

Smyle Creative Limited

Annual Report and Financial Statements

For the year ended 31 March 2023

Company Registration No. 06095949 (England and Wales)

Smyle Creative Limited

Company Information

Directors	R C Stainton M J Margetson A H Dawson-Wills D Thomas-Smith S J Watford	(Appointed 18 October 2023)
Secretary	J C Howell	
Company number	06095949	
Registered office	The Lockhouse Mead Lane Hertford United Kingdom SG13 7AX	
Auditor	Moore Kingston Smith LLP Charlotte Building 17 Gresse Street London W1T 1QL	

Smyle Creative Limited

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Smyle Creative Limited

Strategic Report

For the year ended 31 March 2023

The directors present the strategic report for the year ended 31 March 2023.

Fair review of the business

The business performed well in the year, as Smyle's clients continued investing back into live experiences as the world moved out of the Covid pandemic. Alongside these live experiences, clients continued with their appetite for blending digital experiences with their live events allowing wider participation, reach and scalability, which has been both beneficial for the client and the business.

The business has continued with its clear strategy to build commercial success and resilience based on three key pillars:

- Employee investment and retention
- Client diversification
- Reputation to attract client and people

Turnover for the year was £37.3m (2022: £23.1m) with an operating profit of £0.5m (2022: £1.2m). The turnover increase of 61% reflects the increase in spend from both existing and new clients and the shift back towards live events.

Gross margin for the year was £13.4m (2022: 9.7m) and the gross margin percentage for the year was 36% (2022: 42%). With the shift back towards live events the business would expect to see a reduction in gross profit percentage as a result of increased pass-through costs.

Operational expenses of £13.0m (2022: £8.8m) have increased by £4.2m, mainly as a result of an increase in people costs to £8.9m (2022: £5.6m). The business has focused on investing, developing and retaining its talent pool, adding more retained skills in strategy, client development and digital experience services, in line with client demand.

Principal risks and uncertainties

The directors have identified the following principal risks and uncertainties for the business:

Firstly, access to talent and resourcing remains a key risk for the business, with a much more active and mobile work force, recruiting and retaining the best talent remains a priority. The business mitigates this risk by investing in its people and offering long term training and development programmes.

Secondly, with the increase in live events and the subsequent increase in pass through costs, working capital management is a risk. The business mitigates this risk by ensuring individual projects are planned on a positive cash flow basis and that rolling cash flow forecasts and reports are reviewed and discussed not only at board level but with management and delivery teams.

Key performance indicators

The key performance indicators of the business are:

- Actual reconciled gross profit achieved, which is reviewed monthly in the management accounts against both forecast and budget for each individual project.
- Short-term working capital availability, which is reviewed on a weekly basis, with a detailed thirteen week cash flow and further reviewed over a rolling twelve month period by the board each month.

Smyle Creative Limited

Strategic Report (Continued)

For the year ended 31 March 2023

On behalf of the board

S J Watford

Director

28 March 2024

Smyle Creative Limited

Directors' Report

For the year ended 31 March 2023

The directors present their annual report and financial statements for the year ended 31 March 2023.

Principal activities

The principal activity of the company is strategic commercial review leading to the creation, production, delivery and measurement of digital and physical experiences alongside video content projects.

Results and dividends

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

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

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

R C Stainton
M J Margetson
A H Dawson-Wills
D Thomas-Smith
K A O'Loughlin
C E Wright
S J Watford

(Resigned 24 January 2024)
(Resigned 4 August 2023)
(Appointed 18 October 2023)

Auditor

The auditor, Moore Kingston Smith LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Smyle Creative Limited

Directors' Report (Continued)

For the year ended 31 March 2023

Statement of disclosure to auditor

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

On behalf of the board

S J Watford

Director

28 March 2024

Smyle Creative Limited

Independent Auditor's Report

To the Members of Smyle Creative Limited

Opinion

We have audited the financial statements of Smyle Creative Limited (the 'company') for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Smyle Creative Limited

Independent Auditor's Report (Continued)

To the Members of Smyle Creative Limited

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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.

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

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Smyle Creative Limited

Independent Auditor's Report (Continued)

To the Members of Smyle Creative Limited

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.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude 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 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Smyle Creative Limited

Independent Auditor's Report (Continued)

To the Members of Smyle Creative Limited

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

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation.
- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

Esther Carder

Senior Statutory Auditor

for and on behalf of Moore Kingston Smith LLP

28 March 2024

Chartered Accountants

Statutory Auditor

Charlotte Building
17 Gresse Street
London
W1T 1QL

Smyle Creative Limited

Statement of Comprehensive Income

For the year ended 31 March 2023

	Notes	2023 £	2022 £
Turnover	3	37,301,207	23,085,649
Cost of sales		(23,885,818)	(13,380,522)
Gross profit		13,415,389	9,705,127
Administrative expenses		(13,045,738)	(8,790,876)
Other operating income		156,697	272,272
Exceptional item	4	-	10,000
Operating profit	5	526,348	1,196,523
Interest receivable and similar income	8	560	76
Interest payable and similar expenses	9	(153,698)	(127,159)
Profit before taxation		373,210	1,069,440
Tax on profit	10	18,817	(75,094)
Profit for the financial year		392,027	994,346

The Profit and Loss Account has been prepared on the basis that all operations are continuing operations.

Smyle Creative Limited

Balance Sheet

As at 31 March 2023

	Notes	2023 £	2022 £
Fixed assets			
Intangible assets	11	-	10,036
Tangible assets	12	1,914,999	1,824,397
Investments	13	1,065,299	1,065,301
		<u>2,980,298</u>	<u>2,899,734</u>
Current assets			
Debtors	15	12,139,420	10,475,767
Cash at bank and in hand		370,655	1,005,377
		<u>12,510,075</u>	<u>11,481,144</u>
Creditors: amounts falling due within one year	16	<u>(10,084,985)</u>	<u>(8,820,455)</u>
Net current assets		<u>2,425,090</u>	<u>2,660,689</u>
Total assets less current liabilities		<u>5,405,388</u>	<u>5,560,423</u>
Creditors: amounts falling due after more than one year	17	(1,411,511)	(2,006,225)
Provisions for liabilities			
Provisions	20	(181,037)	(114,568)
Deferred tax liability	21	(222,037)	(240,854)
		<u>(403,074)</u>	<u>(355,422)</u>
Net assets		<u><u>3,590,803</u></u>	<u><u>3,198,776</u></u>
Capital and reserves			
Called up share capital	23	1,097	1,097
Capital redemption reserve		100	100
Profit and loss reserves		3,589,606	3,197,579
Total equity		<u><u>3,590,803</u></u>	<u><u>3,198,776</u></u>

The financial statements were approved by the board of directors and authorised for issue on 28 March 2024 and are signed on its behalf by:

S J Watford
Director

Company Registration No. 06095949

Smyle Creative Limited

Statement of Changes in Equity

For the year ended 31 March 2023

	Share capital	Capital redemption reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 April 2021	1,097	100	2,203,233	2,204,430
Year ended 31 March 2022:				
Profit and total comprehensive income for the year	-	-	994,346	994,346
Balance at 31 March 2022	1,097	100	3,197,579	3,198,776
Year ended 31 March 2023:				
Profit and total comprehensive income for the year	-	-	392,027	392,027
Balance at 31 March 2023	1,097	100	3,589,606	3,590,803

Smyle Creative Limited

Notes to the Financial Statements

For the year ended 31 March 2023

1 Accounting policies

Company information

Smyle Creative Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Lockhouse, Mead Lane, Hertford, United Kingdom, SG13 7AX.

1.1 Accounting convention

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

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

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

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

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

The financial statements of the company are consolidated in the financial statements of Smyle Creative Group Limited. These consolidated financial statements are available from its registered office, The Lockhouse, Mead Lane, Hertford, England, SG13 7AX.

1.2 Going concern

The financial statements have been prepared on a going concern basis. The Directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

The group has prepared forecasts, and stress tests, up to and including financial year 2025. The directors have reviewed these forecasts and are confident the group will meet its liabilities as they fall due for a period of at least 12 months from the date of the financial statements. As such, the directors of the company continue to adopt the going concern basis of accounting in preparing these financial statements.

Smyle Creative Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

1 Accounting policies

(Continued)

1.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

1.4 Intangible fixed assets other than goodwill

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

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

The trademark has been written off during the year and no amortisation has been recognised.

1.5 Tangible fixed assets

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

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

Leasehold improvements	Over the shorter of the lease term or the useful economic life
Motor vehicles	25% reducing-balance method
Fixtures and fittings	25% reducing-balance method

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

Smyle Creative Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

1 Accounting policies

(Continued)

1.6 Fixed asset investments

Investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss. Deferred and contingent consideration payable on acquisitions is recognised when the amounts become probable and can be reliably measured.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.8 Cash at bank and in hand

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

1.9 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade debtors, trade creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Derecognition of financial assets

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

Smyle Creative Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

1 Accounting policies

(Continued)

Basic financial liabilities

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

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

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

Derecognition of financial liabilities

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

1.10 Equity instruments

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

1.11 Taxation

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

Current tax

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

Deferred tax

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

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

Smyle Creative Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

1 Accounting policies

(Continued)

1.12 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Onerous leases

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Dilapidations

Present obligations relating to dilapidations arise when the company has a contractual obligation to return its leasehold properties to the state as at the commencement of the lease.

1.13 Employee benefits

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

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

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

1.14 Retirement benefits

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

1.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

Smyle Creative Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

1 Accounting policies

(Continued)

1.16 Government grants

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

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

1.17 Foreign exchange

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

2 Judgements and key sources of estimation uncertainty

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

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

3 Turnover

	2023 £	2022 £
Turnover analysed by class of business		
Delivery of creative services	37,301,207	23,085,649
	<u>37,301,207</u>	<u>23,085,649</u>
	2023 £	2022 £
Turnover analysed by geographical market		
United Kingdom	24,301,207	15,682,503
North America	5,800,000	668,940
Rest of the world	7,200,000	6,734,206
	<u>37,301,207</u>	<u>23,085,649</u>

Smyle Creative Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

4 Exceptional item

	2023 £	2022 £
Expenditure		
Onerous lease provision	-	(10,000)
	<u> </u>	<u> </u>

5 Operating profit

	2023 £	2022 £
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(401,388)	-
Government grants	-	(120,524)
Fees payable to the company's auditor for the audit of the company's financial statements	29,300	29,300
Depreciation of owned tangible fixed assets	642,826	606,714
Impairment of intangible assets	10,036	-
Operating lease charges	595,279	234,445
	<u> </u>	<u> </u>

6 Employees

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

	2023 Number	2022 Number
Directors	6	6
Creative	103	70
Warehouse and logistics	17	8
Administrative	44	27
	<u> </u>	<u> </u>
Total	170	111
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2023 £	2022 £
Wages and salaries	7,760,234	4,969,560
Social security costs	889,194	487,285
Pension costs	219,108	138,154
	<u> </u>	<u> </u>
	8,868,536	5,594,999
	<u> </u>	<u> </u>

Smyle Creative Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

7 Directors' remuneration

The directors of the company are remunerated through the parent company, Smyle Creative Group Limited, and are part recharged to the company. Disclosure of the directors' remuneration for qualifying services and benefits accruing under defined contribution schemes can be found in the consolidated group accounts.

8 Interest receivable and similar income

	2023	2022
	£	£
Interest income		
Interest on bank deposits	560	76
	<u>560</u>	<u>76</u>

9 Interest payable and similar expenses

	2023	2022
	£	£
Interest on bank overdrafts and loans	147,144	109,176
Interest on finance leases and hire purchase contracts	5,974	17,983
Other interest	580	-
	<u>153,698</u>	<u>127,159</u>

10 Taxation

	2023	2022
	£	£
Current tax		
Adjustments in respect of prior periods	-	(164,274)
	<u>-</u>	<u>(164,274)</u>
Deferred tax		
Origination and reversal of timing differences	(18,817)	22,746
Changes in tax rates	-	55,794
Adjustment in respect of prior periods	-	160,828
	<u>(18,817)</u>	<u>239,368</u>
Total deferred tax	(18,817)	239,368
	<u>(18,817)</u>	<u>239,368</u>
Total tax (credit)/charge	(18,817)	75,094
	<u>(18,817)</u>	<u>75,094</u>

Smyle Creative Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

10 Taxation

(Continued)

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

	2023 £	2022 £
Profit before taxation	373,210	1,069,440
<i>Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)</i>	70,910	203,194
Tax effect of expenses that are not deductible in determining taxable profit	1,819	1,852
Adjustments in respect of prior years	-	(164,274)
Effect of change in corporation tax rate	-	60,066
Group relief	(121,487)	(157,593)
Other non-reversing timing differences	-	(10,715)
Other permanent differences	54,561	-
Deferred tax adjustments in respect of prior years	(2,113)	160,828
Fixed asset differences	(22,507)	(18,264)
Taxation (credit)/charge for the year	(18,817)	75,094

11 Intangible fixed assets

	Goodwill £	Trademark £	Total £
Cost			
At 1 April 2022 and 31 March 2023	272,392	10,036	282,428
Amortisation and impairment			
At 1 April 2022	272,392	-	272,392
Impairment losses	-	10,036	10,036
At 31 March 2023	272,392	10,036	282,428
Carrying amount			
At 31 March 2023	-	-	-
At 31 March 2022	-	10,036	10,036

The impairment losses have been recognised in the profit and loss account.

Smyle Creative Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

12 Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Motor Vehicles £	Total £
Cost				
At 1 April 2022	1,057,632	4,247,920	107,699	5,413,251
Additions	96,686	669,914	-	766,600
Disposals	-	(98,316)	(1,200)	(99,516)
At 31 March 2023	1,154,318	4,819,518	106,499	6,080,335
Depreciation and impairment				
At 1 April 2022	650,490	2,863,981	74,383	3,588,854
Depreciation charged in the year	130,718	503,779	8,329	642,826
Eliminated in respect of disposals	-	(65,144)	(1,200)	(66,344)
At 31 March 2023	781,208	3,302,616	81,512	4,165,336
Carrying amount				
At 31 March 2023	373,110	1,516,902	24,987	1,914,999
At 31 March 2022	407,142	1,383,939	33,316	1,824,397

13 Fixed asset investments

	Notes	2023 £	2022 £
Investments in subsidiaries	14	1,065,299	1,065,299
Investments in associates		-	2
		1,065,299	1,065,301

Smyle Creative Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

13 Fixed asset investments (Continued)

Movements in fixed asset investments

	Shares in subsidiaries and associates
	£
Cost or valuation	
At 1 April 2022	1,065,301
Impairment loss	(2)
At 31 March 2023	1,065,299
Carrying amount	
At 31 March 2023	1,065,299
At 31 March 2022	1,065,301

14 Subsidiaries

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

Name of undertaking	Registered office	Class of shares held	% Held Direct
Powered by Humans Limited	England	Ordinary	100.00
Pump House Productions International Limited	England	Ordinary	100.00
Smyle Productions Limited	England	Ordinary	100.00

15 Debtors

	2023 £	2022 £
Amounts falling due within one year:		
Trade debtors	3,693,695	3,147,903
Corporation tax recoverable	-	2,132
Amounts owed by group undertakings	6,314,677	4,814,796
Other debtors	140,278	108,126
Prepayments and accrued income	1,990,770	2,402,810
	12,139,420	10,475,767

Smyle Creative Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

16 Creditors: amounts falling due within one year

	Notes	2023 £	2022 £
Obligations under finance lease and hire purchase contracts	19	44,011	103,176
Other borrowings	18	559,322	559,322
Trade creditors		3,626,594	1,814,155
Amounts owed to group undertakings		908,029	819,358
Corporation tax		162,691	-
Other taxation and social security		456,847	350,995
Other creditors		55,081	177,131
Accruals and deferred income		4,272,410	4,118,886
		<u>10,084,985</u>	<u>7,943,023</u>

17 Creditors: amounts falling due after more than one year

	Notes	2023 £	2022 £
Obligations under finance leases	19	-	44,714
Other borrowings	18	1,411,511	1,961,511
		<u>1,411,511</u>	<u>2,006,225</u>

18 Loans and overdrafts

	2023 £	2022 £
Other loans	<u>1,970,833</u>	<u>2,520,833</u>
Payable within one year	559,322	559,322
Payable after one year	<u>1,411,511</u>	<u>1,961,511</u>

In June 2020, the company entered into a six year agreement with Natwest to draw down on £2,750,000 under the government's Coronavirus Business Interruption Loan Scheme (CBILS). The loan accrues interest quarterly at 3.91% over Base Rate, of which the UK government paid the initial twelve months. The loan is repayable over five years commencing twelve months after the draw down date.

Smyle Creative Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

19 Finance lease obligations

	2023 £	2022 £
Future minimum lease payments due under finance leases:		
Within one year	44,011	103,176
In two to five years	-	44,714
	<u>44,011</u>	<u>147,890</u>

The hire purchase liabilities are secured by the related assets held under the leases.

20 Provisions for liabilities

	Notes	2023 £	2022 £
Dilapidations provision		100,000	100,000
Onerous lease provision		-	14,568
Reorganisation provision		81,037	-
		<u>181,037</u>	<u>114,568</u>
Deferred tax liabilities	21	222,037	240,854
		<u>403,074</u>	<u>355,422</u>

21 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2023 £	Liabilities 2022 £
Balances:		
Accelerated capital allowances	<u>222,037</u>	<u>240,854</u>
Movements in the year:		2023 £
Liability at 1 April 2022		240,854
Credit to profit or loss		(18,817)
Liability at 31 March 2023		<u>222,037</u>

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

Smyle Creative Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

22 Retirement benefit schemes

	2023	2022
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	219,108	138,154

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

23 Share capital

	2023	2022	2023	2022
Ordinary share capital	Number	Number	£	£
Issued and fully paid				
Ordinary A of £1 each	789	789	789	789
Ordinary B of £1 each	197	197	197	197
Ordinary C of £1 each	55	55	55	55
Ordinary D of £1 each	56	56	56	56
	1,097	1,097	1,097	1,097

24 Operating lease commitments

Lessee

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

	2023	2022
	£	£
Within one year	227,425	569,689
Between two and five years	909,700	909,700
In over five years	1,021,548	1,253,018
	2,158,673	2,732,407

Smyle Creative Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

25 Related party transactions

As permitted by FRS102 Section 33 the company has taken the exemption to not disclose transactions between wholly-owned group companies.

The company leases its head office building in Hertford from Staintonmargetson LLP, an entity controlled by two of the company's directors. The total charge for rental and related expenses during the period was £217,088 (2022: £206,750), and the amount due to the entity at year end was £nil (2022: £nil).

26 Ultimate controlling party

The largest and smallest group undertaking in which the results of the company are consolidated is that headed by Smyle Creative Group Limited. The consolidated accounts are available to the public and at the registered office: The Lockhouse, Mead Lane, Hertford, England, SG13 7AX.

The ultimate controlling party is Rockpool Investments LLP.

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