

## **H H Associates Limited**

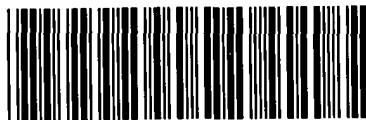
**Annual report and Financial Statements**

**For the year ended**

**31 March 2019**

**Company Number 02671533**

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## **H H Associates Limited**

### **Annual Report and Financial Statements for the year ended 31 March 2019**

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#### **Directors**

R J F MacMillan  
K Dunckley  
L G Humphreys  
M E Perez  
E J Parsons  
S C C Nunn

#### **Secretary and registered office**

E J Parsons (resigned 29 August 2018)  
R Schu (appointed 29 August 2018)

Grove House, Guildford Road, Leatherhead, Surrey, KT22 9DF

#### **Company number**

02671533 (Registered in England and Wales)

#### **Auditor**

Deloitte LLP, Statutory Auditor, London, EC4A 3HQ, United Kingdom

#### **Bankers**

HSBC, 9 The Boulevard, Crawley, West Sussex, RH10 1UT

# H H Associates Limited

## Strategic Report for the year ended 31 March 2019

The directors present their strategic report for the entity for the year ended 31 March 2019.

### I. Principal Activity

H H Associates Limited ("H H Associates/ the Company") is an international marketing execution business and a trusted strategic partner to leading brands, using people, data and technology to deliver content creation and outsourced procurement services, across multiple marketing delivery channels globally.

### II. Review of the Business and Key Performance Indicators

The table below shows H H Associates trading performance over the last five years and details the key performance indicators monitored by the directors:

£'000	For the year ended				
	31/03/2019	31/03/2018	31/03/2017	31/03/2016	31/03/2015
Total Turnover	80,335	70,542	60,986	38,742	34,029
Net Revenue margin <sup>2</sup>	30.0%	29.9%	30.1%	26.8%	23.6%
Adjusted EBITDA <sup>3</sup>	5,298	4,917	4,640	2,054	1,531
Adj EBITDA Margin <sup>1</sup>	22.0%	23.3%	25.3%	19.8%	19.1%
Net debt <sup>4</sup>	(4,150)	(3,083)	(3,959)	(4,281)	(4,550)

- Adjusted EBITDA Margin is calculated as Adjusted EBITDA as a percentage of Net Revenue.
- Net Revenue % is calculated as gross profit being turnover less cost of sales as a percentage of total turnover.
- A reconciliation of adjusted EBITDA, an alternative performance measure and non-GAAP measure, to reported operating profit is given in the table below:

£'000	31/03/2019	31/03/2018	31/03/2017	31/03/2016	31/03/2015
Adjusted EBITDA	5,298	4,917	4,640	2,054	1,531
Depreciation & Amortisation	(180)	(144)	(1,248)	(837)	(754)
Exceptional costs	-	(95)	(70)	(345)	(1,207)
Foreign exchange (loss)/gain	(293)	425	(1,295)	(479)	(489)
Operating profit/(loss)	4,825	5,103	2,027	393	(919)

- Net debt is calculated as the total cash at bank less the drawn down value of the invoice discounting facility.

### Turnover

The Company's turnover grew significantly during the financial year from £70.5m to £80.3m, a 14% year-over-year increase, reflecting the impact of a new client, JD Sports, during the year as well as a net increase in volumes from existing clients.

### Net Revenue

Total net revenue grew by £3m year on year, reflecting the impact of the increased client activity referred to above, whilst net revenue margin remained in line with last year at 30.0%.

## **H H Associates Limited**

**Strategic report (*continued*)  
for the year ended 31 March 2019**

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### ***Adjusted EBITDA***

Adjusted EBITDA is the foremost profitability metric used by the Directors to judge the performance of the Company. During the financial year, Adjusted EBITDA grew by 7.7% to £5.3m, reflecting both the increased net revenue generated from operations which more than offset the increase in overhead costs as the Company supported the growth in new contracts.

### ***Net Debt and Liquidity***

Net debt increased during the year by £1.1m to £4.1m despite strong EBITDA performance during the year due to increased utilisation of the HSBC ID facility. During the year the Company continued to utilise the invoice discounting working capital facilities provided by HSBC to support the day to day operations of the business. The Company is included in a group invoice discounting facility which is capped at £14m. At 31 March 2019 this group had a significant surplus available under this facility.

## **III. Principal Risks and Uncertainties and Financial Risk Management**

### **Principal risks and uncertainties**

The directors consider the principal risks and uncertainties facing the Company to be as follows.

#### ***Loss of a key client***

The Company's core client base is spread across different countries and industry sectors. Despite this geographical and industry sector split, the loss of a major client is a significant operating risk. The Company seeks to mitigate this risk due to a very strong record on client retention, built upon close day-to-day client relationships and its ability to deliver ongoing creative procurement solutions.

#### ***Data loss and risk of cyber attack***

The Company is susceptible to the risks associated with data loss or cyber-attack. The Company sets out to mitigate these risks through regular employee training, data policy compliance review, threat analysis, internal and external data audits and vulnerability scanning.

#### ***Macroeconomic factors***

In common with most companies, H H Associates is susceptible to the downturn in economic conditions given the global nature of its clients and the diverse economies in which it operates. The directors are constantly assessing and taking action as appropriate in relation to key operating risks such as: changes to local and global economic conditions, changes to regulatory frameworks, the impact of inflation on prices and earnings, and the impact of foreign exchange movements on profits.

#### ***Brexit***

Despite the Company being based in the EU and part of an International group with operations across Europe, the directors do not believe that the Company will be significantly impacted by the UK's decision to leave the EU, other than if this was to result in a prolonged period of reduced spending levels across Europe, as referenced above. However, the directors have been prudent in forecasting future performance and have a relatively low level of concentration per client. The fixed costs within the business means we are able to respond quickly to any reduction in demand.

### **Financial risk management**

H H Associate's activities expose it to a number of financial risks; the key items and the Company's related management objectives and policies are as follows:

#### ***Liquidity and cash flow risk***

Liquidity risk arises from the Company's management of working capital and is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company largely financed its operations throughout the year through invoice discounting facilities. The directors constantly monitor cash flow and take appropriate action when additional funds are required.

## **H H Associates Limited**

**Strategic report (*continued*)  
for the year ended 31 March 2019**

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### ***Credit risk***

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations. The Company's policy in respect of credit risk requires appropriate credit checks on potential customers before contracts are signed, and thereafter close management of outstanding debt and debtor ageing.

### ***Foreign exchange risk***

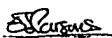
Foreign exchange risk arises when the Company enters into transactions denominated in a currency other than its functional currency. The Company mitigates against such risks by maintaining invoice discounting facilities in Sterling, Euros and US Dollars.

## **IV. Future Developments**

H H Associates is committed to investing in its technology infrastructure, staff and innovation and sustainability programmes across the full length of the production supply chain, to enable it to add more value to our clients' marketing activities. These investments and initiatives will enable the company to achieve its medium term growth targets.

## **Approval**

The strategic report was approved on behalf of the board on 23 August 2019.

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**E J Parsons  
Director**

## **H H Associates Limited**

### **Report of the directors for the year ended 31 March 2019**

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The directors present their report together with the audited financial statements for the year ended 31 March 2019. The requirements to disclose financial risk management objectives and policies and future developments in the directors' report have been covered in the Strategic Report.

#### **Results and dividends**

The income statement is set out on page 10 and shows the result for the year.

No interim dividend was paid during the year (2018 - £Nil). The directors do not recommend a final ordinary dividend (2018 - £Nil).

#### **Events after the balance sheet date**

There are no post balance sheet events to disclose.

#### **Existence of branches outside the UK**

The company has no branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK.

#### **Going concern**

A business overview and a review of future developments is provided in the Strategic report along with the Company's policies and processes for managing its financial risks. The directors have considered the use of the going concern basis in the preparation of the financial statements and conclude that it is appropriate. See the accounting policies in note 1 for further details on going concern.

#### **Employee consultations**

The Company maintains a close relationship with its employees by a conscious policy of informing them of relevant events and the state of the business through discussions, meetings, notices and by consulting employees.

#### **Employment of disabled persons**

The Company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Particular attention is given to the training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or perceptions of it. The Company's HR procedures make clear that full and fair consideration must be given to applications made by and the promotion of disabled persons. Where an employee becomes disabled whilst employed by the Company, the HR procedures also require that reasonable effort is made to ensure they have the opportunity for continued employment within the Company. Retraining of employees who become disabled whilst employed by the Company is offered, where appropriate.

#### **Diversity and Equal Pay**

At H H Associates, we foster a culture where all individual differences and diversity are encouraged. We champion equal rights and opportunities for everyone and take a clear stance on all forms of discrimination.

In 2018, we had an almost even male and female employee split – with a ratio of 1.1 males to 1 female. In the UK our mean gender pay gap was 27.7%. Whilst this is above the national average, if this calculation had been made without the inclusion of the H H Associates Board members, then our mean gender pay gap would have been 17.4%, just below the national average.

Our commitment to employees is the assurance of fair treatment and reward, irrespective of gender. We do not discriminate unlawfully and are free from bias, ensuring equal pay for equal value. We continue to apply best practice as part of our hiring processes and continue to build on our existing family friendly policies and flexible working requests in order to encourage a diverse set of candidates and employees for all our roles.

#### **Political contributions**

The Company did not make any political donations during the year (2018: £Nil).

## H H Associates Limited

### Report of the directors (*continued*) for the year ended 31 March 2019

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#### Research and Development

H H Associates made no investment in research and development during the period covered by these accounts (2018: £Nil).

#### Directors

The directors of the Company during the year and at the date of this report were as follows:

R J F MacMillan  
L G Humphreys  
K Dunckley  
M E Perez  
E J Parsons  
S C C Nunn

#### Directors' insurance and indemnities

The Company maintains directors' and officers' liability insurance which gives cover for legal actions brought against its directors and officers. In accordance with section 236 of the Companies Act 2006, qualifying third party indemnity provisions are in place for the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. Both the insurance and indemnities applied throughout the financial year and through to the date of this report.

#### Auditor

During the year the directors appointed Deloitte LLP as auditor of the Company.

Each of the persons who is a director at the date of approval of this report confirms that:

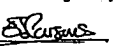
- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue. Under the Companies Act 2006 section 487(2) and appropriate arrangements have been put in place for them to be deemed to be re-appointed as auditor in the absence of an Annual General Meeting.

#### Approval

This directors' report was approved on behalf of the board on 23 August 2019.

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E J Parsons  
Director

## **H H Associates Limited**

### **Statement of directors' responsibilities for the year ended 31 March 2019**

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#### **Directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

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



## **H H Associates Limited**

### **Independent auditor's report for the year ended 31 March 2019**

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#### **Independent auditor's report to the members of H H Associates Ltd**

#### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of H H Associates Ltd (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31/03/2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

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 are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## **H H Associates Limited**

### **Independent auditor's report (*continued*) for the year ended 31 March 2019**

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#### **Other information**

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

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

We have nothing to report in respect of these matters.

#### **Responsibilities of directors**

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

## H H Associates Limited

### Independent auditor's report (*continued*) for the year ended 31 March 2019

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#### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

#### Use of our report

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



Chris Donovan (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

23 August 2019

## H H Associates Limited

### Income Statement for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Turnover	3	80,335	70,542
Cost of sales		(56,222)	(49,475)
<b>Gross profit</b>		<b>24,113</b>	<b>21,067</b>
Administrative expenses		(19,288)	(15,964)
<b>Operating profit</b>	4	<b>4,825</b>	<b>5,103</b>
Interest receivable and similar income	6	237	296
Interest payable and similar charges	7	(154)	(156)
<b>Profit before taxation</b>		<b>4,908</b>	<b>5,243</b>
Tax on profit	9	(106)	(672)
<b>Profit for the year</b>		<b>4,802</b>	<b>4,571</b>

All amounts relate to continuing activities.

The company has no other comprehensive income, other than those included in the results above, and therefore no separate statement of comprehensive income has been presented.

The notes on pages 13 to 24 form part of these financial statements.

**H H Associates Limited****Balance sheet  
at 31 March 2019**

Company Number 02671533	Note	2019 £'000	2019 £'000	Restated* 2018 £'000	Restated* 2018 £'000
<b>Fixed assets</b>					
Intangible assets	10		49		-
Tangible assets	11		329		267
			<u>378</u>		<u>267</u>
<b>Current assets</b>					
Work in Progress	12	74		71	
Debtors	13	27,091		20,256	
Cash at bank and in hand		1,042		791	
		<u>28,207</u>		<u>21,118</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(21,935)</u>		<u>(19,537)</u>	
<b>Net current assets</b>			<u>6,272</u>		<u>1,581</u>
<b>Total assets less current liabilities</b>			<u>6,650</u>		<u>1,848</u>
<b>Creditors: amounts falling due after more than one year</b>					
<b>Net assets</b>			<u>6,650</u>		<u>1,848</u>
<b>Capital and reserves</b>					
Called up share capital	16		40		40
Profit and loss account			6,610		1,808
<b>Shareholder's funds</b>			<u>6,650</u>		<u>1,848</u>

The financial statements were approved by the board of directors and authorised for issue on 23 August 2019.

DocuSigned by:  
  
 F89F4795F750485...  
 E J Parsons  
 Director

The notes on pages 13 to 24 form part of these financial statements.

*\*The results for H H Associates Limited for the year ended 31 March 2018 have been restated where indicated to remove the accounting entries booked in relation to the cash cancellation of unvested share options. This is because this cash cancellation should be accounted in the financial statements of the parent, HH Global Limited, as a deduction to the equity to reflect the underlying obligation of HH Global Limited with reference to the share options granted over its equity instruments but should not be accounted for by the Company*

*The adjustment removes the other reserve movement of £2.5m that was shown in the statement of changes in equity, therefore increasing the profit and loss account in the statement of changes in equity and the balance sheet. The adjustment also reduces amounts owed to group undertakings. There is no impact on the income statement.*

## H H Associates Limited

### Statement of changes in equity for the year ended 31 March 2018 and 31 March 2019

	Called up share capital £'000	Restated* Profit and loss account £'000	Shareholder's funds £'000
<b>1 April 2017</b>	<b>40</b>	<b>(2,763)</b>	<b>(2,723)</b>
<b>Comprehensive income for the year:</b>			
Profit for the year and total comprehensive income	-	4,571	4,571
<b>31 March 2018 (restated*)</b>	<b>40</b>	<b>1,808</b>	<b>1,848</b>
<b>Comprehensive income for the year:</b>			
Profit for the year and total comprehensive income	-	4,802	4,802
<b>31 March 2019</b>	<b>40</b>	<b>6,610</b>	<b>6,650</b>

The notes on pages 13 to 24 form part of these financial statements.

*\*The results for H H Associates Limited for the year ended 31 March 2018 have been restated where indicated to remove the accounting entries booked in relation to the cash cancellation of unvested share options. This is because this cash cancellation should be accounted in the financial statements of the parent, HH Global Limited, as a deduction to the equity to reflect the underlying obligation of HH Global Limited with reference to the share options granted over its equity instruments but should not be accounted for by the Company*

*The adjustment removes the other reserve movement of £2.5m that was shown in the statement of changes in equity, therefore increasing the profit and loss account in the statement of changes in equity and the balance sheet. The adjustment also reduces amounts owed to group undertakings. There is no impact on the income statement.*

## H H Associates Limited

### Notes forming part of the financial statements for the year ended 31 March 2019

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#### 1 Accounting policies

##### *Basis of preparation*

These financial statements relate to H H Associates Limited, a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is Grove House, Guildford Road, Leatherhead, Surrey, KT22 9DF.

The principal activities of the Company and the nature of the Company's operations are set out in the strategic report on pages 1 to 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The financial statements are also presented in pounds sterling.

These financial statements are prepared on the going concern basis and in accordance with the Companies Act 2006 as applicable to the companies using Financial Reporting Standard 102 ("FRS102").

These financial statements have been prepared in accordance with the accounting policies, set out below, which have been consistently applied to all the years presented, except as outlined in the changes in accounting policies and disclosures and company disclosure exemptions below.

##### *Changes in accounting policies and disclosures*

The Company has early adopted the Amendments to FRS 102 'The Financial Reporting Standard in the UK and Republic of Ireland' arising from the Financial Reporting Council (FRC) Triennial Review 2017: Incremental Improvements and Clarifications. These amendments are required to be adopted for financial periods beginning on or after 1 January 2019, and have not resulted in amendments in the Company.

##### *Company disclosure exemptions*

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel. Additionally, the Company has taken the exemption available under FRS 102 over requirements to disclose transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

##### *Going concern*

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report and the directors' report.

The Company meets its day-to-day working capital requirements through an invoice discounting facility with HSBC, which forms part of the overall facility available to the HH Global Group.

After having reviewed the Company's forecasts and projections, taking account of possible changes in trading performance and the continued support of the parent company HH Global Group Limited, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Consequently, they continue to adopt the going concern basis of accounting in preparing the financial statements

## H H Associates Limited

### Notes forming part of the financial statements (*continued*) for the year ended 31 March 2019

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#### 1 Accounting policies (*continued*)

##### *Turnover*

Turnover represents the value of print management and related services provided to external customers less value added tax and net of any discounts allowed. All income is recognised in the period in which goods are delivered or the service is provided.

##### *Intangible fixed assets - software*

Intangible fixed assets - software is stated at historical cost for development activities less accumulated amortisation and accumulated impairment losses, if any.

Amortisation is provided to write off the cost, less estimated residual values over the expected useful life of the software. It is calculated, from the date it is first placed into service, at the following rate:

Software - 20% to 33% per annum on cost

The need for impairment is assessed by comparison of the carrying value of the asset against the higher of its realisable value and value in use when changes occur in the Company's use of the software in question.

##### *Tangible fixed assets*

Tangible fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, except freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Computer equipment - 20%-33% per annum on cost  
Fixtures and fittings - 33% per annum on cost

The need for any tangible fixed asset write down is assessed by comparison of the carrying value of the asset against the higher of its realisable value and value in use.

##### *Work in Progress*

Work in progress is valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less additional costs to complete.

##### *Cash at bank and in hand*

Cash at bank and in hand is stated net of bank overdrafts, where the company has a legal right of set off and includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

##### *Financial instruments*

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.



## H H Associates Limited

### Notes forming part of the financial statements (*continued*) for the year ended 31 March 2019

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#### 1 Accounting policies (*continued*)

##### (i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method. Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

##### (ii) Investments

In the Company balance sheet, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

Investments denominated in foreign currency are translated at historical rates of exchange.

##### (iii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

##### (iv) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

## **H H Associates Limited**

### **Notes forming part of the financial statements (continued) for the year ended 31 March 2019**

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#### **1 Accounting policies (continued)**

##### *Current and deferred taxation*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted by the reporting date.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

##### *Foreign currencies*

###### *(a) Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in sterling, which is the Company's functional and presentational currency.

###### *(b) Transactions and balances*

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses are presented in the income statement within 'operating expenses'.

##### *Pension costs*

Contributions were made by the Company to the individual money purchase pension plans of certain employees of the Company during the year. Contributions to these plans were charged to the income statement. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

##### *Holiday pay*

A liability is recognised in respect of any unused holiday pay entitlement which has accrued at the balance sheet date and is available to be carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

## **H H Associates Limited**

### **Notes forming part of the financial statements (*continued*) for the year ended 31 March 2019**

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#### **1 Accounting policies (*continued*)**

##### *Leased assets: Lessee*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the income statement over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the income statement over the term of the lease. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the income statement on a straight-line basis over the term of the lease.

##### *Reserves*

Share Capital - Called up share capital represents the nominal value of shares issued.

Profit and loss account - The profit and loss account represents cumulative profits and losses net of distributions to owners.

#### **2 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

##### **Critical judgements in applying the Company's accounting policies**

The directors do not believe there are any critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### **Key source of estimation uncertainty**

The directors do not believe there are any key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## H H Associates Limited

### Notes forming part of the financial statements (*continued*) for the year ended 31 March 2019

#### 3 Turnover

Turnover is wholly attributable to the principal activity of the Company's print management and related services. An analysis of turnover by geographical market is given below:

	2019 £'000	2018 £'000
United Kingdom	69,831	60,895
Rest of Europe	9,751	9,173
Rest of the World	753	474
	<u>80,335</u>	<u>70,542</u>

#### 4 Operating profit

	2019 £'000	2018 £'000
Operating profit has been arrived at after charging/(crediting):		
Depreciation of tangible fixed assets - owned assets (Note 11)	179	144
Amortisation of intangible fixed assets (Note 10)	1	-
Rentals payable under operating leases:		
- land and buildings	159	146
Foreign exchange losses/(gains)	293	(425)
	<u>          </u>	<u>          </u>

The analysis of the auditor's remuneration is as follows:

	2019 £'000	2018 £'000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	64	6
	<u>          </u>	<u>          </u>
Total audit fees	64	6
	<u>          </u>	<u>          </u>
Taxation compliance services	41	50
	<u>          </u>	<u>          </u>
Total non-audit fees	41	50
	<u>          </u>	<u>          </u>

No services were provided pursuant to contingent fee arrangements.  
Note that the comparative figures are fees paid to the predecessor auditor.

## H H Associates Limited

### Notes forming part of the financial statements (*continued*) for the year ended 31 March 2019

#### 5 Employees

	2019 £'000	2018 £'000
Staff costs for all employees, including executive directors, consist of:		
Wages and salaries	17,557	14,307
Social security costs	1,842	1,675
Pension costs	385	324
	<u>19,784</u>	<u>16,306</u>

The average monthly number of employees, including directors, during the year was as follows:

	Number	Number
Directors	5	5
Production	190	187
Sales and administration	112	106
	<u>307</u>	<u>298</u>

#### Directors' remuneration

	2019 £'000	2018 £'000 (Restated)
Directors' emoluments	381	367
Company contributions to money purchase pension schemes	9	8
	<u>390</u>	<u>375</u>

2018 numbers have been recalculated on the same basis of allocation among the HH Global group of entities (note 19) as for 2019 and restated for consistency.

There were 5 (2018 - 5) directors for whom the Company or other HH Global group companies (note 19) made contributions to money purchase pension schemes in respect of qualifying services for the Company. Emoluments of the highest paid director amounted to £188,000 (2018 - £193,000) and contributions paid to a pension scheme on their behalf were £4,000 (2018 - £3,000).

Included within wages and salaries and directors' remuneration are the salary related costs in respect of a related undertaking, which are recharged to that entity.

#### 6 Interest receivable and similar income

	2019 £'000	2018 £'000
Intercompany loan interest	233	296
Other interest	4	-
	<u>237</u>	<u>296</u>

## H H Associates Limited

Notes forming part of the financial statements (*continued*)  
for the year ended 31 March 2019

<b>7</b>	<b>Interest payable and similar charges</b>	<b>2019</b>	<b>2018</b>
		<b>£'000</b>	<b>£'000</b>
	Bank loans and discounting facility	154	156
		<hr/>	<hr/>
<b>8</b>	<b>Exceptional items</b>	<b>2019</b>	<b>2018</b>
		<b>£'000</b>	<b>£'000</b>
	Reorganisation costs	-	95
		<hr/>	<hr/>
<b>9</b>	<b>Tax on profit</b>	<b>2019</b>	<b>2018</b>
		<b>£'000</b>	<b>£'000</b>
	<i>Current tax</i>		
	Total current tax	121	746
	<i>Deferred tax</i>		
	Origination and reversal of timing differences (note 14)	(15)	(74)
		<hr/>	<hr/>
	Total tax on profit (see below)	106	672
		<hr/>	<hr/>

During the year and subsequent to the year-end the UK Government enacted legislation to reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017, plus a further reduction to 18% from 1 April 2019. Subsequent to the year end the UK Government announced a further reduction to the standard rate of corporation tax from 1 April 2020 to 17%.

The tax assessed for the year is lower (2018 - lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Profit before tax	4,908	5,243
	<hr/>	<hr/>
Profit at the standard rate of corporation tax in the UK of 19% (2018 - 19%)	933	996
Effects of:		
Expenses not deductible for tax purposes	7	11
Group Relief	(651)	(245)
Other differences	1	-
Change in tax rates	2	4
Adjustment in respect of prior periods	(186)	(94)
	<hr/>	<hr/>
Total tax charge for the year	106	672
	<hr/>	<hr/>

## H H Associates Limited

Notes forming part of the financial statements (*continued*)  
for the year ended 31 March 2019

### 10 Intangible fixed assets

	IT Software £'000
<i>Cost</i>	
At 1 April 2018	-
Additions	50
	<hr/>
<b>At 31 March 2019</b>	<b>50</b>
	<hr/>
<i>Depreciation</i>	
At 1 April 2018	-
Charge for the year	1
	<hr/>
<b>At 31 March 2019</b>	<b>1</b>
	<hr/>
<i>Net book value</i>	
<b>At 31 March 2019</b>	<b>49</b>
	<hr/>
At 31 March 2018	-
	<hr/>

### 11 Tangible fixed assets

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
<i>Cost</i>			
At 1 April 2018	473	40	513
Additions	217	24	241
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2019</b>	<b>690</b>	<b>64</b>	<b>754</b>
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 April 2018	244	2	246
Charge for the year	162	17	179
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2019</b>	<b>406</b>	<b>19</b>	<b>425</b>
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
<b>At 31 March 2019</b>	<b>284</b>	<b>45</b>	<b>329</b>
	<hr/>	<hr/>	<hr/>
At 31 March 2018	229	38	267
	<hr/>	<hr/>	<hr/>

## H H Associates Limited

Notes forming part of the financial statements *(continued)*  
for the year ended 31 March 2019

### 12 Work in Progress

	2019 £'000	2018 £'000
Work in progress	74	71

Work in progress relates to the cost of print media jobs, which have yet to be delivered to clients at the balance sheet date.

### 13 Debtors

	2019 £'000	Restated 2018 £'000
Trade debtors	12,311	10,120
Amounts owed by group undertakings	13,399	9,305
Other debtors	430	319
Prepayments and accrued income	862	438
Deferred taxation (note 14)	89	74
	<u>27,091</u>	<u>20,256</u>

Amounts owed by group undertakings are unsecured and repayable on demand with interest charged at market rates.

### 14 Deferred Taxation

	2019 £'000	2018 £'000
Balance at 1 April 2018	74	182
Transferred to subsidiary undertaking	-	(182)
Deferred tax debit (note 9)	15	74
	<u>89</u>	<u>74</u>
Balance at 31 March 2019	89	74
The deferred tax asset is analysed as follows:	2019 £'000	2018 £'000
Decelerated capital allowances	39	28
Other timing differences	50	46
	<u>89</u>	<u>74</u>

The recoverability of the deferred tax asset is dependent on the Company making sufficient future taxable profits.



## H H Associates Limited

### Notes forming part of the financial statements *(continued)* for the year ended 31 March 2019

#### 15 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Invoice discounting facility (secured)	5,193	3,874
Trade creditors	8,869	7,996
Amounts owed to group undertakings	679	1,107
Taxation and social security	860	630
Corporation tax liability	391	694
Other creditors	118	314
Deferred income	648	430
Accruals	5,177	4,492
	<u>21,935</u>	<u>19,537</u>

The invoice discounting facility is secured by way of fixed and floating charges over all the assets of the Company.

Amounts owed to group undertakings are unsecured and repayable on demand with interest charged at market rates.

#### 16 Called up share capital

<i>Allotted, called up and fully paid</i>	2019 £'000	2018 £'000
40,009 ordinary shares of £1 each	<u>40</u>	<u>40</u>

A legal charge over the shares of the Company was registered on 10 April 2003.

#### 17 Pensions

The Company operates a money purchase pension scheme.

The pension charge for the year represents contributions payable by the Company and amounted to £385,000 (2018 - £324,000). Contributions amounting to £Nil (2018 - £Nil) are included in accruals at 31 March 2019.

## H H Associates Limited

### Notes forming part of the financial statements *(continued)* for the year ended 31 March 2019

#### 18 Commitments under operating leases

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2019 Land and Buildings £'000	2018 Land and buildings £'000
Within one year	189	163
Between two to five years	283	295
After more than five years	-	-
	<hr/> 472 <hr/>	<hr/> 458 <hr/>

#### 19 Ultimate parent company and ultimate controlling party

The Company's ultimate parent company is HH Global Group Limited, which is the parent of the smallest and largest group for which the results of the Company are consolidated. The Company's immediate parent undertaking is HH Global Limited. The ultimate controlling party of HH Global Group Limited is R J F MacMillan, a director.

Copies of the consolidated financial statements of HH Global Group Limited are available from Companies House. The registered office of HH Global Group Limited is in the United Kingdom, at Grove House, Guildford Road, Leatherhead, Surrey, KT22 9DF.

#### 20 Related party transactions

The Company has taken advantage of the exemption in FRS 102 not to disclose details of related party transactions with other wholly owned group companies.