

Financial Statements

1HQ Limited

For the year ended 31 December 2013



Registered number: 2781951

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

Contents

	Page
Directors' report	1 - 2
Independent auditor's report	3 - 4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 15

Directors' Report

For the year ended 31 December 2013

The directors present their report and the financial statements for the Year ended 31 December 2013.

Principal activities and business review

Following the successful integration of digital and shopper engagement capabilities in 2013, our focus remains on designing brands to be more productive in retail by creating the equities and assets that drive choice and secure loyalty in these vitally important and increasingly complex sales environments.

The core of the business since its foundation in 1993 has been in brand strategy, product innovation and packaging design for major international FMCG manufacturers. In that time we have developed and continue to build effective strategic and creative tools and processes that will be instrumental in the company's continuing success and long-term retention of client relationships. We have made significant in-roads into new clients categories (including technology, healthcare and retail) and new geographies (including USA, LATAM, CEE and MEA) have been achieved.

Our growth strategy is to continue to support our core business while developing complementary shopper marketing and digital capabilities. The acquisition of Sonaa in 2013 was a critical step in achieving these goals and builds on the company's established expertise in the presentation and promotion of brands 'on shelf', while extending their reach and influence along the path to purchase in both on and off-line retail media.

We have embraced the seismic change that is happening in the retail environment and believe that our FMCG brand building capabilities will be critical in helping our clients to identify their 'transactional ecosystems' and the very best way to engage with their customers to ensure long-term customer loyalty and brand growth.

As well as this addition of new revenue streams, we have invested in the development of IP with which the business can offer innovative value to our clients, while building a differentiated position in the market.

Directors

The directors who served during the year were:

M Artus
H Leeson
J Sandom

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.

Dividends

The directors authorised a dividend for the year for £211,565 (2012: £252,250).

Directors' Report

For the year ended 31 December 2013

Directors' responsibilities statement

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.

Disclosure 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 relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the 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 12th June 2014 and signed on its behalf.


M Artus
Director

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 2013, 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 Financial Reporting Council'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 2013 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 from the requirement to prepare a strategic report.

Grant Thornton UK LLP

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

12 June 2014

Profit and Loss Account

For the year ended 31 December 2013

	Note	2013 £	2012 £
Turnover	3	5,807,335	4,854,179
Cost of sales		(666,531)	(423,548)
Gross profit		5,140,804	4,430,631
Administrative expenses	2	(4,117,281)	(3,666,987)
Operating profit	4	1,023,523	763,644
Interest receivable and similar income		766	1,915
Profit on ordinary activities before taxation		1,024,289	765,559
Tax on profit on ordinary activities	6	(239,710)	(181,416)
Profit for the financial year	18	784,579	584,143

The notes on pages 7 to 15 form part of these financial statements.

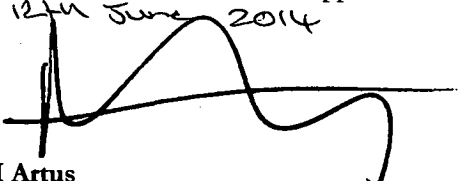
Balance Sheet

As at 31 December 2013

	Note	£	2013 £	£	2012 £
Fixed assets					
Intangible assets	8		1		-
Tangible assets	9		100,554		111,061
Investments	10		4		4
			<u>100,559</u>		<u>111,065</u>
Current assets					
Debtors	11	2,149,031		1,818,579	
Cash at bank		1,816,398		1,258,815	
		<u>3,965,429</u>		<u>3,077,394</u>	
Creditors: amounts falling due within one year	12	(1,383,985)		(1,081,301)	
Net current assets			<u>2,581,444</u>		<u>1,996,093</u>
Total assets less current liabilities			<u>2,682,003</u>		<u>2,107,158</u>
Provisions for liabilities					
Deferred tax	16		(3,543)		(1,712)
Net assets			<u><u>2,678,460</u></u>		<u><u>2,105,446</u></u>
Capital and reserves					
Called up share capital	17		16,411		16,411
Other reserves	18		6,396		6,396
Profit and loss account	18		2,655,653		2,082,639
Shareholders' funds			<u><u>2,678,460</u></u>		<u><u>2,105,446</u></u>

The financial statements have been prepared in accordance with the provisions applicable to small companies 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

12th June 2014

M Artus
 Director

The notes on pages 7 to 15 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2013

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 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and loss account over its estimated economic life.

1.6 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
-------------------	---	-------------------------

The above depreciation policy remains unchanged from the previous year.

1.7 Investments

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

Notes to the Financial Statements

For the year ended 31 December 2013

1. Accounting Policies (continued)

1.8 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.

1.9 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.

1.10 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.

1.11 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.

1.12 Dividends

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

Notes to the Financial Statements

For the year ended 31 December 2013

1. Accounting Policies (continued)

1.13 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.

2. Other operating charges

	2013	2012
	£	£
Administrative expenses	<u>4,117,281</u>	<u>3,666,987</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

	2013	2012
	£	£
United Kingdom	3,966,386	3,583,904
Rest of Europe	1,524,169	1,021,670
Rest of the World	316,780	248,605
Total	<u>5,807,335</u>	<u>4,854,179</u>

Notes to the Financial Statements

For the year ended 31 December 2013

4. Operating profit

The operating profit is stated after charging/(crediting):

	2013 £	2012 £
Depreciation of tangible fixed assets:		
- owned by the company	70,572	76,713
Auditor's remuneration	12,250	10,000
Pension costs	14,182	5,552
Net loss/ (profit) on foreign exchange translation	(4,744)	8,554
	<u> </u>	<u> </u>

5. Directors' remuneration

Remuneration in respect of directors was as follows:

	2013 £	2012 £
Remuneration	198,143	200,636
	<u> </u>	<u> </u>

6. Taxation

	2013 £	2012 £
Analysis of tax charge in the year		
Current tax		
UK corporation tax charge on profit for the year	238,033	191,400
Adjustments in respect of prior periods	(154)	(11,696)
	<u> </u>	<u> </u>
Total current tax	237,879	179,704
	<u> </u>	<u> </u>
Deferred tax (see note 16)		
Origination and reversal of timing differences	1,831	1,712
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	239,710	181,416
	<u> </u>	<u> </u>

7. Dividends

	2013 £	2012 £
Dividends paid	211,565	252,250
	<u> </u>	<u> </u>

Notes to the Financial Statements

For the year ended 31 December 2013

8. Intangible fixed assets

During the year, the Company acquired the business assets of a digital agency:

	Goodwill £
Cost	
At 1 January 2013	-
Additions	1
At 31 December 2013	1
Net book value	
At 31 December 2013	1
At 31 December 2012	-

9. Tangible fixed assets

	Land and buildings £	Other fixed assets £	Total £
Cost			
At 1 January 2013	51,659	561,624	613,283
Additions	-	60,065	60,065
Disposals	-	(7,572)	(7,572)
At 31 December 2013	51,659	614,117	665,776
Depreciation			
At 1 January 2013	51,659	450,563	502,222
Charge for the year	-	70,572	70,572
On disposals	-	(7,572)	(7,572)
At 31 December 2013	51,659	513,563	565,222
Net book value			
At 31 December 2013	-	100,554	100,554
At 31 December 2012	-	111,061	111,061

Notes to the Financial Statements

For the year ended 31 December 2013

10. Fixed asset investments

Unlisted investments held are as follows:

	Unlisted investments £
Cost	
At 1 January 2013 and 31 December 2013	4
Net book value	
At 31 December 2013	4
At 31 December 2012	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

11. Debtors

	2013 £	2012 £
Trade debtors	1,944,834	1,461,779
Prepayments & accrued income	202,085	354,688
Other debtors	2,112	2,112
	<u>2,149,031</u>	<u>1,818,579</u>

Notes to the Financial Statements

For the year ended 31 December 2013

12. Creditors:

Amounts falling due within one year

	2013	2012
	£	£
Short term borrowings	4,710	3,630
Trade creditors	253,357	161,360
Amounts owed to group undertakings	401	401
Corporation tax	238,034	191,400
Other tax and social security	406,255	358,506
Accruals and deferred income	421,587	310,370
Other creditors	59,641	55,634
	<u>1,383,985</u>	<u>1,081,301</u>

13. Operating lease commitments

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as follows:

	2013	2012
	£	£
Expiry date:		
After more than 5 years	<u>180,000</u>	<u>180,000</u>

14. Contingent liabilities

There were no contingent liabilities at 31 December 2013 or 31 December 2012.

15. 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 amounting to £180,000 (2012: £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 2013

16. Deferred taxation

	2013 £	2012 £
At beginning of Year	1,712	-
Charge for Year (P&L)	1,831	1,712
At end of Year	<u>3,543</u>	<u>1,712</u>

The provision for deferred taxation is made up as follows:

	2013 £	2012 £
Accelerated capital allowances	3,893	2,115
Short term timing differences	(350)	(403)
	<u>3,543</u>	<u>1,712</u>

17. Share capital

	2013 £	2012 £
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 Ordinary B shares of £1 each	6,511	6,511
2,000 Ordinary C shares of £1 each	2,000	2,000
	<u>16,411</u>	<u>16,411</u>

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 2013

17. 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.

18. Reserves

	Capital redemption reserve	Profit and loss account
	£	£
At 1 January 2013	6,396	2,082,639
Profit for the year	-	784,579
Dividends	-	(211,565)
	<hr/>	<hr/>
At 31 December 2013	<u>6,396</u>	<u>2,655,653</u>

19. 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 2013, 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:

	2013 £	2012 £
Outstanding at 1 January	2,739	3,355
Granted during the year	-	-
Cancelled during the year	(61)	(616)
	<hr/>	<hr/>
	<u>2,678</u>	<u>2,739</u>

At 31 December 2013 there were 36 employees (2012 - 49) who subscribed to the company's share option scheme. No directors remunerated through the company subscribed to the share option scheme.