

## **H H Associates Limited**

Annual Report and Unaudited Financial Statements

For the year ended

31 March 2022

Company Number 02671533

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# **H H Associates Limited**

## **Annual Report and Unaudited Financial Statements for the year ended 31 March 2022**

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### **Directors**

M E Perez  
K Elgey  
P Drydon

### **Registered office**

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

### **Company number**

02671533 (Registered in England and Wales)

### **Bankers**

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

# H H Associates Limited

## Strategic Report for the year ended 31 March 2022

The directors present their strategic report for the Company for the year ended 31 March 2022.

### I. Principal Activity

H H Associates Limited ("H H Associates"/ "the Company") is a trusted strategic partner to leading brands, using people, data and technology to deliver market leading creative production and procurement services, across multiple marketing channels.

### 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:

	For the year ended				
£'000	31/03/2022	31/03/2021	31/03/2020	31/03/2019	31/03/2018
<b>Total Turnover</b>	116,933	107,029	91,636	80,335	70,542
<b>Net Revenue margin<sup>1</sup></b>	26.6%	27.6%	30.6%	30.0%	29.9%
<b>Adjusted EBITDA<sup>2</sup></b>	6,930	6,690	5,060	5,298	4,917
<b>Adjusted EBITDA Margin<sup>3</sup></b>	22.2%	22.7%	18.0%	22.0%	23.3%
<b>Net cash / (Net debt)<sup>4</sup></b>	3,912	11,642	5,965	(4,150)	(3,083)

1. Net Revenue % is calculated as gross profit being turnover less cost of sales as a percentage of total turnover.
2. A reconciliation of adjusted EBITDA, an alternative performance measure and non-GAAP measure, to reported operating profit is given in the table below:
3. Adjusted EBITDA Margin is calculated as Adjusted EBITDA as a percentage of Gross Profit.
4. Net debt is calculated as the total cash at bank less the drawn down value of the invoice discounting facility (settled in February 2020).

£'000	31/03/2022	31/03/2021	31/03/2020	31/03/2019	31/03/2018
<b>Operating (loss) / profit</b>	(2,166)	6,389	(3,744)	4,825	5,103
<b>Depreciation &amp; Amortisation (note 5)</b>	182	180	197	180	144
<b>Share based payment expenses (note 5)</b>	-	-	8,504	-	-
<b>Exceptional items</b>	641	194	-	-	95
<b>Foreign exchange (gain)/loss (note 5)</b>	205	(73)	103	293	(425)
<b>Share-based payments (note 5)</b>	934	-	-	-	-
<b>New intergroup Intellectual Property charges</b>	7,134	-	-	-	-
<b>Adjusted EBITDA</b>	6,930	6,690	5,060	5,298	4,917

### Turnover

The Company's turnover grew significantly during the financial year from £107.0m to £116.9m, a 9.3 % year-over-year increase, reflecting a combination of growth from existing clients as well as new clients.

## **H H Associates Limited**

### **Strategic report (*continued*) for the year ended 31 March 2022**

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#### **II. Review of the Business and Key Performance Indicators (*continued*)**

##### ***Net Revenue / Gross Profit***

Total net revenue / gross profit grew by £1.6m year on year, reflecting the impact of the increased client activity referred to above, whilst net revenue margin was slightly lower than last year at 26.6%.

##### ***Adjusted EBITDA***

Adjusted EBITDA is the primary profitability metric used by the Directors to judge the performance of the Company. During the financial year, Adjusted EBITDA increased by 3.6% to £6.9m.

##### ***Net Cash and Liquidity***

Net cash decreased during the year by £7.7m to a positive cash balance of £3.9m. The Company is supported through intercompany lending arrangements with HH Global Finance Limited, a subsidiary of HH Global Enterprise Network Ltd (note 21).

#### **III. Statement by the Directors in performance of their statutory duties under Section 172(1) Companies Act 2006**

The Directors are well aware of their duty under s.172 of the Companies Act 2006 to act in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so to have regard, amongst other matters to;

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

The Directors consider, both individually and together, that they have acted in accordance with their duties under s.172 in the decisions taken during the year ended 31 March 2022.

#### **IV. Key stakeholders**

The directors consider that the following key stakeholder groups were of strategic importance to the Company's operations during the financial year ended 31 March 2022.

##### ***Our clients***

The Company is part of the HH Global Group (the "Group") (note 21), a global provider of creative production and procurement services across a wide range of industry sectors including Technology, Financial Services, Food & Beverage, Retail, Life Sciences and Fast Moving Consumer Goods (FMCG) and has achieved profitable and sustainable growth with its existing clients across multiple geographies. The Group is deeply embedded with its clients and drives high retention rates through:

- High levels of engagement with clients through dedicated account leadership and on-site teams;
- Delivery of high client satisfaction levels through use of operational metrics, people and technology;
- Long term contracts;
- Our supply chain capability.

## **H H Associates Limited**

### **Strategic report (*continued*) for the year ended 31 March 2022**

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Operating independently, with more than 8,000 strategic supplier partners across our global network, the Group offers access to significant and unrivalled production capacity. The business relies on the careful selection and monitoring of its supply chain and is built on developing mutually beneficial partnerships, allowing it to secure leading market rates while providing suppliers with high-volume, profitable work from world-class clients. Our supply chain is proactively managed to ensure that we provide leadership in ethical standards, sustainability and innovation and that we can meet new demands from our clients.

#### ***Our people and their local communities***

Our people are passionate, experts in innovation and sustainability and are what makes the Company a highly trusted partner. The Company is committed to excellence in its people and throughout the year has recognised this excellence and engaged across the workforce through several mechanisms, examples of which are summarised below:

- On a quarterly basis, all employees are invited to an online briefing from their regional CEO during which quarterly results are discussed and employees are invited to submit questions that are answered as part of the online broadcast;
- We have two major employee awards, both of which are global in outlook.
  - "Make a Difference"; individuals are nominated by colleagues across the business for exceptional demonstration of our core values.
  - The "Gordon Robert MacMillan award" is an annual global awards programme for individuals nominated by regional CEOs for exceptional performance and who have gone the extra mile, to become an 'unsung hero'. The successful candidate wins the recognition, receives a cash sum and can nominate a charity of choice that also receives a donation from the business.
- Employee Equity Plan; the Company has an employee equity plan under which nominated employees are awarded 'HH equity units'.

#### ***The environment***

The world is changing. Financial savings are important to both the Company and its clients, but it is clear that we both also need to take care of our planet and people. The Group's Environmental, Social and Governance (ESG) Program, Innovation with Purpose, helps balance economic and environmental impacts, in line with the United Nations Sustainable Development Goals. The Group uses the following methodology to deliver on this:

- The Group's unique environmental calculator technology uses advanced data techniques aligned with global standards to provide data and insights into the environmental impact of client's marketing execution campaigns; this provides a sustainability baseline for clients.
- The Group then provides expert advice to clients to reduce the impact of future campaigns by introducing innovation, reengineering product specifications and optimising manufacturing and logistics processes.
- A strategic sustainability roadmap is then created with medium to long-term targets in alignment with our client's corporate ESG stated ambitions.

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

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 an operating risk. The Company seeks to mitigate this risk through maintaining close day-to-day client relationships and its ability to deliver ongoing creative procurement solutions. The expansion of the Company's client base as a result of various acquisitions has also further de-risked the Company in this area.

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

## H H Associates Limited

### Strategic report (*continued*) for the year ended 31 March 2022

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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 and updates, data policy compliance review, threat analysis, internal and external data audits and vulnerability scanning.

#### **Macroeconomic factors**

In common with most businesses, the Company is susceptible to any downturn in economic conditions given the global nature of the business 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 the conflict in Ukraine, any impact of COVID-19, changes to local and global economic conditions, changes to regulatory frameworks, the impact of inflation on prices and earnings (see below) and the impact of foreign exchange movements on profits.

#### **Inflationary risks**

The Company's primary exposure to inflation is on staff costs and the costs of goods and services sourced on behalf of our clients. The directors believe however that the effect of inflation is limited, as in many cases, increased costs can be recovered from clients through various contract mechanisms.

#### **Climate change risk**

Climate change is a potential threat to the Company's physical operations, supply chain and client base and could manifest itself in business interruption, lack of supply, increased costs and or reduced revenue. These risks are included within the Group's overall risk framework and are monitored by an Environmental, Social and Governance committee which is chaired by the Group's Chief Sustainability Officer. An annual sustainability report is also published on the HH Global website.

#### **Brexit**

On 1 January 2021 the transition period with the European Union came to an end. As a result, the UK now operates a full external border and free movement of goods between the UK and EU ceased from that date. Having reviewed processes and documentation requirements the directors believe that despite being part of an international group with operations across Europe, the Company has not been significantly impacted by the UK's decision to leave the EU.

#### **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's meets its day-to-day working capital requirements through cash generated by operations and through groupwide financing arrangements which include loan and working capital facilities with external providers.

##### **Interest rate risk**

Interest rate risk arises from the Company's exposure to the floating rate interest rate component of its intercompany loans.

##### **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 having bank accounts in Sterling, US Dollars and Euros as well as invoicing in local currency where possible.

## **H H Associates Limited**

**Strategic report (*continued*)  
for the year ended 31 March 2022**

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
### **VI. Future Developments**

The Company is committed to investing in its technology infrastructure, staff, and innovation and sustainability programmes across the full scope of its activities, to enable it to add ever-greater value to its clients' marketing activities.

The directors consider that these investments and initiatives will help enable the Company to achieve its medium-term growth targets.

### **Approval**

The strategic report was approved on behalf of the board on 25 November 2022.

DocuSigned by:  
  
46A437D032394B1  
**K Elgey**  
**Director**

## **H H Associates Limited**

### **Report of the directors for the year ended 31 March 2022**

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The directors present their report together with the unaudited financial statements for the year ended 31 March 2022. The requirements to disclose financial risk management objectives and policies and future developments in the directors' report have been covered in the Strategic Report on pages 1 to 5.

#### **Results and dividends**

The unaudited income statement is set out on page 9 and shows the result for the year.

No interim dividend was paid during the year (2021 - £Nil). The directors do not recommend a final ordinary dividend (2021 - £Nil).

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

There were no events after the balance sheet date impacting the Company.

#### **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 Engagement**

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. Employee engagement is discussed further on page 3 of the Strategic Report.

#### **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 Limited, 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.

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.

#### **Engagement with suppliers, clients and others**

Engagement with key stakeholders is discussed further on pages 2 to 3 of the Strategic Report



## **H H Associates Limited**

### **Report of the directors (*continued*) for the year ended 31 March 2022**

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#### **Political contributions**

The Company did not make any political donations during the year (2021: £Nil).

#### **Energy and carbon reporting**

The Directors have not presented a report on energy and carbon reporting, on the basis that this information has been included within the annual report of HH Global Finance Limited, within which the results of the Company are consolidated (note 21).

#### **Research and development**

H H Associates made no investment in research and development during the period covered by these accounts (2021: £Nil).

#### **Directors**

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

M E Perez  
P Drydon (Appointed 20 August 2021)  
K Elgey (Appointed 20 August 2021)  
R J F MacMillan (Resigned 20 August 2021)  
K Dunckley (Resigned 20 August 2021)  
L G Humphreys (Resigned 20 August 2021)  
E J Parsons (Resigned 20 August 2021)  
S C C Nunn (Resigned 20 August 2021)

#### **Directors' insurance and indemnities**


The Company maintains an insurance policy on behalf of all Directors and Officers of the Company against liability arising from neglect, breach of duty and breach of trust in relation to their activities as Directors and Officers of the Company, subject to the provisions of the section Companies (Jersey) Law 1991, but without prejudice to any indemnity to which the person concerned might otherwise be entitled.

#### **Audit Exemption**

The company is exempt from audit under section 479A of the Companies Act 2006, whereby a parent undertaking, HH Global Finance Limited (see note 20) has guaranteed the liabilities of the Company, under section 479C of the Act, as at the year ended 31 March 2022.

#### **Approval**

This directors' report was approved on behalf of the board on 25 November 2022.

DocuSigned by:  
  
46A437D03239481

**K Elgey**  
**Director**

## **H H Associates Limited**

### **Statement of directors' responsibilities for the year ended 31 March 2022**

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#### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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****Unaudited Income Statement  
for the year ended 31 March 2022**

	Note	2022 £'000	2021 £'000
Turnover	3	116,933	107,029
Cost of sales		(85,787)	(77,532)
<b>Gross profit</b>		<b>31,146</b>	29,497
Administrative expenses		(32,671)	(23,518)
Other Operating Income	4	-	604
Exceptional items	7	(641)	(194)
<b>Operating (Loss) / profit</b>	5	<b>(2,166)</b>	6,389
Interest receivable and similar income	8	579	587
Interest payable and similar expenses	9	(1,669)	(1,767)
<b>(Loss) / profit before taxation</b>		<b>(3,256)</b>	5,209
Tax on (Loss) / profit	10	1,217	(1,706)
<b>(Loss) / profit for the year</b>		<b>(2,039)</b>	3,503

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 12 to 24 form part of these financial statements.

**H H Associates Limited****Unaudited Balance sheet  
at 31 March 2022**

<i>Company Number 02671533</i>	<b>Note</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
<b>Fixed assets</b>			
Intangible assets	11	382	319
Tangible assets	12	26	88
Deferred Tax	15	3,276	3,202
		<b>3,684</b>	<b>3,609</b>
<b>Current assets</b>			
Work in Progress	13	977	390
Debtors	14	55,150	50,028
Cash at bank and in hand		3,912	11,642
		<b>60,039</b>	<b>62,060</b>
<b>Creditors: amounts falling due within one year</b>	16	(53,280)	(54,121)
<b>Net current assets</b>		<b>6,759</b>	<b>7,939</b>
<b>Net assets</b>		<b>10,443</b>	<b>11,548</b>
<b>Capital and reserves</b>			
Called up share capital	17	40	40
Capital contribution reserve		934	-
Profit and loss account		9,469	11,508
<b>Shareholder's funds</b>		<b>10,443</b>	<b>11,548</b>

The notes on pages 12 to 24 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 25 November 2022.

For the financial year in question the company was entitled to exemption under section 479A of the Companies Act 2006. No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006. The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of the accounts.

DocuSigned by:



46A437D032394B1

**K Elgey  
Director**

## H H Associates Limited

### Unaudited Statement of changes in equity for the years ended 31 March 2021 and 31 March 2022

	Called up share capital £'000	Capital contribution reserve	Profit and loss account £'000	Shareholder's funds £'000
<b>1 April 2020</b>	40	-	8,005	8,045
<b>Comprehensive income for the year:</b>				
Profit for the year and total comprehensive income	-	-	3,503	3,503
<b>31 March 2021</b>	40	-	11,508	11,548
<b>Comprehensive income for the year:</b>				
Loss for the year and total comprehensive expense	-	-	(2,039)	(2,039)
Capital contribution from ultimate parent	-	934	-	934
<b>31 March 2022</b>	40	934	9,469	10,443

The notes on pages 12 to 24 form part of these financial statements.

## HH Associates Limited

### Notes forming part of the Unaudited Financial Statements for the year ended 31 March 2022

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#### 1 Accounting policies

##### *Basis of preparation*

These financial statements relate to HH Associates Limited ("the Company"), 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 5.

The financial statements have been prepared under the historical cost convention 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.

##### *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*

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 of HH Global Finance Limited, a parent undertaking (note 21), have provided the Company with a letter of support, agreeing to continue to support the Company for a period of 12 months from the date of approval of these accounts. The directors have considered the use of the going concern basis in the preparation of the financial statements and conclude that it is appropriate.

##### *Turnover*

Turnover represents the value of creative production and procurement services provided to external customers. Turnover is recognised net of value added tax and any discounts allowed, in the period in which goods are delivered or the service is provided.

##### *Government grants*

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants relating to revenue are recognised as Other operating Income over the period in which the related costs are recognised.

# **H H Associates Limited**

## **Notes forming part of the Unaudited Financial Statements (*continued*) for the year ended 31 March 2022**

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

#### *Exceptional items*

Items that are non-recurring, or irregular, and material in size or non-operating in nature are presented as *exceptional items in the income statement (note 7)*. The directors are of the opinion that separate presentation of exceptional items provides helpful information about the Company's underlying business performance.

#### *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 on a straight-line basis. 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 on a straight-line basis. It is calculated at the following rates:

Computer equipment - 20%-33% per annum on cost  
Fixtures and fittings - 14- 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 relates to the cost of print media jobs, which have yet to be delivered to clients at the balance sheet date and 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.

#### *Impairment of assets*

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Income statement.

## **H H Associates Limited**

### **Notes forming part of the Unaudited Financial Statements (*continued*) for the year ended 31 March 2022**

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

##### *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.

##### **(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 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) 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.

##### **(iii) 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 Unaudited Financial Statements (*continued*) for the year ended 31 March 2022**

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

##### *Current and deferred taxation*

The tax expense for the year 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'.

## HH Associates Limited

### Notes forming part of the Unaudited Financial Statements (*continued*) for the year ended 31 March 2022

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

##### *Share-based payments*

The Company operates a share-based payment scheme. The directors have determined that this scheme is an equity-settled share-based payment scheme and it is measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the expected vesting period, based on an estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. HH Global Enterprise Network Ltd, the Company's ultimate parent undertaking, has the obligation to settle the scheme and the amount expensed is therefore treated as a capital contribution.

Fair value is measured by use of a Monte Carlo simulation model which is considered by management to be the most appropriate method of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

##### *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.

##### *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.

##### *Capital contribution*

The capital contribution reserve relates to amounts charged to the profit and loss account in respect of equity-settled share-based payment schemes.

## H H Associates Limited

### Notes forming part of the Unaudited Financial Statements *(continued)* for the year ended 31 March 2022

#### 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.

#### 3 Turnover

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

	<b>2022</b> <b>£'000</b>	2021 £'000
United Kingdom	<b>105,566</b>	96,774
Rest of Europe	<b>9,364</b>	8,731
Rest of the World	<b>2,003</b>	1,524
	<hr/> <b>116,933</b> <hr/>	<hr/> 107,029 <hr/>

#### 4 Other Operating Income

	<b>Year to 31</b> <b>March 2022</b> <b>£'000</b>	Year to 31 March 2021 £'000
Government Grants	-	604

During the prior year government grants of £604,000 were received as part of a government initiative to provide financial support where employees were furloughed as a result of Covid-19. There are no future related costs in respect of these grants which were received solely as compensation for costs incurred in the period. The Company has not directly benefited from any other forms of government assistance.

## H H Associates Limited

### Notes forming part of the Unaudited Financial Statements *(continued)* for the year ended 31 March 2022

#### 5 Operating (Loss) / profit

	2022 £'000	2021 £'000
Operating (Loss) / profit has been arrived at after charging/(crediting):		
Depreciation of tangible fixed assets - owned assets (Note 12)	84	121
Amortisation of intangible fixed assets (Note 11)	98	59
Rentals payable under operating leases:		
- land and buildings	338	277
Foreign exchange losses / (gains)	205	(73)
Share-based payment expense (note 18)	934	-
	<u>          </u>	<u>          </u>

#### 6 Employees

	2022 £'000	2021 £'000
Staff costs for all employees, including executive directors, consist of:		
Wages and salaries	23,192	20,095
Social security costs	2,598	2,940
Pension costs	620	558
	<u>          </u>	<u>          </u>
	26,410	23,593
	<u>          </u>	<u>          </u>
The average monthly number of employees, including directors, during the year was as follows:	Number	Number
Directors	4	5
Production	218	212
Sales and administration	133	125
	<u>          </u>	<u>          </u>
	356	342
	<u>          </u>	<u>          </u>

#### Directors' remuneration

The directors are directors of the Company and several other HH Global Group companies. Remuneration disclosed below reflects amounts received for services to the HH Global Group as a whole, for the period whilst a director of the Company, as it is not practicable to allocate remuneration for services to specific entities.

There were 8 directors (2021: 6) for whom the Company or other HH Global Group companies (note 21) made contributions to money purchase pension plans during the year in respect of qualifying services to the Company and its subsidiaries. Total remuneration was £1,987,000 (2021: £3,342,000) including pension contributions of £350,000. (2021: £96,000).

Awards vested under long term incentive plans were £nil (2021: £nil).

The emoluments of the highest paid director were £784,000 (2021: £723,000), including contributions paid to a pension scheme on their behalf of £3,000 (2021: £21,000) and awards vesting under long term incentive plans of £nil (2021: £nil).

## H H Associates Limited

### Notes forming part of the Unaudited Financial Statements *(continued)* for the year ended 31 March 2022

#### 7 Exceptional items

	2022 £'000	2021 £'000
Impairment	641	-
Restructuring	-	194
	<u>641</u>	<u>194</u>

The impairment is a 100% provision against an intercompany trading balance due from HH Global Russa LLC due to the continuing conflict in Ukraine and uncertainty over recoverability. The prior year charge related to restructuring costs in relation to redundancy and severance related costs as part of the integration of the Innerworkings Group following its acquisition by HH Global Enterprise Network Ltd (note 21).

#### 8 Interest receivable and similar income

	2022 £'000	2021 £'000
Intercompany loan interest	579	587
	<u>579</u>	<u>587</u>

#### 9 Interest payable and similar expenses

	2022 £'000	2021 £'000
Intercompany loan interest	1,669	1,767
	<u>1,669</u>	<u>1,767</u>

## H H Associates Limited

### Notes forming part of the Unaudited Financial Statements (*continued*) for the year ended 31 March 2022

#### 10 Tax on (Loss) / profit

	2022 £'000	2021 £'000
<i>Current tax</i>		
Current tax	-	74
Group relief (receivable) / payable	(424)	69
Overseas taxes	69	-
Adjustments in respect of prior periods	(190)	(252)
Total current tax	<u>(545)</u>	<u>(109)</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(85)	893
Changes in tax rates	(766)	-
Adjustment in respect of prior periods	179	922
Total deferred tax (see note 15)	<u>(672)</u>	<u>1,815</u>
Total tax on (Loss) / profit (see below)	<u>(1,217)</u>	<u>1,706</u>

The tax assessed for the year is lower (2021 - higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2022 £'000	2021 £'000
(Loss) / profit before tax	<u>(3,256)</u>	<u>5,209</u>
(Loss) / profit at the standard rate of corporation tax in <i>the UK of 19%</i> (2021 - 19%)	(619)	990
Effects of:		
Fixed asset differences	-	8
Expenses not deductible for tax purposes	130	38
Group relief surrendered / (claimed)	424	(69)
Payment / (receipt) for group relief	(424)	69
Change in tax rates – deferred tax	(786)	-
Adjustment in respect of prior periods	(190)	(252)
Adjustment in respect of prior periods – deferred tax	179	922
Other taxes including withholding tax	69	-
Total tax (credit) / charge for the year	<u>(1,217)</u>	<u>1,706</u>

## H H Associates Limited

### Notes forming part of the Unaudited Financial Statements (*continued*) for the year ended 31 March 2022

#### 11 Intangible fixed assets

	IT Software £'000
<i>Cost</i>	
At 1 April 2021	401
Additions	161
	<hr/>
<b>At 31 March 2022</b>	<b>562</b>
	<hr/>
<i>Amortisation</i>	
At 1 April 2021	82
Charge for the year	98
	<hr/>
<b>At 31 March 2022</b>	<b>180</b>
	<hr/>
<i>Net book value</i>	
<b>At 31 March 2022</b>	<b>382</b>
	<hr/>

#### 12 Tangible fixed assets

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
<i>Cost</i>			
At 1 April 2021	728	81	809
Additions	-	22	22
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2022</b>	<b>728</b>	<b>103</b>	<b>831</b>
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 April 2021	653	68	721
Charge for the year	71	13	84
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2022</b>	<b>724</b>	<b>81</b>	<b>805</b>
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
<b>At 31 March 2022</b>	<b>4</b>	<b>22</b>	<b>26</b>
	<hr/>	<hr/>	<hr/>
At 31 March 2021	75	13	88
	<hr/>	<hr/>	<hr/>

#### 13 Work in Progress

	2022 £'000	2021 £'000
Stock and Work in progress	977	390
	<hr/>	<hr/>

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

## H H Associates Limited

### Notes forming part of the Unaudited Financial Statements (*continued*) for the year ended 31 March 2022

#### 14 Debtors

	2022 £'000	2021 £'000
Trade debtors	23,482	17,207
Amounts owed by group undertakings	29,206	30,965
Other debtors	246	685
Prepayments and accrued income	1,390	942
Corporation tax debtor	228	229
Deferred tax due within 12 months (note 15)	598	-
	<u>55,150</u>	<u>50,028</u>

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

Trade debtors are stated after provisions for impairment of £nil (2021: £nil).

#### 15 Deferred Taxation

	2022 £'000	2021 £'000
Balance at 1 April	3,202	5,017
Deferred tax in statement of income (note 10)	672	(1,815)
	<u>3,874</u>	<u>3,202</u>
Balance at 31 March	<u>3,874</u>	<u>3,202</u>
<i>The deferred tax asset is analysed as follows:</i>		
Fixed asset timing differences	69	32
Short-term timing differences	33	5
Losses and other deductions	3,772	3,165
	<u>3,874</u>	<u>3,202</u>

The recoverability of the deferred tax asset is dependent on the Company making sufficient future taxable profits. The Directors have reviewed forecasts in making this assessment and are of the opinion that the deferred tax asset should be recognised as it is recoverable in full.

In the March 2021 Budget, the UK Government announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023.

Of the amounts included in deferred taxation, £598,000 is due in less than one year (2021: £nil).



## H H Associates Limited

### Notes forming part of the Unaudited Financial Statements *(continued)* for the year ended 31 March 2022

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

	2022 £'000	2021 £'000
Trade creditors	9,548	9,767
Amounts owed to group undertakings	31,234	31,612
Other Taxation and social security	947	1,844
Other creditors	147	165
Deferred income	447	1,170
Accruals	10,957	9,563
	<u>53,280</u>	<u>54,121</u>

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

#### 17 Called up share capital

	2022 £'000	2021 £'000
<i>Allotted, called up and fully paid</i>		
40,009 ordinary shares of £1 each	40	40
	<u>40</u>	<u>40</u>

#### 18 Share-based payments

The Group operates a share-based payment scheme. The directors have determined that the scheme is classified as an equity settled share-based payment scheme and is measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the expected vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

HH Global Enterprise Network Ltd, the Company's ultimate parent undertaking, has the obligation to settle the scheme, which is classified as cash settled in its consolidated and separate financial statements. The scheme is classified as equity settled in these consolidated financial statements. The amount expensed is treated as a capital contribution from the group's ultimate parent.

Fair value was measured by use of the Monte Carlo simulation method which is considered by management to be the most appropriate method of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The share-based payment charge for the year was £934,000 (2021: £nil) which has been credited to a capital contribution reserve.

#### 19 Pensions

The Company operates a money purchase pension scheme.

The pension charge for the year represents contributions payable by the Company and amounted to £428,000 (2021 - £431,000). Contributions amounting to £147,000 (2021 - £120,000) are included in accruals at 31 March 2021.

## H H Associates Limited

### Notes forming part of the Unaudited Financial Statements (*continued*) for the year ended 31 March 2022

#### 20 Commitments under operating leases

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

	<b>2022</b> <b>Land and</b> <b>Buildings</b> <b>£'000</b>	2021 Land and buildings £'000
Within one year	399	144
Between two to five years	727	-
	<hr/> 1,126	<hr/> 144

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

The Company's ultimate parent undertaking is HH Global Enterprise Network Limited (formerly BTO Balance BidCo Limited), an entity incorporated in Jersey. During the prior period, until 1 October 2020, R J F MacMillan, a director, had been the ultimate controlling party of HH Global Enterprise Network Limited. After this date, no shareholders had a controlling interest and therefore, in the opinion of the directors, there is no ultimate controlling party.

HH Global Enterprise Network Limited is the parent of the largest group for which the results of HH Associates Limited are included. The registered office of HH Global Enterprise Network Ltd is 44 Esplanade, St Helier, Jersey, JE4 9WG.

The Company's immediate parent undertaking is HH Global Limited, which does not prepare consolidated financial statements. The parent of the smallest group for which the results of the Company are consolidated is HH Global Finance Limited for the period ended 31 March 2022.

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

#### 22 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.

#### 23 Post Balance Sheet Events

There were no events after the balance sheet date impacting the Company.