United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework'). 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 and profit and loss of the company and group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union and UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- *so far as each director is aware, there is no relevant audit information of which the company's auditor is* unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Qualifying third party indemnity provisions

The Company has provided qualifying third-party indemnity provisions in respect of the directors who were in force during the period and at the date of the report.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

APPROVED BY AND SIGNED ON BEHALF OF THE BOARD

Daniel Yardley
Director
Date:
Company registration number: 11649494
6/12/2021

Independent auditor's report

Independent auditor's report to the members of Ensco 1314 Limited

Opinion

We have audited the revised financial statements of Ensco 1314 Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 28 February 2021, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. These revised financial statements replace the original financial statements approved by the directors on 13 September 2021. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The *financial reporting framework that has been applied in the preparation of the parent company financial* statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice). The revised financial statements have been prepared under the Companies (Revision of Defective Accounts and Reports) Regulations 2008 and accordingly do not take account of events which have taken place after the date the original financial statements were approved.

In our opinion:

- the financial statements give a true and fair view, seen as at the date the original financial statements were approved, of the state of the group's and of the parent company's affairs as at 28 February 2021 *and of the group's loss for the year then ended;*
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 seen as at the date the original financial statements were approved ;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice seen as at the date the original financial statements were approved; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 as they have effect under the Companies (Revision of Defective Accounts and Reports) Regulations 2008.

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 revised financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the revised financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – revision to fully explain provision of parental guarantee given to subsidiaries

We draw attention to note 28 to these revised financial statements which describes the need for revision of this note because the note did not make reference to the audit exemption being claimed by a subsidiary company under section 479A of the Companies Act 2006. The original financial statements were approved on 13 September 2021 and our previous audit report was signed on 13 September 2021. We have not performed a subsequent event review for the period from the date of our previous auditor's report to the date of this report. Our opinion is not modified in this respect.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up

Independent auditor's report

Conclusions relating to going concern (continued)

to the date of our report on the original financial statements. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

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

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the revised financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the strategic report and directors' report, other than the revised financial statements and our auditor's report thereon. Our opinion on the revised 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 revised financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the revised 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 revised 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

In our opinion, the original financial statements for the year ended 28 February 2021 failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors in the Directors report and note 28 to the revised financial statements.

Matter on which we are required to report under the Companies Act 2006

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

Independent auditor's report

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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 revised financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the revised financial statements

As explained more fully in the directors' responsibilities statement on page 7, the directors are responsible for the preparation of the revised 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 revised financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the revised financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the 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 revised financial statements

Our objectives are to obtain reasonable assurance about whether the revised 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 revised financial statements.

A further description of our responsibilities for the audit of the revised 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.

We are also required to report whether in our opinion the original financial statements failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors. The audit of revised financial statements includes the performance of procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the revised financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Parent company and determined that the most significant are those that relate to the reporting frameworks (IFRS, FRS 101 and Companies Act 2006).
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent auditor's report

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

- We understood how the Group and Parent company is complying with legal and regulatory frameworks by enquiring of management and corroborating such enquiries through our review of board minutes and certain other audit procedures.
- These audit procedures were designed to provide reasonable assurance that the revised financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the revised financial statements, the less likely we would become aware of it;
- We assessed the susceptibility of the Group and Parent company's revised financial statements to material misstatement including how fraud might occur by enquiring of employees from different areas of the business to understand where it is considered here was a susceptibility of fraud. We considered the programs and controls that the Group and Parent company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk, including:
  - Procedures performed on journal entries, with particular focus on entries affecting revenue, profit affecting journals and entries affecting cash as this is where we have determined the risk of fraud to be heightened;
  - Procedures performed on revenue, with a focus on the final month of the financial year and invoices which are unpaid;
  - Procedures to ensure the completeness of related party transaction balances and disclosures; and
  - Procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.
- The engagement partner has assessed the appropriateness of the collective competence and capabilities of the engagement team including consideration of the engagement teams:
  - Understanding of, and practical experience with audit engagement of a similar nature and complexity through appropriate training and participation;
  - Knowledge of the industry in which the client operates; and
  - Understanding of the legal and regulatory requirements specific to the entity including:
  - The provisions of the applicable legislation;
  - The regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules; and
  - The applicable statutory provisions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - The Group's operations, including the nature of its revenue sources and services and of its objectives and strategies to understand the classes of transactions, account balances, expected revised financial statement disclosures and business risks that may result in risks of material misstatement; and
  - The Group's control environment, including the policies and procedures implemented to comply with the Group's relevant regulatory requirements, including the adequacy of procedures for authorisation of transactions, internal review procedures over the Group's compliance with regulatory requirements and procedures to ensure that possible breaches of requirements are appropriately investigated and reported.

Ensco 1314 Limited

Independent auditor's report

Use of our report

This report is made solely to the company's members, as a body, in accordance with Companies (Revision of Defective Accounts and Reports) Regulations 2008. 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.

MBuckingham

Matthew Buckingham BSc ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
Date: 6/12/2021

Consolidated statement of total comprehensive income

For the year ended 28 February 2021

£'000s	Note	Year ended 2021	Period ended 2020
Revenue	2	91,472	65,806
Cost of sales		(33,379)	(26,814)
Gross profit		58,093	38,992
Administrative expenses		(56,786)	(38,974)
Operating profit before exceptional items and amortisation		6,751	3,575
Exceptional items	4	(1,937)	(1,122)
Amortisation of intangibles	8	(3,507)	(2,435)
Operating profit		1,307	18
Operating profit	3	1,307	18
Interest income	5	26	37
Interest expense	5	(5,037)	(3,582)
Loss before taxation		(3,704)	(3,527)
Taxation	7	986	(364)
Loss for the year		(2,718)	(3,891)
Other comprehensive gain/(loss)			
that may be reclassified to profit or loss:			
Foreign currency translation differences on foreign operations		13	(184)
Other comprehensive gain/(loss), net of tax		13	(184)
Total comprehensive loss for the year		(2,705)	(4,075)

All amounts relate to continuing operations.

The accompanying accounting policies and notes form an integral part of these financial statements.

Ensco 1314 Limited

Consolidated statement of financial position

For the year ended 28 February 2021

£'000s	Note	2021	2020
Non-current assets			
Goodwill and intangibles	8	56,583	38,538
Property, plant and equipment	9	1,966	1,869
Right of use assets	10	15,223	5,736
Deferred tax assets	18	322	264
		74,094	46,407
Current assets			
Trade and other receivables	12	22,538	15,870
Work in progress	13	1,097	838
Cash and cash equivalents	14	18,360	8,547
Current tax assets		-	50
		41,995	25,305
Total assets		116,089	71,712
Non-current liabilities			
Deferred tax liabilities	18	4,939	4,131
Borrowings	15	52,013	39,797
Lease liabilities	10	14,689	6,365
Other creditors		258	258
Provisions	16	663	163
		72,562	50,714
Current liabilities			
Borrowings	15	4,670	1,449
Lease liabilities	10	2,591	2,181
Trade and other payables	17	39,815	21,135
Current tax liabilities		265	141
		47,341	24,906
Equity			
Share capital	19	111	77
Share premium	19	2,855	90
Retained earnings		(6,609)	(3,891)
Foreign currency translation reserve		(171)	(184)
Equity attributable to owners of Company		(3,814)	(3,908)
Total equity and liabilities		116,089	71,712

The financial statements were approved and authorised for issue by the Board of Directors on 6 December 2021 and signed on its behalf by:

Peter Reid

Peter Reid
Director

Daniel Yardley
Director

Company number: 11649494

The accompanying accounting policies and notes form an integral part of these financial statements.

Ensco 1314 Limited

Consolidated statement of changes in equity

For the year ended 28 February 2021

£'000s	Note	Share capital	Share premium	Retained earnings	FCTR*	Total
Balance on incorporation at 30 October 2018		-	-	-	-	-
Total comprehensive loss						
Loss for the period		-	-	(3,891)	-	(3,891)
Other comprehensive loss		-	-	-	(184)	(184)
		-	-	(3,891)	(184)	(4,075)
Transactions with owners of Company						
Ordinary shares issued	19	77	90	-	-	167
		77	90	-	-	167
Balance at 29 February 2020		77	90	(3,891)	(184)	(3,908)
Total comprehensive gain/(loss)						
Loss for the period		-	-	(2,718)	-	(2,718)
Other comprehensive gain		-	-	-	13	13
		-	-	(2,718)	13	(2,705)
Transactions with owners of Company						
Ordinary shares issued	19	34	2,765	-	-	2,799
		34	2,765	-	-	2,799
Balance at 28 February 2021		111	2,855	(6,609)	(171)	(3,814)

*Foreign currency translation reserve

The accompanying accounting policies and notes form an integral part of these financial statements.

Ensco 1314 Limited

Consolidated statement of cash flows

For the year ended 28 February 2021

£'000s	Note	Year ended 2021	Period ended 2020
Cash flows from operating activities			
Cash generated from operations	21	12,896	2,126
Interest received		26	22
Interest paid		(102)	(61)
Taxation paid		442	(622)
Net cash generated from operating activities		13,262	1,465
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(565)	(1,174)
Acquisition of subsidiary, net of cash acquired	26	(372)	(17,607)
Settlement of contingent consideration		(6,069)	-
Proceeds from sale of property, plant and equipment		-	1
Net cash utilised by investing activities		(7,006)	(18,780)
Cash flows from financing activities			
Proceeds from issue of new shares		2,799	167
Repayment of leasing liabilities	23	(2,558)	(2,165)
Repayment of borrowings	23	(5,717)	(10,200)
Proceeds from borrowings	23	11,733	41,129
Transaction costs related to borrowings		(1,099)	(2,133)
Interest paid	23	(1,198)	(921)
Net cash generated by financing activities		3,960	25,877
Net increase in cash and cash equivalents		10,216	8,562
Cash and cash equivalents at beginning of year		8,547	-
Effect of movements in exchange rates on cash held		(403)	(15)
Cash and cash equivalents at end of year		18,360	8,547

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the consolidated financial statements

For the year ended 28 February 2021

1. ACCOUNTING POLICIES

Reporting entity

Ensco 1314 Limited (the Company) is incorporated and domiciled in the United Kingdom with a registered office at 34 Bow Street, London, WC2E 7AU. The consolidated financial statements comprise the Company and its subsidiaries (the Group). The Group is primarily involved in advertising, marketing and related services.

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and have been prepared under the historic cost convention. They were authorised for issue by the Company's board of directors on 6 December 2021.

Functional and presentation currency

These financial statements are presented in Pound Sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

New IFRS accounting pronouncements

Some accounting pronouncements which have become effective from 1 January 2020 and have therefore been adopted do not have a significant impact on the Group's financial results or position.

Use of estimates and judgements

Management is required to make key decisions and judgements whilst acknowledging that there is estimation uncertainty in the process of applying the Group's accounting policies. These estimates and judgements are reviewed on an ongoing basis. Where judgement has been applied or estimation uncertainty exists, the key factors taken into consideration are disclosed in the accounting policies and the appropriate note in these financial statements.

The most significant areas of estimation uncertainty and judgement include:

<u>Areas of estimation uncertainty</u>

Impairment of goodwill
Management test goodwill for impairment by calculating the value-in-use of the cash-generating units to which goodwill has been allocated. This requires estimates to be made regarding the future cash flows of the cash-generating units as well as a suitable discount rate to be applied. Further details are included in note 8.

Business combinations
IFRS 3 Business Combinations requires the Group to measure the fair value of the identifiable assets and liabilities acquired at the date of acquisition. The fair value of intangible assets raised for customer relationships require management to estimate the future underlying profitability of those relationships as well as the estimated useful life.

<u>Areas of judgement</u>

Revenue recognition
Revenue recognition requires significant judgements by management, specifically regarding the identification of performance obligations within a contract and determining the progress of satisfying the performance obligations where revenue is recognised over time.

Provisions
Property provisions are raised by the Group for future dilapidations. Judgement is required to determine the cost of the future dilapidation work required. Management assess this with reference to past experience and knowledge of the current status of properties. Further details have been included in note 16.

Deferred tax assets
Management use judgements to determine the recoverability of available deferred tax assets at year end. Deferred tax assets relating to tax losses are only recognised where sufficient taxable profits are expected to be earned in the three-year forecast. Further details have been included in note 18.

Basis of consolidation

The Group accounts for business combinations using the acquisition method. Goodwill represents the excess of the fair value of the consideration transferred over the fair value of the net assets acquired at the date of acquisition. Goodwill is measured at cost less accumulated impairment losses. Any goodwill that arises is tested annually for impairment.

1. ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies. The Group obtains and exercises control through holding voting rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Translation of foreign currencies

Foreign currency transactions arising from normal trading activities are recorded at the rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are translated at the year-end closing exchange rate. Foreign currency gains and losses are credited or charged to the consolidated statement of comprehensive income as they arise.

The income statements of overseas subsidiary undertakings are translated into pounds sterling at average exchange rates and the year-end net assets of these companies are translated at year-end closing exchange rates. Exchange differences arising from the retranslation of opening net assets are reported in the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

Revenue

The Group provides advertising, public relations, design and marketing related services to clients. Contracts across the Group vary to meet client needs and local regulatory requirements, however are typically short-term in nature and entitle the Group to payment for work performed to date. Revenue includes fees and commissions earned and is stated exclusive of VAT.

The amount of revenue recognised depends on whether the Group is acting as an agent or a principal. Certain arrangements with clients are such that it is the Group's responsibility to arrange for a third party to provide a good or service to the client. In these cases, the Group is acting as an agent as it does not control the relevant good or service before it is transferred to the client. When the Group acts as an agent, revenue recorded is the net amount retained. Costs incurred with external suppliers are excluded from revenue and recorded as work in progress until billed.

The Group acts as principal when it controls the specific good or service prior to transfer. When the Group acts as a principal, the revenue recorded is the gross amount billed. Any fees paid to suppliers engaged to perform part or all of a specific project are included in cost of sales. Billings related to out-of-pocket costs such as travel are also recognised at the gross amount billed with a corresponding amount recorded as an expense.

Management assess each contract separately in order to identify the distinct performance obligations. In most instances, the promised services in the contract are not considered distinct and, as such, the contract is accounted for as a single performance obligation. However, where distinct performance obligations are identified, revenue is allocated to each of the performance obligations based on relative stand-alone selling prices.

Where the Group's performance does not create an asset with an alternative use to the entity and the Group holds an enforceable right to payment for work completed to date, revenue is recognised as the performance obligation is satisfied 'over time'. The progress of a performance obligation is measured using either an input method or an output method. For most fee arrangements, costs incurred are used as an objective input measure of performance. The primary input of substantially all work performed under these arrangements is labour. There is normally a direct relationship between costs incurred and the proportion of the contract performed to date. In other circumstances relevant output measures, such as the achievement of any project milestones stipulated in the contract, are used to assess proportional performance. If the Group does not meet the requirements of IFRS 15 to recognise revenue 'over time', revenue is recognised when the performance obligation has been fully satisfied.

For retainer arrangements, the Group has a stand ready obligation to perform services on an ongoing basis over the life of the contract. The scope of these arrangements are broad and generally are not reconcilable to another input or output criteria. In these instances, revenue is recognised using a time-based method resulting in straight-line revenue recognition.

1. *ACCOUNTING POLICIES (CONTINUED)*

Revenue (continued)

Projects are typically short-term in nature with the related performance obligations satisfied within a given twelve-month period. Customers are invoiced in accordance with the underlying contractual agreement. Differences in timing between revenue recognition and billing result in either accrued or deferred income. These contract assets and liabilities are short term in nature and any balances at year end usually reverse in the following financial year.

The Group has applied the practical expedient permitted by IFRS 15 to not disclose the transaction price allocated to performance obligations unsatisfied (or partially satisfied) at year end as contracts typically have an original expected duration of one year or less.

Advertising and media placement

The Group earns fee income and commission from providing advertising services and media placements. Revenue for commissions on purchased media is typically recognised at the point in time the media is run. The Group receives volume rebates from certain suppliers for transactions entered into on behalf of clients. These rebates are either remitted to clients or retained by the Group depending on the terms of the relevant contract and local law. If amounts are passed on to clients they are recorded as liabilities until settled or, if retained by the Group, are recorded as revenue when earned.

Public relations

Revenue for these services is typically derived from retainer fees. This is recognised over time, in accordance with the terms of the contractual arrangement.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Financial lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Employee benefits

Short-term employee benefits are expensed as the related service is provided by employees.

The Group operates defined contribution pension schemes. The Group has no legal or constructive obligations to pay contributions in addition to the fixed contributions. The pension charge represents the amount payable by the company to the fund in respect of the year.

Headline operating profit

Headline operating profit is measured as operating profit before exceptional costs, impairment of goodwill and amortisation of intangible assets. Management believe that headline operating profit effectively reflects the underlying profitability for the Group.

Exceptional costs

Costs outside of ordinary trading are recognised as exceptional costs and include restructuring and acquisition costs.

Taxation

The taxation charge reflects the sum of corporation tax and deferred tax.

Corporation tax is payable on taxable profits at current rates. The Group is subject to corporate taxes in a number of different jurisdictions and judgement is required in determining the appropriate tax provision. In such circumstances, the Group recognises liabilities for anticipated taxes based on the best information available. Where the final outcome differs from the amount recorded, any differences are recorded in the period in which the final determination is made.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on enacted or substantively enacted legislation.

1. ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax assets are comprised of unused tax losses, accelerated capital allowances and other timing differences. They are recognised to the extent that it is probable that taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax liabilities are recognised for all taxable temporary differences unless specifically exempted by IAS 12 Income Taxes. The Group does not recognise deferred tax on temporary differences relating to goodwill, or to its investments in subsidiaries.

Interest payable

Interest payable is accounted for on an accruals basis in the statement of comprehensive income using the effective interest method.

Property, plant and equipment

Property, plant and equipment are shown at cost less accumulated depreciation and any provision for impairment. Where significant parts of an item have different useful lives, each part is accounted for as separate item of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in the statement of comprehensive income. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation is calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The estimated useful lives of property, plant and equipment are as follows:

Leasehold improvements	Shorter of the lease period and the life of the asset
Plant and machinery	3 - 15 years
Fixtures and fittings	4 - 10 years

Goodwill and intangible assets

Goodwill represents the excess of fair value attributed to investments in subsidiary undertakings over the fair value of the underlying net assets, including intangible assets, at the date of their acquisition. Acquired customer relationships are capitalised as intangible assets if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributed to the asset will flow to the Group.

Goodwill is carried at cost less impairment losses. Goodwill impairment reviews are undertaken annually by management. The carrying value of goodwill is compared to the net present value of future cash flows derived from the underlying assets. Any impairment is recognised immediately as an expense and is not subsequently reversed. Note 9 provides further details on the assumptions used.

Intangible assets are amortised over their useful lives using the straight-line method as follows:

Customer relationships	8 years

Other intangible assets are assessed for impairment according to the impairment policy below.

Impairment

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is indication of impairment. If such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

Work in progress

Work in progress comprises third-party costs incurred on behalf of clients not invoiced at the year end, and is measured at the lower of cost and recoverable amount.

1. ACCOUNTING POLICIES (CONTINUED)

Accrued and deferred income

Accrued income is a contract asset and is recognised when a performance obligation has been satisfied but has not yet been billed. Contract assets are transferred to receivables when the right to consideration is unconditional and billed per the terms of the contractual agreement.

In certain cases, payments are received from customers prior to satisfaction of performance obligations and are recognised as deferred income. These balances are considered contract liabilities and are typically related to prepayments for third party expenses that are incurred shortly after billing.

Cash and cash equivalents

Cash and cash equivalents includes cash at bank and on hand, funds held in escrow, as well as other short-term highly liquid investments such as bank deposits. The reported cash and cash equivalents balance is net of the bank overdraft, which is repayable on demand and forms an integral part of the Group's cash management.

Provisions

Provisions comprise liabilities where there is uncertainty about the timing of settlement, but where a reliable estimate can be made of the amount. These include provisions for dilapidation costs and other property-related liabilities.

Any reimbursement that the Group is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Leases

As a Lessee

The Group leases most of its offices in cities where it operates. Other lease contracts include office equipment and motor vehicles.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The assets are depreciated over the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. Right-of-use assets are reviewed for indicators of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate for the same term as the underlying lease. Lease payments included in the measurement of lease liabilities comprise fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate as at the commencement date. Lease modifications result in remeasurement of the lease liability.

Depreciation is recognised in administrative expenses and interest expense is recognised under interest expense in the consolidated income statement.

The Group has elected to use the exemption not to recognise right-of-use assets and lease liabilities for leases of low-value assets. The payments associated with these leases are recognised as administrative expenses on a straight-line basis over the lease term.

As a Lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

1. ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

Refer to 'Rental Income' in the Revenue section above for the treatment of amounts due from lessees under finance leases and rental income from operating leases.

Business Combination

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Financial instruments

Financial assets

Financial assets are classified as either amortised cost, fair value through profit or loss, or fair value through other comprehensive income. This classification is determined by assessing the Group's business model for managing the financial asset as well as the contractual cash flow characteristics thereof.

The financial assets of the Group at year end were all classified as amortised cost. Financial assets at amortised cost are initially measured at fair value adjusted for transaction costs. These are subsequently measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Trade receivables, accrued income and net investments in leases are stated net of provisions for expected credit losses. IFRS 9 Financial Instruments requires an expected loss method of impairment to be used. The Group applies the simplified approach to measuring the expected credit losses as permitted by the standard.

Changes in credit risk are not tracked by the Group, but a loss allowance is recognised based on the financial asset's lifetime expected credit loss.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire.

Financial liabilities

Financial liabilities are initially recognised at fair value adjusted for transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method. The Group's borrowings, finance leases, trade and most other payables fall into this category of financial instruments.

Contingent consideration is accounted for in accordance with IFRS 3 Business Combinations. Contingent consideration only applies to situations where contingent payments are not dependent on future employment of vendors and any such payments are expensed when they relate to future employment. Future anticipated payments to vendors in respect of contingent consideration are initially recorded at fair value which is the present value of the expected cash outflows of the obligations. Subsequent adjustments to the fair value are recorded in the income statement.

In accordance with IFRS 9 Financial Instruments, a financial liability of the Group is only released to the income statement when the underlying legal obligation is extinguished.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Embedded derivatives are accounted for at fair value through profit and loss.

1. ACCOUNTING POLICIES (CONTINUED)

Equity

Share capital is determined using the nominal value of shares that have been issued. Premiums received on the initial issuing of share capital are credited to share premium. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

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

Retained earnings includes all current and prior period retained profits. Dividends declared are distributions of distributable reserves to the owners of the Company.

Going concern

The directors believe that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Following the acquisition of Be Heard, and with the impact of COVID-19 on the wider business and economy, the directors of Ensco and the MSQ Partners Group of companies have prepared a detailed set of financial forecasts to assess the ability of the Group to meet its obligations going forwards. The directors have stress-tested the financial forecasts for reasonably possible alternative scenarios, including the uncertainty of the impact of COVID-19.

These show that the Group has sufficient cash reserves, along with headroom in financial facilities and covenants to support its activities based on both forecasted trading levels (against which the business is currently trading favourably) and in the event of a further significant and extended economic downturn in all markets. The funding is also held for a period of at least 12 months from the date of signing of the financial statements, implicit within this is that the Group has sufficient resources to pay all debts as they fall due for the next 12 months. As such, these financial statements have been prepared on a going concern basis.

2. REVENUE

Group revenue disaggregated by primary geographical markets is as follows:

£'000s	Year ended 2021	Period ended 2020
United Kingdom	55,060	36,590
Europe	10	15
United States of America	25,899	21,084
Asia Pacific	10,503	8,117
	91,472	65,806

3. OPERATING PROFIT

The Group has elected to present its expenses by function on the income statement. Cost of sales represents third-party direct costs incurred for work performed. All depreciation and employee costs for the Group has been included in administrative expenses.

Management uses operating profit as a basis to measure the operating performance of the Group for internal reporting purposes. Operating profit is determined as operating profit after exceptional costs (£1,937k (2020: £1,122k)) and amortisation of intangibles (£3,507k (2020: £2,435k)).

Operating profit is stated after charging/(crediting):

£'000s	Year ended 2021	Period ended 2020
Depreciation of plant and equipment	800	473
Depreciation of right-of-use assets	1,942	2,203
Impairment of right-of-use assets	316	91
Profit on sale of plant and equipment	-	(1)
Net foreign exchange losses/(gains)	(59)	(10)

3. OPERATING PROFIT (CONTINUED)

£'000	Year ended 2021	Period ended 2020
Income from sub-leasing right-of-use assets	(949)	(576)
Auditor's Remuneration		
Audit of consolidated Group and parent company	42	47
Audit of subsidiaries by Group auditors	169	107
Audit of subsidiaries by Grant Thornton International affiliated firms	18	19
Disbursements incurred in connection with the audit	1	2
Non-audit services		
Accounting assistance services	31	25
Taxation advisory services	3	12
Valuations related services	-	6
Other non-audit services	24	4

£'000s	Year ended 2021	Period ended 2020
Staff costs		
Wages and salaries	38,227	22,080
Social security contributions	3,101	2,005
Pension contributions	1,016	795
Other personnel costs	738	2,704

The average number of employees in the Group during the period were:

	Number 2021	Number 2020
Direct staff*	518	457
Indirect staff**	72	55
	590	512

**Direct staff include account management, planning, creative services, data, technology, media and agency senior leadership staff*
***Indirect staff include support staff, directors and new business staff*

4. EXCEPTIONAL ITEMS

£'000s	Year ended 2021	Period ended 2020
Restructuring and reorganisation	735	162
Property related charges	280	-
M&A related charges	922	960
	1,937	1,122

Restructuring and reorganisation charges include staff redundancy costs.
Property related charges include onerous lease and legal costs.
M&A related charges include legal and consulting costs in respect of the acquisition of subsidiaries.

5. INTEREST INCOME AND INTEREST EXPENSE

£'000s	Year ended 2021	Period ended 2020
Bank interest earned	20	9
Interest related to sublease assets	6	28
Interest income	26	37
Interest on loan notes	(3,523)	(2,354)
Interest on bank credit facilities	(670)	(472)
Interest expense related to lease liabilities	(498)	(500)
Amortisation of loan issue and banking costs	(316)	(256)
Other interest expense	(30)	-
Interest expense	(5,037)	(3,582)

6. DIRECTORS' REMUNERATION

£'000s	Year ended 2021	Period ended 2020
Short-term benefits	1,335	577
Post-employment benefits	29	17
	1,364	594

Short-term benefits include directors' remuneration, directors' fees, performance bonuses and benefits in kind. Post-employment benefits include pension contributions to defined contribution pension schemes.

Post-employment benefits accrued to 4 directors during the current period. The highest paid director received remuneration of £463k (2020: £293k), as well as pension contributions of £7k (2020: £8k).

7. TAXATION

The taxation (credit)/charge is based on the loss for the year and represents:

£'000s	Year ended 2021	Period ended 2020
Current tax		
R&D credits	(748)	-
Foreign tax	486	430
	(262)	430
Deferred tax		
Origination and reversal of temporary differences	(666)	(463)
Accelerated capital allowances	(106)	198
Short term timing differences	48	99
Carried forward tax losses	-	100
	(724)	(66)
	(986)	364

7. TAXATION (CONTINUED)

The tax assessed for the current period differs from the standard rate of corporation tax in the UK as follows:

£'000s	Year ended 2021	Period ended 2020
Loss before tax	3,704	3,527
Tax on loss at standard current tax rate of 19%	(704)	(670)
Effect of:		
Non-deductible expenses	904	714
Fixed asset differences	7	18
Tax rates in foreign jurisdictions	118	80
Foreign withholdings tax	93	91
R&D expenditure credits	(748)	-
Change in tax rate	(222)	6
Origination and reversal of unrecognised temporary differences	(666)	(131)
Tax losses not recognised or utilised in the period	232	282
Other	-	(26)
	(986)	364

Factors that may affect future tax charges:

In the UK Budget on 3 March 2021, the Chancellor of the Exchequer announced an increase in the UK corporation tax rate from 19% to 25%, which is due to be effective from 1 April 2023. This change was not substantively enacted at the balance sheet date and hence has not been reflected in the measurement of deferred tax balances at the year-end. This change is not expected to have a material impact on the Group's deferred tax balances.

8. GOODWILL AND INTANGIBLES

Ensco 1314 Limited acquired the share capital of Be Heard Group Limited and its subsidiaries on 1 September 2020. This business combination gave rise to goodwill of £13,419k and intangible assets of £7,759k. The intangible assets are being amortised over their estimated useful economic life of 8 years from the date of acquisition.

In addition, Ensco 1314 Limited acquired the share capital of Walk in Media Limited on 12 March 2020. This business combination gave rise to goodwill of £374k.

£'000s	Note	Goodwill	Customer relationships	Total
Cost				
Balance at 29 February 2020		16,797	24,176	40,973
Acquired through business combination	26	13,793	7,759	21,552
Balance at 28 February 2021		30,590	31,935	62,525
Accumulated amortisation				
Balance at 29 February 2020		-	(2,435)	(2,435)
Amortisation		-	(3,507)	(3,507)
Balance at 28 February 2021		-	(5,942)	(5,942)
Carrying amounts				
Balance at 28 February 2021		**30,590**	**25,993**	**56,583**
Balance at 29 February 2020		16,797	21,741	38,538

The goodwill balance is assessed for impairment at each year-end. The recoverable amount used by management was based on value in use, estimated using discounted cash flows. The discount rate used is a post-tax measure estimated as the Group's weighted average cost of capital.

8. GOODWILL AND INTANGIBLES (CONTINUED)

Cash-generating units with significant goodwill as at 28 February are:

	2021	2020
MMT	7,290	-
Freemavens	5,186	-
Twentysix	4,244	4,244
H&M	3,653	3,653
Smarts	3,469	3,469
Other	6,748	5,431
Total	30,590	16,797

The key assumptions used in the estimation of the recoverable amounts of the cash-generating units ('CGUs') include a discount rate of 7.5% (2020: 8.3%) and a forecast period of 15 years (2020: 15 years). The growth rates assumed per CGU, as noted below, reflect the weighted average EBITDA growth rate used for the first 5 years. The next 10 years assume a growth rate of 0% for all CGUs.

EBITDA Growth rates	**2021**	**2020**
MMT	3%	-
Freemavens	3%	-
Twentysix	3%	2%
H&M	3%	2%
Smarts	3%	5%
Other	4%	4%

9. PROPERTY, PLANT AND EQUIPMENT

£'000s	Note	Leasehold improvements	Fixtures and fittings	Plant and machinery	Total
Cost					
Balance at 29 February 2020		1,095	531	690	2,316
Acquired through business combination	26	121	211	39	371
Additions		146	125	294	565
Disposals		(154)	(46)	(386)	(586)
Effect of movements in exchange rates		(38)	(35)	(49)	(122)
Balance at 28 February 2021		1,170	786	588	2,544
Accumulated depreciation					
Balance at 29 February 2020		(134)	(94)	(219)	(447)
Depreciation	3	(303)	(201)	(296)	(800)
Disposals		154	46	386	586
Effect of movements in exchange rates		19	23	41	83
Balance at 28 February 2021		*(264)*	*(226)*	*(88)*	*(578)*
Carrying value at 28 February 2021		906	560	500	1,966
Carrying value at 29 February 2020		961	437	471	1,869

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

£'000s	Note	Leasehold improvements	Fixtures and fittings	Plant and machinery	Total
Cost					
Balance at 30 October 2018		-	-	-	-
Acquired through business combination		441	306	436	1,183
Additions		658	229	287	1,174
Effect of movements in exchange rates		(4)	(4)	(33)	(41)
Balance at 29 February 2020		1,095	531	690	2,316
Accumulated depreciation					
Balance at 30 October 2018		-	-	-	-
Depreciation	3	(136)	(96)	(241)	(473)
Effect of movements in exchange rates		2	2	22	26
Balance at 29 February 2020		(134)	(94)	(219)	(447)
Carrying value at 29 February 2020		961	437	471	1,869

10. LEASES

The Group has leases for its' offices, motor vehicles and some IT equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

The majority of leases contain an option to extend the lease for a further term. Leases may only be cancelled by incurring substantive termination fees. For leases over office buildings the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

£'000s	Note	Land and buildings	Motor Vehicles	Total
Right-of-use assets				
Balance at 29 February 2020		5,690	46	5,736
Acquired through business combination	26	1,528	-	1,528
Additions		8,917	25	8,942
Transfer from net investment in leases	12	1,406	-	1,406
Depreciation of right-of-use assets	3	(1,907)	(35)	(1,942)
Impairment of right-of-use assets	3	(316)	-	(316)
Effect of movements in exchange rates		(131)	-	(131)
Balance at 28 February 2021		15,187	36	15,223

£'000s	Note	Land and buildings	Motor Vehicles	Total
Lease liabilities				
Balance at 29 February 2020		8,501	45	8,546
Acquired through business combination	26	3,045	-	3,045
Additions		8,617	25	8,642
Interest expense relating to lease liabilities	5	496	2	498
Repayment of lease liabilities (including interest)		(3,000)	(37)	(3,037)
Effect of movements in exchange rates		(414)	-	(414)
Balance at 28 February 2021		17,245	35	17,280

10. LEASES (CONTINUED)

£'000s	Note	Land and buildings	Motor Vehicles	Total
Right-of-use assets				
Balance at 30 October 2018		-	-	-
Acquired through business combination	26	9,363	72	9,435
Additions		766	16	782
Transfer to net investment in leases	12	(2,187)	-	(2,187)
Depreciation of right-of-use assets	3	(2,161)	(42)	(2,203)
Impairment of right-of-use assets		(91)	-	(91)
Balance at 29 February 2020		5,690	46	5,736

£'000s	Note	Land and buildings	Motor Vehicles	Total
Lease liabilities				
Balance at 30 October 2018		-	-	-
Acquired through business combination	26	9,857	72	9,929
Additions		766	16	782
Interest expense relating to lease liabilities	5	498	2	500
Repayment of lease liabilities (including interest)		(2,620)	(45)	(2,665)
Balance at 29 February 2020		8,501	45	8,546

The maturity of lease liabilities were as follows:

£'000s	Future minimum lease payments	Interest	Present value of minimum lease payments
2021			
Less than one year	3,280	(689)	2,591
Between one and five years	11,128	(1,889)	9,239
After five years	5,861	(411)	5,450
Lease liability at 28 February 2021	20,269	(2,989)	17,280
Short-term lease liability			2,591
Long-term lease liability			14,689

£'000s	Future minimum lease payments	Interest	Present value of minimum lease payments
2020			
Less than one year	2,593	(412)	2,181
Between one and five years	6,868	(807)	6,061
After five years	324	(20)	304
Lease liability at 29 February 2020	9,785	(1,239)	8,546
Short-term lease liability			2,181
Long-term lease liability			6,365

10. LEASES (CONTINUED)

Finance leases as lessor

The Group sub-leases two office buildings that it leased in 2016 and 2018 in London and New York respectively. The Group has classified the sub-leases as finance leases, because the sub-leases are for the whole of the remaining term of the head lease.

The maturity of lease receivables were as follows:

£'000s	Undiscounted lease payments receivable	Unearned interest income	Net investment in leases
2021			
Less than one year	325	-	325
Between one and five years	-	-	-
Net Investment in leases at 28 February 2021	325	-	325
Short-term lease receivable			325
Long-term lease receivable			-

£'000s	Undiscounted lease payments receivable	Unearned interest income	Net investment in leases
2020			
Less than one year	628	(134)	494
Between one and five years	2,282	(305)	1,977
Net Investment in leases at 29 February 2020	2,910	(439)	2,471
Short-term lease receivable			494
Long-term lease receivable			1,977

11. INVESTMENTS

Ensco 1314 Limited holds directly and indirectly an interest in the following subsidiary undertakings:

Subsidiary undertaking	Principal activity	Country of incorporation	Shareholding
MSQ Partners Group Limited	H	UK	100%
MSQ Partners Limited	H	UK	100%
Twentysix Limited	P	UK	100%
The Gate Worldwide Limited	P	UK	100%
Stack Works Limited	P	UK	100%
Lloyd Northover Holmes & Marchant Limited	P	UK	100%
Smarts (NI) Limited	P	UK	100%
Stein IAS Holdings Limited	P	UK	100%
Turn Sq Ltd	P	UK	100%
MSQ Partners USA Inc	H	United States	100%
The Gate Worldwide LLC	P	United States	100%
Stein IAS International LLC	P	United States	100%
MSQ Global LLC	D	United States	100%
IAS B2B Marketing SA	P	France	100%
MSQ Partners (Shanghai) Advertising Co Limited	P	China	100%
Lloyd Northover (Shanghai) Brand Strategy & Design Co Ltd	D	China	100%
Holmes and Marchant Pte Limited	P	Singapore	100%

11. INVESTMENTS (CONTINUED)

Subsidiary undertaking	Principal activity	Country of incorporation	Shareholding
Lloyd Northover Yeang Pte Limited	P	Singapore	100%
Be Heard Group Limited	H	UK	100%
MMT Limited	P	UK	100%
Freemavens Limited	P	UK	100%
Kameleon Worldwide Limited	P	UK	100%
Agenda 21 Holdings Limited	D	UK	100%
Walk in the Gate Ltd	P	UK	100%
Walk-in Media Ltd	D	UK	100%

P indicates that the principal activity is that of advertising, public relations, design, marketing or related services
H indicates that the principal activity is that of a holding company
D indicates that the principal activity is that of a dormant company

12. TRADE AND OTHER RECEIVABLES

£'000s	Note	2021	2020
Amounts due within a year			
Trade receivables		17,981	10,673
Accrued income		1,500	1,312
Prepayments		1,466	1,041
Other debtors		1,266	373
Net investment in leases	10	325	494
		22,538	13,893
Amounts due in over a year			
Net investment in leases	10	-	1,977
		22,538	15,870

The trade receivables balance for the Group is shown net of a loss allowance of £172k (2020: £61k).

13. WORK IN PROGRESS

The full work in progress balance comprises third-party costs incurred on behalf of clients not yet invoiced at period end. Management assessed that the full amount was recoverable.

14. CASH AND CASH EQUIVALENTS

£'000s	2021	2020
Bank balances	18,103	6,865
Cash on deposit	257	1,682
	18,360	8,547

Cash and cash equivalents are shown net of the utilised bank overdraft where the Group has a legally enforceable right to offset the recognised amounts.

Cash on deposit in 2020 includes £955k of funds held in escrow in the name of the parent company.

Notes to the consolidated financial statements

For the year ended 28 February 2021

15. BORROWINGS

£'000s	2021	2020
Non-current borrowings		
Secured Loan Notes	22,472	16,704
Unsecured Loan Notes	18,177	14,779
Bank loans	13,772	9,950
Capitalised loan issue costs	(2,408)	(1,636)
	52,013	39,797
Current borrowings		
Bank loans	650	750
Bank credit facility	2,500	1,000
Convertible Loan Notes	1,904	-
Capitalised loan issue costs	(384)	(301)
	4,670	1,449

On 10 May 2019, Ensco 1314 Limited entered into long-term funding arrangements with funds controlled by LDC, Group management and non-executive Directors to issue Series A loan notes of £15,455k, Series B loan notes of £7,242k and Series C loan notes of £6,432k. Alongside this, HSBC provided £11m of debt to Ensco, comprising of two secured loans of £3m and £8m.

As part of the acquisition on 1 September 2020, further Series A loan notes of £3,904k and Series B loan notes of £1,829k were issued to LDC and Group management. In addition, HSBC provided a further £4.5m of debt to Ensco, comprising two secured loans of £1,023k and £3,477k.

The Series A secured loan notes are on the following terms:

i) Interest accrues and compounds annually at 10% per annum, payable upon final repayment of the principal amount
ii) Final repayment is the earlier of a Sale, Listing or 31 August 2026
iii) The loan notes are secured by a guarantee of the performance of certain of the Group companies through various security agreements

The Series B and Series C unsecured loan notes are on the following terms:

i) Interest accrues and compounds annually at 10% per annum, payable upon final repayment of the principal amount
ii) Final repayment is the earlier of a Sale, Listing or 31 August 2026

There is a Cancellation clause in the Series A, Series B and Series C loan note agreements which states that if upon repayment of the loan notes, the payments received by the Noteholder from the Company as part of a sale or listing are less than the Noteholders' due proportion of the principal and accrued interest amounts, then this will be deemed to be the final payment made to the Noteholder. Such payment will be accepted by the Noteholder as full and final settlement of the Company's obligation in respect of the loan notes. This has been treated as an embedded derivative financial asset measured at fair value through profit and loss. Management assess the value of the embedded derivative as £Nil as at 28 February 2021 (2020: £Nil).

The terms of the £4,023k bank loan are as follows:

i) Termination date of 31 August 2025
ii) Interest of LIBOR +3.5%, payable quarterly in arrears

The terms of the £11,477k bank loan are as follows:

i) Termination date of 31 August 2026
ii) Interest of LIBOR +4%, payable quarterly in arrears

The Group also entered into a £5m bank credit facility agreement with HSBC on 10 May 2019 accruing interest at LIBOR +3.5%, payable quarterly in arrears. This facility was increased to £7m on 1 September 2020 as part of the Be Heard acquisition.

15. BORROWINGS (CONTINUED)

The entire HSBC facility is secured by a fixed and floating charge over the parent and subsidiary undertakings' assets (excl. Chinese subsidiary) and a fixed charge on cash and selected other assets, including trademarks, debtors and insurance policies. LDC has security over the same assets with regards to the Series A loan notes, but these rank behind HSBC's security. HSBC and LDC have an intercreditor agreement in place which governs their relationship as holders of secured debt.

The revolving credit facility had £2.5m drawn down at 28 February 2021 (2020: £1m).

16. PROVISIONS

Group

£'000s	Dilapidations	Total
Balance at 29 February 2020	163	163
Acquired through business combination	200	200
Additions	300	300
Balance at 28 February 2021	663	663

The Group's provisions are expected to be utilised as follows:

£'000s	2021	2020
Less than one year	163	-
Between one and five years	200	163
More than five years	300	-
	663	163

Provisions include liabilities relating to dilapidations for leased offices across the Group. There is uncertainty regarding the dilapidation cost expected to be incurred on termination of the lease.

17. TRADE AND OTHER PAYABLES

£'000s	2021	2020
Trade payables	7,456	7,062
Deferred income	15,429	7,772
Accruals	7,028	2,699
Social security and other taxes	5,951	1,750
Contingent consideration	3,325	1,499
Other payables	626	353
	39,815	21,135

18. DEFERRED TAXATION

Deferred tax liability

£'000s	Note	2021	2020
Opening balance		4,131	-
Acquisition of subsidiaries	26	1,474	4,593
Released during the year		(666)	(462)
Closing balance		4,939	4,131

The analysis of the deferred tax liability at period-end is as follows:

£'000s	2021	2020
Temporary differences relating to intangible assets	4,939	4,131

18. DEFERRED TAXATION (CONTINUED)

Deferred tax asset

£'000s	Note	2021	2020
Opening balance		264	-
Acquisition of subsidiaries	26	-	661
Movement through comprehensive income		58	(397)
Closing balance		322	264

The analysis of the deferred tax asset at year-end is as follows:

2021

£'000s	*Provided*	*Unprovided*
Accelerated capital allowances	115	93
Short term timing differences	18	75
Tax losses	189	897
Other	-	559
	322	1,624

2020

£'000s	Provided	Unprovided
Accelerated capital allowances	9	291
Short term timing differences	67	334
Tax losses	188	579
Other	-	187
	264	1,391

19. SHARE CAPITAL

Group and Company	Par value per share £	2021 £	2020 £
Authorised and issued share capital			
2,005,718 A Ordinary shares (2020: 2,005,718)	0.01	20,057	20,057
302,276 B1 Ordinary shares (2020: 302,276)	0.05	15,114	15,114
230,003 B2 Ordinary shares (2020: 230,003)	0.05	11,500	11,500
180,062 B3 Ordinary shares (2020: 157,435)	0.05	9,003	7,872
333,350 C Ordinary shares (2020: 299,850)	0.05	16,668	14,993
997,000 D Ordinary shares (2020: Nil)	0.01	9,970	-
45,000 E1 Ordinary shares (2020: Nil)	0.05	2,250	-
19,800 E2 Ordinary shares (2020: Nil)	0.05	990	-
186,550 E3 Ordinary shares (2020: Nil)	0.05	9,328	-
121,750 F Ordinary shares (2020: Nil)	0.05	6,088	-
200,000 Z Ordinary shares (2020: 150,000)	0.05	10,000	7,500
		110,968	77,036

The A Ordinary share capital has the following rights:

- The holders of A Ordinary shares are entitled to receive a distribution of profit pari passu amongst all equity shareholders
- The holders of A Ordinary shares shall have the right to receive notice of and to attend, speak and vote at all annual general meetings of the company, where they shall be deemed to be able to cast 49.9% of the votes capable of being cast

19. SHARE CAPITAL (CONTINUED)

The B1 Ordinary share capital has the following rights:

- The holders of B1 Ordinary shares are entitled to receive a distribution of profit pari passu amongst all equity shareholders
- The holders of B1 Ordinary shares shall have the right to receive notice of and to attend, speak and vote at all annual general meetings of the company, where they shall be deemed to be able to cast 28.5% of the votes capable of being cast

The B2 Ordinary share capital has the following rights:

- The holders of B2 Ordinary shares are entitled to receive a distribution of profit pari passu amongst all equity shareholders
- The holders of B2 Ordinary shares shall have the right to receive notice of and to attend, speak and vote at all annual general meetings of the company, where they shall be deemed to be able to cast 21.6% of the votes capable of being cast

The B3 Ordinary share capital has the following rights:

- The holders of B3 Ordinary shares are entitled to receive a distribution of profit pari passu amongst all equity shareholders

The C Ordinary share capital has the following rights:

- The holders of C Ordinary shares are entitled to receive a distribution of profit pari passu amongst all equity shareholders

The D Ordinary share capital has the following rights:

- The holders of D Ordinary shares are entitled to receive a distribution of profit pari passu amongst all equity shareholders

The E1 Ordinary share capital has the following rights:

- The holders of E1 Ordinary shares are entitled to receive a distribution of profit pari passu amongst all equity shareholders

The E2 Ordinary share capital has the following rights:

- The holders of E2 Ordinary shares are entitled to receive a distribution of profit pari passu amongst all equity shareholders

The E3 Ordinary share capital has the following rights:

- The holders of E3 Ordinary shares are entitled to receive a distribution of profit pari passu amongst all equity shareholders

The F Ordinary share capital has the following rights:

- The holders of F Ordinary shares are entitled to receive a distribution of profit pari passu amongst all equity shareholders

The Z Ordinary share capital has the following rights:

- The holders of Z Ordinary shares are entitled to receive 5% of any realisation value in excess of an investor cash flow to A Ordinary shareholders greater than 2.5 times the investment and an IRR greater than 25%.

On a return of capital on liquidation or capital reduction or otherwise, the proceeds after the redemption of Investor Loan Notes, Management Loan Notes and any other Company liabilities shall be distributed pari passu amongst all equity shareholders

Share premium account

The share premium includes the excess consideration paid on the issue of shares that exceeds the nominal value of the shares. Any transaction costs associated with the issuing of shares are deducted from share premium.

20. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 15, cash and cash equivalents and equity attributable to equity holders of the parent.

21. CASH GENERATED FROM OPERATIONS

£'000s	Note	2021	2020
Operating profit from continuing operations		1,307	18
		1,307	18
Depreciation of fixed assets	9	800	473
Depreciation and impairment of right-of-use assets	10	2,258	2,294
Amortisation of intangibles	8	3,507	2,435
Other non-cash items		354	360
		8,226	5,580
Changes in working capital			
(Increase)/Decrease in trade and other receivables		(2,862)	155
Increase in work in progress		(259)	(711)
Increase/(Decrease) in trade and other payables		7,491	(2,879)
Increase/(Decrease) in provisions		300	(19)
		12,896	2,126

22. FINANCIAL INSTRUMENTS

The Group and company has exposure to the following risks from its use of financial instruments:

- Credit risk
- *Liquidity risk*
- Market risk
- Foreign currency risk
- Interest rate risk

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's principal financial liabilities comprise trade payables, lease liabilities and borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as cash and short-term deposits, and trade receivables, which arise directly from its operations. It is the Group's policy that no speculative trading in derivatives shall be undertaken. No derivative transactions were entered into by the Group during the period.

An analysis of the Group's financial assets and liabilities by account classification is set out below:

2021 £'000s	Amortised cost	Fair value through profit and loss	Carrying value
Trade and other receivables: Current	20,431	-	20,431
Cash and cash equivalents	18,360	-	18,360
Trade and other payables	(15,111)	(3,325)	(18,436)
Borrowings: Current	(4,670)	-	(4,670)
Borrowings: Non-current	(52,013)	-	(52,013)
	(33,003)	(3,325)	(36,328)

This compares to the Group's financial assets and liabilities by account classification in the previous reporting period as follows:

2020 £'000s	Amortised cost	Fair value through profit and loss	Carrying value
Trade and other receivables: Current	12,267	-	12,267
Cash and cash equivalents	8,547	-	8,547
Trade and other payables	(10,114)	(1,499)	(11,613)
Borrowings: Current	(1,449)	-	(1,449)
Borrowings: Non-current	(39,797)	-	(39,797)
	(30,546)	(1,499)	(32,045)

22. FINANCIAL INSTRUMENTS (CONTINUED)

The financial instruments measured at fair value subsequent to initial recognition relate to contingent consideration acquired through the business combination of Be Heard Group Limited. These liabilities are measured in line with the level 3 valuation technique. Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data. The contingent consideration liabilities in the year were valued using a discounted cash flow methodology.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and short-term deposits, as well as trade and other receivables.

The carrying amount of financial assets represents the maximum credit exposure. The directors consider that the carrying amount of trade and other receivables approximates to fair value.

Cash and cash equivalents

The Group held net cash and cash equivalents of £18,360k (2020: £8,547k) at year-end, and the Company only balance was £25k (2020: £1,260k). Reputable financial institutions are used by the Group for investing and cash handling purposes. Management assesses the credit risk associated with these balances as remote.

Trade and other receivables

Credit policies have been established within the Group under which each new customer is analysed individually for creditworthiness and credit limits are set before providing services. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer, however other factors such as the default risk of the industry and country in which customers operate are also considered.

A loss allowance of £172k (2020: £61k) has been raised at year-end to provide for the Group's estimate of expected credit losses.

The maximum exposure to credit risk at year-end for trade receivables by geographical region was as follows:

£'000s	2021	2020
United Kingdom	12,655	5,243
Rest of Europe	13	12
United States of America	2,488	3,494
Asia Pacific	2,825	1,924
	17,981	10,673

Impairment

The ageing of trade receivables at year-end was as follows:

£'000s	2021	2020
Not past due	12,817	9,561
Past due 1-30 days	4,091	607
Past due 31-60 days	440	268
Past due by greater than 60 days	805	298
Loss allowance	(172)	(61)
	17,981	10,673

22. FINANCIAL INSTRUMENTS (CONTINUED)

Included within the loss allowance are individually impaired receivables totalling £159k (2020: £61k) which are all more than 120 days overdue. The movement in the loss allowance was as follows:

£'000s	2021	2020
Balance brought forward	(61)	-
Acquired on business combination	-	(46)
Loss allowance raised	(111)	(15)
Balance carried forward	(172)	(61)

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations that are settled with cash or other financial assets as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient cash on demand to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Detailed short-term and medium-term cash forecasts for the Group are performed monthly and are reviewed by management. Cash requirements across the Group are monitored closely by management on a daily basis and funding is provided to agencies when needed in order to meet financial obligations as they fall due.

At year-end, the Group has a £7m (2020: £5m) five-year bank credit facility from HSBC Bank plc. This includes a £2m (2020: £2m) overdraft facility and a £5m (2020: £3m) revolving credit facility, both bearing interest at an annual rate of LIBOR + 3.5%. Refer to note 15 for further details regarding this credit facility. The following are the Group's contractual maturities of financial liabilities at the reporting date, including interest payments and excluding the impact of netting agreements.

		Contractual cash flows			
£'000s	**Carrying amount**	**Total**	**Less than 1 year**	**Between 1 and 5 years**	**More than 5 years**
At 28 February 2021					
Trade and other payables	18,436	18,436	15,111	3,325	-
Loan notes	40,799	70,642	1,904	-	68,738
Bank loans	13,384	17,252	1,217	4,324	11,711
Bank credit facility	2,500	2,522	2,522	-	-
	75,119	108,852	20,754	7,649	80,449

		Contractual cash flows			
£'000s	**Carrying amount**	**Total**	**Less than 1 year**	**Between 1 and 5 years**	**More than 5 years**
At 29 February 2020					
Trade and other payables	11,613	11,613	10,114	1,499	-
Loan notes	30,222	51,676	-	-	51,676
Bank loans	10,023	12,949	1,236	3,638	8,075
Bank credit facility	1,000	1,011	1,011	-	-
	52,858	77,248	12,360	5,137	59,751

The contractual cash flows above in relation to Loan notes and Bank loans also apply to the Company.

(iii) 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 exposure within acceptable parameters, while optimising the return.

22. FINANCIAL INSTRUMENTS (CONTINUED)

(iv) Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies include Pound Sterling, US Dollars, Singapore Dollars, Chinese Renminbi and Euros. The Group did not take out any forward exchange contracts during the current period.

Sensitivity analysis

A 10% strengthening or weakening of the following currencies against all other currencies would have significantly affected profit or loss and equity by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

Group	**Profit or loss**		**Equity, net of tax**	
£'000s	**Strengthening**	**Weakening**	**Strengthening**	**Weakening**
At 28 February 2021				
US Dollar (10% movement)	2	(1)	7	(5)
Euro (10% movement)	5	(4)	5	(4)
Singapore Dollar (10% movement)	*45*	*(37)*	*205*	*(167)*
Chinese Renminbi (10% movement)	202	(165)	213	(175)
At 29 February 2020				
US Dollar (10% movement)	27	(22)	73	(60)
Singapore Dollar (10% movement)	39	(32)	265	(217)
Chinese Renminbi (10% movement)	122	(100)	132	(108)

(v) Interest rate risk

The Group's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities. Interest on the secured and unsecured loan notes is fixed at 10% pa. Interest on the Facility A bank loan of £2.9m (2020: £2.7m) is LIBOR + 3.5% pa, interest on the Facility B bank loan of £11.5m (2020: £8m) is LIBOR + 4% pa and interest on the revolving credit facility from HSBC Bank plc is charged at LIBOR + 3.5% pa. Refer to note 15 for the further disclosure regarding Borrowings.

Group £'000s	**2021**	**2020**
Fixed-rate instruments		
Secured loan notes	19,359	16,704
Unsecured loan notes	17,317	14,779
Variable-rate instruments		
Bank loans	14,424	10,700
Revolving credit facility	2,500	1,000

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have affected profit or loss and equity by the amounts shown below. The analysis assumes that all other variables, in particular exchange rates, remain constant.

22. FINANCIAL INSTRUMENTS (CONTINUED)

Group £'000s	**Profit or loss** 100 bp increase	**Profit or loss** 100 bp decrease	**Equity, net of tax** 100 bp increase	**Equity, net of tax** 100 bp decrease
At 28 February 2021				
Revolving credit facility	41	(41)	41	(41)
Bank loan – Facility A	37	(37)	37	(37)
Bank loan – Facility B	108	(108)	108	(108)
	186	**(186)**	**186**	**(186)**
At 29 February 2020				
Revolving credit facility	14	(14)	14	(14)
Bank loan – Facility A	23	(23)	23	(23)
Bank loan – Facility B	65	(65)	65	(65)
	102	**(102)**	**102**	**(102)**

23. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Group's liabilities arising from financing activities can be classified as follows:

£'000s	**Borrowings: Non-current**	**Borrowings: Current**	**Lease liabilities**	**Total**
Balance at 29 February 2020	41,433	1,750	8,546	51,729
Acquired through business combination	-	6,756	3,045	9,801
Cash-flows:				
Proceeds	10,233	1,500	-	11,733
Repayment	-	(5,717)	(2,558)	(8,275)
Interest paid	*(440)*	*(279)*	*(479)*	*(1,198)*
Non-cash:				
Interest accrued	3,873	366	498	4,737
New leases, net of foreign exchange effects	-	-	8,228	8,228
Reclassification	(678)	678	-	-
Balance at 28 February 2021	54,421	5,054	17,280	76,755

£'000s	**Borrowings: Non-current**	**Borrowings: Current**	**Lease liabilities**	**Total**
Balance at 30 October 2018	-	-	-	-
Acquired through business combination	-	9,900	9,929	19,829
Cash-flows:				
Proceeds	39,529	1,600	-	41,129
Repayment	-	(10,200)	(2,165)	(12,365)
Interest paid	-	(421)	(500)	(921)
Non-cash:				
Interest accrued	2,354	421	500	3,275
New leases			782	782
Reclassification	(450)	450	-	-
Balance at 29 February 2020	41,433	1,750	8,546	51,729

24. CAPITAL COMMITMENTS

There were no capital commitments at 28 February 2021 (2020: None), other than the property dilapidations recognised in provisions (note 16).

25. CONTINGENCIES

The Group and Company had no contingent liabilities at 28 February 2021 (2020: £Nil).

26. ACQUISITIONS

Acquisition of Be Heard Group Limited

On 1 September 2020, MSQ Partners Ltd purchased the entire share capital of Be Heard Group Limited and its subsidiaries for a total consideration of £6.2m. This saw Be Heard Group plc delisted from London Stock Exchange (AIM) on the acquisition date. See Borrowings note 15 for further detail on the additional funding arrangements entered into for the purchase. The acquisition has added further strength and depth to the Group's capabilities and talent, along with an impressive client list and scale in London.

Goodwill of £13.4m was raised in respect of this acquisition. This relates to expected benefits from combining operations as well as other intangible assets that do not qualify for separate recognition.

The post-acquisition results, which are included in the consolidated statement of comprehensive income of the Group, include Revenue of £17.0m, Gross Profit of £11.2m and an Operating Profit of £1.8m. The combined Group results, should the Be Heard acquisition have taken place on 1 March 2020, would have reflected Revenue of £105.2m, Gross Profit of £67.6m and an Operating Profit of £1.3m. Operating Profit is stated after combined once-off acquisition costs of £2.4m.

Acquisition of Walk-in Media Limited

On 12 March 2020, MSQ Partners Ltd purchased the entire share capital of Walk-in Media Limited for a consideration of £374k. The identifiable net assets on acquisition were £Nil and the Goodwill recognized on acquisition was £374k.

£'000s	Be Heard Group Limited 2021	Walk-in Media Limited 2021	Total
Fair value of consideration transferred			
Amount settled in cash during the year	4,943	74	5,017
Loan notes issued	1,292	-	1,292
	6,235	74	6,309
Contingent consideration at year end	-	300	300
	6,235	**374**	**6,609**
Fair value of identifiable net assets			
Property, plant and equipment	371	-	371
Intangible assets	7,759	-	7,759
Right-of-use assets	1,528	-	1,528
Total non-current assets	**9,658**	-	**9,658**
Trade and other receivables	5,150	-	5,150
Cash and cash equivalents	5,937	-	5,937
Total current assets	**11,087**	-	**11,087**
Provisions	(200)	-	(200)
Deferred tax liabilities	(1,474)	-	(1,474)
Lease liabilities	(3,045)	-	(3,045)
Total non-current liabilities	**(4,719)**	-	**(4,719)**
Trade and other payables	(8,726)	-	(8,726)
Borrowings	(6,756)	-	(6,756)
Other creditors	(7,728)	-	(7,728)
Total current liabilities	**(23,210)**	-	**(23,210)**
Identifiable net assets	**(7,184)**	-	**(7,184)**
Goodwill on acquisition	**13,419**	**374**	**13,793**
Consideration transferred	6,235	74	6,309
Cash and cash equivalents acquired	(5,937)	-	(5,937)
Net cash outflow on acquisitions	**298**	**74**	**372**
Acquisition costs charged to expenses	(922)	-	(922)

27. *RELATED PARTIES*

Ultimate controlling party

Ensco 1314 Limited acquired 100% of the share capital of MSQ Partners Group Limited on 10 May 2019. At the date of this transaction, Ensco 1314 Limited was owned by management within the Group and LDC (Managers) Ltd. The Directors do not consider there to be an individual ultimate controlling party.

Loans to directors

Season ticket loans had been issued to two directors during the year with a value of £10,000 each. The loans are unsecured, interest-free and are repayable on 30 September 2021 and 13 October 2021.

Key management personnel

The key management personnel within the Group and Company are assessed as being the directors. Refer to Directors' Remuneration (note 6) for disclosure regarding compensation paid to key management personnel.

Other related party transactions

During the year the Group entered into transactions, in the ordinary course of business, with other related parties. Sales and purchases between related parties are made at normal market prices. A family member of a director provided services to the Group during the current period and received remuneration of £17k (2020: £13k).
Outstanding trading balances are unsecured, interest free and repayable within 60 days of invoice. Intercompany loan balances within the Group are subject to 6% interest, are unsecured and are repayable on demand.

Intercompany loan balances are eliminated in full on consolidation. As such, these balances at year end have not been disclosed below at Group level.

£'000s	2021	2020
Loans from directors	(2,893)	(2,601)
Accrued interest on loans from directors	(506)	(210)
Loans from other shareholders	(31,969)	(26,528)
Accrued interest on loans from other shareholders	(5,281)	(2,144)
Interest on loan from directors	(296)	(210)
Interest on loan from other shareholders	(3,137)	(2,144)
Intragroup sales	6,342	6,113
Intragroup management charges	2,329	1,747
Intragroup recharges	562	486

28. AUDIT EXEMPTION OF SUBSIDIARIES

The following subsidiaries are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of the Act.

The original annual report and financial statements, which were approved and published on 13 September 2021, did not make reference to the audit exemption being claimed by a subsidiary company under section 479A of the Companies Act 2006. This note has now been updated to reflect all subsidiaries claiming the exemption under section 497A of the Companies Act 2006.

Name	Registered number
MSQ Partners Group Limited	09044213
MSQ Partners Limited	07745643
Lloyd Northover Holmes & Marchant Limited	01509344
Turn Sq Limited	08840663
Kameleon Worldwide Limited	06611178
Agenda 21 Digital Holding Limited	09790018
Be Heard Group Limited	09223440

The outstanding liabilities at 28 February 2021 of the above named subsidiaries have been guaranteed by the Company pursuant to s479A to s479C of the Act.

29. POST BALANCE SHEET EVENTS

Purchase of Maher Bird Holdings Limited

Following year-end, effective 11 March 2021, the Group completed the acquisition of the share capital of Maher Bird Holdings Limited (trading as MBA). MBA is a well renowned business and has been combined with our Stack business to create MBAstack, a leading Customer Acquisition and marketing business.

COVID-19

While the impact of COVID-19 has lessened, there remains a degree of medium-term macroeconomic uncertainty associated with it.

At an overall Group level, both revenue and profits are growing materially, and we have more than adequate cash reserves to support the business through another downturn, should it arise.

At the time of writing, trading remains robust in the context of the wider economy and our sector.

We remain cautious and continue to manage costs and cash sensibly, to ensure that the business is in strong enough condition to take advantage of any future improvement in the wider economy, both in the UK and overseas.

Ensco 1314 Limited

Company statement of financial position

As at 28 February 2021

£'000s	Note	2021	2020
Non-current assets			
Investments	30	27,132	27,132
		27,132	27,132
Current assets			
Trade and other receivables	31	23,406	11,435
Cash and cash equivalents		25	1,260
		23,431	12,695
Total asset		50,563	39,827
Non-current liabilities			
Borrowings	15	52,013	39,796
		52,013	39,796
Current liabilities			
Borrowings	15	2,766	1,449
Trade and other payables	32	399	1,814
		3,165	3,263
Equity			
Share capital	19	111	77
Share premium	19	2,855	90
Retained earnings		(7,581)	(3,399)
Deficit attributable to owners of Company		(4,615)	(3,232)
Total equity and liabilities		50,563	39,827

The company reported a loss for the year ended 28 February 2021 of £4,182k (loss in the period ended 29 February 2020 of £3,399k).

The financial statements were approved and authorised for issue by the Board of Directors on 6 December 2021 and signed on its behalf by:

Peter Reid

Peter Reid
Director

Daniel Yardley
Director

Company number: 11649494

Company Statement of Changes in Equity

For the year ended 28 February 2021

Company £'000s		Share capital	Share premium	Retained earnings	Total
Balance on incorporation at 30 October 2018		-	-	-	-
Total comprehensive loss					
Loss for the year		-	-	(3,399)	(3,399)
		-	-	(3,399)	(3,399)
Transactions with owners of Company					
Ordinary shares issued		77	90	-	167
		77	90	-	167
Balance at 29 February 2020		77	90	(3,399)	(3,232)
Total comprehensive loss					
Loss for the period		-	-	(4,182)	(4,182)
		-	-	(4,182)	(4,182)
Transactions with owners of Company					
Ordinary shares issued	19	34	2,765	-	2,799
		34	2,765	-	2,799
Balance at 28 February 2021		111	2,855	(7,581)	(4,615)

Notes to the company financial statements

For the period ended 28 February 2021

30. ACCOUNTING POLICIES

The separate financial statements of the company are presented as required by the Companies Act 2006. The company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. Accordingly, the financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in related to capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement and certain related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on a historical cost basis. The principal accounting policies are the same as those set out in note 1 to the consolidated financial statements except as noted below.

The company has taken advantage of the exemption available in relation to the disclosure of a statement of comprehensive income.

Investment in subsidiaries

Investment in subsidiaries are stated at cost less impairment losses, if any.

Interest receivable

Interest receivable on intercompany loans owed to the company is recognised using the effective interest method.

Use of estimates and judgements

Recoverability of intercompany receivables and investments
The Company has an intercompany loan receivable from a subsidiary at year end. Management uses judgment to assess the recoverability of the intercompany loan receivable balance as well as the recoverability of investments.

31. INVESTMENTS

£'000s	Investment in subsidiaries	Total
Cost		
At 30 October 2018		
Acquisitions	27,132	27,132
At 29 February 2020	27,132	27,132
At 28 February 2021	**27,132**	**27,132**

For details on investment in subsidiaries, refer to note 11 in the consolidated financial statements.
For details on acquisitions, refer to note 26 in the consolidated financial statements.

32. TRADE AND OTHER RECEIVABLES

£'000s	2021	2020
Amounts due from subsidiary undertakings	23,403	11,435
VAT	3	-
	23,406	11,435

Amounts due from subsidiary undertakings are unsecured, repayable on demand and subject to 6% interest.

33. TRADE AND OTHER PAYABLES

£'000s	Note	2021	2020
Trade payables		12	62
Contingent consideration		-	1,499
Accruals		386	32
Social security and other taxes		-	170
Other payables		1	51
		399	1,814

34. AUDITORS' REMUNERATION

The audit cost of the consolidated Group and parent company was borne by another company within the Group.