

Smyle Creative Group Limited

Annual Report and Financial Statements

For the year ended 31 March 2023

Company Registration No. 11259975 (England and Wales)

THURSDAY



AD0AL5W9

A05

04/04/2024

#148

COMPANIES HOUSE

Smyle Creative Group 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	11259975	
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 Group Limited

Contents

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 8
Group statement of comprehensive income	9
Group balance sheet	10 - 11
Company balance sheet	12
Group statement of changes in equity	13
Company statement of changes in equity	14
Group statement of cash flows	15
<i>Notes to the financial statements</i>	16 - 38

Smyle Creative Group 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

FY 2022-23 was anticipated to be a strong growth year for SCGL as many of our clients had indicated they would be returning to live experiences and in the event that proved to be the case with the spike in activity we had seen coming out of FY 21-22 carrying through into FY 22-23. The Directors continued to act positively by investing and supporting with the resources required to deliver the growth and demand that delivered extremely strong growth at the Revenue line. Alongside live experiences, clients continued to retain an appetite for digital experiences allowing wider participation and flexibility which enabled us to expand our product set in this space which was well received by current and new clients.

The business saw no reason to change what is a clear strategy to build commercial success and resilience based on three key pillars:-

- Employee commitment
- Client diversification
- Reputation to attract client and people

The Directors were particularly encouraged by the integration into SCGL of the UK-based agency NJ Live, a business specialist experience agency in the computer gaming space, principally consumer (fan) experiences but also in the confidential (pre-sales) communications arena. The growth journey of NJ Live is considerably ahead of the Directors expectations and the product and service offering has added the value to the three key strategic pillars that the Directors were looking for.

Further to this, the Group also continued to expand its service offering by completing the acquisition of UK-based agency, The Sports Presentation Company Limited, a business that creates, produces and delivers global sports events and fan engagement projects.

Turnover for the year was £42.2 m (2022: £26m) with an operating loss of £1.5m, compared to an operating loss of £0.7m in the year ended 31 March 2022. However, once adjusted for amortisation and depreciation and interest, the group generated EBITDA of £1,615,103 (2022: £1,820,539). The turnover increase of 62%(2022: +97%) was a direct result of the significant increase in two areas being the number of live experience projects and secondly the material growth in NJ Live. The Directors were also particularly pleased that our significant increase in activity levels did not compromise the quality our clients expect of us and we were delighted that we have retained all of our clients from FY 22 as well as winning many new ones.

The extent of increased live experiences would be expected to drive far higher pass-through costs which is always evident in the gross margin and we did indeed see a reduction from 42.8% in FY 2022 to 38.0% this year. Operational expenses, mainly headcount, increased by £5.7m (£3.6m+ in FY22) as the agency focused on adding more retained skills especially in strategy, client development and digital experience services but also in line with the significant increase in client activity.

Principal risks and uncertainties

Accelerated growth and resources

The disruption of Covid has abated significantly with resources and supply chain for the live experience industry returning to pre-Covid patterns which is encouraging.

The accelerated growth, and significant increase in live experience activations has placed an increased focus on working capital management and business investment strategies.

Smyle Creative Group Limited

Strategic Report (Continued)

For the year ended 31 March 2023

Key performance indicators

The key performance indicators of the business which have been discussed in the business review section include the following:

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

On behalf of the board



S J Watford

Director

28/3/24

Smyle Creative Group 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.

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

(Resigned 25 January 2024)

C E Wright

(Resigned 4 August 2023)

S J Watford

(Appointed 18 October 2023)

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 further dividend.

Auditor

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

Energy and carbon report

As the group has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

Smyle Creative Group Limited

Directors' Report (Continued)

For the year ended 31 March 2023

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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

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

Strategic report

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report.

Statement of disclosure to auditor

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

On behalf of the board



S J Watford
Director

Date: 28/3/24

Smyle Creative Group Limited

Independent Auditor's Report

To the Members of Smyle Creative Group Limited

Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2023 and of the group's loss 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 group and 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

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

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

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

Other information

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

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

We have nothing to report in this regard.

Smyle Creative Group Limited

Independent Auditor's Report (Continued)

To the Members of Smyle Creative Group 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 group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters 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.

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 group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or parent company or to cease operations, or have no realistic alternative but to do so.

Smyle Creative Group Limited

Independent Auditor's Report (Continued)

To the Members of Smyle Creative Group 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 group's or 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 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 group or the parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Group Limited

Independent Auditor's Report (Continued)

To the Members of Smyle Creative Group 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 for no purpose other than to draw to the attention of the company's members those matters we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party 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.

Moore Kingston Smith LLP

Esther Carder (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP

28 March 2024
Date:

Chartered Accountants
Statutory Auditor

Charlotte Building
17 Gresse Street
London
W1T 1QL

Smyle Creative Group Limited

Group Statement of Comprehensive Income

For the year ended 31 March 2023

	Notes	2023 £	2022 £
Turnover	3	42,226,486	26,028,399
Cost of sales		(26,046,554)	(14,879,824)
Gross profit		16,179,932	11,148,575
Administrative expenses		(17,752,371)	(12,100,016)
Other operating income		32,890	231,697
Exceptional item	4	-	10,000
Operating loss	5	(1,539,549)	(709,744)
Interest receivable and similar income	10	1,009	81
Interest payable and similar expenses	9	(799,883)	(690,848)
Loss before taxation		(2,338,423)	(1,400,511)
Tax on loss	11	140,710	(21,123)
Loss for the financial year		(2,197,713)	(1,421,634)

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

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

Smyle Creative Group Limited

Group Balance Sheet

As at 31 March 2023

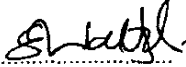
	Notes	2023		2022	
		£	£	£	£
Fixed assets					
Goodwill	12	7,713,526		8,376,244	
Other intangible assets	12	-		334,876	
Total intangible assets		7,713,526		8,711,120	
Tangible assets	13	2,108,142		1,885,050	
		9,821,668		10,596,170	
Current assets					
Debtors	16	7,426,947		6,352,100	
Cash at bank and in hand		681,030		1,524,202	
		8,107,977		7,876,302	
Creditors: amounts falling due within one year	17	(11,824,049)		(9,984,054)	
Net current liabilities		(3,716,072)		(2,107,752)	
Total assets less current liabilities		6,105,596		8,488,418	
Creditors: amounts falling due after more than one year	18	(7,882,655)		(8,150,184)	
Provisions for liabilities					
Provisions	22	(181,037)		(114,568)	
Deferred tax liability	21	(270,253)		(254,302)	
		(451,290)		(368,870)	
Net liabilities		(2,228,349)		(30,636)	
Capital and reserves					
Called up share capital	24	17,292		17,292	
Share premium account		5,732,915		5,732,915	
Other reserves		98,100		98,100	
Profit and loss reserves		(8,076,656)		(5,878,943)	
Total equity		(2,228,349)		(30,636)	

Smyle Creative Group Limited

Group Balance Sheet (Continued)

As at 31 March 2023

The financial statements were approved by the board of directors and authorised for issue on 28/3/24
and are signed on its behalf by:



S J Watford
Director

Smyle Creative Group Limited

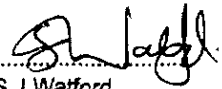
Company Balance Sheet

As at 31 March 2023

	Notes	2023 £	£	2022 £	£
Fixed assets					
Intangible assets	12		-		324,840
Investments	14		16,505,237		15,375,695
			<u>16,505,237</u>		<u>15,700,535</u>
Current assets					
Debtors	16	203,548		45,737	
Creditors: amounts falling due within one year	17	(9,185,779)		(6,952,882)	
Net current liabilities			(8,982,231)		(6,907,145)
Total assets less current liabilities			<u>7,523,006</u>		<u>8,793,390</u>
Creditors: amounts falling due after more than one year	18		(6,401,849)		(6,143,959)
Net assets			<u>1,121,157</u>		<u>2,649,431</u>
Capital and reserves					
Called up share capital	24		17,292		17,292
Share premium account			5,732,915		5,732,915
Other reserves			98,100		98,100
Profit and loss reserves			(4,727,150)		(3,198,876)
Total equity			<u>1,121,157</u>		<u>2,649,431</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £1,528,274 (2022 - £858,253 loss).

The financial statements were approved by the board of directors and authorised for issue on 28/3/24 and are signed on its behalf by:


S J Watford
Director

Company Registration No. 11259975 (England and Wales)

Smyle Creative Group Limited

Group Statement of Changes in Equity

For the year ended 31 March 2023

	Share capital £	Share premium account £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 April 2021	17,292	5,732,915	69,403	(4,457,309)	1,362,301
Year ended 31 March 2022:					
Loss and total comprehensive loss for the year	-	-	-	(1,421,634)	(1,421,634)
Share based payment transaction	-	-	28,697	-	28,697
Balance at 31 March 2022	17,292	5,732,915	98,100	(5,878,943)	(30,636)
Year ended 31 March 2023:					
Loss and total comprehensive loss for the year	-	-	-	(2,197,713)	(2,197,713)
Balance at 31 March 2023	17,292	5,732,915	98,100	(8,076,656)	(2,228,349)

Smyle Creative Group Limited

Company Statement of Changes in Equity

For the year ended 31 March 2023

	Share capital £	Share premium account £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 April 2021	17,292	5,732,915	69,403	(2,340,623)	3,478,987
Year ended 31 March 2022:					
Loss and total comprehensive loss for the year	-	-	-	(858,253)	(858,253)
Share based payment transaction	-	-	28,697	-	28,697
Balance at 31 March 2022	17,292	5,732,915	98,100	(3,198,876)	2,649,431
Year ended 31 March 2023:					
Loss and total comprehensive loss for the year	-	-	-	(1,528,274)	(1,528,274)
Balance at 31 March 2023	17,292	5,732,915	98,100	(4,727,150)	1,121,157

Smyle Creative Group Limited

Group Statement of Cash Flows

For the year ended 31 March 2023

	Notes	2023 £	£	2022 £	£
Cash flows from operating activities					
Cash generated from operations	29	2,253,482		1,615,001	
Interest paid		(799,883)		(125,483)	
Income taxes refunded		259,428		44,004	
Net cash inflow from operating activities		1,713,027		1,533,522	
Investing activities					
Purchase of business		54,217		(267,950)	
Purchase of intangible assets		(1,448,623)		(324,840)	
Purchase of tangible fixed assets		(887,459)		(577,356)	
Proceeds from disposal of tangible fixed assets		40,172		65,973	
Repayment of loans		(2,122)		-	
Interest received		1,009		81	
Net cash used in investing activities		(2,242,806)		(1,104,092)	
Financing activities					
Repayment of borrowings		(407,580)		(121,667)	
Proceeds of other financial liabilities		41,047		-	
Payment of finance leases obligations		(103,879)		(232,731)	
Interest paid		157,019		-	
Net cash used in financing activities		(313,393)		(354,398)	
Net (decrease)/increase in cash and cash equivalents		(843,172)		75,032	
Cash and cash equivalents at beginning of year		1,524,202		1,449,170	
Cash and cash equivalents at end of year		681,030		1,524,202	

Smyle Creative Group Limited

Notes to the Financial Statements

For the year ended 31 March 2023

1 Accounting policies

Company information

Smyle Creative Group Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is The Lockhouse, Mead Lane, Hertford, England, SG13 7AX.

The group consists of Smyle Creative Group Limited and all of its subsidiaries.

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.

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

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- 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': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; 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.

Smyle Creative Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

1 Accounting policies

(Continued)

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. *Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.* Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

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

All financial statements are made up to 31 March 2023. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

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

1.3 Going concern

The Group has made a loss of £2,197,713 (2022: £1,421,634) in the year and had net liabilities of £2,228,349 (2022: £30,636) and cash reserves of £681,030 (2022: £1,524,202). However, once adjusted for amortisation and depreciation and interest the group generated EBITDA of £1,615,103 (2022: £1,820,539). The group is forecast to generate EBITDA of c£500k for the Year ending 31st March 2024 which has necessitated a realignment of costs resulting in the group recently making £1.1 million of cost savings. This has enabled the group to forecast an increase in EBITDA and a return to a net profit for the year to March 2025, with only a modest level of revenue growth (8%) underpinning these plans. The business has a high level of 'booked / confirmed' work for the year to March 2025 and will feel the full benefits of repeat business from clients won in the year to March 2024.

There is an intercreditor agreement that states that no repayments shall be made on loans currently in creditors due in more than 1 year with a value of £4.25 million until the CBILS loan has been repaid in 2026 or earlier on change of control. The directors have prepared projections and forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, the Group will continue to trade and generate positive cash balances. The directors continue to monitor the business performance, and in the event, income is impacted significantly they have an overdraft facility in order to ensure the long-term viability of the business.

The directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Smyle Creative Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

1 Accounting policies

(Continued)

1.4 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.

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is ten years for Smyle Creative Limited, two years for Powered by Humans Limited and four years for NJ Live Limited and The Sports Presentation Company Limited.

1.6 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.

Smyle Creative Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

1 Accounting policies

(Continued)

1.7 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 recognised in the profit and loss account.

1.8 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 or .

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

1.9 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). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.10 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.

1.11 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.

Smyle Creative Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

1 Accounting policies

(Continued)

Impairment of financial assets

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

Basic financial liabilities, including creditors, bank loans, and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future 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.

1.12 Equity instruments

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

1.13 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 group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

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

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

Smyle Creative Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

1 Accounting policies

(Continued)

1.14 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group 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.

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.

1.15 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.

1.16 Retirement benefits

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

1.17 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

The expense in relation to options over the parent company's shares granted to employees of a subsidiary is recognised by the company as a capital contribution, and presented as an increase in the company's investment in that subsidiary.

Smyle Creative Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

1 Accounting policies

(Continued)

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

1.18 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.

1.19 Foreign exchange

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

2 Judgements and key sources of estimation uncertainty

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

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

Smyle Creative Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Measurement of contingent consideration

The cost of business combinations includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. The measurement of estimated consideration payable is based on forecasts and changes to actual performance has the potential to cause material adjustments to the financial statements.

Estimates on cashflow forecasts

The cashflow forecasts that underpin the directors' assessment of going concern include an assumption about sales growth of approximately 8%. A decline on this growth to 5% would not change the directors' going concern assessment.

3 Turnover and other revenue

	2023 £	2022 £
Turnover analysed by class of business		
Delivery of creative services	42,226,486	26,028,399
	<u>42,226,486</u>	<u>26,028,399</u>
	2023 £	2022 £
Turnover analysed by geographical market		
United Kingdom	28,737,617	17,547,545
North America	5,845,965	789,958
Rest of World	7,642,904	7,690,896
	<u>42,226,486</u>	<u>26,028,399</u>
	2023 £	2022 £
Other revenue		
Interest income	1,009	81
Grants received	-	120,524
	<u>1,009</u>	<u>120,524</u>

4 Exceptional item

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

Smyle Creative Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

5 Operating loss

	2023 £	2022 £
Operating loss for the year is stated after charging/(crediting):		
Exchange differences	(409,212)	13,403
Research and development costs	19,921	-
Government grants	-	(120,524)
Depreciation of owned tangible fixed assets	708,434	648,138
Loss on disposal of tangible fixed assets	1,413	25,897
Amortisation of intangible assets	1,738,036	1,882,145
Impairment of intangible assets	708,182	-
Share-based payments	-	28,697
Operating lease charges	745,055	321,085

6 Auditor's remuneration

	2023 £	2022 £
Fees payable to the company's auditor and associates:		
For audit and other services		
Audit of the financial statements of the company	15,150	8,200
Audit of the financial statements of the company's subsidiaries	61,500	39,300
	76,650	47,500

7 Employees

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

	Group 2023 Number	2022 Number	Company 2023 Number	2022 Number
Directors	8	29	6	6
Creative	121	70	-	-
Warehouse and logistics	20	8	-	-
Administrative	45	27	-	-
Total	194	134	6	6

Smyle Creative Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

7 Employees

(Continued)

Their aggregate remuneration comprised:

	Group 2023 £	2022 £	Company 2023 £	2022 £
Wages and salaries	9,887,186	6,505,957	856,257	908,590
Social security costs	1,123,716	635,662	102,874	91,642
Pension costs	304,795	191,948	64,074	39,519
	<u>11,315,697</u>	<u>7,333,567</u>	<u>1,023,205</u>	<u>1,039,751</u>

8 Directors' remuneration

	2023 £	2022 £
Remuneration for qualifying services	856,257	879,893
Company pension contributions to defined contribution schemes	64,074	39,519
	<u>920,331</u>	<u>919,412</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 6 (2022 - 5).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2023 £	2022 £
Remuneration for qualifying services	234,853	197,655
Amounts receivable under long term incentive schemes	-	8,455

Smyle Creative Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

9 Interest payable and similar expenses

	2023 £	2022 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	148,575	109,216
Other interest on financial liabilities	644,754	563,649
	<u>793,329</u>	<u>672,865</u>
Other finance costs:		
Interest on finance leases and hire purchase contracts	5,974	17,983
Other interest	580	-
	<u>799,883</u>	<u>690,848</u>

10 Interest receivable and similar income

	2023 £	2022 £
Interest income		
Interest on bank deposits	1,009	81
	<u>1,009</u>	<u>81</u>

11 Taxation

	2023 £	2022 £
Current tax		
UK corporation tax on profits for the current period	-	241
Adjustments in respect of prior periods	-	(164,274)
	<u>-</u>	<u>(164,033)</u>
Deferred tax		
Origination and reversal of timing differences	(140,710)	(31,466)
Changes in tax rates	-	55,794
Adjustment in respect of prior periods	-	160,828
	<u>(140,710)</u>	<u>185,156</u>
Total deferred tax	<u>(140,710)</u>	<u>185,156</u>
Total tax (credit)/charge	<u>(140,710)</u>	<u>21,123</u>

Smyle Creative Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

11 Taxation

(Continued)

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

	2023 £	2022 £
Loss before taxation	(2,338,423)	(1,400,511)
<i>Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)</i>	(444,300)	(266,097)
Tax effect of expenses that are not deductible in determining taxable profit	13,259	15,931
Tax effect of income not taxable in determining taxable profit	(29,084)	-
Change in unrecognised deferred tax assets	15,991	(81,216)
Adjustments in respect of prior years	3,608	(164,033)
Effect of change in corporation tax rate	-	45,134
Amortisation on assets not qualifying for tax allowances	-	357,607
Other non-reversing timing differences	(2)	(10,715)
Other permanent differences	20,096	-
Deferred tax adjustments in respect of prior years	-	160,828
Fixed asset differences	279,722	(36,316)
Taxation (credit)/charge	(140,710)	21,123

12 Intangible fixed assets

Group	Goodwill £	Software £	Other intangibles £	Total £
Cost				
At 1 April 2022	14,038,934	324,840	10,036	14,373,810
Additions - separately acquired	1,075,317	373,306	-	1,448,623
At 31 March 2023	15,114,251	698,146	10,036	15,822,433
Amortisation and impairment				
At 1 April 2022	5,662,689	-	-	5,662,689
Amortisation charged for the year	1,738,036	-	-	1,738,036
Impairment losses	-	698,146	10,036	708,182
At 31 March 2023	7,400,725	698,146	10,036	8,108,907
Carrying amount				
At 31 March 2023	7,713,526	-	-	7,713,526
At 31 March 2022	8,376,244	324,840	10,036	8,711,120

Smyle Creative Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

12 Intangible fixed assets

(Continued)

Company

£

Cost

At 1 April 2022

324,840

Additions - separately acquired

373,306

At 31 March 2023

698,146

Amortisation and impairment

At 1 April 2022

-

Impairment losses

698,146

At 31 March 2023

698,146

Carrying amount

At 31 March 2023

-

At 31 March 2022

324,840

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

Smyle Creative Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

13 Tangible fixed assets

Group	Leasehold improvements	Plant and machinery	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2022	1,057,632	260,867	4,054,069	124,968	5,497,536
Additions	96,686	3,597	748,900	35,310	884,493
Business combinations	-	88,289	329	-	88,618
Disposals	-	-	(104,706)	(25,672)	(130,378)
At 31 March 2023	1,154,318	352,753	4,698,592	134,606	6,340,269
Depreciation and impairment					
At 1 April 2022	650,490	199,356	2,685,667	76,973	3,612,486
Depreciation charged in the year	130,718	23,120	544,106	10,490	708,434
Eliminated in respect of disposals	-	-	(69,937)	(18,856)	(88,793)
At 31 March 2023	781,208	222,476	3,159,836	68,607	4,232,127
Carrying amount					
At 31 March 2023	373,110	130,277	1,538,756	65,999	2,108,142
At 31 March 2022	407,142	61,511	1,429,913	47,995	1,885,050

The company had no tangible fixed assets at 31 March 2023 or 31 March 2022.

14 Fixed asset investments

	Notes	Group 2023 £	2022 £	Company 2023 £	2022 £
Investments in subsidiaries	15	-	-	16,505,237	15,375,695

Smyle Creative Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

14 Fixed asset investments (Continued)

Movements in fixed asset investments Company

Shares in
group
undertakings
£

Cost or valuation

At 1 April 2022	15,375,695
Additions	1,001,292
Valuation changes	128,250

At 31 March 2023	16,505,237
------------------	------------

Carrying amount

At 31 March 2023	16,505,237
At 31 March 2022	15,375,695

15 Subsidiaries

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

Name of undertaking	Registered office key	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Smyle Creative Limited	1	Creative agency	Ordinary	100	-
Powered by Humans Limited	1	Creative agency	Ordinary	-	100
NJ Live Limited	2	Creative agency	Ordinary	100	-
The Sports Presentation Company Limited	3	Creative agency	Ordinary	100	-

Registered office addresses (all UK unless otherwise indicated):

1	The Lockhouse, Mead Lane, Hertford, England, SG13 7AX
2	Unit 6 Bell Industrial Estate, Cunnington Street, London, W4 5HB
3	Studio 14, The Old Power Station, 121 Mortlake High Street, London, England, SW14 8SN

As permitted by section 479A of the Companies Act 2006, the subsidiaries, Powered by Humans Limited, NJ Live Limited and The Sports Presentation Company Limited are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts. In order to meet, the company, will give guarantees under section 479C of the Companies Act 2006.

Smyle Creative Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

16 Debtors

	Group 2023	2022	Company 2023	2022
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	4,787,782	3,660,973	-	-
Corporation tax recoverable	-	2,132	-	-
Other debtors	330,963	133,734	17,817	3,441
Prepayments and accrued income	2,125,679	2,512,965	3,208	-
	<u>7,244,424</u>	<u>6,309,804</u>	<u>21,025</u>	<u>3,441</u>
Deferred tax asset (note 21)	182,523	42,296	182,523	42,296
	<u>7,426,947</u>	<u>6,352,100</u>	<u>203,548</u>	<u>45,737</u>

17 Creditors: amounts falling due within one year

		Group 2023	2022	Company 2023	2022
	Notes	£	£	£	£
Bank loans and overdrafts	19	41,047	-	-	-
Obligations under finance leases	20	44,011	103,176	-	-
Other borrowings	19	559,322	559,322	-	-
Trade creditors		4,022,999	2,147,857	117,508	260,288
Amounts due to group undertakings		-	-	7,585,992	5,789,148
Corporation tax payable		240,862	-	-	-
Other taxation and social security		537,915	402,698	-	-
Other creditors		745,916	625,321	687,705	443,090
Accruals and deferred income		5,631,977	6,145,680	794,574	460,356
		<u>11,824,049</u>	<u>9,984,054</u>	<u>9,185,779</u>	<u>6,952,882</u>

18 Creditors: amounts falling due after more than one year

		Group 2023	2022	Company 2023	2022
	Notes	£	£	£	£
Obligations under finance leases	20	-	44,714	-	-
Other borrowings	19	6,174,839	6,582,419	4,694,033	4,620,908
Other creditors		1,707,816	1,523,051	1,707,816	1,523,051
		<u>7,882,655</u>	<u>8,150,184</u>	<u>6,401,849</u>	<u>6,143,959</u>

Smyle Creative Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

19 Loans and overdrafts

	Group 2023 £	2022 £	Company 2023 £	2022 £
Bank loans	41,047	-	-	-
Other loans	6,734,161	7,141,741	4,694,033	4,620,908
	<u>6,775,208</u>	<u>7,141,741</u>	<u>4,694,033</u>	<u>4,620,908</u>
Payable within one year	600,369	559,322	-	-
Payable after one year	<u>6,174,839</u>	<u>6,582,419</u>	<u>4,694,033</u>	<u>4,620,908</u>

In April 2018, the group entered into a four year agreement with Novus Lending Limited to provide senior loan funding of £1,500,000 bearing interest at 8% per annum, paid six-monthly in arrears, with repayment due on 30 April 2022 or earlier on a change of control. The loan is secured against the business and assets of the group. In September 2020, the group repaid £750,000 of this loan funding. The Group has an intercreditor agreement stating that no payment shall be made on the loan until the CBILS loan is fully repaid in 2026.

At the same time, the group also entered into a five year agreement with Rockpool Investments LLP to provide loan note funding of £3,500,000 bearing interest at 10% per annum, paid six-monthly in arrears, with repayment due on 30 April 2023 or earlier on a change of control. The loan is secured against the business and assets of the group, subject to priority for the senior loan funding. The Group has an intercreditor agreement stating that no payment shall be made in the loan until the CBILS loan is fully repaid in 2026.

In June 2020, the group entered into a six year agreement with National Westminster Bank Plc (Natwest) to draw down on £2,750,000 under the government's Coronavirus Business Interruption Loan Scheme (CBILS). The loan accrues interest quarterly at 4.01%, 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.

20 Finance lease obligations

	Group 2023 £	2022 £	Company 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>	<u>-</u>	<u>-</u>

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

Smyle Creative Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

21 Deferred taxation

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

	Liabilities 2023 £	Liabilities 2022 £	Assets 2023 £	Assets 2022 £
Group				
Accelerated capital allowances	270,253	254,302	182,523	(81,210)
Tax losses	-	-	-	123,506
	<u>270,253</u>	<u>254,302</u>	<u>182,523</u>	<u>42,296</u>
	Liabilities 2023 £	Liabilities 2022 £	Assets 2023 £	Assets 2022 £
Company				
Accelerated capital allowances	-	-	182,523	(81,210)
Tax losses	-	-	-	123,506
	<u>-</u>	<u>-</u>	<u>182,523</u>	<u>42,296</u>
			Group 2023 £	Company 2023 £
Movements in the year:				
Liability/(Asset) at 1 April 2022			212,006	(42,296)
Credit to profit or loss			(124,276)	(140,227)
Liability/(Asset) at 31 March 2023			<u>87,730</u>	<u>(182,523)</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 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

22 Provisions for liabilities

	Notes	Group 2023 £	2022 £	Company 2023 £	2022 £
Dilapidation provision		100,000	100,000	-	-
Onerous lease provision		-	14,568	-	-
Reorganisation provision		81,037	-	-	-
		<u>181,037</u>	<u>114,568</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities	21	270,253	254,302	-	-
		<u>451,290</u>	<u>368,870</u>	<u>-</u>	<u>-</u>

Movements on provisions apart from deferred tax liabilities.

Group	Provisions £
At 1 April 2022	114,568
Additional provisions in the year	81,037
Utilisation of provision	(14,568)
At 31 March 2023	<u>101,037</u>

The onerous lease provision relates to the closure of the London office in FY20. It is based on the unavoidable costs of meeting the obligations under the contracts which exceed the expected economic benefits.

The dilapidation provision relates to the anticipated costs of future repairs and renovations that are required to be made in line with the lease obligations.

The reorganisation provision relates to the internal restructuring of employees.

23 Share-based payment transactions

The group has a share option scheme for employees (including directors).

The earliest date on which the options may be exercised unless an earlier event occurs to cause the option to lapse shall be the date on which an Exit occurs. This date is referred to as the Vesting Date.

If the options remain unexercised after the tenth anniversary of the Grant Date the options expire. Options are forfeited if the directors leave the group before the options vest.

The fair value of the options has been calculated using the Black-Scholes option pricing model.

Details of the number of share options and the exercise price outstanding at the year end are as follows:

Smyle Creative Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

23 Share-based payment transactions (Continued)

Group	Number of share options		Weighted average exercise price	
	2023 Number	2022 Number	2023 £	2022 £
Outstanding at 1 April 2022 and 31 March 2023	1,767	1,767	1.00	1.00
Exercisable at 31 March 2023	-	-	-	-
	Group 2023 £	2022 £	Company 2023 £	2022 £
Expenses recognised in the year				
Arising from equity settled share based payment transactions	-	28,697	-	28,697

24 Share capital

Group and company	2023 Number	2022 Number	2023 £	2022 £
Ordinary share capital				
Issued and fully paid				
A Shares of 10p each	11,598	11,598	1,160	1,160
B Shares of 0.1p each	2,264,899	2,264,899	2,265	2,265
C Shares of £1 each	610	610	610	610
Ordinary Shares of £1 each	13,257	13,257	13,257	13,257
	2,290,364	2,290,364	17,292	17,292

The holders of Ordinary shares and ordinary A shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The holders of these shares rank below the ordinary B shareholders in respect of their right to capital.

The holders of ordinary B shares are not entitled to receive dividends or to vote at meetings of the Company. The holders of these shares have first rights to capital.

The holders of ordinary C shares are not entitled to receive dividends but are entitled to vote at meetings of the Company where they are entitled to 3.7% of the votes of all voting shares. The holders of these shares rank below all other shareholders in respect of their right to capital.

Smyle Creative Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

25 Acquisition of a business

On 29 July 2022 the group acquired 100 percent of the issued capital of The Sports Presentation Company Limited.

	Book Value	Adjustments	Fair Value
	£	£	£
Net assets acquired			
Property, plant and equipment	85,652	-	85,652
Net working capital	(221,580)	-	(221,580)
Cash and cash equivalents	190,152	-	190,152
Total identifiable net assets	<u>54,224</u>	<u>-</u>	<u>54,224</u>
Goodwill			947,067
Total consideration			<u>1,001,291</u>
The consideration was satisfied by:			£
Cash			165,301
Deferred consideration			835,990
			<u>1,001,291</u>
Contribution by the acquired business for the reporting period included in the group statement of comprehensive income since acquisition:			£
Turnover			1,141,951
Profit after tax			<u>173,248</u>

Smyle Creative Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

26 Operating lease commitments

Lessee

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

	Group 2023 £	2022 £	Company 2023 £	2022 £
Within one year	280,425	623,809	-	-
Between two and five years	1,068,700	909,700	-	-
In over five years	1,021,548	1,253,018	-	-
	<u>2,370,673</u>	<u>2,786,527</u>	<u>-</u>	<u>-</u>

27 Events after the reporting date

Subsequent to year end, the Group purchased 100% of the share capital of Dreamlike State Limited for for an initial consideration of £18,000. The acquisition is based on a deferred consideration model linked to EBITDA performance and therefore the final consideration is yet to be determined.

28 Related party transactions

In 2019, Rockpool Investment Nominee Limited provided the group with secured loan notes of £3,500,000 which remained outstanding at the year end. Rockpool (Security Trustee) Limited has provided security against these loan notes. The interest charged on these loan notes during the period was £377,358 (2022: £326,164).

Rockpool (Security Trustee) Limited also provided security against a loan facility of £1,500,000 on behalf of the group, which was partially repaid in September 2020 leaving a £750,000 loan outstanding. This loan facility was provided by Novus Lending Limited, an entity funded by Rockpool's investors. The interest charged on this loan during the period was £60,000 (2022: £55,069).

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).

Smyle Creative Group Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2023

29 Cash generated from group operations

	2023 £	2022 £
Loss for the year after tax	(2,197,713)	(1,421,634)
Adjustments for:		
Taxation (credited)/charged	(140,710)	21,123
Finance costs	799,883	125,483
Investment income	(1,009)	(81)
Loss on disposal of tangible fixed assets	1,413	25,897
Amortisation and impairment of intangible assets	2,446,218	1,882,145
Depreciation and impairment of tangible fixed assets	708,434	648,138
Equity settled share based payment expense	-	28,697
Increase/(decrease) in provisions	81,196	(80,432)
Movements in working capital:		
Increase in debtors	(1,309,029)	(2,681,867)
Increase in creditors	2,549,155	2,097,844
(Decrease)/increase in deferred income	(684,356)	969,688
Cash generated from operations	2,253,482	1,615,001

30 Analysis of changes in net debt - group

	1 April 2022 £	Cash flows £	31 March 2023 £
Cash at bank and in hand	1,524,202	(843,172)	681,030
Borrowings excluding overdrafts	(7,141,741)	366,533	(6,775,208)
Obligations under finance leases	(147,890)	103,879	(44,011)
	(5,765,429)	(372,760)	(6,138,189)