

Ensco 1327 Limited
Company Number 11830874

Ensco 1327 Limited

Annual Report and Financial Statements

for the year ended 31 December 2022



Ensco 1327 Limited
Company Number 11830874

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Ensco 1327 Limited
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Directors and advisors

Directors

GJA Evans
J Donaldson
R Powell
T Bownes
T Linacre
V Smith

Solicitor

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Nottingham B3 2HJ

Bankers

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EC4N 4TR

Bank of Ireland
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Burlington Road
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Registered office

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London
EC2V 7NQ

Independent auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Ensco 1327 Limited
Company Number 11830874

Strategic report

The directors present their strategic report for the period ended 31 December 2022.

Principal Activities

The principal activity of Ensco 1327 Limited ("the Company") is that of a holding company for the Instinctif Partners Group and its related entities.

The Instinctif Partners Group ("Instinctif Partners" or "The Group") is a business communications consultancy group with offices in London, Frankfurt, Cologne, Munich, Berlin, Brussels, Dublin, Dubai and Johannesburg. The Group is structured in specialist industry sector teams; these are retained year-on-year by a substantial number of UK and overseas corporations and institutions. The Group offers a range of complementary communication services, including financial communications and media relations, public policy, crisis communications, brand positioning, strategic research, internal engagement, design and media training.

As a prominent advisor to both public and private enterprises, the firm boasts a robust history of success within many large corporates, particularly in capital markets transactions. The investment from LDC has empowered us to enhance our senior talent pool, create avenues for employee career development, and fuel our growth ambitions. This strategic investment reinforces our commitment to delivering exceptional outcomes for our clients and foster continuous advancement for our staff.

Business review

The results for the year ended 31 December 2022 are set out in the Consolidated profit and loss account on page 11.

Throughout 2022, the Group pursued organic revenue growth and bolstered the leadership team across the Group. Despite this, the Group reported an operating loss of £1,808,000 (compared to a £481,000 profit in 2021), this deviation can be attributed to calculated investments aimed at fortifying our internal structures. Our commitment to client-centric solutions and talent development aimed to position us for future growth and resilience in the dynamic UK PR and Communications sector. Looking ahead, the Group remains focused on innovation and delivering exceptional value to our clients and stakeholders.

The Group continues to retain a very broad client base with no individual client making up more than 4% of the total fee income of the Group.

Key performance indicators

	Year ended 31 December 2022	Year ended 31 December 2021
Statement of operations	£000	£000
Turnover	42,767	37,753
EBITDA before highlighted items	3,422	4,459
EBITDA	2,515	4,385

The Board considers turnover and EBITDA excluding highlighted items, or underlying EBITDA, to be the key indicators of the Group's performance.

Future outlook

Following a right-sizing exercise at the end of 2023 we believe we are well positioned to achieve an improved EBITDA in 2024, by continuing to partner both new and existing clients in a changing world. Automation and AI in our industry provides a unique opportunity to provide additional services to our clients at a rapid pace and a moments notice.

Cost control remains a priority, however the leadership team has been strengthened throughout the year by both key hires and internal promotions to help deliver growth throughout the organisation.

As we cautiously approach 2024 and acknowledge the general tougher macroeconomic environment, our circumspect stance becomes imperative. Instinctif Partners remains attuned to the potential implications for client budgets, recognising the need of proactive measures to navigate this delicate balance.

In the face of these looming challenges, our steadfast commitment to client satisfaction, coupled with strategic resilience and financial prudence, positions Instinctif Partners as a dependable client partner. We are poised to provide assurance and value in an environment marked by caution and uncertainty, anticipating the intricacies that lie ahead in 2024.

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Strategic report (continued)

Principal risks and uncertainties

The Directors believe that the principal risks and uncertainties facing the Group can be summarised as:

General economic climate and the global economy

To mitigate the risk posed by the general economic climate and global economic conditions impacting the demand for the Group's services, especially given the geopolitical situation and the decision to resign all Russian clients, the following strategies are in place:

- a) Diversification: No one client makes up more than 4% of Instinctif Partners Ltd revenue
- b) Risk monitoring: Ongoing review of client relationships via 'CSAT Survey' as well and continual review of the prevailing market conditions
- c) Building financial resilience: Ongoing focus on levers we can control such as margins and costs
- d) Geographical expansion: Moving into other geographies helps Instinctif Partners Ltd hedge against macro headwinds as can be seen in the Middle East region

Dependence on key executives and personnel

It is the nature of the industry in which the Group operates that some client relationships are dependent on particular key personnel. This presents a risk which the Group mitigates by:

- ongoing regular review of remuneration and reward schemes to ensure that they remain competitive in the market place and reflect individual contributions to the Group;
- use of employment terms and conditions, including longer notice periods for senior staff and restrictive covenants where appropriate; and
- in a limited number of cases, the procurement of key man insurance.

Customer relationships/loss of key clients

The Group monitors the income level from all its clients on a monthly basis to identify any clients where there is a risk of the Group becoming overly dependent on any particular income stream. In the year ended 31 December 2022, no client of the Group represented more than 4% of the total Group revenue.

Financial risks and treasury management

Interest rate risk

The Group finances its operations through committed bank facilities. The interest rate risk on bank facilities moves in line with SONIA.

Currency risk

The Group buys currency at spot rate. The Group minimises exposure to foreign exchange through the use of matching currency flows where possible.

Liquidity risk

The Group's policy is to ensure that it has committed borrowing facilities in place in excess of its forecast requirements. The Directors believe the Group has sufficient financing facilities in place for the next 12 months.

Credit risk

Credit risk arises on financial instruments such as trade debtors and short term bank deposits. Policies and procedures exist to ensure that clients have an appropriate credit history. Short term bank deposits are only with highly credit rated authorised counterparties.

Environmental disclosure

Our recent rebrand gave us the opportunity to define & articulate our own purpose more clearly.

Our senior team also undertook a materiality exercise to understand where, as a professional services firm, we can have the most impact (both positively and negatively). We are now working to measure and reduce our environmental impact as well as positively increase our social impact – by giving a voice to those who might not otherwise be represented.

Greenhouse gas emissions, energy consumption and energy efficiency action

The group has reported scope 1, 2 and 3 greenhouse gas emissions in accordance with the requirements of Streamlined Energy and Carbon reporting (SECR).

Methodology

Scope 1: Data was compiled from expense claims and based on fuel used by private vehicles on company business

Scope 2: Data was provided by the Company based on meter readings from its bills

Scope 3: Data was compiled from information provide by third party travel consultants

The figures were calculated using UK government 2022 conversion factors expressed as kg carbon dioxide equivalent kgCO₂e.

Company's GHG statement (kgCO₂e) for all UK business activities.

Energy consumption used: (kWh)

	2022
Electricity	261,281
Transport fuel	10,906

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Strategic report (continued)

Emissions (kgCO₂e)

Scope 1: Emissions from car usage	61
Scope 2: Data was provided by the Company based on meter readings from its bills	50,527
Scope 3: Data was compiled from information provide by third party travel consultants	39,750
Headcount Ratio: Energy consumption (kgCo ₂ e) divide by head count (173)	522.19

Section 172 Statement

Whilst the group and directors have a statutory obligation to its shareholders it is also important to assess the impact of our operations on a broader stakeholder pool. The Board considers engagement with its key stakeholders as being a key element of the Group's continued success. The key stakeholders that are relevant for the Section 172 statement are the company's shareholders, its employees, its clients, contractors, suppliers and its commercial banks.

Shareholders

The company's shareholders are Lloyds Development Capital (LDC) and certain employees within the group. LDC have two Board members and are consulted on all major decisions. The other four Board members are the independent non-executive Chairman, the CEO, CFO and Deputy Chairman. There is therefore good representation from both LDC and employees on the Board.

Employees

Underneath the Board the company has an Executive Committee comprised of the most senior employees and a Leadership Team Committee comprised of the leaders of the individual practices. The Executive Directors consult with these groups on all major matters and ensures the Board is aware of issues which the employees believe need addressing. One initiative which was undertaken was a full employee survey, the first of its type that the company has undertaken for several years, and the results of this survey were discussed at the Practice Heads Committee, the Executive Committee and the full Board.

Contractors

The Group works with a number of contractors on various projects across the business, they are selected based on the specific skill set they bring and are expected to operate at the same high standard that we expect from our employees. We ensure they are treated in the same manner as our employees which is fairly and with respect.

Clients

The group also undertakes client surveys to ensure that clients are receiving the service levels they expect, and also to see what new services or offerings may be attractive to them, and this feed-back helps influence the way we work and structure our services.

Suppliers

We seek to ensure strong, mutually beneficial, relationships with our suppliers and we have a best in class list of suppliers on our preferred supplier list. We treat them as we expect to be treated by our clients, to ensure they deliver exceptional work for us and our clients.

Commercial banks

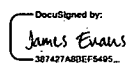
There are regular meetings with the Company's bankers in which a full update on the groups's performance is provided.

Environment

The Group recognises the impact businesses can have on the environment and we actively encourage good environmental practices wherever possible. To improve our environmental efficiency we have introduced a number of sustainability initiatives:

- Recycling programme for food, paper and cardboard,
- Encourage the use of video conference facilities verses air travel where possible,
- Using energy efficient lighting where possible,
- Disposing of electrical goods responsibly.

On behalf of the board

DocuSigned by:

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J Evans - Director
65 Gresham Street
London
EC2V 7NQ

8 March 2024

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Directors' report

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2022.

Dividends

The directors do not recommend payment of a dividend.

Directors

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

DG Taliente (appointed: 14 March 2023 and resigned: 13 December 2023)
E Amory (resigned: 31 January 2024)
GJA Evans (appointed: 14 June 2023)
J Donaldson (appointed: 4 March 2024)
J Gassner (appointed: 19 October 2023 and resigned: 5 March 2024)
J Taylor-Smith (resigned: 6 April 2023)
L Dean (resigned: 19 October 2023)
R Powell (resigned: 27 June 2022 and re-appointed: 5 March 2024)
T Bownes (appointed: 27 June 2022)
T Linacre
T Trotter (resigned: 14 March 2023)
V Smith

The Company maintained, throughout the year, and up to the date of this report, directors' and officers' liability insurance in respect of itself and its directors.

Going concern statement

There has been a delay in the signing of the accounts due to time taken to secure additional investment from our majority shareholders LDC. In securing this additional funding we will be able to repay the existing bank loan and remove onerous bank covenants.

In adopting the going concern basis for the preparation of our financial statements, the Directors have conducted a thorough evaluation covering various crucial factors:

- **Future Trading Prospects:** We have extensively examined the future trading prospects of the Group's businesses, gaining valuable insights into the sustainability of our operations. The analysis indicates that Instinctif is well-positioned to achieve improved EBITDA in 2024 following a rightsizing period in 2023, back to levels seen in 2021.
- **Liquidity Position:** The Group's available liquidity has been a focal point, with a detailed assessment of our ability to meet short-term financial obligations and working capital needs.
- **Debt Maturities and Borrowing Covenants:** Our evaluation extends to the Group's debt maturities and obligations under borrowing covenants, and we are committed to fulfilling our financial commitments.
- **Principal Risks:** We have factored in the Group's principal risks, as outlined in the Strategic Report, in our assessment. We remain vigilant in addressing and mitigating these risks.

To maintain ongoing liquidity and flexibility, the Group relies on day-to-day working capital requirements sustained through operating cash flows. By 15 March 2024, the business will have repaid term loans with banking partners following further investment into the business from LDC via preferential loan notes with a maturity date of 30 September 2026. In addition, the RCF will be removed in totality and replaced with a bi-lateral guarantee between Instinctif Partners and HSBC.

In our evaluation, the Directors have developed various trading scenarios looking 12 months beyond the accounts' signing date, enabling us to assess our ability to continue as a going concern.

Based on our forecasts and projections, accounting for potential changes in trading performance, we are confident that the Group no longer needs a financing facility and can operate on its day to day working capital. We have received written confirmation that the maturity date of the existing loan notes has been extended to 30 September 2026.

Looking ahead, the Directors acknowledge a reduced performance in 2023 compared to 2022 due mainly to the macro environment but anticipate a significantly improved EBITDA performance in 2024 due to the cost restructuring undertaken in 2023. There is potential for 2024 to surpass revenue projections as clients free up greater budgets, driven by reduced inflationary pressures. Our current performance aligns with expectations, and we foresee significant growth potential across all practices, especially within the MENA region.

To maintain conservatism, we have conducted downside scenario testing, considering a range of revenue reductions from 0% to 13% from the base case. Any adverse impacts will be mitigated through levers within Instinctif's control, including gross margins and operating expenses.

The Directors have carefully examined the effects of this downside scenario on cash reserves and our commitment remains steadfast to ensuring the continued financial health of the Group under various circumstances. Whilst we do not have a facility in place we have the opportunity to pursue one in the future should we need one.

Cash

Cash levels are strong driven by managing the cash position tightly over 2023 and during the period under review cash balances remain at more than adequate levels to fund the Group's planned activities. Cash balances, as at the time of signing this report, stand at some £2.3m at end of January 2024, before additional LDC funding and final repayment of bank loan.

Lending Covenants

All lending covenants will be removed from the business at the point of investment, with simultaneous drawdown of new funding and repayment of existing bank loans.

Going concern basis

Based on the scenarios modelled the Directors believe that the Group is well placed to manage its financing and other business risks satisfactorily and have been able to form a reasonable expectation that the Group has adequate resources to continue in operation for at least twelve months from the signing date of these consolidated financial statements.

The Directors therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. The Directors acknowledge that, whilst they are comfortable that uncertainties in cash flows referred to above are not material there are always market uncertainties that could impact trading. However, as noted above the cash balance remains strong. Other factors considered as part of the going concern review are the current challenging conditions caused by the macro-economic environment, the impact of the war in Ukraine, European political uncertainty, high inflation rates and tightening monetary policy, and a consequential risk of a recession. All these factors are reviewed and discussed on a continuing basis at the Board and there are plans to ensure action is taken to mitigate risk to the Group if needed.

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Directors' report (continued)

Post balance sheet events

During 2023 the Group has expedited payments of its term loans with its incumbent banks by paying down £2.9m of debt, this leaves an outstanding balance of £1m which is due to be repaid in March 2024. As at the date of approval of these financial statements, additional funding from LDC has been secured by way of loan notes with a maturity date of 30 September 2026. In addition the maturity date for all existing loan Notes held within the business have been extended to 30 September 2026. This funding will be used to settle the remaining bank debt and outstanding interest and inject additional working capital into the business.

Since 31 December 2022, the Group has undertaken expansion in the Middle East with the opening of an office in Saudi Arabia.

At the end of 2023 a restructuring exercise was carried out to right-size the business, this impacted the UK and German offices, all employees involved will have left the business by early 2024.

A new chairman was appointed in February 2024, plus a new CEO in March 2024 and a new head of practice joined the Truth business late 2023.

In addition to the above items there was two board of director changes with the appointment of both Davide Taliente and James Evans as Chairman and Chief Financial Officer respectively. Davide Taliente since resigned on 13th December 2023.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives occurs at all levels, with the aim of enabling views to be taken into account when decisions are made that are likely to affect their interest. Additionally, employees are aware of the financial and economic performance of their business units and of the Group as a whole.

The Group encourages staff to be involved in charity initiatives.

Health and safety

It is the objective of the Group to ensure the health and safety of its employees and of any other persons who could be affected by its operations. It is the Group's policy to provide working environments which are safe and without risk to health and to provide information, instruction, training and supervision to ensure the health and safety of its employees.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless he is 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 and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group 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.

Matters covered in strategic report

Certain matters which are required to be disclosed in the director's report under 416(4) have been omitted as they are included in the strategic report as permitted by 414c(ii). These matters related to the principal risks to which the Company is exposed to and future developments.

Disclosure of information to auditor

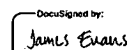
Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditor are unaware, and
- the Director has taken all the steps that they ought to have taken as Director in order to be aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Independent auditor

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and BDO LLP will therefore continue in office.

On behalf of the board

DocuSigned by:

James Evans
First Floor
65 Gresham Street
London
EC2V 7NQ
8 March 2024

EnSCO 1327 Limited
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Independent auditors' report to the members of EnSCO 1327 Limited for the year ended 31 December 2022

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of EnSCO 1327 Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2022 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the company balance sheet, the consolidated statement of changes in equity, the company statement of changes in equity, the 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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.

Other Companies Act 2006 reporting

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.

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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.

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Independent auditors' report to the members of EnSCO 1327 Limited for the year ended 31 December 2022 (continued)

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was 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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
 - Discussion with management and those charged with governance; and
 - Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations; and
- we considered the significant laws and regulations to be the reporting framework (United Kingdom Generally Accepted Accounting Practice), the Companies Act 2006 and relevant tax compliance legislation.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation and GDPR.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations; and
- Review of financial statement disclosures and agreeing to supporting documentation;

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
- Detecting and responding to the risks of fraud; and
- Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be revenue recognition and management override.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, with a focus on large or unusual transactions based on our knowledge of the business;
- Assessing significant estimates made by management for bias including but not limited to impairment of goodwill and recoverability of debtors and amounts due from fellow group undertakings; and
- Ensuring the revenue recognition policy is in accordance with the Group's reporting framework and substantively testing a sample of revenue recognised in the year.


We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:

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Andrew Viner (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
8 March 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Ensco 1327 Limited
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**Consolidated statement of comprehensive income
for the year ended 31 December 2022**

	Note	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Turnover	4	42,767	37,753
Cost of sales		(9,565)	(6,904)
Gross profit		33,202	30,849
Other income	5	-	48
Administrative expenses excluding highlighted items		(29,780)	(26,438)
Administrative expenses - highlighted items	6	(907)	(74)
Administrative expenses		(30,687)	(26,512)
EBITDA excluding highlighted items		3,422	4,459
EBITDA		2,515	4,385
Depreciation		(618)	(199)
Amortisation		(3,705)	(3,705)
Operating (loss)/profit	7	(1,808)	481
Interest receivable and similar income	9	17	15
Interest payable and similar expenses	10	(2,498)	(2,327)
Loss before taxation		(4,289)	(1,831)
Taxation	11	(423)	(464)
Loss for the period		(4,712)	(2,295)
Other comprehensive income			
Exchange differences on translation of foreign operations		138	(276)
Total comprehensive loss for the period		(4,574)	(2,571)
Loss for the period attributable to:			
Owners of the parent		(4,764)	(2,385)
Non-controlling interest		52	90
		(4,712)	(2,295)
Total comprehensive loss attributable to:			
Owners of the parent		(4,626)	(2,661)
Non-controlling interest		52	90
		(4,574)	(2,571)

Notes on pages 17 to 32 form part of the financial statements.
All amounts relate to continuing operations.

Ensco 1327 Limited
Company Number 11830874

Consolidated balance sheet As at 31 December 2022

	Note	As at 31 December 2022 £000	As at 31 December 2021 £000
ASSETS			
Fixed assets			
Goodwill	12	6,219	9,924
Tangible assets	13	767	734
		6,986	10,658
Current assets			
Work in progress		318	369
Debtors: amounts falling due within one year	15	9,868	11,318
Debtors: amounts falling due after more than one year	15	429	436
Cash at bank and in hand	16	6,987	7,713
		17,602	19,836
LIABILITIES			
Creditors: amounts falling due within one year	17	(13,233)	(12,772)
Net current assets		4,369	7,064
Total assets less current liabilities		11,355	17,722
Creditors: amounts falling due after more than one year	18	(23,619)	(25,393)
Net liabilities		(12,264)	(7,671)
Capital and reserves			
Called up share capital	22	22	22
Share premium account	23	264	264
Foreign currency translation reserve	23	(253)	(391)
ESOP share reserve	23	(23)	(4)
Profit and loss account	23	(12,682)	(7,918)
Equity attributable to owners of the parent company		(12,672)	(8,027)
Non-Controlling Interest		408	356
Total shareholders' deficit		(12,264)	(7,671)

The notes on pages 17 to 32 are an integral part of the financial statements.

The financial statements on pages 11 to 32 were approved by the board of directors on 8 March 2024 and were signed on its behalf by:

DocuSigned by:
James Evans
3874277AB8EF5486

J Evans
Director

EnSCO 1327 Limited
Company Number 11830874

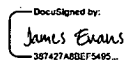
Company balance sheet As at 31 December 2022

	Note	As at 31 December 2022 £000	As at 31 December 2021 £000
Fixed assets			
Investments	14	4,432	4,432
Current assets			
Debtors: amounts falling due within one year	15	72	17,606
Debtors: amounts falling due after more than one year	15	15,342	-
		15,414	17,606
Creditors: amounts falling due within one year	17	(4,692)	(2,296)
Net current assets		10,722	15,310
Total assets less current liabilities		15,154	19,742
Creditors: amounts falling due after more than one year	18	(23,619)	(25,393)
Net liabilities		(8,465)	(5,651)
Capital and reserves			
Called up share capital	22	22	22
Share premium account	23	264	264
ESOP share reserve	23	(23)	(4)
Profit and loss account	23	(8,728)	(5,933)
Total shareholders' deficit		(8,465)	(5,651)

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss after tax of the parent company for the year was £2,795,000 (2021: loss £2,649,000).

The notes on pages 17 to 32 form an integral part of the financial statements.

The financial statements on pages 11 to 32 were approved by the board of directors on 8 March 2024 and were signed on its behalf by:

DocuSigned by:

387427ABDE1F5495...

J Evans
Director

Ensco 1327 Limited
Company Number 11830874

**Consolidated statement of changes in equity
for the year ended 31 December 2022**

	Called up share capital	Share premium account	ESOP share reserve	Foreign currency translation reserve	Profit and loss account	Non-controlling interest	Total shareholders' deficit
	£000	£000	£000	£000	£000	£000	£000
At 1 January 2022	22	264	(4)	(391)	(7,918)	356	(7,671)
Total comprehensive loss for the year							
Loss for the financial year	-	-	-	-	(4,764)	52	(4,712)
Currency translation differences	-	-	-	138	-	-	138
	-	-	-	138	(4,764)	52	(4,574)
Purchase of shares by ESOP	-	-	(19)	-	-	-	(19)
At 31 December 2022	22	264	(23)	(253)	(12,682)	408	(12,264)
At 1 January 2021	22	264	(24)	(115)	(5,533)	266	(5,120)
Total comprehensive loss for the period							
Loss for the financial year	-	-	-	-	(2,385)	90	(2,295)
Currency translation differences	-	-	-	(276)	-	-	(276)
	-	-	-	(276)	(2,385)	90	(2,571)
Sale of shares by ESOP	-	-	20	-	-	-	20
At 31 December 2021	22	264	(4)	(391)	(7,918)	356	(7,671)

The notes on pages 17 to 32 form an integral part of the financial statements.

Ensco 1327 Limited
Company Number 11830874

**Company statement of changes in equity
for the year ended 31 December 2022**

	Called up share capital £000	Share premium account £000	ESOP share reserve £000	Profit and loss account £000	Total shareholders' deficit £000
At 1 January 2022	22	264	(4)	(5,933)	(5,651)
Total comprehensive loss for the year					
Loss for the financial year	-	-	-	(2,795)	(2,795)
	-	-	-	(2,795)	(2,795)
Purchase of shares by ESOP	-	-	(19)	-	(19)
At 31 December 2022	22	264	(23)	(8,728)	(8,465)
At 1 January 2021	22	264	(24)	(3,284)	(3,022)
Total comprehensive loss for the year					
Loss for the financial year	-	-	-	(2,649)	(2,649)
	-	-	-	(2,649)	(2,649)
Sale of shares by ESOP	-	-	20	-	20
At 31 December 2021	22	264	(4)	(5,933)	(5,651)

The notes on pages 17 to 32 are an integral part of the financial statements.

Ensco 1327 Limited
Company Number 11830874

Consolidated cash flow statement for the year ended 31 December 2022

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Cash flows from operating activities		
Loss for the period	(4,712)	(2,295)
Adjustments for:		
Depreciation of tangible fixed assets	618	199
Amortisation of intangible fixed assets	3,705	3,705
Interest receivable and similar income	(17)	(16)
Interest payable and similar expenses	2,498	2,327
Taxation	423	464
(Increase)/decrease in debtors	930	(3,730)
(Increase)/decrease in work in progress	51	(143)
Increase/(decrease) in creditors	(1,731)	(42)
Foreign exchange differences	(120)	(133)
Net cash generated from operating activities	1,645	336
Cash flows from investing activities		
Interest received	17	15
Interest paid	(273)	(298)
Tax paid	(234)	(313)
Acquisition of tangible fixed assets	(633)	(298)
Net cash used in investing activities	(1,123)	(894)
Cash flows from financing activities		
Repayment of bank loan	(1,575)	(525)
Net cash used in financing activities	(1,575)	(525)
Net decrease in cash at bank and in hand	(1,053)	(1,083)
Cash at bank and in hand at the beginning of the year	7,713	9,029
Foreign exchange gains/(losses) on cash at bank and in hand	327	(233)
Cash at bank and in hand at the end of the year (note 16)	6,987	7,713

Notes on pages 17 to 32 form part of the financial statements.

EnSCO 1327 Limited
Company Number 11830874

Notes to the financial statements for the year ended 31 December 2022

1 General Information

EnSCO 1327 Limited (the "Company") and its subsidiaries (together "the Group") operate as an international business communications consultancy. The Company is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is First Floor, 65 Gresham Street, London EC2V 7NQ.

2 Statement of Compliance

These Group and parent company financial statements have been prepared in compliance with United Kingdom Accounting Standards including the Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102"), and the Companies Act 2006. The presentation currency of these financial statements is Pound Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

3 Summary of significant accounting policies

Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through profit and loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in this note.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The parent Company is a qualifying entity as its results are included in the consolidated financial statements which are publicly available.

As a qualifying entity, the Company has taken advantage of the following exemptions:

- i. from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102; the Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its group parent company includes the Company's cash flows in its own consolidated financial statements;
- ii. from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- iii. from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- iv. from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

Basis of measurement

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value.

Going concern

There has been a delay in the signing of the accounts due to time taken to secure additional investment from our majority shareholders LDC. In securing this additional funding we will be able to repay the existing bank loan and remove onerous bank covenants.

In adopting the going concern basis for the preparation of our financial statements, the Directors have conducted a thorough evaluation covering various crucial factors:

- Future Trading Prospects: We have extensively examined the future trading prospects of the Group's businesses, gaining valuable insights into the sustainability of our operations. The analysis indicates that Instinctif is well-positioned to achieve improved EBITDA in 2024 following a rightsizing period in 2023, back to levels seen in 2021.
- Liquidity Position: The Group's available liquidity has been a focal point, with a detailed assessment of our ability to meet short-term financial obligations and working capital needs.
- Debt Maturities and Borrowing Covenants: Our evaluation extends to the Group's debt maturities and obligations under borrowing covenants, and we are committed to fulfilling our financial commitments.
- Principal Risks: We have factored in the Group's principal risks, as outlined in the Strategic Report, in our assessment. We remain vigilant in addressing and mitigating these risks.

To maintain ongoing liquidity and flexibility, the Group relies on day-to-day working capital requirements sustained through operating cash flows. By 15 March 2024, the business will have repaid term loans with banking partners following further investment into the business from LDC via preferential loan notes with a maturity date of 30 September 2026. In addition, the RCF will be removed in totality and replaced with a bi-lateral guarantee between Instinctif Partners and HSBC.

In our evaluation, the Directors have developed various trading scenarios looking 12 months beyond the accounts' signing date, enabling us to assess our ability to continue as a going concern.

Based on our forecasts and projections, accounting for potential changes in trading performance, we are confident that the Group no longer needs a financing facility and can operate on its day to day working capital. We have received written confirmation that the maturity date of the existing loan notes has been extended to 30 September 2026.

Looking ahead, the Directors acknowledge a reduced performance in 2023 compared to 2022 due mainly to the macro environment but anticipate a significantly improved EBITDA performance in 2024 due to the cost restructuring undertaken in 2023. There is potential for 2024 to surpass revenue projections as clients free up greater budgets, driven by reduced inflationary pressures. Our current performance aligns with expectations, and we foresee significant growth potential across all practices, especially within the MENA region.

To maintain conservatism, we have conducted downside scenario testing, considering a range of revenue reductions from 0% to 13% from the base case. Any adverse impacts will be mitigated through levers within Instinctif's control, including gross margins and operating expenses.

Cash

Cash levels are strong driven by managing the cash position tightly over 2023 and during the period under review cash balances remain at more than adequate levels to fund the Group's planned activities. Cash balances, as at the time of signing this report, stand at some £2.3m at end of January 2024, before additional LDC funding and final repayment of bank loan.

EnSCO 1327 Limited
Company Number 11830874

Notes to the financial statements for the year ended 31 December 2022 (continued)

Going concern (continued)

Lending Covenants

All lending covenants will be removed from the business at the point of investment, with simultaneous drawdown of new funding and repayment of existing bank loans.

Going concern basis

Based on the scenarios modelled the Directors believe that the Group is well placed to manage its financing and other business risks satisfactorily and have been able to form a reasonable expectation that the Group has adequate resources to continue in operation for at least twelve months from the signing date of these consolidated financial statements.

The Directors therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. The Directors acknowledge that, whilst they are comfortable that uncertainties in cash flows referred to above are not material there are always market uncertainties that could impact trading. However, as noted above the cash balance remains strong. Other factors considered as part of the going concern review are the current challenging conditions caused by the macro-economic environment, the impact of the war in Ukraine, European political uncertainty, high inflation rates and tightening monetary policy, and a consequential risk of a recession. All these factors are reviewed and discussed on a continuing basis at the Board and there are plans to ensure action is taken to mitigate risk to the Group if needed.

Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and its subsidiary undertakings ("the Group") up to 31 December 2022.

A subsidiary is an entity that is controlled by the Group. The acquisition method of accounting has been adopted for all acquisitions. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

An associate is an undertaking in which the Group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence but not control. The Group's share of the profits less losses of associates is included in the consolidated profit and loss account and its interest in their net assets, other than goodwill, is included in investments in the consolidated balance sheet.

A joint venture is a contractual arrangement undertaking in which the Group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group's share of the profits less losses of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method.

Where a group company is party to a joint venture which is not an entity, that company accounts directly for its part of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis.

Highlighted items and alternative measures of performance

The Directors consider that EBITDA excluding highlighted items, or 'underlying EBITDA', is a measure of performance that provides a useful alternative measure of the underlying performance of the Group. EBITDA excluding highlighted items is defined as Operating profit/(loss) before taxation, depreciation, goodwill amortisation and highlighted items. EBITDA is defined as Operating profit/(loss) before taxation, depreciation, interest and amortisation.

Alternative performance measures

EBITDA and EBITDA excluding highlighted items, detailed above are two of the primary KPIs on which financial performance of the group is measured and monitored. This is a non-GAAP measure of performance which management considers to be both useful and necessary. It is used by management for internal performance analyses; the presentation of this measure facilitates comparability with other companies, although management's measure may not be calculated in the same way as similarly titled measures reported by other companies; and these measures are useful in connection with discussions with the investment community. EBITDA and EBITDA excluding highlighted items are not measures of financial performance under UK GAAP and should not be considered as an alternative to operating profit or as a measure of liquidity or an alternative to net income as indicators of our operating performance or any other measure of performance derived in accordance with UK GAAP.

The principle of EBITDA excluding highlighted items is to exclude any credits or charges through profit or loss that are not reflective of the financial operating performance of the business. This allows management to better assess performance of continuing operations to manage the business going forward.

Highlighted items

Consist of standalone non-recurrent costs that are expensed through the statement of profit and loss in relation to acquisition activity and restructuring; as well as profit or loss on disposal of tangible assets, intangibles assets, subsidiaries and associates.

Turnover

Turnover represents the total invoice value, net of value added tax, for the rendering of services and goods supplied by the Group and comprises charges for fees, commissions and rechargeable expenses incurred on behalf of clients. Gross profit is turnover less amounts payable on behalf of clients to external suppliers where they are retained to perform part of a specific client project or service, and represents fees, commissions and mark-ups on rechargeable expenses.

Turnover derived from retainers is recognised evenly on a monthly basis over the life of the retainer contract. Turnover for time-charge based work is recognised when the service is performed in accordance with the contract. For fixed fee projects, revenue is only recognised once the final outcome can be assessed with reasonable certainty, and the stage of completion is determined relative to the total number of hours expected to complete the work or provision of services.

Turnover and gross profit reflect the fair value of the proportion of the work carried out in the year by recording turnover and related costs as service activity progresses.

Where turnover is recognised for a given period on the basis of time spent and services given but has not yet been invoiced to the customer, this is recorded as accrued income.

Where amounts have been invoiced to customers prior to the year end but will be recognised in future periods (on the basis of when time will be spent and services given), this is recorded as deferred income.

Ensco 1327 Limited
Company Number 11830874

Notes to the financial statements for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar expenses includes interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income includes interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in the profit or loss account as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

Taxation

Tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account 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 profit or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates, branch, joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. 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 and that are expected to apply to the reversal of the timing differences. 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.

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
- estimated amount of contingent consideration (see below); 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.

When the result of the above is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

Ensco 1327 Limited
Company Number 11830874

Notes to the financial statements for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

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 groups of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Negative goodwill

Negative goodwill arising on business combinations in respect of acquisitions is included on the balance sheet immediately below any positive goodwill and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in the profit or loss account in the periods expected to benefit.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses. These are amortised over 5 years.

The cost of intangible asset acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill varies from 5 to 20 years. Where the useful life of goodwill cannot be reliably estimated then it is assumed to be 5 years.

The company reviews 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 FRS102 Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired. The key assumptions used in assessing goodwill for impairment are set out in note 12.

Ensco 1327 Limited
Company Number 11830874

Notes to the financial statements for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Short leasehold property	over the lease terms
Fixtures and fittings	20% per annum
Office and computer equipment	25% or 33% per annum; software over 1 year

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

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset and can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset were it to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the reversal of the impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply. Where appropriate conditions are noted, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

EnSCO 1327 Limited
Company Number 11830874

Notes to the financial statements for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Investments

In the Company financial statements, investments in subsidiary undertakings are stated at cost less any provision for impairment.

Foreign currencies

Transactions in foreign currencies are translated into the Group companies' functional currencies at the foreign exchange rate ruling using the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the foreign translation reserve.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Work in progress

Work in progress includes external costs incurred on behalf of customers but not yet recharged at year end. When the costs are charged to clients they are reflected in cost of sales.

Borrowings

Immediately after issue, debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Issue costs for bank facilities are amortised in the profit and loss account over the term.

Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Employee benefits

Defined contribution plans

The Group operates a defined contribution pension scheme. 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 and loss account in the periods during which services are rendered by employees.

Cash and liquid resources

Cash, for the purpose of the Consolidated cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year.

Reserves

Called up share capital reserve represents the nominal value of the shares issued.

The share premium accounts includes the premium on the value of equity shares, net of any issue costs.

Foreign currency translation reserve includes foreign currency differences arising on translation.

ESOP share reserve represents the cost of the shares of the Company held by the Employee Share Ownership Plan (ESOP) trust for the purpose of long-term incentive schemes for employees.

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Notes to the financial statements for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and
- (b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

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 using the effective interest method, 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 using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, typically the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash at bank and in hand

Cash at bank and in hand 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 at bank and in hand for the purpose of the cash flow statement only.

Government grants

Grants through the UK Government's furlough scheme are presented as other income and are not presented net against the related staff cost expense.

Significant judgements and sources of estimation uncertainty

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and costs. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment losses on goodwill

The Group reviews its goodwill for indications of impairment. Full details of the assessment can be found in note 12.

Turnover recognition

Determining the amount of revenue to recognise in respect of project work ongoing at the year end. Factors taken into account in assessing the percentage of completion of a project include hours worked versus budget, project phases, milestones completed and deliverables issued to the client.

Employee Share Ownership Plan

The Group has judged that the Employee Share Ownership Plan (ESOP) is under the de facto control of the Company. This judgement has resulted in the ESOP's assets and liabilities being recognised on the parent company and consolidated balance sheets.

Recoverability of trade and intercompany receivables

The carrying amounts of the Group and Company's balances receivable from trade debtors and other group companies are reviewed at each reporting date to determine whether there are any recoverability issues. If any such issues exist, then the recoverable amount is estimated and the balance is provided for.

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Notes to the financial statements for the year ended 31 December 2022 (continued)

4 Turnover

The Group operates as an international business communications consultancy. All turnover is derived from the Group's principal activities. The table below analyses the turnover by geographical market.

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
United Kingdom	25,807	21,193
Europe	7,781	10,065
Rest of world	9,179	6,495
	42,767	37,753

Turnover is allocated based on the location of the client.

5 Other income

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Other income	-	48

Other income relates to receipts from the UK Government's furlough scheme from January to April 2021.

6 Highlighted items

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Staff termination and restructuring costs	806	-
Other highlighted items	101	74
	907	74

Highlighted items, which are described below, have been separately identified because of their size, nature and because they are non-recurring. In the opinion of the Directors, these amounts are required to be separately identified to enable a full understanding of the Group's underlying financial performance.

Highlighted items for the year ending 31 December 2022 related to:

- Staff termination costs relate to restructuring of particular areas of the Group's operations.

- Other highlighted items relate mainly to the rationalisation of the Group structure to wind up College Group Limited, Tower Buyco Limited, Tower Financing Limited and Tower Midco Limited.

7 Operating (loss)/profit

The Group operating (loss)/profit is stated after charging/(crediting):

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Depreciation of tangible fixed assets	618	199
Amortisation of intangible fixed assets	3,705	3,705
Hire of plant and machinery - operating leases	66	62
Hire of other assets - operating leases	1,472	1,146
Foreign exchange differences	(170)	180
Services provided by the Group's auditors and its associates		
Fees payable to the Group's auditor for the audit of parent company and consolidated financial statements	34	20
Fees payable to the Group's auditor and its associates:		
The audit of Company's subsidiaries pursuant to legislation	152	123
Tax compliance and filing services	33	26

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Notes to the financial statements for the year ended 31 December 2022 (continued)

8 Staff costs

Group staff costs

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Wages and salaries	18,910	16,300
Social security costs	1,955	1,697
Other pension costs	568	544
	21,433	18,541

Directors' remuneration from the Group during the year was as follows:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Directors' emoluments	790	557
Company contributions to money purchase pension schemes	21	16
Amounts paid to third parties in respect of directors' services	104	100
	915	673

The number of directors to whom retirement benefits are accruing at 31 December 2022 under money purchase schemes amounted to 2 (2021: 2).

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Highest paid director		
Directors' emoluments	211	189

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

	Year ended 31 December 2022 Number	Year ended 31 December 2021 Number
Directors	6	6
Business communications consultants	321	271
	327	277

9 Interest receivable and similar income

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Bank interest receivable	17	15
	17	15

10 Interest payable and similar expenses

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Bank loan and overdraft interest	273	298
Loan note interest	2,225	2,029
	2,498	2,327

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Notes to the financial statements for the year ended 31 December 2022 (continued)

11 Taxation

a) Tax expense included in profit or loss

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Analysis of credit in period		
<i>Current tax</i>		
Current tax on income for the year	-	91
Adjustments in respect of prior periods	(174)	2
Overseas tax	126	310
Total current tax	(48)	403
<i>Deferred tax (see note 20)</i>		
Origination and reversal of timing differences	482	238
Effect of rate change	-	(177)
Adjustments in respect of previous years	(11)	-
Total deferred tax	471	61
Tax expense included in the profit and loss account	423	464

b) Reconciliation of tax charges

Tax assessed for the year is higher (2021: higher) than the stated rate of corporation tax in the UK for the period ended 31 December 2021 of 19% (2021: 19%). The differences are explained below.

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Loss before tax	(4,289)	(1,831)
Loss multiplied by the standard rate of tax in the UK of 19% (2020: 19%)	(815)	(348)
Fixed asset differences	57	56
Tax rates in foreign jurisdictions	-	65
Expenses not deductible for tax purposes	952	1,110
Income not deductible for tax purposes	(3)	(99)
Other permanent differences	-	(13)
Remeasurement of deferred tax for changes in tax rates	21	(259)
(recognition) of previously unrecognised tax losses	-	(48)
Movement in deferred tax not recognised	396	-
Adjustment in respect of prior years	(185)	-
Tax charge for the year	423	464

c) Tax rate changes

The Finance act 2021 was substantially enacted in May 2021 and has increased the rate from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using the rates expected to apply in the reporting period when the timing differences reverse.

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Notes to the financial statements for the year ended 31 December 2022 (continued)

12 Goodwill

Group	Goodwill £000
At 31 December 2021	
Cost	18,535
Accumulated amortisation	(8,611)
Net book value	9,924
Year ended 31 December 2022	
Opening net book value	9,924
Amortisation	(3,705)
At 31 December 2022	6,219
At 31 December 2022	
Cost	18,535
Accumulated amortisation	(12,316)
Net book value	6,219

In accordance with the Group's accounting policy, the carrying value of goodwill is reviewed for impairment when there is an indication that it might be impaired. The net book value of the Goodwill balance has been compared against the discounted expected future cash flows of the Group over the next five years of trading. This is based on average revenue growth of 10% over this period and a discount rate of 13% applied. Based on this analysis, there is no indication of impairment of Goodwill.

13 Tangible assets

Group	Fixtures and fittings £000	Short leasehold property £000	Office and computer equipment £000	Total £000
At 31 December 2021				
Cost	40	336	376	752
Accumulated depreciation	(9)	(106)	97	(18)
Net book value	31	230	473	734
Year ended 31 December 2022				
Opening net book value	31	230	473	734
Additions	10	86	537	633
Disposals costs	-	-	(20)	(20)
Disposal accumulated depreciation	-	-	20	20
Depreciation	(18)	(96)	(503)	(617)
Foreign exchange differences	(1)	5	13	17
At 31 December 2022	22	225	520	767
At 31 December 2022				
Cost	50	422	893	1,365
Accumulated depreciation	(28)	(197)	(373)	(598)
Net book value	22	225	520	767

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14

Investments

Company	Shares in subsidiary undertakings £000
Cost at 31 December 2021	4,432
As at 31 December 2022	4,432

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital at the year end are listed below. The registered office of each London company is First Floor, 65 Gresham Street, London EC2V 7NQ, United Kingdom unless otherwise stated.

- All companies were incorporated in the United Kingdom and are registered in England and Wales unless otherwise stated. All holdings are in ordinary shares.
- The voting rights in respect of each subsidiary and associate are in the same proportion as the shares held.
- All companies operate principally in their country of incorporation.
- All subsidiaries have a year end of 31 December.
- All subsidiary undertakings disclosed above are included within the Group consolidated financial statements.

Name	Registered office (if not London)	Percentage of shares held by		Nature of business
		Group	Company	
Instinctif Partners Holdings Limited			100%	Holding company
Execove Limited		100%		Business communications
*Instinctif Partners Intermediate Holdings Limited		100%		Holding company
*Instinctif Deutschland GmbH	Im Zollhafen 6, 50678 Cologne, Germany	100%		Business communications
*Instinctif Empowerment Proprietary Limited	9 Ntemi Piliso Street, Marshalltown, Johannesburg, Gauteng, 2001, South Africa	49%		Holding company
*Instinctif Partners (SA) Pty Limited**	The Firs 3012 - 3rd Floor, Cnr Craddock and Biermann Road, Rosebank Gauteng 2196, South Africa	40%		Business communications
*Instinctif Partners Limited		100%		Business communications
*Instinctif Partners PR Limited		100%		Holding company
*Instinctif Communications DMCC JLT	Office 609, Indigo Tower, Cluster D, Jumeirah Lakes Tower, Dubai	100%		Business communications
*Instinctif Partners for Public Relations and Communication	4th Floor, Unit 43, M7 Tower King Fahd Branch Rd, As Sahafah, Riyadh 13315, Saudi Arabia	100%		Business communications
*Instinctif Partners Policy Action SRL	Rue du Trone 60, 1050 Brussels, Belgium	100%		Business communications
*Instinctif Partners Public Affairs Limited	Suite 206, Pembroke House, Upper Pembroke Street 28-31 Dublin, Ireland	100%		Business communications
*Instinctif Partners Inc dba Strategic Truth	116 Nassau Street, 6th Floor, New York, NY 10038, USA	100%		Dormant
*Truth Consulting Limited		100%		Strategic research
*Digital Partners (PTY Ltd)	The Firs 3012 - 3rd Floor, Cnr Craddock and Biermann Road, Rosebank Gauteng 2196, South Africa	100%		Business communications
*College Hill Limited		100%		Dormant

*Held indirectly.

**In addition to the direct holdings, 29% is held indirectly.

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Notes to the financial statements for the year ended 31 December 2022 (continued)

15 Debtors

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
<i>Amounts falling due within one year:</i>				
Trade debtors	7,190	8,004	-	-
Amounts owed by Group undertakings	-	-	-	17,571
Other debtors	439	512	54	33
Corporation tax	13	-	-	-
Deferred tax (see note 20)	-	472	-	-
Prepayments	1,374	1,050	18	2
Accrued income	852	1,280	-	-
	9,868	11,318	72	17,606
<i>Amounts falling after more than one year:</i>				
Amounts owed by Group undertakings	-	-	15,342	-
Other debtors	429	436	-	-
	10,297	11,754	15,414	17,606

Amounts owed by Group undertakings are unsecured, interest-free and have no fixed date of repayment.

Those amounts not expected to be recovered within 12 months of the balance sheet date have been included within amounts falling due after more than one year.

16 Cash at bank and in hand

	Group 2022 £000	Group 2021 £000
Cash at bank and in hand	6,987	7,713

17 Creditors: amounts falling due within one year

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Bank loans and overdrafts (see note 19)	3,950	1,575	3,950	1,575
Trade creditors	1,621	1,422	235	242
Amounts owed to group undertakings	-	-	343	343
Taxation and social security	623	642	-	-
Corporation tax	-	183	-	-
Other creditors	1,307	1,658	-	-
Accruals	3,271	4,034	164	136
Deferred income	2,461	3,258	-	-
	13,233	12,772	4,692	2,296

Amounts owed to Group undertakings are unsecured, interest free and have no fixed date of repayment.

18 Creditors: amounts falling due after more than one year

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Bank loans (see note 19)	-	3,950	-	3,950
Loan notes (see note 19)	23,619	21,443	23,619	21,443
	23,619	25,393	23,619	25,393

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Notes to the financial statements for the year ended 31 December 2022 (continued)

19

Borrowings

	Bank loans and overdrafts 2022 £000	Bank loans and overdrafts 2021 £000	Loan notes 2022 £000	Loan notes 2021 £000
Group and Company				
Creditors falling due:				
Within one year	3,950	1,575	-	-
In the second to fifth years	-	3,950	23,619	21,443
	3,950	5,525	23,619	21,443

Bank borrowings

The Group has banking facilities with HSBC Bank plc ("HSBC") and Bank of Ireland consisting of a term loan and an ancillary Revolving Credit Facility.

As part of the banking facility, HSBC issued a £939k guarantee on behalf of Instinctif Partners Holdings Limited, a subsidiary company, in favour of JPMorgan Chase Bank, National Association.

Bank borrowings are secured by a fixed and floating charge, in favour of HSBC and Bank of Ireland, over all or substantially all of the property and assets of the Group's material subsidiary undertakings.

As at 31 December 2022 amounts owed on the term loan and revolving credit facility were £1,450,000, and £2,500,000 respectively.

Loan notes

The loan notes issued by the Company, bear interest at 10% p.a. until 4th September 2023 and 12% p.a. thereafter, compound annually and have a repayment date of 30th September 2026. The movement in loan notes during the year is as follows:

	2022 £000	2021 £000
Group		
Loan notes plus accrued interest at the start of the year	21,443	19,524
Purchase by ESOP	(49)	(110)
Interest expense for the year	2,225	2,029
At the end of the year	23,619	21,443

In respect of interest bearing financial liabilities, the table below sets out the effective rates and the periods in which interest rates are reassessed.

	2022 Effective interest rate	Total	2021 Effective interest rate	Total
	%	£000	%	£000
Bank loans	2.95% - 6.92%	3,950	2.91% - 3.96%	5,525
Loan notes	10%	23,619	10%	21,443
		27,569		26,968

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Deferred tax

Recognised

	2022 £000	2021 £000
Group		
At beginning of the year	472	533
Charged to the profit and loss account (note 11)	(471)	(61)
At end of the year	-	472

The Group has recognised deferred tax assets as follows:

	2022 £000	2021 £000
Group		
Excess of capital allowances over depreciation	-	373
Unused tax losses	-	99
Deferred tax asset included within current assets (note 15)	-	472

Deferred tax assets amounting to £1,363,000 (2021: £635,000) on losses in the year have not been recognised as it is not probable that they will be able to be utilised against future taxable profits.

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Notes to the financial statements for the year ended 31 December 2022 (continued)

21 Defined contribution pension plans

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was £568,000 (2021: £544,000). Contributions amounting to £122,000 (2021: £87,000) are included in creditors at the year end.

22 Called up share capital

Allotted, called up and fully paid

Group and company	2022 Number	£	2021 Number	£
A Ordinary shares of £0.01 each	700,000	7,000	700,000	7,000
B Ordinary shares of £0.05 each	30,259	1,513	30,259	1,513
C Ordinary shares of £0.05 each	269,741	13,487	269,741	13,487
	1,000,000	22,000	1,000,000	22,000

All classes of shares carry equal voting and dividend rights, save that the A Ordinary shares have additional voting rights in certain limited circumstances prescribed by the Articles of Association.

23 Reserves

Reserves of the Company represent the following:

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Foreign currency translation reserve

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

ESOP share reserve

The employee share ownership plan (ESOP) was established in September 2019 to provide for the future obligations of the company for shares. At 31 December 2022, 35,091 shares are held by the ESOP scheme (2021: 12,643 shares) at a cost of £23,000 (2021: £4,000). Shares in the company held by the ESOP scheme are deducted from equity and amounts can be seen in the "ESOP share reserve".

Profit and loss account

Profit and loss account represents cumulative profits or losses.

24 Commitments

a) Financing commitments

	2022 £000	2021 £000
Payments due		
Not later than one year	1,453	1,392
Later than one year and not later than five years	2,028	2,551
Later than five years	131	-
	3,612	3,943

The Group leases assets under non-cancellable operating lease agreements. The original lease terms are between 1 and 12 years and the majority of lease agreements are renewable at the end of the lease period at market rate.

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Notes to the financial statements for the year ended 31 December 2022 (continued)

25 Related party disclosures

Group

Transactions with key management personnel

Total compensation of key management personnel in the year, who comprise the Directors of the Group, amounted to £915,000 (2021: £673,000).

The directors hold loan notes issued by the company. The loan notes bear interest at 10% pa and have a repayment date of 30th September 2026. The amount due to the directors in respect of the loan notes as at 31st December 2022 is £564,000 (2021 - £511,000)

Identity of related parties with which the Company has transacted

During the year, the Group and Company paid amounts totalling £104,000 to LDC (Managers) Limited in relation to their services as directors (2021: £100,000). £233,000 was still outstanding and included in creditors at the year end (2021: £130,000)

As at 31 December 2022, the Group and Company has outstanding loan balances with LDC. These loan balances represent financial transactions conducted with an entity that has a close relationship with the Group and Company. The terms of these loans, including interest rates and repayment terms, are disclosed in the financial statements. The outstanding loan balance with LDC as of 31 December 2022 was £22,639,000 (2021: £20,510,000).

Company

The Group and Company has taken advantage of the exemption contained in FRS 102 section 33.1A and has therefore not disclosed transactions or balances with other wholly owned entities which form part of the Group (or investees of the group qualifying as related parties).

26 Group parent undertaking and controlling party

Ensco 1327 Limited is the group parent company of the Instinctif Partners Group which comprises the entities set out in note 14. These financial statements are the largest and smallest of the group in which the company is consolidated.

The financial statements can be obtained from the Company's registered office which is First Floor, 65 Gresham Street, London, EC2V 7NQ.

The ultimate controlling company is Lloyds Banking Group plc, whose registered office is at The Mound, Edinburgh, EH1 1YZ.

27 Post balance sheet events

During 2023 the Group has expedited payments of its term loans with its incumbent banks by paying down £2.9m of debt, this leaves an outstanding balance of £1m which is due to be repaid in March 2024. As at the date of approval of these financial statements, additional funding from LDC has been secured by way of loan notes with a maturity date of 30 September 2026. In addition the maturity date for all existing loan Notes held within the business have been extended to 30 September 2026. This funding will be used to settle the remaining bank debt and outstanding interest and inject additional working capital into the business.

Since 31 December 2022, the Group has undertaken expansion in the Middle East with the opening of an office in Saudi Arabia.

At the end of 2023 a restructuring exercise was carried out to right-size the business, this impacted the UK and German offices, all employees involved will have left the business by early 2024.

A new chairman was appointed in February 2024, plus a new CEO in March 2024 and a new head of practice joined the Truth business late 2023.

In addition to the above items there was two board of director changes with the appointment of both Davide Talliente and James Evans as Chairman and Chief Financial Officer respectively. Davide Talliente since resigned on 13th December 2023.