

Registered number: 02781951

1HQ LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

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1HQ LIMITED

COMPANY INFORMATION

Directors

M Artus
P A Burrows
C M Hille
J R Sandom
R E Hester

Company secretary

Ceuta Secretaries Limited

Registered number

02781951

Registered office

Hill House
41 Richmond Hill
Bournemouth
Dorset
BH2 6HS

1HQ LIMITED

CONTENTS

	Page
Strategic Report	1 - 3
Directors' Report	4 - 5
Directors' Responsibilities Statement	6
Independent Auditor's Report	7 - 8
Statement of Comprehensive Income	9
Balance Sheet	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12 - 30

1HQ LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

Introduction

The directors present their strategic report for year ended 31 March 2020.

Business review

The Company's principal activities during the year 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.

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. The directors consider that these risks have largely been mitigated by their diverse customer portfolio which covers a wide range of consumer sectors.

The directors acknowledge that there continues to be an element of uncertainty surrounding the final shape of the Brexit negotiations which pose the risk of damage to the UK market and future trade within Europe to the Company. This risk is believed to be partially mitigated by the unique integrated platform and reputation of Ceuta Group.

The directors also acknowledge the risk to the business posed by Covid-19. While there has been continued work received from customers in the FMCG market, there are still concerns relating to the longevity of the crisis and the long term impact on the Company. The Company has followed a group wide policy of cost containment designed to mitigate against these risks and performance is being closely monitored.

Future Prospects, COVID-19 and Brexit

The cost containment measures undertaken during the year end 31 March 2020 due to Brexit uncertainty have put the Company in a good position to deal with the business disruption caused by COVID-19, whilst the pandemic has presented challenges the Company has been well placed to respond to quicker creative design decisions as Brands realised they need to adapt and change in the new trading environment. At half year (April 2020 to September 2020) the Company is performing well approve budget and well above prior year actuals. Whilst there is still some business uncertainty forecasts and pipeline remain strong, the Directors are confident that the Company will return to pre-Brexit levels.

1HQ LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Financial key performance indicators

The directors are disappointed by the results in the year, and believe that the KPI's as below are indicative of the wider market uncertainty, particularly demonstrable in the increases in debtor and creditor days. The directors do believe that while level of uncertainty is particularly keen within the markets within which the Company operates, that careful management of costs and revenues does not indicate concerns with regard to the going concern of the Company. Despite these market challenges the Company does continue to secure new contracts with both new and existing customers, and diversifying its offerings to these customers, all of which benefits the future and aids the recovery of the Company.

The key financial metrics and performance indicators during the year were as follows:

	2020	2019
	£000	£000
		(restated)
Turnover	5,599	6,926
Gross Profit	1,268	1,937
(Loss) / Profit Before Tax	(237)	877
Equity Shareholders Funds	4,644	4,826
Gross Profit %	23%	77%
Profit Before Tax %	(4)%	13%
Debtor Days	172 days	80 days
Creditor Days	94 days	37 days

S172 Statement

The directors are responsible for promoting the success of the Group. The directors fulfil these duties in part through a governance framework, with a clear expectation of the cultural values and behaviours that the directors are expected to uphold when engaging with its key stakeholders.

These board performs its duties to its stakeholders as below :

Shareholders - the board is actively engaged with its shareholders and understands the importance of the communication of Group strategy and direction to the shareholders. All companies within Ceuta Group hold quarterly board meetings to ensure that all shareholders are fully informed on the companies performance and strategic direction.

Our People – the Company is committed to its staff and the behaviour of the board directors drives the culture throughout the rest of the organisation, which is focused on the Group's centralised talent management and development, a framework of core six competencies, on line training courses etc across the whole Ceuta Group.

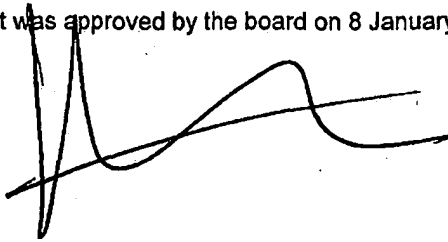
Customers and Suppliers are kept up to date through regular meetings with Company, website and social media feeds, annual conference and white papers.

1HQ LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020**

This report was approved by the board on 8 January 2021 and signed on its behalf.

M Artus
Director

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke, positioned to the right of the name M Artus.

1HQ LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors present their report and the financial statements for the year ended 31 March 2020.

Results and dividends

The loss for the year, after taxation, amounted to £182,000 (2019 - profit £833,000).

The directors do not recommend the payment of a dividend (2019 - £Nil).

Directors

The directors who served during the year were:

M Artus
P A Burrows
C M Hille
J R Sandom
R E Hester

Political contributions

The Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the period (2019: Nil).

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.

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 the directors is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the directors has taken all the steps that ought to have been taken as a directors in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

1HQ LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Going Concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

While there remains an element of uncertainty surrounding Brexit, there were positive signs during December 2019 and March 2020, suggesting that customers were ready to commit to project based expenditure. Despite Financial Year 2021 commencing with concerns regarding the Covid-19 pandemic, the Company has managed to secure a reasonable pipeline of work which, when combined with cost reduction schemes, should provide a basis for the business to continue successfully for the immediate future.

The directors have prepared cash flow forecasts through to the year ending 31 March 2022 which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, and in downside cases funding from its ultimate parent company, Ceuta Holdings Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Ceuta Holdings Limited providing additional financial support during that period. Ceuta Holdings Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company and the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Auditor

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 8 January 2021 and signed on its behalf.

M Artus
Director



1HQ LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2020**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 AUDITORS' REPORT TO THE MEMBERS OF 1HQ LIMITED

Opinion

We have audited the financial statements of 1HQ Limited ("the company") for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 1HQ LIMITED (CONTINUED)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



William Smith (Senior statutory auditor)

for and on behalf of

KPMG LLP

Chartered Accountants & Statutory Auditor

Gateway House

Tollgate

Eastleigh

SO53 3TG

14 January 2021

1HQ LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £000	2019 £000 <i>Restated</i>
Turnover	4	5,791	6,926
Cost of sales		(4,363)	(4,989)
Gross profit		1,428	1,937
Administrative expenses		(1,556)	(1,094)
Operating (loss)/profit	5	(128)	843
Interest receivable and similar income	9	26	34
(Loss)/profit before tax		(102)	877
Tax on (loss)/profit	10	55	(44)
(Loss)/profit for the financial year		(47)	833

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2020 (2019: £NIL).

The notes on pages 12 to 30 form part of these financial statements.

1HQ LIMITED
REGISTERED NUMBER:02781951

BALANCE SHEET
AS AT 31 MARCH 2020

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Intangible assets	11		34		41
Tangible assets	12		98		135
Investments			29		-
			<u>161</u>		<u>176</u>
Current assets					
Debtors: amounts falling due within one year	14	6,146		5,418	
Cash at bank and in hand		87		700	
		<u>6,233</u>		<u>6,118</u>	
Creditors: amounts falling due within one year	15	(1,615)		(1,468)	
Net current assets			<u>4,618</u>		<u>4,650</u>
Total assets less current liabilities			<u>4,779</u>		<u>4,826</u>
Net assets			<u>4,779</u>		<u>4,826</u>
Capital and reserves					
Called up share capital	17		17		17
Capital redemption reserve			6		6
Profit and loss account			4,756		4,803
			<u>4,779</u>		<u>4,826</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 8 January 2021.


M Artus
Director


R E Hester
Director

The notes on pages 12 to 30 form part of these financial statements.

1HQ LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

	Called up share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 April 2018	17	6	3,970	3,993
Comprehensive income for the year				
Profit for the year	-	-	833	833
At 1 April 2019	17	6	4,803	4,826
Comprehensive income for the year				
Loss for the year	-	-	(47)	(47)
At 31 March 2020	17	6	4,756	4,779

The notes on pages 12 to 30 form part of these financial statements.

1HQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. General Information

1HQ Limited (the "Company") is a company limited by shares and incorporated and domiciled in the United Kingdom.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The amendments to FRS 102 issued in July 2015 have been applied.

The presentation currency of these financial statements is sterling.

Unless stated otherwise all amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Ceuta Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Ceuta Holdings Limited are available to the public and may be obtained from Hill House, 41 Richmond Hill, Bournemouth, Dorset, BH2 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 FRS102 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 disclosure:

- 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.

There has been a change in accounting policy in respect of the classification of people costs between Cost of Sales and Administrative Expenses. This follows group policy to attribute staff costs of those directly attributable to revenues as a Cost of Sales expense. The impact of this change in policy can be seen in note 20.

The following principal accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1HQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.2 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

While there remains an element of uncertainty surrounding Brexit, there were positive signs during December 2019 and March 2020, suggesting that customers were ready to commit to project based expenditure. Despite Financial Year 2021 commencing with concerns regarding the Covid-19 pandemic, the Company has managed to secure a reasonable pipeline of work which, when combined with cost reduction schemes, should provide a basis for the business to continue successfully for the immediate future.

The directors have prepared cash flow forecasts through to the year ending 31 March 2022 which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, and in downside cases funding from its ultimate parent company, Ceuta Holdings Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Ceuta Holdings Limited providing additional financial support during that period. Ceuta Holdings Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company and the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

1HQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Labour costs

Labour costs incurred that are directly attributable to revenue streams are recorded in Cost of Sales.

Management and Admin staff are recorded in Administrative Expenses.

This is a change to policy followed in the previous financial year. The impact of this change is recorded in note 20.

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 April 2018 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.7 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

1HQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.8 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1HQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.10 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Development expenditure	-	3 years
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2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	-	20% to 50% straight line
Office equipment	-	20% to 50% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.12 Valuation of investments

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.13 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1HQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.16 Financial Instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1HQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

3. Judgments in applying accounting policies and key sources of estimation uncertainty

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 year. 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.

Revenue

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Intangible assets

The Company establishes a reliable estimate of the useful life of intangible assets arising on capitalisation of costs. This estimate is based on a variety of factors such as the expected use of the assets.

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 10.

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.

1HQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

4. Turnover

Analysis of turnover by country of destination:

	2020 £000	2019 £000
United Kingdom	3,932	4,485
Rest of Europe	1,272	2,088
Rest of the world	587	353
	<u>5,791</u>	<u>6,926</u>

5. Operating (loss)/profit

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

	2020 £000	2019 £000
Depreciation of tangible fixed assets	86	79
Amortisation of intangible assets, including goodwill	26	19
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	30	16
Auditors' remuneration - tax compliance services	5	5
Exchange differences	(125)	(28)
Defined contribution pension cost	61	43
	<u>61</u>	<u>43</u>

6. Auditors' remuneration

	2020 £000	2019 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>30</u>	<u>16</u>
Fees payable to the Company's auditor and its associates in respect of:		
Taxation compliance services	<u>5</u>	<u>5</u>

1HQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £000	2019 £000
Wages and salaries	3,459	3,553
Social security costs	432	438
Cost of defined contribution scheme	61	43
	<u>3,952</u>	<u>4,034</u>

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

	2020 No.	2019 No.
Employees	<u>56</u>	<u>58</u>

8. Directors' remuneration

	2020 £000	2019 £000
Directors' emoluments	174	244
Company contributions to defined contribution pension schemes	1	-
	<u>175</u>	<u>244</u>

During the year retirement benefits were accruing to no directors (2019 - NIL) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £173,000 (2019 - £244,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,000 (2019 - £1,000)

Certain Directors are remunerated through other Group companies. Their services to 1HQ Limited are considered incidental to their wider role in the Ceuta Group and therefore their remuneration has not been split out.

1HQ LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

9. Interest receivable

	2020	2019
	£000	£000
Interest receivable from group companies	26	33
Other interest receivable	-	1
	<u>26</u>	<u>34</u>

The loan upon which interest accrues is between 1HQ Limited and Ceuta Holdings Limited. Interest is charged at a rate of 4% above base rate. The loan was settled in full at 31 March 2020.

10. Taxation

	2020	2019
	£000	£000
Corporation tax		
Current tax on profits for the year	(38)	184
Adjustments in respect of previous periods	(15)	(134)
	<u>(53)</u>	<u>50</u>
Total current tax	<u>(53)</u>	<u>50</u>
Deferred tax		
Origination and reversal of timing differences	(2)	(6)
	<u>(2)</u>	<u>(6)</u>
Total deferred tax	<u>(2)</u>	<u>(6)</u>
Taxation on (loss)/profit on ordinary activities	<u>(55)</u>	<u>44</u>

1HQ LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

10. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2019 - *higher than*) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
(Loss)/profit on ordinary activities before tax	(102)	877
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(19)	167
Effects of:		
Expenses not deductible for tax purposes	11	23
Capital allowances for year in excess of depreciation	1	(6)
Adjustments to tax charge in respect of prior periods	(41)	(134)
Non-taxable income	(5)	-
Movements in deferred tax provision	(2)	(6)
Total tax charge for the year	(55)	44

Factors that may affect future tax charges

The rate of UK corporation tax reduced from 20% to 19% on 1st April 2017, resulting in a rate of 19% for the accounting period (2019: 19%).

A reduction in the UK corporation tax rate from 19% to 17% (effective 1st April 2020) was substantively enacted on 6th September 2016. The March 2020 budget announced that the rate of 19% would continue to apply with effect from 1st April 2020, and this change was substantively enacted on 17 March 2020.

The UK deferred tax asset as at 31 March 2020 has been calculated based on this rate.

1HQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

11. Intangible assets

	Develop- ment £000
Cost	
At 1 April 2019	93
Additions	19
At 31 March 2020	<u>112</u>
Amortisation	
At 1 April 2019	52
Charge for the year	26
At 31 March 2020	<u>78</u>
Net book value	
At 31 March 2020	<u><u>34</u></u>
At 31 March 2019	<u><u>41</u></u>

1HQ LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

12. Tangible fixed assets

	Fixtures and fittings £000	Office equipment £000	Total £000
Cost or valuation			
At 1 April 2019	89	737	826
Additions	-	49	49
Disposals	-	(8)	(8)
At 31 March 2020	<u>89</u>	<u>778</u>	<u>867</u>
Depreciation			
At 1 April 2019	84	607	691
Charge for the year on owned assets	3	83	86
Disposals	-	(8)	(8)
At 31 March 2020	<u>87</u>	<u>682</u>	<u>769</u>
Net book value			
At 31 March 2020	<u>2</u>	<u>96</u>	<u>98</u>
At 31 March 2019	<u>5</u>	<u>130</u>	<u>135</u>

1HQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

13. Fixed asset investments

The company holds 100% of the ordinary share capital in Vibrandt Limited (formerly Impactt Limited), a dormant company incorporated in the United Kingdom, whose registered address is 41 Richmond Hill, Bournemouth, England, BH2 6HS. There is a carrying value in respect of Vibrandt Limited of £100 in the Company's accounts.

The Company has a wholly owned subsidiary based in the USA, 1HQ USA LLC, whose registered address is 261 Fifth Avenue #2110, New York, NY, 10016. The incorporation did not require any share capital and therefore there is no carrying value for this investment in the Company's accounts.

The Company owns 70% of the ordinary share capital in Collidascope Limited, a dormant company incorporated in the United Kingdom, whose registered address is 41 Richmond Hill, Bournemouth, England, BH2 6HS. There is a carrying value in respect of Collidascope Limited of £70 in the Company's accounts.

The Company has a wholly owned subsidiary based in The Netherlands, 1HQ (NL) BV. The company's registered address is at John M. Keynesplein 12, 1066 EP, Amsterdam, Netherlands. There is no carrying value for this investment in the Company's accounts.

On 08 November 2018, the Company incorporated a wholly owned subsidiary in Singapore, 1HQ Singapore PTE Ltd, whose registered office is at 16 Raffles Quay, #33-03 Hong Leong Building, Singapore (048581). There is a carrying value of SGD\$1 in the Company's accounts.

14. Debtors

	2020 £000	2019 £000
Trade debtors	2,666	1,662
Amounts owed by related parties	2,120	2,523
Other debtors	1,196	1,070
Tax recoverable	150	150
Deferred taxation	14	13
	<u>6,146</u>	<u>5,418</u>

1HQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

15. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	341	147
Amounts owed to related parties	251	153
Corporation tax	-	17
Other taxation and social security	173	181
Other creditors	547	544
Accruals and deferred income	303	426
	<u>1,615</u>	<u>1,468</u>

16. Deferred taxation

	2020 £000	2019 £000
At beginning of year	13	7
Credited to profit and loss	1	6
At end of year	<u>14</u>	<u>13</u>

The deferred tax asset is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	14	13
	<u>14</u>	<u>13</u>

1HQ LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

17. Share capital

	2020 £	2019 £
Authorised		
10,000 (2019 - 10,000) Ordinary A shares of £1 each	10,000	10,000
18,000 (2019 - 18,000) Ordinary B shares of £1 each	18,000	18,000
2,000 (2019 - 2,000) Ordinary C shares of £1 each	2,000	2,000
4,000 (2019 - 4,000) Ordinary D shares of £1 each	4,000	4,000
	<u>34,000</u>	<u>34,000</u>
Allotted, called up and fully paid		
7,900 (2019 - 7,900) Ordinary A shares of £1 each	7,900	7,900
3,813 (2019 - 3,813) Ordinary B shares of £1 each	3,813	3,813
2,000 (2019 - 2,000) Ordinary C shares of £1 each	2,000	2,000
3,653 (2019 - 3,653) Ordinary D shares of £1 each	3,653	3,653
	<u>17,366</u>	<u>17,366</u>

18. Pension commitments

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 £61,000 (2019 - £43,000). Contributions amounting to £10,000 (2019 - £7,000) were payable to the fund at the balance sheet date and are included in other creditors.

19. Commitments under operating leases

At 31 March 2020 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £000	2019 £000
Within 1 year	203	180
Later than 1 year and not later than 5 years	433	565
	<u>636</u>	<u>745</u>

1HQ LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

20. Change in accounting policy

The Company has opted to follow wider group policy and has chosen to reflect staff costs that are directly attributable to revenues as cost of sales.

An adjustment of £3,477,000 (2019 - £3,410,000) has been reclassified from administrative expenses to cost of sales. This change has been retrospectively applied and has no change to reported profits.

1HQ LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

21. Related party transactions

	Sales to		Admin Expenses from	
	2020	2019	2020	2019
	£000	£000	£000	£000
Brandshapers Limited	14	-	-	-
Bridgethorne Limited	1	1	-	-
Ceuta Healthcare Limited	112	110	23	-
Ceuta Holdings Limited	48	2	405	437
Orchid Field Marketing Limited	-	1	-	-
The Creative Leap Limited	28	1	-	-
<hr/>				
	Amounts owed by related parties		Amounts owed to related parties	
	2020	2019	2020	2019
	£0	£0	£0	£0
Brandshapers Limited	8	-	-	-
Ceuta Healthcare Limited	24	62	-	-
Ceuta Holdings Limited	70	919	-	17
Orchid Field Marketing Limited	-	-	1	-
The Creative Leap Limited	13	1	-	-

The Company is controlled by Ceuta Holdings Limited. During prior years, the Company advanced a loan to Ceuta Holdings Limited. Interest was charged in the year of £26,000 (2019 : £33,000). During the course of the year the balance of the loan was fully paid back to the Company.

Brandshapers Limited, Bridgethorne Limited, Ceuta Healthcare Limited, Orchid Field Marketing Limited and The Creative Leap Limited are related through common control held by the ultimate parent company, Ceuta Holdings Limited.

The table above does not disclose transactions with wholly owned subsidiaries of 1HQ Limited, as permitted by FRS 102 disclosure exemption paragraph 33.1a.

During the year, the company paid rental income amounting to £180,000 (2019 : £180,000) to a pension scheme whose beneficiaries include J Sandom and H Leeson.

1HQ LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

22. Controlling party

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.