ENSCO 1314 LIMITED

ANNUAL REPORT AND
CONSOLIDATED FINANCIAL
STATEMENTS

FOR THE YEAR ENDED
28 FEBRUARY 2022

COMPANY NUMBER 11649494

MAHER BIRD HOLDINGS LTD

05830524

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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 Bart Michels
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 17th Floor, 103 Colmore Row Birmingham B3 3AG
Registered office:	34 Bow Street London WC2E 7AU

Strategic report

For the year ended 28 February 2022

The Directors present their Strategic report for the year ended 28 February 2022.

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 as an acquisition vehicle to acquire MSQ Partners Group Limited and all 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.

While the year ending February 21 was not without challenges in certain parts of the Group, due to the impact of COVID-19, we continued to make material investments in the business. These investments included the acquisition of the Be Heard group as well as significant additions of new talent across the group. These investments helped trading remain robust through COVID. However, their impact has been particularly pronounced as the macroeconomic headwinds due to COVID have eased, with trading stronger than ever.

In addition, we have continued to make further investments in the Group in this financial year. On 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 data-driven marketing business. The combined business has seen a number of material new business successes and is trading strongly.

On 30 September 2021, the Group also completed the acquisition of Bravespark Media Limited ("Bravespark"). Bravespark is a Video Production and Creative Content agency who have been a longstanding partner to the group. They have already added a great deal to our overall creative output and ability to offer a tech-enabled global content production capability to our clients, as well as supporting our broader dynamic content offer.

Last but no means least, on 24 November 2022, we completed the acquisition of the Elmwood group of Companies. With offices in London, New York and Singapore, Elmwood complemented our existing Holmes and Marchant ("H&M") business perfectly. The businesses have been combined, using the Elmwood brand, and will create a global design powerhouse, with significant digital and content-driven capabilities.

The Group has traded robustly and ahead of the market over the course of the year. Reported Gross Profit was £91.3m which is up £33.2m (57%) from £58.1m in the prior year. Current year figures contain a full year of the Be Heard acquisition (vs 6 months in the prior year) as well as post-acquisition results for MBA, Bravespark and Elmwood.

On a like-for-like basis (adjusting for the impact of the acquisitions), gross profit growth was up 27% - a very healthy performance.

Operating profit (before exceptional items and amortisation) in the period was £10.4m, up from £6.8m, a 53% increase. Current year figures contain a full year of the Be Heard acquisition (vs 6 months in the prior year) as well as post acquisition results for MBA, Bravespark and Elmwood.

Business review and future developments (continued)

EBITDA margins (Operating profit before exceptional items, amortisation and depreciation) being the key measure of profitability of the Group, were 15.2% in the year and overall EBITDA, on a like for like basis (as above) grew by 20%.

Overall, the business has excellent momentum and is growing strongly into our new financial year.

Exceptional items in the year were £1.9m vs £1.9m in the prior year. £0.5m of these costs relate to M&A activity, £0.8m property related charges and £0.6m due to restructuring and reorganisation costs, primarily due to the cost of delivering post-acquisition synergies from the Be Heard and other acquisitions.

Interest expense in the year has increased by £1m from £5m to £6m. This is due to a full year impact of incremental borrowings to fund the Be Heard acquisition as well as a higher interest cost on lease liabilities. It is worth noting that £4.1m of this interest expense relates to Loan Notes, and is non-cash.

Operational assessments and evaluations

Operating profit, which includes exceptional items and the amortisation of intangibles, was a £340k loss for the year, down £1,647k vs the prior year. The entire decrease was due to a £4.7m increase in amortisation and impairment of intangibles following the large number of recent acquisitions.

Cash generated from operating activities was a very strong £13.6m and net cash increased by £3.2m, with over £8m of cash being used to fund acquisitions in the year.

We consider these results to be extremely strong. Having performed ahead of the market during COVID-19, we have continued to do so and continue to invest heavily in the future growth of the business. Our core proposition of data and technology led, multi-disciplinary communications are proving to be at the forefront of our industry and are enabling this market-leading growth.

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.

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 current high inflation in the UK, with associated macro-economic headwinds, including the likelihood of a recession. While we do not know how this will continue to affect the UK economy beyond the short term, we believe the group is well positioned to weather any challenges, both in terms of our financial structure, as well as trading.

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: 7 October 2022
Company registration number: 11649494

Directors' report

For the year ended 28 February 2022

The Directors present their report together with the audited financial statements for the year ended 28 February 2022. 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
Bart Michel	Executive Director (appointed 11 October 2021)

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

The Group repaid £6,694k of loan note principal and £8,306k of accrued interest on loan notes on 29 April 2022. On the same date, the Group borrowed an additional £1,400k of Facility A bank debt, as well as an additional £5,600k of Facility B bank debt. The interest and repayment terms of the additional bank debt is consistent with the bank debt facilities in place at year end.

Going concern

The directors of Ensco and the MSQ Partners Group of companies continue to prepare 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 current macroeconomic challenges.

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.

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.

Streamlined Energy and Carbon Reporting (SECR)

None of the company's UK subsidiaries are large companies and, therefore, are not obliged to report under the SECR regulations. Accordingly, the company has excluded the data from these companies from its report. The parent company consumes less than 40MWh of energy per year and is, therefore, exempt from providing full disclosure in this Directors' report.

Directors' report

For the year ended 28 February 2022

Directors' responsibilities statement

The Directors are responsible for preparing the Directors' report, Strategic report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with the UK-adopted international accounting standards 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 UK-adopted international accounting standards 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: 7 October 2022
Company registration number: 11649494

Ensco 1314 Limited

Independent auditor's report

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

Opinion

We have audited the financial statements of Ensco 1314 Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 28 February 2022, 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. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 28 February 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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 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.

Independent auditor's report

Conclusions relating to going concern (continued)

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

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

We have nothing to report in this regard.

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

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.

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 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.

Independent auditor's report

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 financial statements

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

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

We are also required to report whether in our opinion the financial statements failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors. The audit of 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 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 (UK-adopted international accounting standards, 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.
- 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 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 financial statements, the less likely we would become aware of it;

Independent auditor's report

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

- We assessed the susceptibility of the Group and Parent company's 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 revenues, with a focus on the revenues recognised on the final month of the financial year, revenues which have been released from deferred income during the year, and revenues from customer contracts which have related deferred and accrued income balances at year end;
  - 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 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.

Use of our report

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

Grant Thornton UK LLP

Matthew Buckingham BSc ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
Date: 7 October 2022

Ensco 1314 Limited

Consolidated statement of total comprehensive income

For the year ended 28 February 2022

£'000s	Note	Year ended 2022	Year ended 2021
Revenue	2	162,984	91,472
Cost of sales		(71,712)	(33,379)
Gross profit		91,272	58,093
Administrative expenses		(91,612)	(56,786)
Operating profit before exceptional items and amortisation		10,362	6,751
Exceptional items	4	(1,900)	(1,937)
Amortisation and impairment of intangibles	8	(8,802)	(3,507)
Operating (loss)/profit		(340)	1,307
Operating (loss)/profit	3	(340)	1,307
Interest income	5	6	26
Interest expense	5	(6,044)	(5,037)
Loss before taxation		(6,378)	(3,704)
Taxation	7	(1,056)	986
Loss for the year		(7,434)	(2,718)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences on foreign operations		170	13
Other comprehensive gain, net of tax		170	13
Total comprehensive loss for the year		(7,264)	(2,705)

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 2022

£'000s	Note	2022	2021
Non-current assets			
Goodwill and intangibles	8	63,889	56,583
Property, plant and equipment	9	4,044	1,966
Right of use assets	10	13,665	15,223
Deferred tax assets	18	501	322
		82,099	74,094
Current assets			
Trade and other receivables	12	39,775	22,538
Work in progress	13	3,344	1,097
Cash and cash equivalents	14	21,588	18,360
		64,707	41,995
Total assets		146,806	116,089
Non-current liabilities			
Deferred tax liabilities	18	7,125	4,939
Borrowings	15	61,020	52,013
Lease liabilities	10	13,087	14,689
Trade and other payables	17	5,007	-
Other creditors		-	258
Provisions	16	540	663
		86,779	72,562
Current liabilities			
Borrowings	15	2,986	4,670
Lease liabilities	10	3,599	2,591
Trade and other payables	17	61,449	39,815
Current tax liabilities		434	265
		68,468	47,341
Equity			
Share capital	19	132	111
Share premium	19	5,471	2,855
Retained earnings		(14,043)	(6,609)
Foreign currency translation reserve		(1)	(171)
Equity attributable to owners of Company		(8,441)	(3,814)
Total equity and liabilities		146,806	116,089

The financial statements were approved and authorised for issue by the Board of Directors on 7 October 2022 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 2022

£'000s	Note	Share capital	Share premium	Retained earnings	FCTR*	Total
Balance on 1 March 2020		*77*	*90*	*(3,891)*	*(184)*	*(3,908)*
Total comprehensive (loss)/income						
Loss for the period		-	-	(2,718)	-	(2,718)
Other comprehensive income		-	-		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)
Balance on 1 March 2021		111	2,855	(6,609)	(171)	(3,814)
Total comprehensive (loss)/income						
Loss for the period		-	-	(7,434)	-	(7,434)
Other comprehensive income		-	-	-	170	170
		-	-	(7,434)	170	(7,264)
Transactions with owners of Company						
Ordinary shares issued	19	21	2,616	-	-	2,637
		21	2,616	-	-	2,637
Balance at 28 February 2022		132	5,471	(14,043)	(1)	(8,441)

*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 2022

£'000s	Note	Year ended 2022	Year ended 2021
Cash flows from operating activities			
Cash generated from operations	21	14,720	12,896
Interest received		6	26
Interest paid		(77)	(102)
Taxation (paid)/received		(1,095)	442
Net cash generated from operating activities		13,554	13,262
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(2,889)	(565)
Acquisition of subsidiaries, net of cash acquired	26	(8,113)	(372)
Settlement of deferred consideration		(357)	(6,069)
Proceeds from sale of property, plant and equipment		3	-
Net cash utilised by investing activities		(11,356)	(7,006)
Cash flows from financing activities			
Proceeds from issue of new shares		2,637	2,799
Repayment of leasing liabilities	23	(2,981)	(2,558)
Repayment of borrowings	23	(2,917)	(5,717)
Proceeds from borrowings	23	5,720	11,733
Transaction costs related to borrowings		(399)	(1,099)
Interest paid	23	(1,329)	(1,198)
Net cash generated by financing activities		731	3,960
Net increase in cash and cash equivalents		2,929	10,216
Cash and cash equivalents at beginning of year		18,360	8,547
Effect of movements in exchange rates on cash held		299	(403)
Cash and cash equivalents at end of year		21,588	18,360

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

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 UK-adopted international accounting standards and have been prepared under the historic cost convention. They were authorised for issue by the Company's board of directors on 7 October 2022.

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 2021 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 and any deferred consideration payable. 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.

Deferred consideration is initially recorded at fair value, being the present value of the expected cash outflows of the obligations. The obligations are dependent on the future financial performance of the interests acquired and assume the operating companies improve profits in line with Directors' estimates. The Directors derive their estimates from internal business plans together with financial due diligence performed in connection with the acquisition.

Leases liabilities – determination of the appropriate discount rate
As the Group enters into leases with third-party landlords, the rate implicit in the relevant lease is not readily determinable. The Group therefore uses its incremental borrowing rate as the discount rate for determining its lease liabilities at the lease commencement date. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over similar terms which requires estimations when no observable rates are available.

<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.

1. ACCOUNTING POLICIES (CONTINUED)

Use of estimates and judgements (continued)

Areas of judgement (continued)

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.

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 pound 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.

1. ACCOUNTING POLICIES (CONTINUED)

Revenue (continued)

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.

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 treated as purchase discounts against the supplier accounts.

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.

1. ACCOUNTING POLICIES (CONTINUED)

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.

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 purchase consideration over the fair value of the net assets (including intangible assets) acquired, as 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	7-8 years

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

1. ACCOUNTING POLICIES (CONTINUED)

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.

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 or amounts are billed with an unconditional right to receive consideration 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.

1. ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

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.

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 deferred 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 current where the Group expect to recover amounts within 12 months or non-current where amounts are expected to be recovered after 12 months.

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 classified as current where the Group expect to settle amounts within 12 months or non-current where amounts are expected to be settled after 12 months.

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.

Deferred consideration is accounted for in accordance with IFRS 3 Business Combinations. Deferred consideration only applies to situations where deferred 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 deferred 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.

1. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

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.

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.

The directors of Ensco and the MSQ Partners Group of companies continue to prepare 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 current macroeconomic challenges.

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:

£'000	Year ended 2022	Year ended 2021
Europe	120,050	55,070
North America	30,517	25,899
Asia Pacific	12,417	10,503
	162,984	91,472

Group revenue disaggregated by type of service is as follows:

£'000	Year ended 2022	Year ended 2021
CX, Creative & Media	82,802	44,620
Branding, Content & Communications	34,049	21,488
DX, Technology & Analytics	46,133	25,364
	162,984	91,472

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 (£1,900k (2021: £1,937k)), impairment of goodwill (£4,539k (2021: Nil)) and amortisation of intangibles (£4,263k (2021: £3,507k)).

Operating profit is stated after charging/(crediting):

£'000s	Year ended 2022	Year ended 2021
Depreciation of plant and equipment	1,045	800
Depreciation of right-of-use assets	2,442	1,942
Impairment of right-of-use assets	303	316
Net foreign exchange losses/(gains)	215	(59)
Income from sub-leasing right-of-use assets	(314)	(949)
Auditor's Remuneration		
Audit of consolidated Group and parent company	53	42
Audit of subsidiaries by Group auditors	178	169
Audit of subsidiaries by Grant Thornton International affiliated firms	18	18
Disbursements incurred in connection with the audit	12	1
Non-audit services		
Accounting assistance services	22	31
Taxation advisory services	57	3
Other non-audit services	14	24
Staff costs		
Wages and salaries	59,669	38,227
Social security contributions	5,534	3,101
Pension contributions	1,378	1,016
Other personnel costs	2,596	738

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

	Number 2022	Number 2021
Direct staff*	799	518
Indirect staff**	101	72
	900	590

**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*

Notes to the consolidated financial statements

For the year ended 28 February 2022

4. EXCEPTIONAL ITEMS

£'000s	Year ended 2022	Year ended 2021
Restructuring and reorganisation	601	735
Property related charges	761	280
M&A related charges	538	922
	1,900	1,937

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 2022	Year ended 2021
Bank interest earned	6	20
Interest related to sublease assets	-	6
Interest income	6	26
Interest on loan notes	(4,138)	(3,523)
Interest on bank credit facilities	(620)	(670)
Interest expense related to lease liabilities	(705)	(498)
Amortisation of loan issue and banking costs	(489)	(316)
Other interest expense	(92)	(30)
Interest expense	(6,044)	(5,037)

6. DIRECTORS' REMUNERATION

£'000s	Year ended 2022	Year ended 2021
Short-term benefits	1,783	1,335
Post-employment benefits	46	29
	1,829	1,364

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 7 (2021: 4) directors during the current period. The highest paid director received remuneration of £555k (2021: £463k), as well as pension contributions of £4k (2021: £7k).

7. TAXATION

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

£'000s	Year ended 2022	Year ended 2021
Current tax		
UK tax	(124)	-
Foreign tax	864	486
R&D credits	-	(748)
	740	(262)

7. TAXATION (CONTINUED)

£'000s	Year ended 2022	Year ended 2021
Deferred tax		
Remeasurement for change in tax rate	1,219	-
Origination and reversal of temporary differences	(826)	(666)
Accelerated capital allowances	120	(106)
Short term timing differences	(17)	48
Carried forward tax losses	(180)	-
	316	(724)
	1,056	(986)

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

£'000s	Year ended 2022	Year ended 2021
Loss before tax	6,378	3,704
Tax on loss at standard current tax rate of 19%	(1,212)	(704)
Effect of:		
Non-deductible expenses	2,174	904
Fixed asset differences	117	7
Income not taxable	(76)	-
Tax rates in foreign jurisdictions	155	118
Foreign withholdings tax	155	93
Remeasurement of deferred tax to 25%	1,219	(222)
Origination and reversal of unrecognised temporary differences	(903)	(666)
Movement in deferred tax not recognised	(450)	232
Other	(123)	-
R&D expenditure credits	-	(748)
	1,056	(986)

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. The deferred tax balances have been remeasured to reflect this change at year end.

8. GOODWILL AND INTANGIBLES

The Group made 3 acquisitions during the financial year.

- MSQ Partners Ltd acquired Maher Bird Holdings Ltd on 11 March 2021 which gave rise to goodwill of £1,540k.
- Walk in the Gate Ltd acquired Brave Spark Media Ltd on 30 September 2021 which gave rise to goodwill of £3,248k and intangible assets of £1,205k. The intangible assets are being amortised over a period of 7 years.
- MSQ Partners Ltd acquired Elmwood Design Holdings Ltd and its subsidiaries on 24 November 2021. This business combination gave rise to goodwill of £4,550k and intangible assets of £5,565k. The intangible assets are being amortised over a period of 7 years. Following the acquisition, the 'H&M' business unit was rebranded to 'Elmwood' and brought together under the same management team. As such, the Elmwood and H&M cash-generating units (CGU) have been combined into one CGU.

8. GOODWILL AND INTANGIBLES (CONTINUED)

£'000s	Note	Goodwill	Customer relationships	Total
Cost				
Balance at 28 February 2021		30,590	31,935	62,525
Acquired through business combination	26	9,338	6,770	16,108
Balance at 28 February 2022		39,928	38,705	78,633
Accumulated amortisation				
Balance at 28 February 2021		-	(5,942)	(5,942)
Amortisation		-	(4,263)	(4,263)
Impairment		(4,539)	-	(4,539)
Balance at 28 February 2022		(4,539)	(10,205)	(14,744)
Carrying amounts				
Balance at 28 February 2022		**35,389**	**28,500**	**63,889**
Balance at 28 February 2021		30,590	25,993	56,583

Management assess the goodwill balance for impairment at each year-end. The recoverable amount is 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. This resulted in an impairment of £4,539k during the current year (2021: Nil) which relates to the Freemavens cash-generating unit.

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

	2022	2021
Elmwood H&M	8,203	3,653
MMT	7,290	7,290
Twentysix	4,244	4,244
Smarts	3,469	3,469
Brave Spark	3,248	-
Freemavens	647	5,186
Other	8,288	6,748
Total	35,389	30,590

The key assumptions used in the estimation of the recoverable amounts of the cash-generating units ('CGUs') include a discount rate of 10.2% (2021: 7.5%) and a forecast period of 15 years (2021: 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	2022	2021
Elmwood H&M	2%	3%
MMT	2%	3%
Twentysix	2%	3%
Smarts	2%	3%
Brave Spark	2%	-
Freemavens	2%	3%
Other	2%	4%

9. PROPERTY, PLANT AND EQUIPMENT

£'000s	Note	Leasehold improvements	Fixtures and fittings	Plant and machinery	Total
Cost					
Balance at 28 February 2021		1,170	786	588	2,544
Acquired through business combination	26	67	50	124	241
Additions		1,689	397	803	2,889
Disposals		(16)	(12)	(274)	(302)
Effect of movements in exchange rates		11	18	35	64
Balance at 28 February 2022		2,921	1,239	1,276	5,436
Accumulated depreciation					
Balance at 28 February 2021		(264)	(226)	(88)	(578)
Depreciation	3	(372)	(164)	(509)	(1,045)
Disposals		16	12	274	302
Effect of movements in exchange rates		(28)	(11)	(32)	(71)
Balance at 28 February 2022		(648)	(389)	(355)	(1,392)
Carrying value at 28 February 2022		2,273	850	921	4,044

£'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		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

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.

10. LEASES (CONTINUED)

£'000s	Note	Land and buildings	Motor Vehicles	Total
Right-of-use assets				
Balance at 28 February 2021		15,187	36	15,223
Acquired through business combination	26	1,085	-	1,085
Additions		859	17	876
Transfer from net investment in leases	12	(866)	-	(866)
Depreciation of right-of-use assets	3	(2,415)	(27)	(2,442)
Impairment of right-of-use assets	3	(303)	-	(303)
Effect of movements in exchange rates		92	-	92
Balance at 28 February 2022		13,639	26	13,665

£'000s	Note	Land and buildings	Motor Vehicles	Total
Lease liabilities				
Balance at 28 February 2021		17,245	35	17,280
Acquired through business combination	26	1,347	-	1,347
Additions		859	16	875
Interest expense relating to lease liabilities	5	704	1	705
Repayment of lease liabilities (including interest)		(3,665)	(26)	(3,691)
Effect of movements in exchange rates		170	-	170
Balance at 28 February 2022		16,660	26	16,686

£'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 to 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		(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)
Effects of movements in exchange rates		(414)	-	(414)
Balance at 29 February 2021		17,245	35	17,280

10. LEASES (CONTINUED)

The maturity of lease liabilities were as follows:

£'000s	Future minimum lease payments	Interest	Present value of minimum lease payments
2022			
Less than one year	4,215	(616)	3,599
Between one and five years	9,101	(1,383)	7,718
After five years	5,772	(403)	5,369
Lease liability at 28 February 2022	19,088	(2,402)	16,686
Short-term lease liability			3,599
Long-term lease liability			13,087

£'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

Finance leases as lessor

The Group sub-leases two office buildings that it leased in 2016 and 2018 in London. 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
2022			
Less than one year	550	-	550
Between one and five years	-	-	-
Net Investment in leases at 28 February 2022	550	-	550
Short-term lease receivable			550
Long-term lease receivable			-

£'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			-

11. **INVESTMENTS**

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

Subsidiary undertaking	Principal activity	Country of incorporation	Shareholding
Twentysix Limited	P	UK	100%
The Gate Worldwide Limited	P	UK	100%
Stack Works Limited (renamed MBAstack Ltd on 2 March 2022)	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%
MMT Limited	P	UK	100%
Freemavens Limited	P	UK	100%
Kameleon Worldwide Limited	P	UK	100%
Walk in the Gate Ltd	P	UK	100%
Maher Bird Holdings Limited	P	UK	100%
Bravespark Media Limited	P	UK	100%
Elmwood Design Limited	P	UK	100%
IAS B2B Marketing SA	P	France	100%
Stein IAS India Private Limited	P	India	99.998%
MSQ Partners (Shanghai) Advertising Co. Ltd	P	China	100%
Elmwood Brand Consulting Pte Ltd	P	Singapore	100%
Elmwood Design Singapore Pte Limited	P	Singapore	100%
MSQ Partners NA LLC	P	United States	100%
Stein IAS International LLC	P	United States	100%
Elmwood Design Inc.	P	United States	100%
MSQ Partners Group Limited	H	UK	100%
MSQ Partners Limited	H	UK	100%
Be Heard Group Limited	H	UK	100%
Elmwood Design Holdings Limited	H	UK	100%
MSQ Partners USA Inc	H	United States	100%
Agenda 21 Holding Limited	D	UK	100%
Walk-in Media Ltd	D	UK	100%
Framework Creative Limited	D	UK	100%
Who Shaves the Barber Limited	D	UK	100%
Lloyd Northover (Shanghai) Advertising Co. Ltd	D	China	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

11. **TRADE AND OTHER RECEIVABLES**

£'000s	Note	2022	2021
Amounts due within a year			
Trade receivables		27,741	17,981
Accrued income		8,738	1,500
Prepayments		1,501	1,466
Other debtors		1,245	1,266
Net investment in leases	10	550	325
		39,775	22,538

The trade receivables balance for the Group is shown net of a loss allowance of £258k (2021: £172k).

12. 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.

13. CASH AND CASH EQUIVALENTS

£'000s	2022	2021
Bank balances	21,429	18,103
Cash on deposit	159	257
	21,588	18,360

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.

14. BORROWINGS

£'000s	2022	2021
Non-current borrowings		
Secured Loan Notes	24,718	22,472
Unsecured Loan Notes	22,288	18,177
Bank loans	16,257	13,772
Capitalised loan issue costs	(2,243)	(2,408)
	61,020	52,013
Current borrowings		
Bank loans	1,015	650
Bank credit facility	2,500	2,500
Convertible Loan Notes	-	1,904
Capitalised loan issue costs	(529)	(384)
	2,986	4,670

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 of the Be Heard Group 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.

A further £1,000k and £1,220k of Series C loan notes were issued as part of the Bravespark and Elmwood acquisitions which completed on 30 September 2021 and 24 November 2021 respectively. In addition, HSBC provided a further £3.5m of debt to Ensco at the time of the Elmwood acquisition, comprising of two secured loans of £1,437k and £2,063k.

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

15. BORROWINGS (CONTINUED)

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 assesses the value of the embedded derivative as £Nil as at 28 February 2022 (2021: £Nil).

The terms of the £5,460k bank loan are as follows:

i) Termination date of 31 August 2025
ii) Principal repayments are payable quarterly over the term of the loan
iii) Interest of SONIA +3.5% is payable quarterly in arrears

The terms of the £13,540k bank loan are as follows:

i) Termination date of 31 August 2026
ii) The full principal amount falls due at the termination date
iii) Interest of SONIA +4% is payable quarterly in arrears

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

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 2022 (2021: £2.5m).

16. PROVISIONS

Group

£'000s	Dilapidations	Total
Balance at 28 February 2021	663	663
Acquired through business combination	27	27
Reversals	(150)	(150)
Balance at 28 February 2022	540	540

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

£'000s	2022	2021
Less than one year	13	163
Between one and five years	227	200
More than five years	300	300
	540	663

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	2022	2021
Amounts falling due within one year:		
Trade payables	7,857	7,456
Deferred income	31,166	15,429
Accruals	13,384	7,028
Social security and other taxes	3,494	5,951
Deferred consideration	4,656	3,325
Other payables	892	626
	61,449	39,815
Amounts falling due after more than one year:		
Deferred consideration	5,007	-
	5,007	-
	66,456	39,815

£'000s	Note	Deferred Consideration
Balance at 28 February 2021		3,325
Acquired through business combinations	26	7,003
Amounts paid during the year		(357)
Amounts written off during the year		(400)
Interest accrued during the year	5	92
Balance at 28 February 2022		9,663

See note 22 for further detail on deferred consideration.

18. DEFERRED TAXATION

Deferred tax liability

£'000s	Note	2022	2021
Opening balance		4,939	4,131
Acquisition of subsidiaries	26	1,693	1,474
Movement through comprehensive income		493	(666)
Closing balance		7,125	4,939

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

£'000s	2022	2021
Temporary differences relating to intangible assets	7,125	4,939

Deferred tax asset

£'000s	Note	2022	2021
Opening balance		322	264
Movement through comprehensive income		179	58
Closing balance		501	322

18. DEFERRED TAXATION (CONTINUED)

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

2022

£'000s	Provided	Unprovided
Accelerated capital allowances	31	94
Short term timing differences	41	66
Tax losses	429	1,443
	501	1,603

2021

£'000s	Provided	Unprovided
Accelerated capital allowances	115	93
Short term timing differences	18	75
Tax losses	189	1,456
	322	1,624

19. SHARE CAPITAL

Group and Company	Par value per share £	2022 £	2021 £
Authorised and issued share capital			
2,005,718 A Ordinary shares (2021: 2,005,718)	0.01	20,057	20,057
302,276 B1 Ordinary shares (2021: 302,276)	0.05	15,114	15,114
230,003 B2 Ordinary shares (2021: 230,003)	0.05	11,500	11,500
163,321 B3 Ordinary shares (2021: 180,062)	0.05	8,166	9,003
318,500 C Ordinary shares (2021: 333,350)	0.05	15,925	16,668
997,000 D Ordinary shares (2021: 997,000)	0.01	9,970	9,970
102,283 E1 Ordinary shares (2021: 45,000)	0.05	5,114	2,250
19,800 E2 Ordinary shares (2021: 19,800)	0.05	990	990
507,693 E3 Ordinary shares (2021: 186,550)	0.05	25,385	9,328
184,056 F Ordinary shares (2021: 121,750)	0.05	9,203	6,088
39,500 G Ordinary shares (2021: Nil)	0.01	395	-
194,485 Z Ordinary shares (2021: 200,000)	0.05	9,724	10,000
		131,543	110,968

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

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

19. SHARE CAPITAL (CONTINUED)

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 G Ordinary share capital has the following rights:

- The holders of G 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	2022	2021
Operating (loss)/profit		(340)	1,307
Depreciation of fixed assets	9	1,045	800
Depreciation and impairment of right-of-use assets	10	2,745	2,258
Amortisation and impairment of intangibles	8	8,802	3,507
Other non-cash items		(376)	354
		11,876	8,226
Changes in working capital			
Decrease in trade and other receivables		(11,102)	(2,862)
Decrease in work in progress		(2,184)	(259)
Increase in trade and other payables		16,267	7,491
Increase/(Decrease) in provisions		(137)	300
		14,720	12,896

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:

2022 £'000s	Amortised cost	Fair value through profit and loss	Carrying value
Trade and other receivables	37,605	-	37,605
Cash and cash equivalents	21,588	-	21,588
Trade and other payables	(22,133)	(9,663)	(31,796)
Borrowings: Current	(2,986)	-	(2,986)
Borrowings: Non-current	(61,020)	-	(61,020)
	(26,946)	(9,663)	(36,609)

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

2021 £'000s	Amortised cost	Fair value through profit and loss	Carrying value
Trade and other receivables	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)

22. FINANCIAL INSTRUMENTS (CONTINUED)

The financial instruments measured at fair value subsequent to initial recognition relate to deferred consideration acquired through business combinations. These liabilities are measured in line with the level 3 valuation techniques. Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data. The deferred consideration liabilities in the year were fair valued using a discounted cash flow methodology and reflect cash outflows of management's estimates of the acquirees achieving performance-based targets.

(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 £21,588k (2021: £18,360k) at year end. The company was in overdraft by £384k (2021: positive cash balance of £25k) at year end. 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 £258k (2021: £172k) 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	2022	2021
Europe	22,489	12,668
North America	2,619	2,488
Asia Pacific	2,633	2,825
	27,741	17,981

Impairment

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

£'000s	2022	2021
Not past due	16,390	12,817
Past due 1-30 days	7,575	4,091
Past due 31-60 days	2,098	440
Past due by greater than 60 days	1,936	805
Loss allowance	(258)	(172)
	27,741	17,981

Included within the loss allowance are individually impaired receivables totalling £223k (2021: £159k) which are all more than 120 days overdue. The movement in the loss allowance was as follows:

£'000s	2022	2021
Balance brought forward	(172)	(61)
Loss allowance raised	(86)	(111)
Balance carried forward	(258)	(172)

22. FINANCIAL INSTRUMENTS (CONTINUED)

(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 (2021: £7m) bank credit facility from HSBC Bank plc. This includes a £2m (2021: £2m) overdraft facility and a £5m (2021: £3m) revolving credit facility, both bearing interest at an annual rate of SONIA + 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. In addition to the below, the Group has contractual lease obligations – see note 10 for further details.

		Contractual cash flows			
£'000s	**Carrying amount**	**Total**	**Less than 1 year**	**Between 1 and 5 years**	**More than 5 years**
At 28 February 2022					
Trade and other payables	31,796	32,034	26,789	5,245	-
Loan notes	45,362	54,996	15,000	39,996	-
Bank loans	16,144	28,498	2,122	26,376	-
Bank credit facility	2,500	2,522	2,522	-	-
	95,802	118,050	46,433	71,617	-

		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

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.

(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.

22. FINANCIAL INSTRUMENTS (CONTINUED)

Group	Profit or loss		Equity, net of tax	
£'000s	**Strengthening**	**Weakening**	**Strengthening**	**Weakening**
At 28 February 2022				
US Dollar (10% movement)	(97)	79	(15)	(19)
Euro (10% movement)	7	(6)	7	(6)
Singapore Dollar (10% movement)	(11)	9	(146)	174
Chinese Renminbi (10% movement)	251	(205)	237	(189)
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)

(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 £3.7m (2021: £2.9m) is SONIA + 3.5% pa. Interest on the Facility B bank loan of £13.5m (2021: £11.5m) is SONIA + 4% pa. Interest on the revolving credit facility from HSBC Bank plc is charged at SONIA + 3.5% pa. Refer to note 15 for the further disclosure regarding Borrowings.

Group £'000s	2022	2021
Fixed-rate instruments		
Secured loan notes	24,718	19,359
Unsecured loan notes	22,288	17,317
Variable-rate instruments		
Bank loans	17,272	14,424
Revolving credit facility	2,500	2,500

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.

Group	Profit or loss		Equity, net of tax	
£'000s	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
At 28 February 2022				
Revolving credit facility	38	(38)	38	(38)
Bank loan – Facility A	13	(13)	13	(13)
Bank loan – Facility B	108	(108)	108	(108)
	159	**(159)**	**159**	**(159)**
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)**

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 28 February 2021	54,421	5,054	17,280	76,755
Acquired through business combination	-	360	1,347	1,707
Cash-flows:				
Proceeds	5,720	-	-	5,720
Repayment	-	(2,917)	(2,981)	(5,898)
Interest paid	(440)	(178)	(711)	(1,329)
Non-cash:				
Interest accrued	4,577	181	705	5,463
New leases, net of foreign exchange effects	-	-	1,046	1,046
Reclassification	(1,015)	1,015	-	-
Balance at 28 February 2022	63,263	3,515	16,686	83,464

£'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

24. CAPITAL COMMITMENTS

There were no capital commitments at 28 February 2022 (2021: None), other than the property dilapidations recognised in provisions (note 16).

25. CONTINGENCIES

The Group and Company had no contingent liabilities at 28 February 2022 (2021: £Nil).

26. ACQUISITIONS

Acquisition of Maher Bird Holdings Limited

On 11 March 2021, MSQ Partners Ltd purchased the entire share capital of Maher Bird Holdings Limited for a consideration of £1,446k. The identifiable net liabilities on acquisition were £94k and the Goodwill recognised on acquisition was £1,540k.

Acquisition of Bravespark Media Limited

On 30 September 2021, Walk in the Gate Ltd purchased the entire share capital of Bravespark Media Limited for a consideration of £4,297k. See Borrowings note 15 for further detail on the additional funding arrangements entered into for the purchase. Goodwill of £3,248k was raised in respect of this acquisition.

Acquisition of Elmwood Design Holdings Limited

On 24 November 2021, MSQ Partners Ltd purchased the entire share capital of Elmwood Design Holdings Limited and its subsidiaries for a total consideration of £11,640k. See Borrowings note 15 for further detail on the additional funding arrangements entered into for the purchase. Goodwill of £4,550k was raised in respect of this acquisition.

26. ACQUISITIONS (CONTINUED)

The acquisitions made during the year have added further strength and depth to the Group's capabilities and talent, along with impressive client lists and scale in both London and New York. Goodwill raised in respect of the acquisitions relates to expected benefits from combining operations as well as other intangible assets that do not qualify for separate recognition.

The post-acquisition results of the above subsidiaries, which are included in the consolidated statement of comprehensive income of the Group, include Revenue of £7.2m, Gross Profit of £5.7m and an Operating Profit of £0.6m. The combined Group results, should these acquisitions have taken place on 1 March 2021, would have reflected Revenue of £152m, Gross Profit of £102m and an Operating Profit of £11.8m. Operating Profit is stated after combined once-off acquisition costs of £0.5m.

£'000s	Maher Bird Holdings Limited 2022	Bravespark Media Limited 2022	Elmwood Design Holdings Limited 2022	Total
Fair value of consideration transferred				
Amount settled in cash during the year	378	761	4,465	5,604
Loan notes issued	-	1,000	1,220	2,220
Shares issued	7	-	2,549	2,556
	385	1,761	8,234	10,380
Deferred consideration	1,061	2,536	3,406	7,003
	1,446	**4,297**	**11,640**	**17,383**
Fair value of identifiable net assets				
Property, plant and equipment	19	5	217	241
Intangible assets	-	1,205	5,565	6,770
Right-of-use assets	-	-	1,085	1,085
Total non-current assets	**19**	**1,210**	**6,867**	**8,096**
Trade and other receivables	979	1,050	3,274	5,303
WIP	-	-	96	96
Current tax assets	16	-	-	16
Cash and cash equivalents	13	425	1,829	2,267
Total current assets	**1,008**	**1,475**	**5,199**	**7,682**
Provisions	-	(14)	(13)	(27)
Deferred tax liabilities	-	(301)	(1,392)	(1,693)
Lease liabilities	-	(262)	(1,085)	(1,347)
Total non-current liabilities	**-**	**(577)**	**(2,490)**	**(3,067)**
Trade and other payables	(1,028)	(602)	(1,985)	(3,615)
Borrowings	(85)	(275)	-	(360)
Other creditors	-	(5)	(160)	(165)
Current tax liabilities	(8)	(177)	(341)	(526)
Total current liabilities	**(1,121)**	**(1,059)**	**(2,486)**	**(4,666)**
Identifiable net assets	**(94)**	**1,049**	**7,090**	**8,045**
Goodwill on acquisition	**1,540**	**3,248**	**4,550**	**9,338**
Consideration paid	385	1,761	8,234	10,380
Cash and cash equivalents acquired	(13)	(425)	(1,829)	(2,267)
Net cash outflow on acquisitions	**372**	**1,336**	**6,405**	**8,113**
Acquisition costs charged to expenses	27	45	466	538

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 2022 and 13 October 2022.

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 (2021: £17k).

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	2022	2021
Loans from directors	(2,798)	(2,893)
Accrued interest on loans from directors	(831)	(506)
Loans from other shareholders	(34,189)	(31,969)
Accrued interest on loans from other shareholders	(9,094)	(5,281)
Interest on loan from directors	(330)	(296)
Interest on loan from other shareholders	(3,808)	(3,137)
Intragroup sales	8,752	6,342
Intragroup management charges	3,774	2,329
Intragroup recharges	1,418	562

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.

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 Gate Worldwide Ltd	02184182
Maher Bird Holdings Ltd	05830524
Brave Spark Media Ltd	07364502
Elmwood Design Holdings Ltd	12865438
Framework Creative Ltd	06529863
Who Shaves the Barber ? Ltd	01274703
Walk-in Media Ltd	12222493

The outstanding liabilities at 28 February 2022 of the above named subsidiaries have been guaranteed by the Company pursuant to s479A to s479C of the Act.

29. POST BALANCE SHEET EVENTS

The Group repaid £6,694k of loan note principal and £8,306k of accrued interest on loan notes on 29 April 2022. On the same date, the Group borrowed an additional £1,400k of Facility A bank debt, as well as an additional £5,600k of Facility B bank debt. The interest and repayment terms of the additional bank debt is consistent with the bank debt facilities in place at year end.

Ensco 1314 Limited

Company statement of financial position

As at 28 February 2022

£'000s	Note	2022	2021
Non-current assets			
Investments	31	27,132	27,132
		27,132	27,132
Current assets			
Trade and other receivables	32	31,706	23,406
Deferred Tax asset		26	-
Cash and cash equivalents		-	25
		31,732	23,431
Total asset		58,864	50,563
Non-current liabilities			
Borrowings	15	61,020	52,013
		61,020	52,013
Current liabilities			
Borrowings	15	2,986	2,766
Bank Overdraft		384	-
Trade and other payables	33	298	399
		3,668	3,165
Equity			
Share capital	19	132	111
Share premium	19	5,471	2,855
Retained earnings		(11,427)	(7,581)
Deficit attributable to owners of Company		(5,824)	(4,615)
Total equity and liabilities		58,864	50,563

The company reported a loss for the year ended 28 February 2022 of £3,846k (loss in the year ended 28 February 2021 of £4,182k).

The financial statements were approved and authorised for issue by the Board of Directors on 7 October 2022 and signed on its behalf by:

Peter Reid

Peter Reid
Director

Daniel Yardley
Director

Company number: 11649494

Ensco 1314 Limited

Company Statement of Changes in Equity

For the year ended 28 February 2022

Company £'000s		Share capital	Share premium	Retained earnings	Total
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		34	2,765	-	2,799
		34	2,765	-	2,799
Balance at 28 February 2021		111	2,855	(7,581)	(4,615)
Total comprehensive loss					
Loss for the period		-	-	(3,846)	(3,846)
		-	-	(3,846)	(3,846)
Transactions with owners of Company					
Ordinary shares issued	19	21	2,616	-	2,637
		21	2,616	-	2,637
Balance at 28 February 2022		132	5,471	(11,427)	(5,824)

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 28 February 2021	27,132	27,132
At 28 February 2022	**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	**2022**	**2021**
Amounts due from subsidiary undertakings	31,679	23,403
VAT	1	3
Prepayments	26	-
	31,706	23,406

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

33. TRADE AND OTHER PAYABLES

£'000s	Note	2022	2021
Trade payables		80	12
Accruals		214	386
Other payables		4	1
		298	399

34. AUDITORS' REMUNERATION

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