

1HQ Limited

Annual report and financial statements

Registered number 2781951

15 months ended 31 March 2016

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Company Information

Directors

M Artus
P A Burrows (appointed 25 November 2015)
P J Butler (appointed 25 November 2015)
C M Hille (appointed 25 November 2015)
H Leeson (resigned 25 November 2015)
J R Sandom
C D Skinner (appointed 25 November 2015)

Company Secretary

Ceuta Secretaries Limited (appointed 19 January 2016)

Company registration number 2781951

Registered office

Hill House
41 Richmond Hill
Bournemouth
Dorset
BH2 6HS

Independent auditor

KPMG LLP
Chartered Accountants & Statutory Auditor
Gateway House
Tollgate
Eastleigh
SO53 3TG

Bankers

Lloyds TSB
PO Box 1000
BX1 1LT

Solicitors

Lester Aldridge LLP
Russell House, Oxford Road
Bournemouth, Dorset
BH8 8EX

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Strategic Report

The directors present their strategic report for the 15 month period ended 31 March 2016. The Company changed its accounting year end from 31 December to 31 March to align with the ultimate parent company.

Review of the business

The company's principal activities during the period continued to be the provision of brand strategy and design services to clients predominantly in the fast moving consumer goods (FMCG) market. As the retail market adapts to a more integrated digital world, building teams to manage this strategically and creatively has been and continues to be a key initiative. It is an imperative that we continue to mirror the requirements of our clients and the market to remain 'fleet of foot', competitive and highly innovative.

The directors consider the results for the period to be satisfactory given the integration with the Ceuta Group during the period and the challenging conditions for our client base in the UK market.

The key financial and other performance indicators during the period were as follows:

	15 months ended 31 March 2016 £'000	Year ended 31 December 2014 £'000
Turnover	6,685	5,483
Operating Profit	631	40
Profit Before Tax	649	41
Equity Shareholders' Funds	1,608	2,634
Operating Profit %	9%	1%
Profit Before Tax %	10%	1%
Debtor Days	77 Days	152 Days
Creditor Days	37 Days	55 Days

Whilst the UK remains the single biggest market for the Company the directors are looking to expand the Company's relationship with existing suppliers in other markets and use this as a platform for international expansion.

In line with the international expansion plans on 28 September 2015 the Company established a formal presence in the USA, incorporating the legal entity 1HQ USA LLC in the state of New York. The entity began trading on 1 January 2016 and as a result revenue relating to activities in the USA is now being recognised in 1HQ USA LLC when it was previously recognised in the 1HQ Limited.

On 25 November 2015 the Shareholders sold a 70% stake in the Company to Ceuta Holdings Limited, a company based in the United Kingdom.

As a subsidiary of Ceuta Holdings Limited, the ultimate parent company, the directors believe the company is also in a unique position to benefit from the integrated platform the wider Group of companies' can offer to clients.

Strategic Report *(continued)*

Social Responsibility and Sustainability

Social Responsibility and Sustainability is key area of growth that will be driven by our expanding structural packaging capabilities. As retail adapts to the digital world we will be well placed to apply sustainable strategies to package and retail formats.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainty is the retail market and the how our clients respond to the changing strategies of the key retailers as well as consumers and shoppers.

By order of the board

A handwritten signature in black ink, appearing to be 'M Artus', written over a horizontal line.

M Artus
Director

22 August 2016

Directors' report

Research and development

During the period the company was not involved in any research or development activity. In the prior year the Company developed additional services which it offers to its customers and this activity was treated in line with the Company's accounting policies.

Future developments

The directors aim to maintain the management policies which have been the foundation of the company's historical performance.

As a subsidiary of Ceuta Holdings Limited, the ultimate parent company, the directors believe the company is also in a unique position to benefit from the complete service solution the wider Group of companies can offer.

Financial instruments

Details of financial instruments are provided in the accounting policies on page 14.

Dividends

During the period the directors authorised dividends of £1,687,000 (2014: £73,000).

The directors do not recommend the payment of any further dividends.

Directors

The directors who held office during the period were as follows:

M Artus

P A Burrows (appointed 25 November 2015)

P J Butler (appointed 25 November 2015)

C M Hille (appointed 25 November 2015)

H Leeson (resigned 25 November 2015)

J R Sandom

C D Skinner (appointed 25 November 2015)

Directors' report *(continued)*

Environmental matters

The company will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The company has complied with all applicable legislation and regulations.

Political contributions

The Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the period (2014: Nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Going concern

Having reviewed the forecasts and expected future cash flows of the business, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Auditor

Grant Thornton resigned as auditors of the company on 12 November 2015 and KPMG LLP were appointed as auditors in their place.

By order of the board



M Artus
Director

Hill House
41 Richmond Hill
Bournemouth
Dorset
BH2 6HS

22 August 2016

Statement of directors' responsibilities in respect of the annual report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102, *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 estimates that are reasonable and prudent; 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect 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 period ended 31 March 2016 set out on pages 10 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 set out on page 7, 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 March 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with UK 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of 1HQ Limited *(continued)*

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.

W. Smith

William Smith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House,
Tollgate,
Eastleigh,
SO53 3TG

24th August 2016

Profit and Loss Account
for the 15 months ended 31 March 2016

		15 months ended 31 March 2016	Year ended 31 December 2014 (Restated)
	Note	£'000	£'000
Turnover	2	6,685	5,483
Cost of sales		(1,421)	(1,276)
Gross profit		<u>5,264</u>	<u>4,207</u>
Administrative expenses		(4,496)	(4,129)
Exceptional administrative expenses – restructuring costs		(137)	(38)
Total administrative expenses		<u>(4,633)</u>	<u>(4,167)</u>
Operating profit		631	40
Net gain on disposal of tangible fixed assets		17	-
Other interest receivable and similar income		1	1
Profit on ordinary activities before taxation		<u>649</u>	<u>41</u>
Tax credit/(expense) on profit on ordinary activities	7	11	(13)
Profit for the financial period		<u><u>660</u></u>	<u><u>28</u></u>

There are no recognised gains and losses other than those included above, and therefore no separate other comprehensive income statement has been presented.

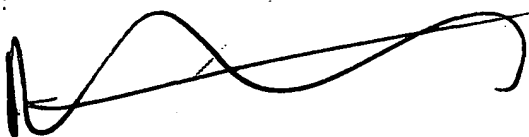
The prior year has been restated following a change in accounting policy regarding staff costs, please see Note 4.

Balance Sheet

at 31 March 2016

	Note	31 March 2016 £'000	31 March 2016 £'000	31 December 2014 £'000	31 December 2014 £'000
Fixed assets					
Intangible assets	9		14		23
Tangible assets	10		43		80
			<u>57</u>		<u>103</u>
Current assets					
Debtors	12	1,653		2,732	
Cash at bank and in hand		1,020		1,076	
		<u>2,673</u>		<u>3,808</u>	
Creditors: amounts falling due within one year	13	<u>(1,122)</u>		<u>(1,274)</u>	
Net current assets			<u>1,551</u>		<u>2,534</u>
Total assets less current liabilities			<u>1,608</u>		<u>2,637</u>
Provisions for liabilities	14				(3)
Net assets			<u>1,608</u>		<u>2,634</u>
Capital and reserves					
Called up share capital	16		18		17
Other reserves	17		6		6
Profit and loss account	17		1,584		2,611
Shareholders' funds			<u>1,608</u>		<u>2,634</u>

These financial statements were approved by the board of directors on 22 August 2016 and were signed on its behalf by:



M Artus
Director

Company registered number: 2781951

The notes on pages 13 to 29 form part of these financial statements.

Statement of Changes in Equity

	Called up Share Capital £'000	Capital Redemption Reserve £'000	Profit and loss account £'000	Total Equity £'000
Balance at 1 January 2014	17	6	2,656	2,679
Total comprehensive income for the period				
Profit or loss	-	-	28	28
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	28	28
Transactions with owners, recorded directly in equity				
Dividends	-	-	(73)	(73)
Total contributions by and distributions to owners	-	-	(73)	(73)
Balance at 31 December 2014	17	6	2,611	2,634
Balance at 1 January 2015	17	6	2,611	2,634
Total comprehensive income for the period				
Profit or loss	-	-	660	660
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	660	660
Transactions with owners, recorded directly in equity				
Issue of Shares	1	-	-	1
Dividends	-	-	(1,687)	(1,687)
Total contributions by and distributions to owners	1	-	(1,687)	(1,686)
Balance at 31 March 2016	18	6	1,584	1,608

Notes

1 Accounting policies

IHQ Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included in the consolidated financial statements of the ultimate parent company, Ceuta Holdings Limited, a company registered in England and Wales. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

The Company's parent undertaking, Ceuta Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Ceuta Holdings Limited are prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and are available to the public and may be obtained from Hill House, 41 Richmond Hill, Bournemouth, Dorset, BN2 6HS. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Company has not retrospectively changed its accounting under old UK GAAP for accounting estimates.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 22.

Notes (continued)

1 Accounting policies (continued)

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified at fair value through the profit or loss, tangible fixed assets and intangible assets measured in accordance with the revaluation model and investments in associates measured at fair value.

1.2 Going concern

Having reviewed the forecasts and expected future cash flows of the business, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date.

Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes *(continued)*

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

1.5 **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.19 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- plant and equipment 20% - 50% straight line

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes (continued)

1 Accounting policies (continued)

1.6 Intangible assets

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- development expenditure 3 year straight line

The basis for choosing these useful lives is to reflect the period of future economic benefits the asset will provide.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Impairment of intangible assets

Intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that an intangible asset may be impaired.

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.6 Intangible assets (continued)

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

1.7 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.8 Turnover

Turnover is the total amount receivable in the ordinary course of business with outside customers for goods and services provided, excluding VAT and trade discounts. Turnover is recognised on the completion of contractual obligations and, for projects in progress at the end of the period, reflects the stage of completion at the balance sheet date.

1.9 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income is recognised in profit or loss as they accrue, using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

Notes *(continued)*

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

1.10 **Taxation**

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

2 Turnover

47% of the company's turnover (2014 – 30%) is attributable to geographical markets outside the United Kingdom.

Turnover arises solely from the rendering of services. An analysis of turnover is given below:

	15 months ended 31 March 2016 £'000	Year ended 31 December 2014 £'000
By geographical market:		
United Kingdom	3,512	3,862
Rest of Europe	2,471	1,147
Rest of the World	702	474
	<u> </u>	<u> </u>

3 Operating Profit

Operating profit is stated after charging:

	15 months ended 31 March 2016 £'000	Year ended 31 December 2014 £'000
Audit of these financial statements	12	11
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services	5	3
Other non-audit services	-	1
Depreciation of tangible fixed assets	56	63
Amortisation of intangible assets	9	-
Operating lease payments	225	180
	<u> </u>	<u> </u>

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period was as follows:

	Number of employees 2016	2014
Employees	52	60
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	15 months ended 31 March 2016 £'000	Year ended 31 December 2014 £'000
Wages and salaries	3,488	3,097
Social security costs	351	383
Contributions to defined contribution plans	21	5
	<u> </u>	<u> </u>
	3,860	3,485
	<u> </u>	<u> </u>

Notes (continued)

4 Staff numbers and costs (continued)

During the period the Company has made a change in its accounting policy relating to staff costs in order to align with the accounting policies of its new Parent Company, Ceuta Holdings Limited.

The Company now recognises a proportion of staff costs within cost of sales and has restated the prior year accordingly.

5 Directors' remuneration

	15 months ended 31 March 2016 £'000	Year ended 31 December 2014 £'000
Aggregate emoluments and pension contributions	251	203

6 Other interest receivable and similar income

	15 months ended 31 March 2016 £'000	Year ended 31 December 2014 £'000
Bank deposits	1	1

7 Taxation

Total tax expense recognised in the profit and loss account

	15 months ended 31 March 2016 £'000	Year ended 31 December 2014 £'000
<i>UK Corporation tax</i>		
Current tax on income for the period	144	14
Tax impact of employee share scheme	(150)	-
Adjustments in respect of prior periods	-	(1)
Total current tax	(6)	13
<i>Deferred tax (see note 14)</i>		
Origination and reversal of timing differences	(5)	-
Adjustment in respect of previous periods	-	-
Movement in deferred tax provision	(5)	-
Taxation on profit on ordinary activities	(11)	13

Notes (continued)

7 Taxation (continued)

Reconciliation of total tax charge included in profit and loss

The tax assessed for the period is lower (2014: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	15 months ended 31 March 2016 £'000	Year ended 31 December 2014 £'000
Profit on ordinary activities before tax	649	41
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.0% (2014 – 20.0%)	130	8
Effects of:		
Expenses not deductible for tax purposes	5	4
Depreciation in excess of capital allowances	7	1
Movement in deferred tax provision	(5)	-
Profit on sale of fixed assets	(3)	-
Provision tax adjustments	1	-
Tax impact of employee share scheme	(150)	-
Other short term timing differences	4	-
Total tax expense included in profit or loss	(11)	13

8 Dividends

	15 months ended 31 March 2016 £'000	Year ended 31 December 2014 £'000
Dividends paid	1,687	73

Notes (continued)

9 Intangible assets

	Development
	£'000
Cost	
Balance at 1 January 2015	23
Additions	-
	<hr/>
Balance at 31 March 2016	23 <hr/>
Amortisation	
Balance at 1 January 2015	-
Amortisation for the period	9
	<hr/>
Balance at 31 March 2016	9 <hr/>
Net book value	
At 1 January 2015	23
	<hr/>
At 31 March 2016	14 <hr/>

Development costs have been capitalised on the expectation they will provide future benefit to the company. The capitalised expenditure is carried forward when its future recoverability can be seen with reasonable assurance and is amortised on a straight line basis over 3 years, during which the company is expected to benefit.

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with FRS 102 Section 18.

Amortisation charge

The amortisation charge is recognised in the following line items in the profit and loss account:

	15 months ended 31 March 2016 £'000	Year ended 31 December 2014 £'000
Administrative expenses	9 <hr/>	- <hr/>

Notes (continued)

10 Tangible fixed assets

	Land and buildings £'000	Other fixed assets £'000	Total £'000
Cost			
Balance at 1 January 2015	52	656	708
Additions	-	19	19
Disposals	(52)	(79)	(131)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2016	-	596	596
	<hr/>	<hr/>	<hr/>
Depreciation			
Balance at 1 January 2015	52	576	628
Depreciation charge for the period	-	56	56
Disposals	(52)	(79)	(131)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2016	-	553	553
	<hr/>	<hr/>	<hr/>
Net book value			
At 1 January 2015	-	80	80
	<hr/>	<hr/>	<hr/>
At 31 March 2016	-	43	43
	<hr/>	<hr/>	<hr/>

11 Fixed asset investments

The company holds 100% of the ordinary share capital in Impactt Limited, a dormant company incorporated in the United Kingdom.

On 28 September 2015 the Company incorporated a wholly owned subsidiary, registered in the USA in New York State, 1HQ USA LLC. The incorporation did not require any share capital and therefore there is no carrying value for this investment in the Company's accounts.

Notes (continued)

12 Debtors

	31 March 2016 £'000	31 December 2014 £'000
Trade debtors	1,129	2,282
Other debtors	508	450
Corporation tax	16	-
	<u>1,653</u>	<u>2,732</u>

Included within Other debtors is a deferred tax asset of £2,000 (2014: £Nil). In 2014 the Company recognised a deferred tax liability which was included within long term liabilities. Please see note 14 for details of deferred tax.

All other amounts shown under debtors fall due for payment within one year.

13 Creditors: amounts falling due within one year

	31 March 2016 £'000	31 December 2014 £'000
Trade creditors	115	191
Corporation tax	-	14
Taxation and social security	157	307
Other creditors	850	762
	<u>1,122</u>	<u>1,274</u>

Notes (continued)

14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 March 2016 £'000	31 December 2014 £'000	31 March 2016 £'000	31 December 2014 £'000	31 March 2016 £'000	31 December 2014 £'000
Accelerated capital allowances	(2)	-	-	3	(2)	3
Other	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Tax (assets) / liabilities	(2)	-	-	3	(2)	3
Net of tax liabilities/(assets)	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net tax (assets) / liabilities	(2)	-	-	3	(2)	3
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The deferred tax asset/liability relating to accelerated capital allowances is recalculated each period as there are differences in the accounting base and tax base of the Company's eligible assets. The value of the deferred tax asset/liability is adjusted to reflect the difference at the end of each reporting period.

Future tax rates

The Budget on 8 July 2015 announced changes in the main UK corporation tax rate. The rate (currently 20%) will reduce to 19% from 1 April 2017 and to 18% from 1 April 2020. The reduction in tax rates was included in the 2015-2016 Finance Act which was substantively enacted for the purposes of IFRS and UK GAAP (i.e., having completed its Commons stages) on 26 October 2015. This will reduce the Company's future tax charge accordingly. The deferred tax asset as at 31 March 2016 was calculated based on these rates.

15 Pensions

Defined contribution plans

The Company operates two pension plans, a defined contribution pension plan through the National Employment Savings Trust (NEST) following auto-enrolment or contributions to employees own pension plans where the Company contribute the National Insurance savings.

The assets of these schemes are held separately from those of the company in an independently administered fund.

The total expense relating to this plan in the current period was £18,000 (2014: £5,000). Contributions amounting to £3,000 (2014 - £Nil) were payable to the fund and are included in creditors.

Notes (continued)

16 Share Capital

	31 March 2016 £'000	31 December 2014 £'000
<i>Authorised</i>		
10,000 Ordinary A shares of £1 each	10	10
18,400 Ordinary B shares of £1 each	18	18
2,000 Ordinary C Shares of £1 each	2	2
3,653 Ordinary D Shares of £1 each	4	-
	<hr/> 34	<hr/> 30
<i>Allotted, called up and fully paid</i>		
7,900 (2014: 7,900) Ordinary A shares of £1 each	8	8
3,813 (2014: 6,511) Ordinary B shares of £1 each	4	7
2,000 (2014: 2,000) Ordinary C Shares of £1 each	2	2
3,653 (2014: Nil) Ordinary D Shares of £1 each	4	-
	<hr/> 18	<hr/> 17

On 25 November 2015 the Shareholders sold a 70% of the Company to Ceuta Holdings Limited.

Prior to Ceuta Holdings Limited acquiring their 70% stake in the Company the Company issued 955 new B shares, taking the total share holding to 17,366. Following the issue of the new shares the EMI scheme relating to the ordinary B shares was exercised. A new class of share 'D' was introduced and some of the B shares were then transferred to D shares.

Notes (continued)

17 Reserves

	Capital Redemption Reserve £'000	Profit and Loss Account £'000
At 1 January 2015	6	2,611
Profit for the period	-	660
Dividends paid	-	(1,687)
	<hr/>	<hr/>
As at 31 March 2016	<u>6</u>	<u>1,584</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 2014, 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 period are as follows:

	31 March 2016 £'000	31 December 2014 £'000
Outstanding at 1 January	3	3
Cancelled during the period	(1)	-
Exercised during the period	(2)	-
	<hr/>	<hr/>
As at 31 March 2016	<u>-</u>	<u>3</u>

Following the sale of shares to Ceuta Holdings Limited all outstanding options as at 25 November 2015 were exercised, as a result as at 31 March 2016 there were no employees who subscribed to the company's share option scheme (31 December 2014 – 26).

No directors remunerated through the company subscribed to the share option scheme.

Notes (continued)

19 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	31 March 2016 £'000	31 December 2014 £'000
Due within 1 year	180	180
Due between 1 – 2 years	180	180
Due between 2 – 5 years	540	540
	<hr/>	<hr/>
Total	900	900
	<hr/>	<hr/>

20 Related parties

Controlling parties

Up until 25 November 2015 the company was under the control of J Sandom.

As at 25 November 2015 the company is a 70% owned subsidiary of Ceuta Holdings limited, a company incorporated in Great Britain.

There is no single controlling party of Ceuta Holdings Limited.

As permitted under FRS102, transactions with wholly owned fellow group companies have not been included in these financial statements as the parent company produces consolidated financial statements which are publicly available. There have been no related party transactions during the period where this exemption does not apply.

Related party transactions

During the period, the company paid rental income amounting to £225,000 (2014: £180,000) to a pension scheme whose beneficiaries include J Sandom and H Leeson.

During the period the Company sold one of its fixed assets to J Sandom. The asset had a net book value of £Nil and was independently valued at £16,680. J Sandom paid a total of £17,000 covering the value of the asset at £16,680 and the cost of valuation at £320. The profit on disposal of £16,680 has been recognised in the Profit and Loss account. There were no transactions in the prior year.

The company is exempt under FRS 102 paragraph 33.1a from disclosing related party transactions with any companies that are wholly owned within the Ceuta Holdings Group.

Notes (continued)

21 Ultimate parent company and parent company of larger group

The company is a subsidiary of Ceuta Holdings Limited, incorporated in England and Wales, which is the ultimate parent company by virtue of its 70% shareholding.

The largest and smallest group in which the results of the company are consolidated is that headed by Ceuta Holdings Limited, incorporated in Great Britain. The consolidated accounts of this company are available to the public and can be obtained from Hill House, 41 Richmond Hill, Bournemouth, Dorset, BN2 6HS. No other group accounts include the results of the company.

22 Accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Intangible assets

The Company establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 14.

Bad debt provision

The Company establishes provisions based on reasonable estimates regarding the likelihood of non-payment by clients. Management estimation is required in deciding to make such provisions and these decisions are based on various factors, such as the age of debts, the Company's previous experience of bad debts, the level of communication with the client and the client's solvency. The amount of such provisions is based on the specific debts due by an individual client and the anticipated likelihood of non-payment.

23 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the 15 months ended 31 March 2016 and the comparative information presented in these financial statements for the year ended 31 December 2014.

In preparing its FRS 102 balance sheet and profit and loss account the Company did not need to make any adjustments to amounts previously reported.

In line with FRS 102.28 the Company has recognised the cost of annual leave that employees are contractually entitled to but remained untaken as at the end of the reporting period. The Company's previous financial years (ending 31 December) matched the holiday year so no historical adjustments were required.