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**1HQ Limited**  
**(Previously Sandom Group Limited)**

**Company No. 2781951**

**Financial Statements**

**For the year ended**

**31 December 2007**



# **1HQ Limited**

## **Directors and Officers**

### **Directors**

T Lovett  
H Leeson  
J Sandom  
M Say

### **Secretary**

T Lovett

### **Registered Office**

22 Russell Street  
Windsor  
Berkshire  
SL4 1HQ

### **Auditors**

Kingston Smith LLP  
141 Wardour Street  
London  
W1F 0UT

### **Bankers**

Lloyds TSB  
High Wycombe Branch  
PO Box 1000  
BX1 1LT

### **Solicitors**

Osborne Clark  
2 Temple Back East, Temple Quay  
Bristol  
BS1 6EG

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# **1HQ Limited**

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# 1HQ Limited

## Report of the Directors

### For the year ended 31 December 2007

The directors have pleasure in presenting their report and financial statements for the year ended 31 December 2007.

#### Principal activities and business review

The principal activities of the group are those of business, brand and communications consultants.

#### Business Review

Following a year of successful restructuring in 2006 which resulted in a reduced cost base, the directors continued to implement the business strategy of simplifying the company structure and putting in place a scheme to motivate and reward everyone in the business. The company also changed its name from Sandom Group Limited to 1HQ Limited on 19th September 2007.

During the latter half of the year all the majority owned subsidiary companies, being Impact Limited, Vibrant Limited and Distillery Research Limited were amalgamated into 1HQ (Sandom Group) Limited resulting in all trading now being within one Limited company. This has resulted in the company achieving significant margin increases, simplification and clarity of offer.

Business and client development continued to be a key focus with new clients gained during the year including Dairy Crest, Coca Cola, SSL, Kraft, Black and Decker, HTC Europe, Twinings and GCAP Media.

We continue to develop and refine our client offer to create a distinct positioning in the market with our two brands, Distillery and Vibrant. Distillery offering brand consultancy, insight, innovation and research, and Vibrant offering branded packaging, structural and product design. Our single-minded focus on having one company, now called 1HQ Limited, with two brands has reaped significant rewards for the business with our clients benefiting from our breadth and combined resource.

We have continued with our plans to invest in the business with the appointment of a number of senior business development roles into the business. One of the greatest risks we face is in losing key talent within the business. We have therefore concentrated this year on putting in place measures to retain our talented people through the implementation of the share options scheme and other reward packages.

Trading profit at £764k and retained profit after dividends paid of £256k on turnover of £6.08m represents a very significant increase on last years profit.

We are looking forward to another positive growth year in 2008 and continue to focus on delivering great work for our clients and enhancing our specialisms further.

We would like to give a huge thank you to everyone in the business for their hard work, ability to embrace change and for producing exceptional strategic and creative work for our clients. We would also like to thank all of our clients and business partners for their continued support.

#### Results

The audited accounts for the year ended 31 December 2007 are set out on pages 4 to 15. The group's profit after tax for the year was £499,880 (2006. loss of £200,136). The company's profit after tax for the year was £1,800,163 (2006 £1,579,300).

The company has taken advantage of Section 230 of the Companies Act 1985 and consequently a profit and loss account for the company alone is not presented.

The group made charitable donations totalling £426 (2006. £5,950) in the year.

# 1HQ Limited

## Report of the Directors (continued)

### For the year ended 31 December 2007

#### Directors and their interests

The directors who served the company during the year were as follows:

|             |                                      |
|-------------|--------------------------------------|
| J.R. Sandom |                                      |
| H.V. Leeson |                                      |
| T.A. Lovett |                                      |
| J. Lilly    | Appointed 12/12/07, resigned 6/5/08  |
| R.L. Armes  | Appointed 31/10/07, resigned 31/7/08 |
| M. Say      | Appointed 12/12/07                   |

#### Statement of disclosure to auditors

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

#### Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Kingston Smith LLP be reappointed as auditors of the company will be put to the Annual General Meeting

#### Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent, prepare the financial statements on a going concern basis unless it is inappropriate to assume that the company will continue in business.

The directors are responsible for keeping proper accounting records which 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 1985. 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

#### Employment Policy

It is the Group's policy to employ individuals with the necessary qualifications and experience and with full regard to the governing anti-discrimination laws. Full and fair consideration is given to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities

The Group recognises the great importance of the contributions made by all employees and aims to keep them informed on matters affecting them as employees and on developments within the Group. Communication and consultation is achieved by a variety of means, both within individual operating companies and on a group-wide basis

Approved and authorised for issue by the board

22 Russell Street  
Windsor  
Berkshire  
SL4 1HQ

 Tom Lovett  
Director  
Date 14/10/08

# 1HQ Limited

## Independent Auditors' Report to the members of 1HQ Limited

### For the year ended 31 December 2007

We have audited the Group and Company's financial statements of 1HQ Limited for the year ended 31 December 2007 set out on pages 4 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities on page 2 the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, and whether in our opinion the information given in the Directors' report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

#### Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### Opinion

In our opinion

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group and Company's affairs at 31 December 2007 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements

141 Wardour Street, London, W1F 0UT

*Kingston Smith LLP*

Kingston Smith LLP  
Chartered Accountants  
and Registered Auditors

Date. 14 October 2008..

**1HQ Limited**  
**Consolidated Profit and Loss Account**  
**For the year ended 31 December 2007**

|   | Note | Before<br>exceptional<br>Items<br>2007 | Exceptional<br>Items<br>2007 | Total<br>2007<br>£ | 2006<br>£          |
|---|------|--|------------------------------|--------------------|--------------------|
| Turnover  | 2    | 6,083,924                              | -                            | 6,083,924          | 6,406,660          |
| Cost of sales   |      | <u>(1,370,740)</u>                     | <u>-</u>                     | <u>(1,370,740)</u> | <u>(1,290,166)</u> |
| Gross Profit  |      | 4,713,184                              | -                            | 4,713,184          | 5,116,494          |
| Administrative expenses                                 |      | <u>(3,949,083)</u>                     | <u>-</u>                     | <u>(3,949,083)</u> | <u>(5,080,115)</u> |
| Operating Profit/(Loss) before<br>exceptional items     | 3    | 764,101                                | -                            | 764,101            | 36,379             |
| Exceptional items                                       | 17   | -                                      | (109,760)                    | (109,760)          | (323,569)          |
| Interest receivable and similar income                  | 6    | 55,121                                 | -                            | 55,121             | 76,503             |
| Profit/(Loss) on Ordinary Activities<br>Before Taxation |      | 819,222                                | (109,760)                    | 709,462            | (210,687)          |
| Taxation on ordinary activities                         | 7    | <u>(209,582)</u>                       | <u>-</u>                     | <u>(209,582)</u>   | <u>10,551</u>      |
| Profit/(Loss) on Ordinary Activities<br>After Taxation  |      | 609,640                                | (109,760)                    | 499,880            | (200,136)          |
| Equity minority interests                               | 16   | (38,085)                               | -                            | (38,085)           | 75,418             |
| Profit/(Loss) for the year                              |      | <u>571,555</u>                         | <u>(109,760)</u>             | <u>461,795</u>     | <u>(124,719)</u>   |

There were no recognised gains or losses in either year other than the profit/(loss) for the year

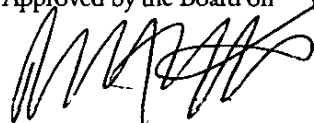
All amounts derive from continuing operations

# 1HQ Limited

## Consolidated Balance Sheet as at 31 December 2007

|   | Note | 2007               | 2006               |
|---|------|--------------------|--------------------|
|   |      | £                  | £                  |
| <b>Fixed Assets</b>                                   |      |                    |                    |
| Goodwill  | 11   | 103,000            | 97,255             |
| Tangible assets                                       | 12   | 229,564            | 322,670            |
| Investments   | 13   | <u>4</u>           | <u>4</u>           |
|   |      | 332,568            | 419,929            |
| <b>Current Assets</b>                                 |      |                    |                    |
| Debtors   | 14   | 2,105,870          | 1,677,021          |
| Cash at bank  |      | <u>620,720</u>     | <u>754,034</u>     |
|   |      | 2,726,590          | 2,431,055          |
| <b>Creditors: Amounts falling due within one year</b> | 15   | <u>(1,321,414)</u> | <u>(1,332,957)</u> |
| <b>Net Current Assets</b>                             |      | <u>1,405,176</u>   | <u>1,098,098</u>   |
| <b>Total Assets less Current Liabilities</b>          |      | <u>1,737,744</u>   | <u>1,518,027</u>   |
| <b>Capital and Reserves</b>                           |      |                    |                    |
| Called up share capital - equity interests            | 10   | 22,696             | 19,200             |
| Capital redemption reserve                            | 9    | 800                | 800                |
| Shares to be issued                                   | 9    | -                  | 50,860             |
| Profit and loss account                               | 9    | <u>1,714,248</u>   | <u>1,458,655</u>   |
| <b>Shareholders' Funds</b>                            |      | 1,737,744          | 1,529,515          |
| Minority interests                                    | 16   | <u>-</u>           | <u>(11,488)</u>    |
|   |      | <u>1,737,744</u>   | <u>1,518,027</u>   |

Approved by the Board on 14 October 2008



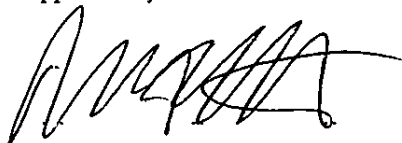
Director

# 1HQ Limited

## Company Balance Sheet as at 31 December 2007

|   | Note | 2007<br>£               | 2006<br>£             |
|---|------|-------------------------|-----------------------|
| <b>Fixed Assets</b>                                   |      |                         |                       |
| Goodwill  | 11   | 329,209                 | -                     |
| Tangible assets                                       | 12   | 229,564                 | 110,935               |
| Investments   | 13   | <u>4</u>                | <u>302,552</u>        |
|   |      | 558,777                 | 413,487               |
| <b>Current Assets</b>                                 |      |                         |                       |
| Debtors   | 14   | 2,105,864               | 420,136               |
| Cash at bank and in hand                              |      | <u>620,720</u>          | <u>751,925</u>        |
|   |      | 2,726,584               | 1,172,061             |
| <b>Creditors: Amounts falling due within one year</b> | 15   | <u>(1,321,741)</u>      | <u>(1,284,564)</u>    |
| <b>Net Current Liabilities</b>                        |      | <u>1,404,843</u>        | <u>(112,503)</u>      |
| <b>Total Assets less Current Liabilities</b>          |      | <u><u>1,963,620</u></u> | <u><u>300,984</u></u> |
| <b>Capital and Reserves</b>                           |      |                         |                       |
| Called up share capital - equity interests            | 10   | 22,696                  | 19,200                |
| Capital redemption reserve                            | 9    | 800                     | 800                   |
| Profit and loss account                               | 9    | <u>1,940,124</u>        | <u>280,984</u>        |
|   |      | <u><u>1,963,620</u></u> | <u><u>300,984</u></u> |

Approved by the Board and authorised for issue on 14 October 2008



Director

# 1HQ Limited

## Consolidated Cashflow Statement for the year ended 31 December 2007

|   | Note | Year ended<br>31 December 2007 |                  | Year ended<br>31 December 2006 |                    |
|---|------|--------------------------------|------------------|--------------------------------|--------------------|
|   |      | £                              | £                | £                              | £                  |
| <b>Net Cash Inflow from Operating Activities</b>                                    | A    |                                | 98,548           |                                | 220,689            |
| <b>Returns on Investments and Servicing of Finance</b>                              |      |                                |                  |                                |                    |
| Interest received   |      | 55,121                         |                  | 76,503                         |                    |
| Interest paid   |      | <u>-</u>                       |                  | <u>-</u>                       |                    |
| <b>Net Cash Inflow from Returns on Investments and Servicing of Finance</b>         |      |                                | 55,121           |                                | 76,503             |
| <b>Taxation</b>   |      |                                |                  |                                |                    |
| Corporation tax paid  |      |                                | -                |                                | (344,167)          |
| <b>Capital Expenditure and Financial Investment plus Acquisitions and Disposals</b> |      |                                |                  |                                |                    |
| Acquisition of shares in subsidiary   |      | (23,184)                       |                  | (76,100)                       |                    |
| Repurchase of own shares  |      | -                              |                  | (45,000)                       |                    |
| Payments to acquire tangible fixed assets   |      | (56,894)                       |                  | (136,016)                      |                    |
| Receipts from sale of tangible fixed assets   |      | <u>25,232</u>                  |                  | <u>27,786</u>                  |                    |
| <b>Net Cash Outflow from Investing Activities</b>                                   |      |                                | <u>(54,846)</u>  |                                | <u>(229,330)</u>   |
|   |      |                                | 98,823           |                                | (276,305)          |
| <b>Equity Dividends Paid</b>  |      |                                | (221,201)        |                                | (1,100,588)        |
| <b>(Decrease) in cash</b>   | B    |                                | <u>(122,378)</u> |                                | <u>(1,376,893)</u> |

# 1HQ Limited

## Notes to the Consolidated Cashflow Statement

### For the year ended 31 December 2007

#### Notes to the Cash Flow statement

|  |               |                |
|--|---------------|----------------|
| <b>A Reconciliation of Operating Profit/(Loss) to Net Cash from Operating Activities</b> | <b>2007</b>   | <b>2006</b>    |
|  | <b>£</b>      | <b>£</b>       |
| Operating profit/(loss)  | 654,341       | (287,190)      |
| Depreciation   | 112,025       | 106,285        |
| Amortisation of goodwill   | 9,281         | 3,508          |
| Loss on disposal of fixed assets   | 12,743        | 21,404         |
| (Increase)/Decrease in debtors   | (476,458)     | 634,905        |
| Decrease in creditors  | (213,384)     | (258,223)      |
| <b>Net Cash Inflow from Operating Activities</b>   | <b>98,548</b> | <b>220,689</b> |

|  |                |                |
|--|----------------|----------------|
| <b>B Reconciliation of Net Cash Flow to Movement in Net Funds (note c)</b> | <b>2007</b>    | <b>2006</b>    |
|  | <b>£</b>       | <b>£</b>       |
| Decrease in cash in the period   | (122,378)      | (1,376,893)    |
| Net funds at 1 January 2007  | 743,098        | 2,119,991      |
| <b>Net funds at 31 December 2007</b>                                       | <b>620,720</b> | <b>743,098</b> |

|   |                          |                   |                            |
|---|--------------------------|-------------------|----------------------------|
| <b>C Analysis of Changes in Net Funds</b> | <b>At 1 January 2007</b> | <b>Cash Flows</b> | <b>At 31 December 2007</b> |
|   | <b>£</b>                 | <b>£</b>          | <b>£</b>                   |
| Cash at bank and in hand                  | 754,034                  | (133,314)         | 620,720                    |
| Overdrafts                                | (10,936)                 | 10,936            | -                          |
| <b>Total</b>                              | <b>743,098</b>           | <b>(122,378)</b>  | <b>620,720</b>             |

|                          |                          |                    |                            |
|--------------------------|--------------------------|--------------------|----------------------------|
|                          | <b>At 1 January 2006</b> | <b>Cash Flows</b>  | <b>At 31 December 2006</b> |
|                          | <b>£</b>                 | <b>£</b>           | <b>£</b>                   |
| Cash at bank and in hand | 2,123,739                | (1,369,705)        | 754,034                    |
| Overdrafts               | (3,748)                  | (7,188)            | (10,936)                   |
| <b>Total</b>             | <b>2,119,991</b>         | <b>(1,376,893)</b> | <b>743,098</b>             |

# 1HQ Limited

## Notes to the Financial Statements

### For the year ended 31 December 2007

#### 1. Accounting Policies

##### a) Accounting convention

The financial statements have been prepared under the historical cost convention, and in accordance with applicable Accounting Standards. The following principal accounting policies have been applied

##### b) Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiaries for financial periods ended 31 December 2007 using the acquisition method of accounting.

##### c) Investments

Fixed asset investments are stated at cost less provision for diminution in value.

##### d) Tangible fixed assets and depreciation

Tangible fixed assets are shown at original cost, less accumulated depreciation.

Depreciation of fixed assets is provided at rates estimated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

|   |                            |
|---|----------------------------|
| Motor Vehicles, Motor Craft and Plant & Equipment | - 25% Reducing balance     |
| Leasehold Improvements                            | - 20% Straight Line        |
| Subsidiary rates                                  | - 25% to 33% Straight Line |

##### e) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred taxation is accounted for under the liability method in respect of the taxation effects of all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated the tax will be payable

##### f) Leasing

Rentals paid under operating leases are charged to the profit and loss account as they accrue

##### g) Pension contributions

The company makes contributions to certain employees' personal pension plans. The assets of the schemes are held separately from those of the company. Contributions are charged to the profit and loss account as they occur in accordance with FRS 17

##### h) Foreign Currencies

Transactions denominated in foreign currencies are translated into Sterling at the rate of exchange at the date of the transaction. Assets and liabilities in foreign currencies are translated into Sterling at rates of exchange ruling at the end of the financial period. Exchange differences arising from the translation of foreign subsidiaries are taken directly to reserves. All other exchange differences are dealt with through the profit and loss account.

##### i) Turnover and Income recognition

Turnover is recognised as contract activity progresses, in accordance with the terms of the contractual agreement and the stage of completion of the work. It is in respect of the provision of services including, fees commissions rechargeable expenses and sales of materials performed. Where turnover exceeds amounts invoiced to clients, the excess is classified as accrued income

**1HQ Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2007 (continued)**

**j) Goodwill**

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired is capitalised and written off in a straight line basis over its useful economic life which is 20 years. Provision is made for any impairment.

|                        |                  |                  |
|------------------------|------------------|------------------|
| <b>2. Turnover</b>     | <b>2007</b>      | <b>2006</b>      |
|                        | <b>£</b>         | <b>£</b>         |
| Geographical analysis: |                  |                  |
| United Kingdom         | 5,182,934        | 5,017,716        |
| Rest of Europe         | 715,568          | 1,067,495        |
| Rest of World          | 185,422          | 321,449          |
|                        | <u>6,083,924</u> | <u>6,406,660</u> |

**3. Operating Profit/(Loss)**

|   |                |                |
|---|----------------|----------------|
|   | <b>2007</b>    | <b>2006</b>    |
|   | <b>£</b>       | <b>£</b>       |
| The operating profit is stated after charging |                |                |
| Depreciation - owned tangible fixed assets    | 112,025        | 106,285        |
| Amortisation - goodwill                       | 9,312          | 3,508          |
| Lease rentals - land and buildings            | 180,000        | 180,000        |
| Loss on disposal of fixed assets              | 12,742         | 21,404         |
| Auditors' remuneration - audit fees           | 27,750         | 27,000         |
|   | <u>241,829</u> | <u>238,207</u> |

**4. Employee Information**

|   |                  |                  |
|---|------------------|------------------|
| The average number of persons employed by the group (including directors) during the year was | <b>2007</b>      | <b>2006</b>      |
|   | <b>No.</b>       | <b>No.</b>       |
|   | <u>59</u>        | <u>66</u>        |
| Their total remuneration was  | <b>£</b>         | <b>£</b>         |
| Wages and salaries  | 2,992,824        | 3,381,798        |
| Social security costs   | 345,554          | 437,816          |
| Pension costs - defined contribution  | 10,500           | 11,666           |
|   | <u>3,348,878</u> | <u>3,831,280</u> |

**5. Directors' Emoluments**

|                                      |                |                |
|--------------------------------------|----------------|----------------|
|                                      | <b>£</b>       | <b>£</b>       |
| Remuneration for management services | 290,204        | 465,700        |
| Compensation for loss of office      | 13,015         | 30,000         |
| Pension costs - defined contribution | 10,500         | 42,636         |
|                                      | <u>313,719</u> | <u>538,336</u> |
|                                      | <b>£</b>       | <b>£</b>       |
| <b>Highest paid director</b>         |                |                |
| Remuneration for management services | <u>112,231</u> | <u>205,308</u> |

1 director (2006: 1) was a member of a defined contribution pension scheme

**1HQ Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2007 (continued)**

|   |           |                 |                |                  |
|---|-----------|-----------------|----------------|------------------|
| <b>6. Investment Income</b>                             |           |                 | 2007<br>£      | 2006<br>£        |
| Bank interest   |           |                 | <u>55,121</u>  | <u>76,503</u>    |
| <b>7. Tax on profit/(loss) on ordinary activities</b>   |           |                 |                |                  |
| <b>a) Charge for the year</b>                           |           |                 | £              | £                |
| <b>Current taxation</b>                                 |           |                 |                |                  |
| UK Corporation tax based on profit/(loss) for the year  |           |                 | 195,887        | 22,504           |
| Under/(over) provision in previous year                 |           |                 | 13,695         | (33,055)         |
| Tax on profit/(loss) on ordinary activities             |           |                 | <u>209,582</u> | <u>(10,551)</u>  |
| <b>b) Factors affecting the tax charge for the year</b> | 2007<br>£ | 2007<br>£       | 2006<br>£      | 2006<br>£        |
| Profit/(Loss) on ordinary activities before tax         |           | <u>709,462</u>  |                | <u>(210,687)</u> |
| Theoretical consolidated tax charge at 30%              |           | 212,838         |                | (63,206)         |
| <i>Effects of</i>                                       |           |                 |                |                  |
| Other tax adjustments                                   | (6,309)   |                 | 5,487          |                  |
| Marginal relief   | (5,282)   |                 | (7,825)        |                  |
| Expenses not deductible for tax purposes                | (723)     |                 | 20,021         |                  |
| Depreciation in excess of Capital Allowances            | 6,590     |                 | (494)          |                  |
| Tax losses surrendered at lower effective rate          | (11,227)  |                 | -              |                  |
| Losses carried back against prior year profits          | <u>-</u>  |                 | <u>68,521</u>  |                  |
|   |           | <u>(16,951)</u> |                | <u>85,711</u>    |
| <b>Current Tax charge (as per note 7a)</b>              |           | <u>195,887</u>  |                | <u>22,505</u>    |
| <b>8. Dividends Paid</b>                                |           |                 | £              | £                |
| Ordinary dividends paid                                 |           |                 | <u>206,201</u> | <u>1,100,588</u> |

**1HQ Limited**  
**Notes to the Financial Statements**  
**For the year to 31 December 2007 (continued)**

**9. Shareholders' Funds**

| Group                            | Called up<br>share<br>capital<br>£ | Capital<br>Redemption<br>Reserve<br>£ | Other<br>reserves<br>£ | Profit and<br>loss account<br>£ | Total<br>£  |
|----------------------------------|------------------------------------|---------------------------------------|------------------------|---------------------------------|-------------|
| Balance at 1 January 2006        | 20,000                             | -                                     | 50,860                 | 2,728,961                       | 2,799,821   |
| Repurchase of shares in the year | (800)                              | 800                                   | -                      | (45,000)                        | (45,000)    |
| Loss for the year                | -                                  | -                                     | -                      | (124,719)                       | (124,719)   |
| Dividends paid                   | -                                  | -                                     | -                      | (1,100,588)                     | (1,100,588) |
| At 31 December 2006              | 19,200                             | 800                                   | 50,860                 | 1,458,654                       | 1,529,514   |
| Increase in share capital        | 3,496                              | -                                     | -                      | -                               | 3,496       |
| Released in year                 | -                                  | -                                     | (50,860)               | -                               | (50,860)    |
| Profit for the year              | -                                  | -                                     | -                      | 461,795                         | 461,795     |
| Dividends paid                   | -                                  | -                                     | -                      | (206,201)                       | (206,201)   |
| At 31 December 2007              | 22,696                             | 800                                   | -                      | 1,714,248                       | 1,737,744   |

| Company                          | Called up<br>share<br>capital<br>£ | Capital<br>Redemption<br>Reserve<br>£ | Profit and<br>loss account<br>£ | Total<br>£  |
|----------------------------------|------------------------------------|---------------------------------------|---------------------------------|-------------|
| Balance at 1 January 2006        | 20,000                             | -                                     | (253,316)                       | (233,316)   |
| Repurchase of shares in the year | (800)                              | 800                                   | (45,000)                        | (45,000)    |
| Retained profit for the year     | -                                  | -                                     | 1,579,300                       | 1,579,300   |
| Dividends paid                   | -                                  | -                                     | (1,000,000)                     | (1,000,000) |
| At 31 December 2006              | 19,200                             | 800                                   | 280,984                         | 300,984     |
| Profit for the year              | -                                  | -                                     | 1,800,163                       | 1,800,163   |
| Increase in share capital        | 3,496                              | -                                     | -                               | 3,496       |
| Dividends paid                   | -                                  | -                                     | (141,023)                       | (141,023)   |
| At 31 December 2007              | 22,696                             | 800                                   | 1,940,124                       | 1,963,620   |

**10. Share Capital**

**Allotted, called up and fully paid:**

|                                | 2007<br>£     | 2006<br>£     |
|--------------------------------|---------------|---------------|
| Ordinary 'A' Shares of £1 each | 10,000        | 10,000        |
| Ordinary 'B' Shares of £1 each | 12,696        | 9,200         |
|                                | <u>22,696</u> | <u>19,200</u> |

**Authorised.**

|                                |               |               |
|--------------------------------|---------------|---------------|
| Ordinary 'A' Shares of £1 each | 10,000        | 10,000        |
| Ordinary 'B' Shares of £1 each | 18,400        | 10,000        |
|                                | <u>28,400</u> | <u>20,000</u> |

The 'B' Ordinary Shares do not carry voting rights save in relation to a resolution which varies the rights of those shares. In the event of a return of capital or external sale the holders of the 'A' Ordinary Shares are entitled to the first £6 million of distribution or proceeds, and the holders of the 'B' Ordinary Shares are entitled to any excess over this amount.

**1HQ Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2007 (continued)**

**11. Goodwill**

|                                     | Group<br>2007<br>£ | Group<br>2006<br>£ | Company<br>2007<br>£ | Company<br>2006<br>£ |
|-------------------------------------|--------------------|--------------------|----------------------|----------------------|
| At 1 January 2007                   | 97,255             | 52,236             | -                    | -                    |
| Increase of ownership in subsidiary | 15,026             | 48,527             | -                    | -                    |
| Reclassification of investments     | -                  | -                  | 329,209              | -                    |
| Amortisation                        | (9,281)            | (3,508)            | -                    | -                    |
| At 31 December 2007                 | <u>103,000</u>     | <u>97,255</u>      | <u>329,209</u>       | <u>-</u>             |

**12(a) Tangible Fixed Assets - Group**

|                        | Leasehold<br>Improvements<br>£ | Plant and<br>Equipment<br>£ | Motor Craft<br>£ | Motor<br>Vehicles<br>£ | Total<br>£     |
|------------------------|--------------------------------|-----------------------------|------------------|------------------------|----------------|
| <b>Cost</b>            |                                |                             |                  |                        |                |
| At 1 January 2007      | 51,659                         | 608,373                     | 49,500           | 63,373                 | 772,905        |
| Additions              | -                              | 56,894                      | -                | -                      | 56,894         |
| Disposals              | -                              | (24,835)                    | (49,500)         | (42,193)               | (116,528)      |
| At 31 December 2007    | <u>51,659</u>                  | <u>640,432</u>              | <u>-</u>         | <u>21,180</u>          | <u>713,271</u> |
| <b>Depreciation</b>    |                                |                             |                  |                        |                |
| At 1 January 2007      | 51,659                         | 344,856                     | 35,269           | 18,451                 | 450,235        |
| Charge for the year    | -                              | 104,965                     | -                | 7,060                  | 112,025        |
| Eliminated on Disposal | -                              | (28,375)                    | (35,269)         | (14,909)               | (78,553)       |
| At 31 December 2007    | <u>51,659</u>                  | <u>421,446</u>              | <u>-</u>         | <u>10,602</u>          | <u>483,707</u> |
| <b>Net book value</b>  |                                |                             |                  |                        |                |
| At 31 December 2007    | <u>-</u>                       | <u>218,986</u>              | <u>-</u>         | <u>10,578</u>          | <u>229,564</u> |
| At 31 December 2006    | <u>-</u>                       | <u>263,517</u>              | <u>14,231</u>    | <u>44,922</u>          | <u>322,670</u> |

**12(b) Tangible Fixed Assets - Company**

|                               | Leasehold<br>Improvements<br>£ | Plant and<br>Equipment<br>£ | Motor Craft<br>£ | Motor<br>Vehicles<br>£ | Total<br>£     |
|-------------------------------|--------------------------------|-----------------------------|------------------|------------------------|----------------|
| <b>Cost</b>                   |                                |                             |                  |                        |                |
| At 1 January 2007             | 51,659                         | 184,405                     | 49,500           | 12,424                 | 297,988        |
| Additions                     | -                              | 44,106                      | -                | -                      | 44,106         |
| Transfer from group companies | -                              | 466,097                     | -                | 21,180                 | 487,277        |
| Disposals                     | -                              | (57,248)                    | (49,500)         | (12,424)               | (119,172)      |
| At 31 December 2007           | <u>51,659</u>                  | <u>637,360</u>              | <u>-</u>         | <u>21,180</u>          | <u>710,199</u> |
| <b>Depreciation</b>           |                                |                             |                  |                        |                |
| At 1 January 2007             | 51,659                         | 96,585                      | 35,268           | 3,541                  | 187,053        |
| Charge for year               | -                              | 48,743                      | -                | 6,009                  | 54,752         |
| Transfer from group companies | -                              | 314,851                     | -                | 5,436                  | 320,287        |
| Eliminated on Disposal        | -                              | (41,805)                    | (35,268)         | (4,384)                | (81,457)       |
| At 31 December 2007           | <u>51,659</u>                  | <u>418,374</u>              | <u>-</u>         | <u>10,602</u>          | <u>480,635</u> |
| <b>Net book value</b>         |                                |                             |                  |                        |                |
| At 31 December 2007           | <u>-</u>                       | <u>218,986</u>              | <u>-</u>         | <u>10,578</u>          | <u>229,564</u> |
| At 31 December 2006           | <u>-</u>                       | <u>87,820</u>               | <u>14,232</u>    | <u>8,883</u>           | <u>110,935</u> |

**1HQ Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2007 (continued)**

**13. Fixed Asset Investments**

|                                     | Group<br>£ | Company<br>£ |
|-------------------------------------|------------|--------------|
| <b>Shares in group undertakings</b> |            |              |
| Cost at 1 January 2007              | -          | 302,552      |
| Additions                           | -          | 26,657       |
| Reclassified as goodwill            |            | (329,209)    |
| Cost at 31 December 2007            | <u>-</u>   | <u>-</u>     |
| <b>Unlisted investments</b>         |            |              |
| Cost at 1 January 2007              | 4          | -            |
| Additions                           | -          | 4            |
| Revaluation                         | -          | -            |
| Cost at 31 December 2007            | <u>4</u>   | <u>4</u>     |

| Name of subsidiary undertaking          | Principal Activity | Holding | Country of<br>incorporation |
|---|--------------------|---------|-----------------------------|
| Impactkt Limited                        | Brand Consultancy  | 100%    | England and Wales           |
| Distillery Limited                      | Dormant            | 100%    | England and Wales           |
| Distillery Research Limited             | Brand Consultancy  | 100%    | England and Wales           |
| Vibrandt Limited                        | Brand Consultancy  | 100%    | England and Wales           |
| The Brand Communications Agency Limited | Dormant            | 100%    | England and Wales           |
| Star Chamber Limited                    | Dormant            | 100%    | England and Wales           |
| The Sandom Partnership Limited          | Dormant            | 100%    | England and Wales           |

The results of all the above subsidiaries have been consolidated into these financial statements

The trade and assets of Vibrandt Limited were transferred to 1HQ Limited on 31 December 2007 by way of dividend in specie. The trade and assets of Distillery Research Limited and Impactkt Limited were transferred on 30 September 2007

**14. Debtors**

|                                    | Group<br>2007<br>£ | Group<br>2006<br>£ | Company<br>2007<br>£ | Company<br>2006<br>£ |
|------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Trade debtors                      | 2,007,933          | 1,287,342          | 2,007,933            | 37,487               |
| Amounts owed by group undertakings | -                  | -                  | -                    | 283,111              |
| Other debtors                      | 1,911              | 114,651            | 1,905                | 29,386               |
| Prepayments and accrued income     | 96,026             | 275,028            | 96,026               | 70,152               |
|                                    | <u>2,105,870</u>   | <u>1,677,021</u>   | <u>2,105,864</u>     | <u>420,136</u>       |

**15. Creditors Amounts falling due within one year**

|                                    | Group<br>2007<br>£ | Group<br>2006<br>£ | Company<br>2007<br>£ | Company<br>2006<br>£ |
|------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Bank loans and overdraft           | -                  | 10,936             | -                    | -                    |
| Trade creditors                    | 132,691            | 287,278            | 132,691              | 173,236              |
| Amounts owed to group undertakings | -                  | -                  | 301                  | 959,750              |
| Corporation tax                    | 212,777            | -                  | 212,777              | 3,198                |
| Accruals & deferred income         | 473,465            | 516,014            | 473,465              | 102,250              |
| Other creditors                    | 85,824             | 245,514            | 85,824               | 2,995                |
| Other taxation and social security | 416,657            | 273,215            | 416,683              | 43,135               |
|                                    | <u>1,321,414</u>   | <u>1,332,957</u>   | <u>1,321,741</u>     | <u>1,284,564</u>     |

# 1HQ Limited

## Notes to the Financial Statements

### For the year ended 31 December 2007 (continued)

#### 16. Minority Interests

|  | £        |
|--|----------|
| At 31 December 2006                                  | (11,488) |
| Minority share of the result for the year            | 38,085   |
| Dividends attributable to minorities                 | (15,000) |
| Decrease in minority interest due purchase of shares | (11,597) |
| At 31 December 2007                                  | <u>-</u> |

#### 17. Exceptional items

|                                 | £<br>2007      | £<br>2006      |
|---------------------------------|----------------|----------------|
| Restructuring costs             | 10,520         | 323,569        |
| Compensation for loss of office | 16,015         | -              |
| Cost of share option waiver     | 83,225         | -              |
|                                 | <u>109,760</u> | <u>323,569</u> |

#### 18. Future Financial Commitments

##### Operating leases

At 31 December 2007 the group had annual commitments under operating leases as set out below

|                                  | Land and buildings<br>2007<br>£ | 2006<br>£      |
|----------------------------------|---------------------------------|----------------|
| Expiring in more than five years | <u>180,000</u>                  | <u>180,000</u> |

#### 19 Related Party Transactions

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 8 not to disclose transactions with other members of the Group headed by 1HQ Limited where at least 90% of the equity is owned by the Group and which have been eliminated on consolidation.

During the year the company recharged expenses of £514 (2006 £474) and made purchases of £222 (2006 £406) from Huntley and Palmers Limited on an arms-length basis. J R Sandom and H V Leeson were directors and shareholders of Huntley and Palmers Limited. In April 2008, J R Sandom and H V Leeson sold their interest in Huntley and Palmers Limited.

#### 20 Controlling Party

The controlling party is J R Sandom, by virtue of his shareholding in the parent company

#### 21. Profit/(loss) of 1HQ Limited

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The consolidated profit for the financial year includes a profit after tax of £1,800,163 (2006 £1,579,300) relating to 1HQ Limited.