

H H Associates Limited
Annual Report and Unaudited Financial Statements
For the year ended
31 March 2023

Company Number 02671533



H H Associates Limited

Annual Report and Unaudited Financial Statements for the year ended 31 March 2023

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Directors

M E Perez
K Elgey
P Drydon

Registered office

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

Company number

02671533 (Registered in England and Wales)

Banker

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

H H Associates Limited

Strategic Report for the year ended 31 March 2023

The directors present their strategic report for the entity for the year ended 31 March 2023.

I. Principal activity

H H Associates Limited ("the Company") is a global leader in tech-enabled creative production and procurement and amplifies clients' marketing campaigns through unrivalled production, procurement leadership and the most advanced sustainability capabilities available.

II. Review of the business and key performance indicators

The table below shows the Company's trading performance and details the key performance indicators monitored by the directors:

£'000	For the year ended	
	31 March 2023	31 March 2022
Total Turnover	143,082	116,933
Net Revenue margin ¹	27.4%	26.6%
Contribution ²	8,554	8,282
Cash	3,669	3,912

1. Net Revenue % is calculated as gross profit being turnover less cost of sales as a percentage of total turnover.

2. A reconciliation of contribution, an alternative performance measure and non-GAAP measure, to reported operating profit is given in the table below:

£'000	31 March 2023	31 March 2022
Operating profit / (loss)	10,046	(2,166)
Depreciation & Amortisation (note 4)	376	182
Exceptional items	-	641
Foreign exchange loss (note 4)	340	205
Share-based payments (note 4)	259	934
Intergroup charges	(2,467)	8,486
Contribution	8,554	8,282

Turnover

The Company's turnover grew significantly during the financial year from £116.9m to £143.1m, a 22.4% year-over-year increase, reflecting a combination of growth from existing clients as well as new clients.

Net Revenue / Gross Profit

Total net revenue grew by £8.0m year on year, reflecting the impact of the increased client activity referred to above, whilst net revenue margin was slightly higher than last year at 27.4%.

Contribution

Contribution is the primary profitability metric used by the Directors to judge the performance of the Company. During the financial year, Contribution increased by 3.3% to £8.6m.

H H Associates Limited

Strategic report (continued) for the year ended 31 March 2023

Net Cash and Liquidity

Cash remained relatively constant with a year end balance of £3.7m. The Company is supported through intercompany lending arrangements with HH Global Finance Limited, a subsidiary of HH Global Enterprise Network Ltd (note 22).

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 ethical standards;
- The need to act fairly as between stakeholders of the Company, balancing the respective interests of each.

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 2023.

IV. Key stakeholders

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

Our clients

The Company is part of the HH Global Group (the "Group") (note 22), 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:

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

Operating independently, with more than 8,600 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.

The environment

The world is changing. Financial savings are important to both the Company and its clients, but we 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.

H H Associates Limited

Strategic report (continued) for the year ended 31 March 2023

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.

During the year the Group received Assurance from Bureau Veritas on both its environmental calculator methodology and its UK Scope 1 and 2 emissions reporting. In addition, its Net Zero Standard targets received formal approval from the Science Based Targets initiative (SBTi), becoming one of the first companies in the world to achieve this. Good progress is being made against published targets and further details can be found in the Group's "FY22 Annual Sustainability Report" at <https://ebooks.hhglobal.com/view/465383337/>

In the forthcoming year the Group is also considering adding a fifth UN Sustainable Development Goal (Goal 15), and associated commitments relating to Nature Positive pathways such as a deforestation free supply chain and water related targets.

Our people and their local communities

Our people make up some of the top talent across our industry. They 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, the level at which our corporate values are lived and demonstrated, and engaged across the workforce through several mechanisms, examples of which are summarised below:

- On a quarterly basis, all employees within each region attend a virtual 'Town Hall' where they receive an informative presentation briefing from senior leadership in region that includes quarterly results, hot topics, business successes. Employees are also 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.
 - "Big impact award"; individuals are nominated by colleagues across the business for exceptional demonstration of our company's 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'.

V. Principal risks and uncertainties and financial risk management

i. 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 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

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.

H H Associates Limited

Strategic report (*continued*) for the year ended 31 March 2023

Macroeconomic risks

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, 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 Company deploys a range of mechanisms to achieve competitive pricing from its supply chain and all spend is tightly managed via a formal approval process. The directors also believe that the effect of inflation can be managed, 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 the Risk Committee which is chaired by the Group's Chief Sustainability Officer and which reports directly into the Audit Committee. In the last year all strategic risks have been mitigated towards a Task Force on Climate Related Disclosures ("TCFD") compliant framework as we work towards full TCFD disclosure for the forthcoming year. An annual sustainability report is also published on the HH Global website.

ii. Financial risk management

The Company'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.

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 clients 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.

Interest rate risk

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

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 our clients' marketing activities.

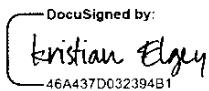
The directors consider that these investments and initiatives will help enable the Company to achieve its medium-term growth targets.

H H Associates Limited

**Strategic report (*continued*)
for the year ended 31 March 2023**

Approval

The strategic report was approved on behalf of the board on 15 November 2023.

DocuSigned by:

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K Elgey
Director

H H Associates Limited

Report of the directors for the year ended 31 March 2023

The directors present their report together with the unaudited financial statements for the year ended 31 March 2023. The requirements to disclose financial risk management objectives and policies and future developments in the directors' report have been covered in the strategic report.

Dividends

No interim dividend was paid during the year (2022 - £nil). The directors do not recommend a final ordinary dividend (2022 - £nil).

Events after the balance sheet date

There were no reportable events after the balance sheet date.

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

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

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 in the Strategic report.

Employment of disabled persons

The Company is committed to a policy of recruitment and promotion based on 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 people policies and 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 people policies and 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, along with all other reasonable adjustments for their disability.

Diversity and equal pay

Within the Company we foster a culture where all individual differences and diversity are encouraged. We champion equity, diversity and inclusion 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 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 key stakeholders

Engagement with key stakeholders is discussed further in the Strategic report.

H H Associates Limited

Report of the directors (*continued*) for the year ended 31 March 2023

Political and charitable donations

The Company did not make any political donations during the year (2022: £nil). Charitable donations made during the year totalled £8,000 (2022: £26,000).

Energy and carbon reporting

The Directors have not presented a report on energy and carbon reporting, on the basis that this information has been presented *within the annual report of HH Global Finance Limited, within which the results of the Company are consolidated* (note 22).

Research and development

The Company did not incur any research and development costs during the year (2022: £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
K Elgey

Directors' insurance and indemnities

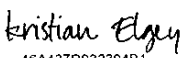
The Company maintains directors' and officers' liability insurance which gives cover for legal actions brought against its directors and officers. In accordance with section 236 of the Companies Act 2006, qualifying third party indemnity provisions are in place for the directors in respect of liabilities 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.

Audit Exemption

The Company is exempt from audit under section 479A of the Companies Act 2006, whereby a parent undertaking, HH Global Finance Limited (note 22) has guaranteed the liabilities of the Company, under section 479C of the Act, as at the year ended 31 March 2023.

Approval

This directors' report was approved on behalf of the board on 15 November 2023.

DocuSigned by:

46A437D032394B1

K Elgey
Director

H H Associates Limited

Statement of directors' responsibilities for the year ended 31 March 2023

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

Unaudited Income Statement for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Turnover	3	143,082	116,933
Cost of sales		(103,913)	(85,787)
Gross profit		39,169	31,146
Administrative expenses		(29,123)	(32,671)
Exceptional items	6	-	(641)
Operating profit / (loss)	4	10,046	(2,166)
Interest receivable and similar income	7	1,016	579
Interest payable and similar expenses	8	(1,975)	(1,669)
Profit / (loss) before taxation		9,087	(3,256)
Tax on profit / (loss)	9	(1,492)	1,217
Profit / (loss) for the year		7,595	(2,039)

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 25 form part of these financial statements.

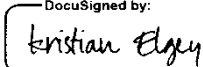
H H Associates Limited**Unaudited Balance Sheet
at 31 March 2023**

Company Number 02671533	Note	2023 £'000	2022 £'000
Fixed assets			
Intangible assets	10	281	382
Tangible assets	11	146	26
Deferred Tax	14	4,117	3,276
		4,544	3,684
Current assets			
Work in Progress	12	1,347	977
Debtors	13	42,012	55,150
Cash at bank and in hand		3,669	3,912
		47,028	60,039
Creditors: amounts falling due within one year	15	(33,142)	(53,280)
Net current assets		13,886	6,759
Total assets less current liabilities		18,430	10,443
Creditors: amounts falling due after more than one year	16	(133)	-
Net assets		18,297	10,443
Capital and reserves			
Called up share capital	18	40	40
Capital contribution reserve		1,193	934
Profit and loss account		17,064	9,469
Total Shareholder's funds		18,297	10,443

The notes on pages 12 to 25 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 15 November 2023.

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 2022 and 31 March 2023**

	Called up share capital £'000	Capital contribution reserve £'000	Profit and loss account £'000	Total shareholder's funds £'000
31 March 2021	40	-	11,508	11,548
Comprehensive income for the year:				
Profit for the year and total comprehensive income	-	-	(2,039)	(2,039)
Capital contribution from ultimate parent	-	934	-	934
31 March 2022	40	934	9,469	10,443
Comprehensive income for the year:				
Loss for the year and total comprehensive expense	-	-	7,595	7,595
Capital contribution from ultimate parent	-	259	-	259
31 March 2023	40	1,193	17,064	18,297

The notes on pages 12 to 25 form part of these financial statements.

H H Associates Limited

Notes forming part of the Unaudited Financial Statements for the year ended 31 March 2023

1 Accounting policies

Basis of preparation

These financial statements relate to H H 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, Fetcham, 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, 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").

The financial statements relate to the individual entity, as the Company is exempt from its obligation to prepare and deliver group accounts under s400 of the Companies Act 2006.

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 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.

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

Turnover

Turnover primarily 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.

H H Associates Limited

Notes forming part of the Unaudited Financial Statements (*continued*) for the year ended 31 March 2023

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 6). The directors are of the opinion that separate recording 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

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 profit or loss as described below.

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 tangible fixed assets, except freehold land, over their expected useful lives on a straight-line basis. It is calculated at the following rates:

Leasehold improvements	-	Over the period of the lease
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.

H H Associates Limited

Notes forming part of the Unaudited Financial Statements (*continued*) for the year ended 31 March 2023

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.

HH Associates Limited

Notes forming part of the Unaudited Financial Statements (*continued*) for the year ended 31 March 2023

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 pounds 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 'Administrative expenses'.

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.

H H Associates Limited

Notes forming part of the Unaudited Financial Statements (*continued*) for the year ended 31 March 2023

1 Accounting policies (*continued*)

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.

Dilapidations

Where required, a provision is made for the total expected cost of restoring occupied properties to a specified condition at the end of the lease period. A provision is made at the commencement of the lease and the related cost is shown as a tangible fixed asset which is depreciated over the life 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 2023

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 made in the process of applying the Company's accounting policies that have a 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:

	2023 £'000	2022 £'000
United Kingdom	132,150	105,566
Rest of Europe	10,740	9,364
Rest of the World	192	2,003
	<u>143,082</u>	<u>116,933</u>

4 Operating profit / (loss)

	2023 £'000	2022 £'000
Operating profit / (loss) has been arrived at after charging:		
Depreciation of tangible fixed assets - owned assets (note 11)	262	84
Amortisation of intangible fixed assets (note 10)	114	98
Rentals payable under operating leases:		
- land and buildings	360	338
Foreign exchange losses	340	205
Share-based payment expense (note 19)	259	934
	<u>1,335</u>	<u>1,659</u>

H H Associates Limited

Notes forming part of the Unaudited Financial Statements (continued) for the year ended 31 March 2023

5 Employees

	2023 £'000	2022 £'000
Staff costs for all employees, including executive directors, consist of:		
Wages and salaries	30,255	23,192
Social security costs	3,545	2,598
Pension costs	801	620
	<u>34,601</u>	<u>26,410</u>

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

	Number	Number
Directors	2	4
Production	255	218
Sales and administration	211	134
	<u>468</u>	<u>356</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 3 directors (2022: 8) for whom the Company or other HH Global Group companies (note 22) made contributions to money purchase pension plans during the year in respect of qualifying services to the Company and its subsidiaries. Total remuneration was £1,729,000 (2022: £1,987,000) including pension contributions of £33,000 (2022: £35,000).

Awards vested under long term incentive plans were £nil (2022: £nil).

The emoluments of the highest paid director were £1,080,000 (2022: £784,000), including contributions paid to a pension scheme on their behalf of £3,000 (2022: £3,000) and awards vesting under long term incentive plans of £nil (2022: £nil).

6 Exceptional items

	2023 £'000	2022 £'000
Impairment	-	641
	<u>-</u>	<u>641</u>

The impairment in 2022 relates to a provision against an intercompany trading balance due from HH Global Russia LLC due to the continuing conflict in Ukraine and uncertainty over recoverability.

H H Associates Limited

Notes forming part of the Unaudited Financial Statements *(continued)*
for the year ended 31 March 2023

7 Interest receivable and similar income

	2023 £'000	2022 £'000
Intercompany loan interest	1,005	579
Other interest	11	-
	<u>1,016</u>	<u>579</u>

8 Interest payable and similar expenses

	2023 £'000	2022 £'000
Intercompany loan interest	1,975	1,669
	<u>1,975</u>	<u>1,669</u>

H H Associates Limited**Notes forming part of the Unaudited Financial Statements (continued)
for the year ended 31 March 2023****9 Tax on profit / (loss)**

	2023	2022
	£'000	£'000
<i>Current tax</i>		
Group relief payable / (receivable)	1,271	(424)
Overseas taxes	44	69
Adjustments in respect of prior periods	420	(190)
Total current tax	1,735	(545)
<i>Deferred tax</i>		
Origination and reversal of timing differences	469	(85)
Changes in tax rates	(31)	(766)
Adjustment in respect of prior periods	(681)	179
Total deferred tax (see note 14)	(243)	(672)
Total tax on profit / (loss) (see below)	1,492	(1,217)

The tax assessed for the year is lower (2022 - lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2023	2022
	£'000	£'000
Profit / (loss) before tax	9,087	(3,256)
Profit / (loss) at the standard rate of corporation tax in the UK of 19% (2022 - 19%)	1,727	(619)
Effects of:		
Expenses not deductible for tax purposes	13	130
Group relief (claimed) / surrendered	(1,271)	424
Payment / (receipt) for group relief	1,271	(424)
Change in tax rates – deferred tax	(31)	(786)
Adjustment in respect of prior periods	420	(190)
Adjustment in respect of prior periods – deferred tax	(681)	179
Other taxes including withholding tax	44	69
Total tax charge / (credit) for the year	1,492	(1,217)

H H Associates Limited

Notes forming part of the Unaudited Financial Statements (*continued*)
for the year ended 31 March 2023

10 Intangible fixed assets

	IT Software £'000
<i>Cost</i>	
At 1 April 2022	562
Additions	13
	<hr/>
At 31 March 2023	575
	<hr/>
<i>Amortisation</i>	
At 1 April 2022	180
Charge for the year	114
	<hr/>
At 31 March 2023	294
	<hr/>
<i>Net book value</i>	
At 31 March 2023	281
	<hr/>
At 31 March 2022	382
	<hr/>

11 Tangible fixed assets

	Leasehold Improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
<i>Cost</i>				
At 1 April 2022	-	728	103	831
Additions	245	-	137	382
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2023	245	728	240	1,213
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 April 2022	-	724	81	805
Charge for the year	190	4	68	262
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2023	190	728	149	1,067
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 March 2023	55	-	91	146
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2022	-	4	22	26
	<hr/>	<hr/>	<hr/>	<hr/>

H H Associates Limited

Notes forming part of the Unaudited Financial Statements *(continued)* for the year ended 31 March 2023

12 Work in Progress

	2023 £'000	2022 £'000
Stock and Work in progress	1,347	977

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

	2023 £'000	2022 £'000
Trade debtors	28,280	23,482
Amounts owed by group undertakings	11,503	29,206
Other debtors	520	246
Prepayments and accrued income	1,481	1,390
Corporation tax debtor	228	228
Deferred tax due within 12 months (note 14)	-	598
	42,012	55,150

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 £124,000 (2022: £nil).

H H Associates Limited

Notes forming part of the Unaudited Financial Statements (continued) for the year ended 31 March 2023

14 Deferred Taxation

	2023 £'000	2022 £'000
Balance at 1 April	3,874	3,202
Deferred tax in statement of income (note 9)	243	672
	<hr/>	<hr/>
Balance at 31 March	4,117	3,874
	<hr/>	<hr/>
<i>The deferred tax asset is analysed as follows:</i>		
Fixed asset timing differences	5	69
Short-term timing differences	84	33
Losses and other deductions	4,028	3,772
	<hr/>	<hr/>
	4,117	3,874
	<hr/>	<hr/>

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 May 2021 the previously announced increase in the UK corporate tax rate from 19% to 25% was substantively enacted and became effective on 1 April 2023. This was not changed following the September 2022 Mini Budget. Of the amounts included in deferred taxation, £2,077,000 is due in less than one year (2022: £598,000).

15 Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Trade creditors	11,354	9,548
Amounts owed to group undertakings	6,514	31,234
Other Taxation and social security	1,868	947
Other creditors	156	147
Deferred income	1,023	447
Accruals	12,115	10,957
Dilapidation provision	112	-
	<hr/>	<hr/>
	33,142	53,280
	<hr/>	<hr/>

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

H H Associates Limited

Notes forming part of the Unaudited Financial Statements (*continued*) for the year ended 31 March 2023

16 Creditors: amounts falling due after more than one year

	2023 £'000	2022 £'000
Dilapidation provision	133	-

17 Dilapidation provision

	2023 £'000	2022 £'000
At the start of the year	-	-
Provided in the year	245	-
At the end of the year	245	-

18 Called up share capital

	2023 £'000	2022 £'000
<i>Allotted, called up and fully paid</i> 40,009 ordinary shares of £1 each	40	40

19 Share-based payments

The Company 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 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, which is classified as cash settled in its consolidated and separate financial statements. The scheme is classified as equity settled in the Company's financial statements and the amount expensed is treated as a capital contribution from the Company'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 £259,000 (2022: £934,000) which has been credited to a capital contribution reserve.

20 Pensions

The Company operates a money purchase pension scheme.

The pension charge for the year represents contributions payable by the Company and amounted to £540,000 (2022 - £428,000). Contributions amounting to £172,000 (2022 - £147,000) are included in accruals at 31 March 2023.

H H Associates Limited

Notes forming part of the Unaudited Financial Statements *(continued)* for the year ended 31 March 2023

21 Commitments under operating leases

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

	2023 Land and Buildings £'000	2022 Land and Buildings £'000
Within one year	392	399
Between two to five years	454	727
	<hr/>	<hr/>
	846	1,126
	<hr/>	<hr/>

22 Ultimate parent company and ultimate controlling party

The Company's ultimate parent undertaking is HH Global Enterprise Network Limited, an entity incorporated in Jersey. No shareholders had a controlling interest during the year 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 2023.

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, Fetcham, Leatherhead, Surrey, KT22 9DF.

23 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.

24 Post balance sheet events

There were no reportable post balance sheet events.