

PARENT ACT
SC295046

Avidity Group Limited
(formerly TMGL Investments Limited)

Annual report and consolidated
financial statements

Registered number SC513441

30 June 2021



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Directors and officers

Directors	P Dougall DF Prada Herrera M Jordan J Matheson J Ross
Secretary	M Jordan
Registered office	c/o Dickson Minto WS 16 Charlotte Square Edinburgh EH2 4DF
Auditor	Mazars LLP 100 Queen Street Glasgow G1 3DN
Bankers	Bank of Scotland 110 St Vincent Street Glasgow G2 5ER HSBC plc 141 Bothwell Street Glasgow G2 7EQ
Solicitors	Dickson Minto WS 16 Charlotte Square Edinburgh EH2 4DF

Strategic report

The directors present their strategic report for the Group for the year ended 30 June 2021.

Principal activity

The principal activity of the Company is an investment holding company, which also provides management services to the Group. The principal activity of the Group is the provision of field sales services.

Results

The ongoing pressures in the retail sector and the wider economy from Covid-19, Brexit and other factors mean that the Group continues to operate in a challenging commercial environment. This has contributed to a year in which there have been client contract wins, losses and several changes in client service scale. As before, the Group takes a long-term view through investment in innovative solutions for our clients and maintained its provision of high quality services and strategies. We continue to deliver incremental sales and profit to our clients in a cost-effective manner.

On 19 November 2020, the Company and Group completed a refinancing of the business. The company issued 5,000,000 ordinary shares of £1 each for a consideration of £5,000,000. Revised terms were also agreed with its bank facility and lenders, significantly reducing the Company and Group's debt position by £69,119,000. The shareholder loan notes B have been waived which overall had the effect of increasing shareholders' funds by £65,556,000.

The directors have considered the carrying value of goodwill within the group and reflecting the current challenges within the economic environment, an impairment charge of £6,237,000 has been included within the results of the year.

The consolidated loss before tax of £16,509,000 (2020: loss of £12,132,000) is in line with our focus on generating long term sustainable value. The directors are satisfied with the results for the year.

No interim dividends were paid during the year (2020: *£nil*). The directors do not recommend payment of a final dividend (2020: *£nil*).

Future prospects

We offer our clients a wide range of services including field marketing, experiential, digital and data products and consultancy tailored to their needs and we expect this to continue. The key drivers for the business are expansion in the FMCG, grocery and technology sectors, developing new and innovative digital and data-driven agile solutions to help clients maximise sales. This approach is delivering success with a number of new clients having been won during the year.

In June 2021, the Group introduced the Standout Field Marketing brand to allow the group to widen its client base and enable future growth.

Our current cycle of investment continues with capital investments having a significant impact on the results of the business in this and future years. This, combined with the pressure from retailers and manufacturers, means that we are ever more focussed on building an efficient business to ensure that we are well positioned to work with our clients to continue to deliver a cost-effective service.

We continue to expect that the challenges our clients will face will centre on influencing sales of their brands, with a view to enhancing sales by achieving optimal availability and visibility. Through our understanding of point-of-purchase and continued investment in ever evolving data and digital technology, we believe we are well placed to continue to improve the performance of our clients and expect this to be an area of ongoing growth.

Principal risks and uncertainties affecting the business

The Group regularly considers the main risks and uncertainties affecting the business.

The economic uncertainty and currency exposures affecting our clients results in a closer review of our services.

Other key business risks and uncertainties affecting the Group are considered to relate to

- the ongoing impact of Covid-19, both directly through lockdown restrictions and through wider impacts on economic activity,
- competition in the grocery market,
- maintaining employee engagement during uncertain times

Strategic report (continued)

The Group has sought to reduce its risk by improving its service to its clients in addition to diversifying into new markets and continues to evaluate further diversification opportunities.

Information on the Group's cash flows and borrowings are contained within this report and the notes to the accounts.

Financing

After examining all the issues closely and reviewing the Group's projections and forecasts, the directors are confident that the company and the Group have adequate resources to continue operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Key Performance Indicators

KPI	2021	2020	Measure
Turnover (£000)	44,606	59,622	Annual turnover
Training days	9,991	15,705	Number of days invested in training

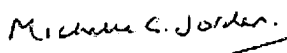
Directors' statement of compliance with duty to promote the success of the Group

The Directors are aware of their duties under section 172 of the Companies Act 2006 to act in a way which they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so, to have regard to a range of matters to:

- the likely consequences of any decision in the long term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and the environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Group

The Board of Directors discharge these responsibilities through a minimum of eight board meetings over the course of the financial year where business strategy is set and monitored, financial budgets adopted and reported against and other matters of governance are carefully considered. The Board consists of three non-executive directors and two executive directors who operate within the business on a day to day basis ensuring that the above requirements are met routinely across the Group.

By order of the board



M Jordan
Secretary

c/o Dickson Minto WS
16 Charlotte Square
Edinburgh
EH2 4DF

27 October 2021

Directors' report

The directors present the financial statements for the year ended 30 June 2021.

Directors

The directors who held office during the period and up to the date of signing this annual report were as follows:

P Dougall
DF Prada Herrera
M Jordan
J Matheson
J Ross
AR Smith (retired 15 July 2021)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Employees

The Group's policy is that all employees including disabled persons are treated in the same way in matters relating to employment, training, career development and promotion. When an employee becomes disabled, every effort is made to ensure continuity of employment.

The directors recognise the importance of good communication and relations with employees. Employees are kept informed and consulted about the Group's performance and plans through regular briefing communications, meetings, intranet site and internal newsletters.

Proposed dividend

The directors do not recommend the payment of a dividend.

Greenhouse gas emissions, energy consumption and energy efficiency action

Streamlined Energy and Carbon Reporting (SECR) is presented in accordance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, which introduced energy and carbon reporting requirements for large unquoted companies in the UK.

The methodologies used in calculating total energy and greenhouse gas emissions ("GHG") (Scope 1 and 2) include the 2020 UK Government's Conversion Factors for Company Reporting – standard set, and the existing Energy Saving Opportunity Scheme (ESOS) regulatory scheme. The intensity ratios calculated by the Group for the year are based on total carbon used of 1,978 tonnes (2020: 3,113 tonnes) ("TCO_{2e}") divided by two production intensity metrics ("PIM"), being Tenant gross internal area ("GIA") and number of vehicles. The intensity ratios are therefore:

	2021	2020
Floorspace	0.02 TCO _{2e} / m ²	0.04 TCO _{2e} / m ²
Company Vehicles	3.44 TCO _{2e} / Car	4.57 TCO _{2e} / Car

The Group continues to take the necessary steps to show their commitment to reducing GHG with the introduction of an increased number of electric vehicles into the fleet; office-based departments have permanently moved to hybrid working; and support for the continuance of virtual meetings post pandemic, thus reducing non-essential business travel. The Group continues to monitor and take action where possible to reduce energy spend, as well as improving energy efficiency throughout the business.

By order of the board

Michelle C. Jordan

M Jordan
Secretary

c/o Dickson Minto WS
16 Charlotte Square
Edinburgh
EH2 4DF

27 October 2021

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the Group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Avidity Group Limited

Opinion

We have audited the financial statements of Avidity Group Limited (formerly TMGL Investments Limited) (the 'company') and its subsidiaries (the 'group') for the year ended 30 June 2021 which comprise the Consolidated profit and loss account and other comprehensive income, Consolidated balance sheet, Company balance sheet, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 and group's affairs as at 30 June 2021 and of its loss 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 and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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 and the group'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.

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

We have nothing to report in this regard.

Independent auditor's report to the members of Avidity Group Limited *(continued)*

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and the group 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 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 set out on page 5, 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 and the group'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 and the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the company and the group and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loss reserves, and significant one-off or unusual transactions.

Independent auditor's report to the members of Avidity Group Limited *(continued)*

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company and the group which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit report

This report is made solely to the group'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 group'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 group and the group's members as a body for our audit work, for this report, or for the opinions we have formed.

Craig Maxwell

Craig Maxwell (Oct 27, 2021 18:21 GMT+1)

Craig Maxwell

(Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

Mazars LLP
100 Queen Street
Glasgow
G1 3DN

Date Oct 27, 2021

Consolidated profit and loss account and other comprehensive income
for the year ended 30 June 2021

	<i>Note</i>	2021 £000	2020 £000
Group Turnover	2	44,606	59,622
Other income	3	1,481	1,944
Total income		46,087	61,566
Selling costs		(38,777)	(52,373)
Other operating costs		(10,452)	(11,386)
Impairment of goodwill		(6,237)	-
Non-recurring costs		(1,510)	-
Group operating loss	4,5,6	(10,889)	(2,193)
Interest receivable and similar income	7	-	104
Interest payable and similar charges	8	(5,620)	(10,043)
Loss before taxation		(16,509)	(12,132)
Tax credit/(charge) on loss	9	60	(539)
Loss for the financial period		(16,449)	(12,671)
Other comprehensive income			
Loss for the financial period		(16,449)	(12,671)
Remeasurement of the net defined benefit pension scheme asset		945	(1,636)
Movement in deferred tax on defined benefit pension scheme asset		(96)	285
Effect of movements in foreign exchange		(11)	(14)
Other comprehensive income/(loss) for the period		838	(1,365)
Total comprehensive loss for the period		(15,611)	(14,036)
<i>Loss attributable to</i> Shareholders of the parent enterprise		(16,449)	(12,671)
Total profit or loss		(16,449)	(12,671)
<i>Total comprehensive loss attributable to</i> Shareholders of the parent company		(15,611)	(14,036)
Total comprehensive loss		(15,611)	(14,036)

All of the activities of the company are classed as continuing.

Notes on pages 15 to 33 form part of the financial statements.

Consolidated Balance Sheet
as at 30 June 2021

	Note	2021	2020
		£000	£000
Fixed assets			
Goodwill	10	49,490	61,840
Tangible assets	11	1,857	2,175
Investments	12	11	12
		<u>51,358</u>	<u>64,027</u>
Current assets			
Debtors	13	10,950	9,980
Cash at bank and in hand	14	12,014	20,194
		<u>22,964</u>	<u>30,174</u>
Creditors: amounts falling due within one year	15	<u>(18,729)</u>	<u>(28,701)</u>
Net current assets		<u>4,235</u>	<u>1,473</u>
Total assets less current liabilities		<u>55,593</u>	<u>65,500</u>
Creditors: amounts falling due after one year	16	(42,198)	(111,506)
Net assets/(liabilities) excluding pension liability		<u>13,395</u>	<u>(46,006)</u>
Pension liability	19	(1,406)	(2,619)
Net assets/(liabilities)		<u><u>11,989</u></u>	<u><u>(48,625)</u></u>
Capital and reserves			
Called up share capital	20	6,251	500
Share premium account	21	70,087	-
Capital redemption reserve	21	387	-
Profit and loss account		<u>(64,736)</u>	<u>(49,125)</u>
Equity shareholders' funds/(deficit)		<u><u>11,989</u></u>	<u><u>(48,625)</u></u>

These financial statements were approved by the board of directors on 27 October 2021 and were signed on its behalf by:

Michael C. Jordan.

M Jordan
Director

Company registered number: SC513441

Company Balance Sheet
at 30 June 2021

	Note	2021	2020
		£000	£000
Fixed assets			
Investments	12	48,481	67,100
Current assets			
Debtors	13	8,523	43,493
		<u>8,523</u>	<u>43,493</u>
Creditors: amounts falling due within one year	15	(3,746)	(11,308)
		<u>4,777</u>	<u>32,185</u>
Net current assets			
		<u>53,258</u>	<u>99,285</u>
Total assets less current liabilities			
Creditors: amounts falling due after one year	16	(29,888)	(90,443)
		<u>23,370</u>	<u>8,842</u>
Net assets			
		<u>23,370</u>	<u>8,842</u>
Capital and reserves			
Called up share capital	20	6,251	500
Share premium account	21	70,087	-
Capital redemption reserve	21	387	-
Profit and loss account		(53,355)	8,342
		<u>23,370</u>	<u>8,842</u>
Equity shareholders' funds			
		<u>23,370</u>	<u>8,842</u>

These financial statements were approved by the board of directors on 27 October 2021 and were signed on its behalf by:

Michelle C. Jordan

M Jordan
Director

Company registered number: SC513441

Consolidated Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total Shareholders' equity £000
Balance at 1 July 2019	500	-	-	(35,089)	(34,589)
Loss for financial period	-	-	-	(12,671)	(12,671)
Other comprehensive loss	-	-	-	(1,365)	(1,365)
Total comprehensive loss for the period	-	-	-	(14,036)	(14,036)
Balance at 30 June 2020	500	-	-	(49,125)	(48,625)
Balance at 1 July 2020	500	-	-	(49,125)	(48,625)
Issued in the year	6,138	70,087	-	-	76,225
Redeemed in the year	(387)	-	387	-	-
	5,751	70,087	387	-	76,225
Loss for financial period	-	-	-	(16,449)	(16,449)
Other comprehensive income	-	-	-	838	838
Total comprehensive loss for the period	-	-	-	(15,611)	(15,611)
Balance at 30 June 2021	6,251	70,087	387	(64,736)	11,989

Company Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total Shareholders' equity £000
Balance at 1 July 2019	500	-	-	15,865	16,365
Loss for financial period	-	-	-	(7,523)	(7,523)
Total comprehensive loss for the period	-	-	-	(7,523)	(7,523)
Balance at 30 June 2020	500	-	-	8,342	8,842
Balance at 1 July 2020	500	-	-	8,342	8,842
Issued in the year	6,138	70,087	-	-	76,225
Redeemed in the year	(387)	-	387	-	-
	5,751	70,087	387	-	76,225
Loss for financial period	-	-	-	(61,697)	(61,697)
Total comprehensive loss for the period	-	-	-	(61,697)	(61,697)
Balance at 30 June 2021	6,251	70,087	387	(53,355)	23,370

Consolidated Cash Flow Statement
for year ended 30 June 2021

	<i>Note</i>	2021 £000	2020 £000
Cash flows from operating activities			
Operating loss		(10,889)	(2,193)
Depreciation, amortisation and impairment		13,243	7,208
Loss on disposal of fixed asset		-	5
Foreign exchange (loss)/gain		(40)	31
(Increase)/decrease in debtors		(861)	2,711
(Decrease)/increase in creditors		(2,624)	3,062
Movement in defined benefit pension scheme		(399)	(25)
Taxation		(169)	(500)
Net cash from operating activities		(1,739)	10,299
Investing activities			
Interest received		-	78
Acquisition of tangible fixed assets		(575)	(923)
Net cash from investing activities		(575)	(845)
Financing activities			
Repayment of secured loan		(9,625)	(1,913)
Interest paid		(1,054)	(1,054)
Issuance of share capital		5,001	-
Redemption of loan notes		(188)	-
Net cash used in financing activities		(5,866)	(2,967)
Net (decrease)/increase in cash and cash equivalents		(8,180)	6,487
Cash and cash equivalents at beginning of period		20,194	13,707
Cash and cash equivalents at 30 June	<i>14</i>	12,014	20,194

Notes

(forming part of the financial statements)

1 Accounting policies

Avidity Group Limited (formerly TMGL Investments Limited) (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

These audited Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (“FRS 102”) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time; and
- Certain disclosures required by FRS 102.26 Share Based Payments;
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed in note 24.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

As at 30 June 2021 the Group had a loss for the financial period of £10.2m (2020: £12.1m loss) which largely arose from non-cash goodwill amortisation and loan note interest charges. In November 2020 the Group entered into the following transactions with its shareholders. The holders of the shareholder loan notes agreed to release the Company and Group from the liability of some of those loan notes, amounting to £60.6m. In addition, the Company issued new ordinary share capital which resulted in a cash inflow of £5.0m net of expenses. The impact of these transactions with shareholders was to increase shareholders’ funds by £65.6m and move the Group into a net asset position of £18.2m as at 30 June 2021 (2020: £48.6m net liabilities).

Also, in November 2020 the Group refinanced its senior debt facilities and entered into new banking covenants with its banks. The proceeds of the share issue and some of the Group’s cash balance has been used to reduce the debt level and the facilities are now amortising over the loan term, with final repayment scheduled to be completed during 2024.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides and the residual impact of COVID-19 on its operations and its financial resources, the company will have sufficient funds, through its cash balances and committed bank and shareholder loan note facilities to meet its liabilities as they fall due for that period. In addition, the forecasts indicate that relevant banking covenants will continue to be met.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern (continued)

Consequently, the directors are confident that the company 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.

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 June 2021. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired in the period are included in the consolidated profit and loss account from the date of acquisition.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

1.4 Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Subsequent to initial recognition, investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to profit or loss on a straight line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Computer and office equipment 2-5 years
- Furniture and fittings 5-10 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

Notes (continued)

1 Accounting policies (continued)

1.7 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the Group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

1.8 Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Amortisation

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value.

The finite useful life of goodwill arising on the acquisition of The Sellex Company Limited is estimated to be 10 years.

The finite useful life of goodwill arising on the acquisition of Avidity Group Holdings Limited is estimated to be 15 years on account of the shape of the business and nature of its customer base.

The Company will review the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.9 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit or loss in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest expense (income) on the net defined benefit asset for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit asset taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the entity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Notes (continued)

1 Accounting policies (continued)

1.9 Employee benefits (continued)

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit asset is recognised in other comprehensive income in the period in which it occurs.

The Group operates a pension scheme providing benefits based on final pensionable pay which closed to future accruals on 31 December 2011. The assets of the scheme are held separately from those of the Group.

1.10 Turnover

Turnover represents the invoiced value of fees earned in the period in respect of services to clients and commission receivable, exclusive of value added tax.

1.11 Expenses

Operating lease

Operating lease rentals are charged to the profit or loss on a straight line basis over the period of the lease.

Interest payable and receivable

Interest payable and similar charges includes interest payable and finance leases recognised in profit or loss. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in profit and loss on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.12 Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost. Other investments in the Group are stated at cost, less any provision for impairment where appropriate.

1.13 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.14 Leasing

Rentals due under operating leases are charged to profit or loss in the year to which they relate.

Notes (continued)

1 Accounting policies (continued)

1.15 Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Group. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

1.16 Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. Grants are recognised on an accruals basis and are recognised within "Other Income".

2 Turnover

	2021	2020
	£000	£000
A geographical analysis of turnover is as follows:		
UK	38,712	53,531
Europe	5,894	6,091
	<u>44,606</u>	<u>59,622</u>

All turnover has been generated by the Group's principal activity.

3 Other income

	2021	2020
	£000	£000
Government grants	1,481	1,944
	<u>1,481</u>	<u>1,944</u>

In the year ended 30 June 2021 the Group received £1,481,000 in grants under the Coronavirus Job Retention Scheme (2020: £1,944,000).

4 Expenses and auditor's remuneration

	2021	2020
	£000	£000
<i>Included in operating loss are the following:</i>		
Amortisation – intangible fixed assets	6,113	6,113
Impairment charges – intangible fixed assets	6,237	-
Depreciation on tangible assets	893	1,096
<i>Auditor's remuneration:</i>		
Audit of these financial statements	28	5
Other services relating to taxation	2	-
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	14	34
Other services relating to taxation of subsidiaries of the Company	12	-
All other services	-	10
	<u>36</u>	<u>49</u>

Non-recurring costs

In March 2021, a non-recurring provision for onerous lease costs of £1,029,000 was recognised in respect of property which has now been permanently vacated. This is being released to the profit and loss account over the remainder of the lease term, which ends in December 2023.

Notes (continued)

4 Expenses and auditor's remuneration (continued)

Non-recurring costs (continued)

In addition, also included in the Group's operating loss are £481,000 of non-recurring costs relating to the refinancing which occurred in November 2020.

5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the period was as follows:

	Number of Employees 2021	Number of Employees 2020
Average number of employees	<u>1,115</u>	<u>1,374</u>

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	27,161	34,532
Social security costs	2,876	3,655
Contributions to defined contribution plans and other staff costs	740	883
Current service cost of defined benefit plans	96	162
	<u>30,873</u>	<u>39,232</u>

The staff members employed by the Company during the year are directors who received no remuneration from the Company in the year.

6 Directors' remuneration

	2021 £000	2020 £000
Directors' remuneration	591	465
Company contributions to money purchase pension plans	17	17
	<u>608</u>	<u>482</u>

The highest paid director received remuneration, excluding pension contributions and including the estimated monetary value of benefits in kind, of £403,000 (2020: £252,000).

In the current and prior periods, retirement benefits were accruing to two directors (2020: two directors) under money purchase schemes.

7 Interest receivable and similar income

	2021 £000	2020 £000
Bank interest	-	78
Foreign exchange gain	<u>-</u>	<u>26</u>
Total interest receivable and similar income	<u>-</u>	<u>104</u>

Notes (continued)

8 Interest payable and similar charges

	2021 £000	2020 £000
Bank interest and charges	29	46
Foreign exchange losses	28	-
Other finance costs	111	100
On bank loans and bank overdraft	718	934
On shareholder loan notes	4,734	8,963
Total interest payable and similar charges	5,620	10,043

9 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity.

<i>Tax charge in profit and loss account</i>	2021 £000	2020 £000
<i>Current tax</i>		
Current tax on income for the period	(80)	428
Total current tax	(80)	428
<i>Deferred tax (see note 18)</i>		
Origination and reversal of timing differences	172	56
Deferred tax charge before pensions	172	56
Movement in deferred tax relating to defined benefit pension scheme	(152)	55
Total deferred tax charge	20	111
Total tax (credit)/charge recognised in profit and loss account	(60)	539

	Current tax £000	2021 Deferred tax £000	Total tax £000	Current tax £000	2020 Deferred tax £000	Total tax £000
Recognised in profit and loss account	(80)	20	(60)	428	111	539
Recognised in other comprehensive income	-	96	96	-	(285)	(285)
Total tax	(80)	116	36	428	(174)	254

Notes (continued)

9 Taxation (continued)

Reconciliation of effective tax rate

Factors affecting the tax charge for the current period

	2021 £000	2020 £000
Loss on ordinary activities before taxation	(10,272)	(12,132)
Current tax at 19% for the period (2020: 19%)	(1,952)	(2,305)
Effects of:		
Expenses not deductible for tax purposes	1,112	1,947
Amortisation not deductible for tax purposes	1,161	1,161
Capital allowances in excess of depreciation	(198)	(269)
Remeasurement of deferred tax for changes in tax rates	(125)	-
Adjustments in respect of prior year	(2)	-
Adjustments in respect of different rates of foreign taxation	(22)	(35)
Permanent timing difference	(34)	40
Total tax (credit)/charge included in the profit or loss	(60)	539

10 Goodwill

Group

Cost

Balance at beginning and end of year	£000
	90,693

Amortisation and impairment

Balance at beginning of year	28,853
Amortisation for the year	6,113
Impairment charged in the year	6,237

Balance at end of year	41,203
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Net book value

At 30 June 2021	49,490
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At 30 June 2020	61,840
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Amortisation and impairment charge

The amortisation and impairment are respectively charged in the following line items in the profit and loss account:

	2021 £000	2020 £000
Other operating costs	10,452	11,386
Impairment of goodwill	6,237	-

Notes (continued)

11 Tangible fixed assets

Group

	Furniture Fittings and Equipment £000
<i>Cost</i>	
Balance at 1 July 2020	9,169
Additions	575
Disposals	-
Balance at 30 June 2021	9,744
<i>Depreciation</i>	
Balance at 1 July 2020	6,994
Depreciation charge for the year	893
Disposals	-
Balance at 30 June 2021	7,887
Net book value At 30 June 2021	1,857
Net book value At 30 June 2020	2,175

12 Fixed asset investments

Fixed asset investments – Group

	Other investments other than loans £000
<i>Cost and net book value</i>	
At beginning of year	12
Adjusted in year	(1)
At end of year	11

Fixed asset investments – Company

	Interests in associated undertakings £000
<i>Cost and net book value</i>	
At beginning of year	67,100
Capital contribution reserve recognised in the year	38,730
Impairment recognised in the year	(57,349)
At end of year	48,481

Notes (continued)

12 Fixed asset investments (continued)

The undertakings in which the Group's and Company's interest at the year end are more than 20% are as follows:

	Registered office	Nature of trade	Class of shares held
Subsidiary undertakings			
Avidity Group Acquisitions Limited (formerly TMGL Acquisitions Limited)	16 Charlotte Square, Edinburgh, EH2 4DF	Investment holding	Ordinary: 100%
Related undertakings			
Avidity Group Holdings Limited (formerly The McCurrach Group Limited)	16 Charlotte Square, Edinburgh, EH2 4DF	Investment holding	Ordinary: 100%
TMGL Spain Limited	74 Waterloo St., Glasgow, G2 7DJ	Non trading	Ordinary: 100%
McCurragh Limited	108 Q House, Furze Rd. Dublin 18	Field sales services	Ordinary: 100%
McCurragh UK Limited	74 Waterloo St., Glasgow, G2 7DJ	Field sales services	Ordinary: 100%
McCurragh Financial Services Limited	74 Waterloo St., Glasgow, G2 7DJ	Field sales services	Ordinary: 100%
McCurragh Investments Limited	74 Waterloo St., Glasgow, G2 7DJ	Investment holding	Ordinary: 100%
The Sellex Company Limited	Broadgate Tower, 20 Primrose Street, London EC2A 2EW	Consultancy	Ordinary: 100%
Standout Field Marketing Limited (formerly Sellex Learning Limited)	Broadgate Tower, 20 Primrose Street, London EC2A 2EW	Field sales services	Ordinary: 100%
ABC 2007 Limited	74 Waterloo St., Glasgow, G2 7DJ	Non trading	Ordinary: 100%
Brown & Gracie Limited	74 Waterloo St., Glasgow, G2 7DJ	Non trading	Ordinary: 100%
Experience Wave Limited (formerly McCurragh Tactical Services Limited)	Broadgate Tower, 20 Primrose Street, London EC2A 2EW	Non trading	Ordinary: 100%
McCurragh U.K. Brokers Limited	74 Waterloo St., Glasgow, G2 7DJ	Non trading	Ordinary: 100%
Scotsell Limited	74 Waterloo St., Glasgow, G2 7DJ	Non trading	Ordinary: 100%
U.K. Brokers Limited	74 Waterloo St., Glasgow, G2 7DJ	Non trading	Ordinary: 100%

13 Debtors

	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Due within 1 year:				
Trade debtors	8,458	-	6,852	-
Amounts owed by Group undertakings	-	8,500	-	43,470
Other debtors	169	-	880	-
Deferred tax assets (note 18)	484	-	481	-
Prepayments and accrued income	1,695	23	1,731	23
Corporation tax	144	-	36	-
	<u>10,950</u>	<u>8,523</u>	<u>9,980</u>	<u>43,493</u>

Notes (continued)

14 Cash and cash equivalents

	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Cash at bank and in hand	12,014	-	20,194	-
Cash and cash equivalents per cash flow statement	<u>12,014</u>	<u>-</u>	<u>20,194</u>	<u>-</u>

15 Creditors: amounts falling due within one year

	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Bank loans and overdrafts (see note 17)	1,812	-	2,125	-
Trade creditors	663	-	883	-
Amounts owed to Group undertakings	-	2,286	-	3,723
Taxation and social security	3,896	-	7,186	3
Corporation tax	-	-	121	-
Other creditors	1,809	-	1,552	-
Accruals and deferred income	10,549	1,460	16,834	7,582
	<u>18,729</u>	<u>3,746</u>	<u>28,701</u>	<u>11,308</u>

16 Creditors: amounts falling due after more than one year

	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Bank loans and overdrafts (see note 17)	11,750	-	21,063	-
Shareholder loan notes (see note 17)	29,888	29,888	90,443	90,443
Onerous property provision	560	-	-	-
	<u>42,198</u>	<u>29,888</u>	<u>111,506</u>	<u>90,443</u>

Notes (continued)

17 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Creditors falling due after one year				
Secured bank loans	11,750	-	21,063	-
Shareholder loan notes	29,888	29,888	90,443	90,443
	<u>41,638</u>	<u>29,888</u>	<u>111,506</u>	<u>90,443</u>
Creditors falling due within one year				
Secured bank loans	1,812	-	2,125	-
	<u>1,812</u>	<u>-</u>	<u>2,125</u>	<u>-</u>
Total	<u>43,450</u>	<u>29,888</u>	<u>113,631</u>	<u>90,443</u>

Included within secured bank loans of the Group are amounts repayable after five years by instalments of £nil and otherwise then by an instalment of £nil (2020: instalments of £nil and £nil respectively).

Terms and debt repayment schedule

Group	Currency	Nominal interest rate	Year of maturity	Repayment schedule	Group 2021 £000	Company 2021 £000	Group 2020 £000	Company 2020 £000
Bank loan facility A	GBP	LIBOR + 4.10%	2021	6 monthly	1,062	-	3,188	-
Bank loan facility B	GBP	LIBOR + 4.60%	2024	Quarterly with Bullet	12,500	-	20,000	-
Shareholder loan notes A	GBP	8% (15% in 2020)	2025	Bullet	29,888	29,888	46,116	46,116
Shareholder loan notes B	GBP	5%	2023	Bullet	-	-	44,327	44,327
					<u>43,450</u>	<u>29,888</u>	<u>113,631</u>	<u>90,443</u>

The bank loan is a senior term loan facility secured by a floating charge and standard security over the whole of the assets of the Company and its subsidiaries.

The shareholder loan notes A are secured by a floating charge and standard security over the whole of the assets of the Company and its subsidiaries.

On 19 November 2020, the Company and Group completed a refinancing of the business. Revised terms were agreed with its bank facility and lenders, significantly reducing the Company and Group's debt position by £69,119,000. The shareholder loan notes B have been waived which overall has the effect of increasing shareholders' funds by £65,556,000.

Notes (continued)

18 Deferred tax assets

	2021 £000	2020 £000
<i>Deferred tax</i>		
Asset at beginning of year	(481)	(307)
Debited/(credited) to the statement of comprehensive income	96	(285)
(Credited)/debited to the profit and loss account	(99)	111
Asset at end of year	<u>(484)</u>	<u>(481)</u>

Deferred tax assets are attributable to the following:

Group	2021 £000	2020 £000
Accelerated capital allowances	(37)	(36)
Employee benefits	(352)	(445)
Timing difference	(95)	-
Tax assets	<u>(484)</u>	<u>(481)</u>

19 Employee benefits

Group

The Group contributes to defined contribution pension schemes on behalf of certain employees and operates a defined benefit pension scheme.

Defined contribution pension schemes

The pension charge relating to the defined contribution pension schemes for the period represents contributions payable by the Group to the scheme and amounted to £610,000 (2020: £822,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

Defined benefit pension scheme

The Group operates a funded defined benefit pension scheme providing benefits based on final pensionable salaries. Certain employees of the Group are members of the McCurrach UK Limited pension scheme, which closed to new members in 2000 and closed to future accruals in December 2011.

Historical information presented below in relation to the scheme has been extracted from the financial statements of McCurrach UK Limited.

The information disclosed below is in respect of the whole of the plans for which the Group is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

Notes (continued)

19 Employee benefits (continued)

Net pension liability

	2021 £000	2020 £000
Present value of funded defined benefit obligations	(18,191)	(19,489)
Fair value of plan assets	16,785	16,870
	<u>(1,406)</u>	<u>(2,619)</u>

Movements in present value of defined benefit obligation

	2021 £000	2020 £000
At beginning of period	(19,489)	(15,917)
Current service cost	(96)	(162)
Interest cost	(280)	(363)
Remeasurement: actuarial gain/(loss)	1,303	(3,461)
Benefits paid	371	414
	<u>(18,191)</u>	<u>(19,489)</u>

Movements in fair value of plan assets

	2021 £000	2020 £000
At beginning of period	16,870	14,649
Interest income	244	338
Remeasurement: return on plan assets less interest income	(358)	1,825
Contributions by employer	400	472
Benefits paid	(371)	(414)
	<u>16,785</u>	<u>16,870</u>

Expense recognised in the profit and loss account

	2021 £000	2020 £000
Current service cost	96	162
Interest on defined benefit pension plan assets	36	25
	<u>132</u>	<u>187</u>

Notes (continued)

19 Employee benefits (continued)

The expense is recognised in the following line items in the profit and loss account:

	2021 £000	2020 £000
Selling costs	96	162
Other finance income	36	25
Total expense recognised in profit or loss	132	187

The total amount recognised in other comprehensive income in respect of re-measurements of the pension scheme are as follows:

	2021 £000	2020 £000
Actuarial gain/(loss)	1,303	(3,461)
Return on assets excluding interest income	(358)	1,825
Total expense recognised in profit or loss	945	(1,636)

The fair value of the plan assets and the return on those assets were as follows:

	2021 Fair value £000	2020 Fair value £000
Government debt	3,824	4,048
Other	12,961	12,822
	16,785	16,870
Actual return on plan assets	(114)	2,162

The expected rates of return on plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2021 %	2020 %
Discount rate	2.00%	1.45%
Expected rate of return on plan assets	2.00%	1.45%
Future salary increases	n/a	n/a
RPI Inflation	3.10%-3.35%	2.8%
CPI Inflation	2.65%-2.70%	2.10%
Pension increases:		
Inflation (RPI) capped at a maximum of 5% p.a.	3.00%	2.75%
Inflation (CPI) capped at a maximum of 3% p.a.	2.15%	1.85%
Inflation capped at a maximum of 5% p.a. and a minimum of 3% p.a.	3.65%	3.5%

Notes (continued)

19 Employee benefits (continued)

The last full actuarial valuation of the scheme was carried out as at 31 December 2018, to measure the defined benefit obligation. As the scheme is closed to new members and future accrual, the Company did not adjust employee numbers or salary levels. The results of this actuarial valuation as at 31 December 2018 showed a funding deficit of £5,516,000. The Company has agreed with the Trustee to target removal of this deficit over a period of 9 years and 6 months from 31 December 2018 by payment of contributions of £400,000 per annum until 30 September 2020, then £300,000 per annum until 31 December 2021, and then finally £420,000 per annum until 30 June 2028.

In valuing the liabilities of the pension fund at 30 June 2021, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.6 years (male), 23.9 years (female).
- Future retiree (age 45 now) upon reaching 65: 22.3 years (male), 24.9 years (female).

On 25 November 2020, the Treasury and UK Statistics Authority announced that with effect from February 2030, RPI will be aligned with CPIH (the variant of the CPI including housing costs). CPIH growth has typically been lower than RPI, therefore benefits linked to RPI will increase at a lower rate after 2030. Due to the significant change to the calculation of RPI after 2030 and relatively muted market reaction, it was agreed with the actuary to amend the existing derivations of price inflation assumptions.

In the prior year, the Group continued to set RPI inflation in line with the market break-even expectations less an inflation risk premium. However in the current year, to recognise the above reform and the different expected terms for revaluation of benefits in deferment and pension increases in payment, two separate assumptions have been applied to both RPI and CPI. The change in inflation rate assumptions is detailed in the above table.

20 Share capital

Group and Company

	1,250,000 £1.00 A Ordinary Shares £000	Nil £1.00 B Ordinary Shares £000	Nil £1.00 C Ordinary Shares £000	Nil £1.00 D Ordinary Shares £000	1,367,189 £0.001 E Ordinary Shares £000	5,000,000 £1.00 Ordinary Shares £000	Total £000
<i>Allotted, called up and fully paid</i>							
At 1 July 2020	113	231	56	100	-	-	500
Issued in the year	1,137	-	-	-	1	5,000	6,138
Redeemed in the year	-	(231)	(56)	(100)	-	-	(387)
Shares classified as shareholders' funds at 30 June 2021	1,250	-	-	-	1	5,000	6,251

The holders of ordinary shares are entitled to receive dividends as declared from time to time.

On 19 November 2020, the Company and Group completed a refinancing of the business. Revised terms were agreed with its bank facility and lenders, significantly reducing the Company and Group's debt position by £69,119,000. The Company issued new ordinary share capital which resulted in a cash inflow of £5.0m net of expenses. The proceeds of the share issue and some of the Group's cash balance has been used to reduce the debt level and the facilities are now fully amortising with final repayment scheduled to be completed by 2024.

Notes (continued)

21 Reserves

Share Premium

This reserve records the amount above the nominal value received for shares sold.

Group and Company	2021 £000	2020 £000
Balance at 30 June 2021	70,087	-

Capital Redemption Reserve

This reserve records the nominal value of shares repurchased by the Company.

Group and Company	2021 £000	2020 £000
Balance at 30 June 2021	387	-

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

Group	2021 £000	2020 £000
Less than one year	1,422	2,074
Between one and five years	2,108	2,599
	3,530	4,673

During the period £3,076,000 (2020: £3,342,000) was recognised as an expense in the profit and loss account in respect of operating leases.

Notes (continued)

23 Related parties

Group

Related party	Relationship	Transaction	Balance due (to)/from at 30		Balance due (to)/from at 30	
			2021	June 2021	2020	June 2020
			£000	£000	£000	£000
Neil A McNicol's Accumulation and Maintenance Trust Limited	Shareholder	Lease of property	217	(23)	305	(37)
J Matheson	Director	Lease of property	(1)	-	(2)	-
IGD	Supplier	Membership fees	-	-	22	-
D Bremner	Former Shareholder	Legal advice	5	-	5	-

Company

Related party	Relationship	Transaction	Balance due (to)/from at 30		Balance due (to)/from at 30	
			2021	June 2021	2020	June 2020
			£000	£000	£000	£000
Metric Capital Partners	Shareholder	Agency fee & other costs	206	-	83	-

24 Post balance sheet event

There were no subsequent events post the balance sheet date and prior to the date of signing these accounts that would have a material impact on the results reported or the financial position of the Company.

25 Capital commitments

The Group's contractual commitments to purchase tangible fixed assets at 30 June 2021 were £55,000 (2020: £19,000).

26 Accounting estimates and judgements

The preparation of financial statements in accordance with FRS 102 requires estimates and assumptions by the directors. These estimates and assumptions might affect the reported amount of assets and liabilities, contingent liabilities and contingent assets at the reporting date as well as income and expenses during the reporting period. The actual outcomes and results may differ from these estimates and assumptions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Impacts from revision to accounting estimates are recognised in the period in which the estimates are revised and for any future periods affected.

McCurrach UK Limited operates a defined benefit pension scheme that closed to future benefit accrual in December 2011. The determination of any defined benefit pension scheme surplus/deficit is based on assumptions determined with actuarial advice. The assumptions used include discount rate, inflation, pension increases, salary increases, the expected return on scheme assets and mortality assumptions.

Notes (continued)

27 Details of undertaking

Subsidiary exemption

The following UK subsidiaries of the Group, having met the criteria set out in sections 479C of the Companies Act 2006, are claiming exemptions from the audit of the individual accounts afforded by those sections for the year ended 30 June 2021:

	Registered office	Nature of trade	Class of shares held
Avidity Group Acquisitions Limited (formerly TMGL Acquisitions Limited)	16 Charlotte Square, Edinburgh, EH2 4DF	Investment holding	Ordinary: 100%
Avidity Group Holdings Limited (formerly The McCurrach Group Limited)	16 Charlotte Square, Edinburgh, EH2 4DF	Investment holding	Ordinary: 100%
McCurrach UK Limited	74 Waterloo St., Glasgow, G2 7DJ	Field sales services	Ordinary: 100%
McCurrach Investments Limited	74 Waterloo St., Glasgow, G2 7DJ	Investment holding	Ordinary: 100%
Standout Field Marketing Limited (formerly Sellex Learning Limited)	Broadgate Tower, 20 Primrose Street, London, EC2A 2EW	Field sales services	Ordinary: 100%
The Sellex Company Limited	Broadgate Tower, 20 Primrose Street, London, EC2A 2EW	Field sales services	Ordinary: 100%

28 Group Analysis of Net Debt

	Opening £000	Cashflows £000	Non Cash Movements £000	Closing £000
Cash & cash equivalents				
Cash	20,194	(8,180)	-	12,014
Overdrafts	-	-	-	-
Cash equivalents	-	-	-	-
	<u>20,194</u>	<u>(8,180)</u>	<u>-</u>	<u>12,014</u>
Borrowings				
Debt due within 1 year	(2,125)	9,626	(9,313)	(1,812)
Debt due after 1 year	(21,063)	-	9,313	(11,750)
Shareholder loan notes	(90,443)	-	60,555	(29,888)
Finance leases	-	-	-	-
	<u>(113,631)</u>	<u>9,626</u>	<u>60,555</u>	<u>(43,450)</u>