

Financial Statements

1HQ Limited

For the year ended 31 December 2012

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20/09/2013
COMPANIES HOUSE

Registered number: 2781951

1HQ Limited

Company Information

Directors	M Artus H Leeson J Sandom
Company secretary	S Ordoná
Company registration number	2781951
Registered office	Old Brewery 22 Russell Street Windsor Berkshire SL4 1HQ
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 1020 Eskdale Road IQ Winnersh Wokingham Berkshire RG41 5TS
Bankers	Lloyds TSB PO Box 1000 BX1 1LT
Solicitors	Osbourne Clark One London Wall London EC2Y 5EB

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Directors' Report

For the year ended 31 December 2012

The directors present their report and the financial statements for the year ended 31 December 2012

Principal activities and business review

We continue to build 1HQ as a leading full service brand agency with an integrated team of strategic and creative thinkers that help brand owners maximise their assets

As a Brand Agency with a deep understanding of customers and their shopping habits, we are increasingly being charged with the responsibility of building our clients' brands, ensuring that the product, its presentation and brand message stay front of mind and relevant to consumers

We have appropriately strengthened and invested in our senior team to ensure that we have the experience and skills to take responsibility for our growth

In 2012 we developed and grew new and existing clients such as Hewlett Packard, Nokia, Tesco, Thornton's and United Biscuits. Our clients are increasingly seeing us as innovators and business partners helping them solve their branding issues, utilising our exclusive methodologies and brand diagnostic tools

Our long term relationship with Unilever continues to grow with new wins for Carte D'or and Wall's plus extended projects with Cif and Surf

Thank you to our loyal clients, which include Unilever, Premier Foods, ABF, Nestle, UB and General Mills, for our on-going relationships and the trust they place in us as partners in helping to ensure the success of their leading brands

Our focus moving forward

- Be better known as the brand agency that can influence purchase behaviour through creative persuasion and continue to build and strengthen our brand consulting teams
- Invest and grow our shopper marketing capabilities
- Explore the Asian markets and our global expansion
- Develop exciting bespoke platforms in 'digital' communication

Despite the challenges of the market and economic situation we are experiencing and gaining client recognition for our wider service offer and we are confident that this trend will grow

Directors

The directors who served during the year were

M Artus
H Leeson
J Sandom

Donations

During the year the company made £894 of charitable donations (2011 £566)

Dividends

The directors authorised a dividend for the year for £252,250 (2010 £32,000)

Directors' Report

For the year ended 31 December 2012

Provision of information to auditor

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

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed appointed for the next financial year in accordance with section 487(2) of the Companies Act 2006, unless the company receives notice under section 488(1) of Companies Act 2006

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006

This report was approved by the board on 10th SEPTEMBER 2013 and signed on its behalf


M Artus
Director

Directors' Responsibilities Statement

For the year ended 31 December 2012

The directors are responsible for preparing 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). 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 judgments and accounting estimates that are reasonable and prudent,
- 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.



Independent Auditor's Report to the Members of 1HQ Limited

We have audited the financial statements of 1HQ Limited for the year ended 31 December 2012, which comprise the Profit and loss account, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



Independent Auditor's Report to the Members of 1HQ Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' report

Grant Thornton UK LLP

James Rogers (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Date

16 September 2013

Profit and Loss Account

For the year ended 31 December 2012

	Note	2012 £	2011 £
Turnover	1	4,854,179	6,071,763
Cost of sales		(423,548)	(612,163)
Gross profit		4,430,631	5,459,600
Administrative expenses		(3,666,987)	(4,355,566)
Operating profit	4	763,644	1,104,034
Interest receivable and similar income		1,915	523
Interest payable and similar charges		-	(813)
Profit on ordinary activities before taxation		765,559	1,103,744
Tax on profit on ordinary activities	6	(181,416)	(304,078)
Profit for the financial year	17	584,143	799,666

The notes on pages 8 to 15 form part of these financial statements

Balance Sheet


As at 31 December 2012

	Note	£	2012 £	£	2011 £
Fixed assets					
Tangible assets	8		111,061		159,118
Investments	9		4		4
			<u>111,065</u>		<u>159,122</u>
Current assets					
Debtors	10	1,818,579		1,535,323	
Cash at bank		1,258,815		1,578,513	
		<u>3,077,394</u>		<u>3,113,836</u>	
Creditors amounts falling due within one year	11	(1,081,301)		(1,499,405)	
Net current assets			<u>1,996,093</u>		<u>1,614,431</u>
Total assets less current liabilities			<u>2,107,158</u>		<u>1,773,553</u>
Provisions for liabilities					
Deferred tax	15		(1,712)		-
Net assets			<u><u>2,105,446</u></u>		<u><u>1,773,553</u></u>
Capital and reserves					
Called up share capital	16		16,411		19,100
Other reserves	17		6,396		6,396
Profit and loss account	17		2,082,639		1,748,057
Shareholders' funds			<u><u>2,105,446</u></u>		<u><u>1,773,553</u></u>

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

10 September 2013



M Artus
Director

The notes on pages 8 to 15 form part of these financial statements

Notes to the Financial Statements

For the year ended 31 December 2012

1. Accounting Policies

1.1 Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The principal accounting policies of the company are set out below. The policies remain unchanged from the previous year. The directors have reviewed the accounting policies and consider them to be the most appropriate for the company.

1.2 Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a small group. The company has therefore taken advantage of the exemption provided by Section 398 of the Companies Act 2006 not to prepare group accounts.

1.3 Going concern

The company has sufficient financial resource, together with a substantial income stream from its existing customers. As a consequence, the directors believe that the company is well placed to manage its business risks.

1.4 Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

In respect of long-term contracts and contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant & machinery	- 20% - 50% Straight line
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The above depreciation policy remains unchanged from the previous year.

1.6 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.7 Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Notes to the Financial Statements

For the year ended 31 December 2012

1. Accounting Policies (continued)

1.8 Pension costs

The company makes contributions to certain employees' pension plans. The assets of the scheme 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.

1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.10 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the transaction date. Exchange differences are taken into account in arriving at operating profit.

1.11 Dividends

Dividends are recognised in the financial statements when they are appropriately authorised and no longer at the discretion of the entity.

1.12 Financial Instruments

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities. Financial liabilities are presented as such in the balance sheet. Financial costs are calculated so as to produce a constant rate of return on the outstanding liabilities.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Notes to the Financial Statements

For the year ended 31 December 2012

2. Other operating charges

	2012	2011
	£	£
Administrative expenses	<u>3,666,987</u>	<u>4,355,566</u>

3. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company

An analysis of turnover is given below

	2012	2011
	£	£
United Kingdom	3,583,904	3,982,916
Rest of Europe	1,021,670	1,607,344
Rest of the World	248,605	481,503
Total	<u>4,854,179</u>	<u>6,071,763</u>

4. Operating profit

The operating profit is stated after charging

	2012	2011
	£	£
Depreciation of tangible fixed assets		
- owned by the company	76,713	81,902
Auditor's remuneration	10,000	14,500
Pension costs	5,552	8,764
Net loss on foreign exchange translation	<u>8,554</u>	<u>2,333</u>

5. Directors' remuneration

Remuneration in respect of directors was as follows

	2012	2011
	£	£
Remuneration	<u>270,742</u>	<u>291,137</u>

Notes to the Financial Statements

For the year ended 31 December 2012

6. Taxation

	2012 £	2011 £
Analysis of tax charge in the year		
Current tax		
UK corporation tax charge on profit for the year	191,400	304,078
Adjustments in respect of prior periods	(11,696)	-
Total current tax	179,704	304,078
Deferred tax (see note 15)		
Origination and reversal of timing differences	1,712	-
Tax on profit on ordinary activities	181,416	304,078

7. Dividends

	2012 £	2011 £
Dividends paid	252,250	32,000

8. Tangible fixed assets

	Land and buildings £	Other fixed assets £	Total £
Cost			
At 1 January 2012	51,659	758,670	810,329
Additions	-	30,678	30,678
Disposals	-	(227,725)	(227,725)
At 31 December 2012	51,659	561,623	613,282
Depreciation			
At 1 January 2012	51,659	599,552	651,211
Charge for the year	-	76,713	76,713
On disposals	-	(225,703)	(225,703)
At 31 December 2012	51,659	450,562	502,221
Net book value			
At 31 December 2012	-	111,061	111,061
At 31 December 2011	-	159,118	159,118

Notes to the Financial Statements

For the year ended 31 December 2012

9. Fixed asset investments

Unlisted investments held are as follows

	Unlisted investments £
Cost	
At 1 January 2012 and 31 December 2012	4
Net book value	
At 31 December 2012	4
At 31 December 2011	4

The company holds 100% of the ordinary share capital in the following dormant companies incorporated in the United Kingdom

Impactt Limited
 Distillery Limited
 Distillery Research Limited
 Vibrandt Limited
 The Brand Communications Agency Limited
 Star Chamber Limited

The investment represents a 1% holding in Making Migration Limited, a company registered in the United Kingdom

10. Debtors

	2012 £	2011 £
Trade debtors	1,461,779	1,249,276
Prepayments & accrued income	354,688	283,981
Other debtors	2,112	2,066
	<u>1,818,579</u>	<u>1,535,323</u>

Notes to the Financial Statements

For the year ended 31 December 2012

11. Creditors:

Amounts falling due within one year

	2012	2011
	£	£
Short term borrowings	3,630	12,009
Trade creditors	161,360	248,180
Amounts owed to group undertakings	401	401
Corporation tax	191,400	282,543
Other tax and social security	358,506	221,104
Accruals and deferred income	310,370	405,505
Other creditors	55,634	329,663
	<u>1,081,301</u>	<u>1,499,405</u>

12. Operating lease commitments

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as follows

	2012	2011
	£	£
Expiry date:		
After more than 5 years	<u>180,000</u>	<u>180,000</u>

13. Contingent liabilities

There were no contingent liabilities at 31 December 2012 or 31 December 2011

14. Related party transactions

The company was under the control of J Sandom throughout the current and previous year

During the year, the company paid rental income ammounting to £180,000 (2011 £180,000) to a pension scheme whose beneficiaries include J Sandom and H Leeson, directors of the company

No transactions with related parties were undertaken which are required to be disclosed under the Financial Reporting Standard for Small Entities

Notes to the Financial Statements

For the year ended 31 December 2012

15. Deferred taxation

	2012 £	2011 £
At beginning of year	-	-
Charge for year	1,712	-
At end of year	<u>1,712</u>	<u>-</u>

The provision for deferred taxation is made up as follows

	2012 £	2011 £
Accelerated capital allowances	2,115	-
Short term timing differences	(403)	-
	<u>1,712</u>	<u>-</u>

16. Share capital

	2012 £	2011 £
Authorised		
10,000 Ordinary A shares of £1 each	10,000	10,000
18,400 Ordinary B shares of £1 each	18,400	18,400
2,000 Ordinary C shares of £1 each	2,000	2,000
	<u>30,400</u>	<u>30,400</u>
Allotted, called up and fully paid		
7,900 Ordinary A shares of £1 each	7,900	7,900
6,511 (2011 - 9,200) Ordinary B shares of £1 each	6,511	9,200
2,000 Ordinary C shares of £1 each	2,000	2,000
	<u>16,411</u>	<u>19,100</u>

During the year, the entity cancelled 2,689 ordinary B class shares at nominal value of £1. The rights and restrictions attached to the ordinary 'A', 'B' and 'C' shares of £1 are as follows

Income

A different dividend may be declared upon the 'A', 'B' and 'C' shares respectively

Capital

On return of capital on liquidation or otherwise, the assets of the company available for distribution among the members shall be first applied in paying the holders of the 'A' shares as a class, the amount of Capital Priority Sum. Secondly in payment of any balance to the holders of the 'C' shares and finally any amounts payable to the holders of the 'B' shares.

Notes to the Financial Statements

For the year ended 31 December 2012

16. Share capital (continued)

Voting

'A' and 'C' shares carry the right to receive notices of, attend and vote at general meetings. The 'B' shares shall carry the right to receive notices of and attend at general meetings. Holders of 'B' shares do not carry the right to vote.

17. Reserves

	Capital redemption reserve	Profit and loss account
	£	£
At 1 January 2012	6,396	1,748,057
Profit for the year	-	584,143
Dividends	-	(252,250)
Cancellation of own shares	-	2,689
	<u>6,396</u>	<u>2,082,639</u>
At 31 December 2012	<u>6,396</u>	<u>2,082,639</u>

18. Share based payments

The company grants options to acquire ordinary 'B' shares in which employees and directors of the company participate. The options accounted for were granted with a fixed exercise price, are subject to continued employment within the company and become exercisable on the occurrence of a sale, reconstruction or listing of the company (as such terms defined in the rules).

As at 31 December 2012, there were no options under the plan that were subject to performance conditions.

Details of the number of share options to acquire B ordinary shares during the year are as follows:

	2012 £	2011 £
Outstanding at 1 January	3,574	1,281
Granted during the year	-	2,691
Cancelled during the year	(616)	(398)
	<u>2,958</u>	<u>3,574</u>

At 31 December 2012 there were 49 employees (2011 - 57) who subscribed to the company's share option scheme. No directors remunerated through the company subscribed to the share option scheme.