

1000Heads Limited

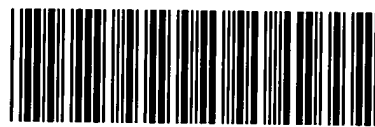
Annual Report and Financial Statements

Year Ended

31 December 2022

Company Number 07368320

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1000Heads Limited

Company Information

Directors	M J Davison S Litou
Registered number	07368320
Registered office	41-44 Great Windmill Street London W1D 7NB
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

1000Heads Limited

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1000Heads Limited

Strategic Report For the Year Ended 31 December 2022

The Directors present their Strategic Report for the year ended 31 December 2022.

Principal activities

The Company provides strategic advice and support to clients on a global basis across a number of complementary marketing services. These include the provision of technology platforms, data and analytics to inform and report on social media and brand advocacy strategies, management of digital and social media channels and implementation of social and influencer marketing strategy. Using social-first thinking and expertise, the Company seeks to deliver innovative approaches to add value and demonstrate clear ROI for clients.

Business and financial review

On 13 June 2022, the company's intermediate parent company, 1KH Topco Limited was acquired by Buffalo Bidco UK Limited. Following this transaction, the company became part of the Labelium Group and the new ultimate parent company became Labyrinth UK Holdco Limited.

The Company generated a profit after taxation for the year ended 31 December 2022 of £3,024,000 (2021 - £2,295,000). The Company has net assets of £9,161,000 (2021 - £6,137,000) as at 31 December 2022.

1000Heads Limited

Strategic Report (continued) For the Year Ended 31 December 2022

Key performance indicators

Key financial highlights are as follows for the year ended 31 December 2022:

	2022 £'000	2021 £'000
Fee (Gross Profit)(£000)	7,985	7,078
Staff Cost Ratio	58%	55%
EBITDA (excluding exceptional costs)(£000)	3,085	2,267
EBITDA % of fee (excluding exceptional costs)	39%	32%

A breakdown of EBITDA is as follows:

	2022 £'000	2021 £'000
Operating Profit before Tax & Interest	3,024	2,157
Plus: Exceptional items	-	35
Plus: Depreciation	61	75
Total EBITDA	<u>3,085</u>	<u>2,267</u>

The business has determined that fee (Gross profit) rather than turnover is a more appropriate metric for the business to assess performance as turnover includes a significant level of third-party pass-through costs.

EBITDA and EBITDA % of fee are key performance metrics, as they are used by a number of comparable businesses in our industry to assess financial performance. EBITDA is calculated as operating profit plus exceptionals plus depreciation.

In the year ended 31 December 2022 the Company employed an average of 74 (2021 - 77) people with 85% (2021 - 71%) operating in client related roles.

Principal risks and uncertainties

Competition and market pressures

The Company's performance is largely dependent on an ability to successfully compete in the key markets of the UK and EU by adapting to the needs of our client base. The ability of the business to continue to develop and grow can be affected by a number of factors:

- Competition and pricing reducing available margins
- Recessionary pressures threatening investment in client's product development, reducing marketing budgets
- The need to continually recruit talent to develop the business and add scale to our operations

Cash flow

In the event of a significant customer default or cash flow deficit, the Company would have access to funding provided by its fellow group companies.

1000Heads Limited

Strategic Report (continued) For the Year Ended 31 December 2022

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

Mike Davison

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M J Davison
Director

Date: 8/29/2023

1000Heads Limited

Directors' Report For the Year Ended 31 December 2022

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

Results and dividends

The profit for the year, after taxation, amounted to £3,024,000 (2021 - £2,295,000).

The Directors do not recommend the payment of a dividend for the year (2021 - £Nil).

Directors

The Directors who served during the year were:

M J Davison
K T Barber (resigned 13 January 2023)
S Litou (appointed 18 January 2023)

Directors' responsibilities statement

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 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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.

1000Heads Limited

Directors' Report (continued) For the Year Ended 31 December 2022

Research and development activities

The Company is continually researching and developing new products and technologies for use in its principal activity. The Company continues to invest heavily in research and development to ensure that it remains competitive in the market and offers its clients the best services possible.

Going concern

In adopting the going concern basis for preparing the financial statements, the Directors have considered the future trading prospects of the Company, the Company's available liquidity and the Company's principal risks as set out in the Strategic Report.

The Company meets its day-to-day working capital requirements through ongoing operating cashflows and intercompany balances with fellow group companies.

The Directors have reviewed trading forecasts for the 12 months beyond the accounts signing date to assess the Company's ability to continue as a going concern.

- The latest trading forecast shows that the Company expects to remain profitable for the next twelve months following the approval of these financial statements.
- The latest trading forecasts were stress tested and reasonable worst-case scenario analysis was completed. This included modelling client growth rates below historic levels and assuming new business wins significantly lower than current FY 22 trading forecast levels.
- Assessment of this reasonable worst-case scenario's effects on cash shows that the Company is expected to have sufficient cash resources for the next 12 months.

The Directors are comfortable that these projections indicate that the Company will be able to meet all of its commitments to at least 31 December 2024. The Directors have also identified additional actions which could be taken to preserve cash and reduce costs should such a worst-case scenario occur; these would include the ability to defer certain variable cost expenditure and project spends.

On the basis of this assessment, the Directors consider that the Company has adequate resources to operate for the foreseeable future, and as such, have adopted the going concern basis in preparing these Financial Statements.

Matters covered in the Strategic Report

As permitted by paragraph 1A of schedule 7 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008, certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on pages 1 to 3.

1000Heads Limited

Directors' Report (continued) For the Year Ended 31 December 2022

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 are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have 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, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Director and signed on its behalf.

Mike Davison

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M J Davison
Director

Date: 8/29/2023

1000Heads Limited

Independent Auditor's Report to the Members of 1000Heads Limited

Opinion on the 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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of 1000Heads Limited ("the Company") for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Independence

We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

1000Heads Limited

Independent Auditor's Report to the Members of 1000Heads Limited (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for 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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

1000Heads Limited

Independent Auditor's Report to the Members of 1000Heads Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our testing included, but was not limited to:

- testing the financial statement disclosures to supporting documentation, performing substantive testing on account balances which were considered to be of greater susceptibility to fraud;
- performing targeted journal entry testing based on identified characteristics the audit team considered could be indicative fraud, for example credit entries to revenue without a corresponding entry to receivables, accrued income or deferred income;
- critically assessing areas of the financial statements which include judgement and estimates, as set out in note 3 of financial statements;
- obtaining an understanding of the legal and regulatory frameworks that are applicable to the entity, determining that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (UK GAAP), the Companies Act 2006 and relevant tax compliance legislation;
- understanding how the entity is complying with those legal and regulatory frameworks by making enquiries of management, corroborating our enquiries through review of board minutes;
- assessing the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it is considered there was susceptibility to fraud;
- identifying fraud risks at planning in relation to management override of controls and obtaining an understanding of the processes and controls that the entity has established to address the risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors processes and controls;
- identifying fraud risks at planning in relation to inappropriate or incorrect recognition of revenue and reviewing the revenue recognition process per stream, identifying what could go wrong and how it could result in incorrect revenue recognition; and
- communicating relevant identified laws and regulations and potential fraud risks to all engagement team members and remaining alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

1000Heads Limited

Independent Auditor's Report to the Members of 1000Heads Limited (continued)

Use of our report

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.

DocuSigned by:

Andrew Viner

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Andrew Viner (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

London

United Kingdom

Date: 29 August 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

1000Heads Limited

Statement of Comprehensive Income For the Year Ended 31 December 2022

	Note	2022 £000	2021 £000
Turnover	4	8,630	7,569
Cost of sales		(645)	(491)
Gross profit		7,985	7,078
Administrative expenses		(6,103)	(6,028)
Exceptional administrative income/(expenses)	10	-	(35)
Other operating income	5	1,142	1,142
Operating profit	6	3,024	2,157
Tax on profit	11	-	138
Profit for the financial year		3,024	2,295

All amounts relate to continuing operations.

There was no other comprehensive income for 2022 (2021 - £Nil).

The notes on pages 14 to 29 form part of these financial statements.

1000Heads Limited
Registered number: 07368320

Statement of Financial Position
As at 31 December 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	12	139	67
Tangible assets	13	92	115
		<u>231</u>	<u>182</u>
Current assets			
Debtors	14	12,998	9,753
Cash and cash equivalents		489	483
		<u>13,487</u>	<u>10,236</u>
Current liabilities			
Creditors: amounts falling due within one year	15	(4,557)	(4,281)
Net current assets		8,930	5,955
Net assets		<u><u>9,161</u></u>	<u><u>6,137</u></u>
Capital and reserves			
Share capital	17	-	-
Retained earnings	18	9,161	6,137
		<u><u>9,161</u></u>	<u><u>6,137</u></u>

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

Mike Davison

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M J Davison
Director

Date: 8/29/2023

The notes on pages 14 to 29 form part of these financial statements.

1000Heads Limited

Statement of Changes in Equity For the Year Ended 31 December 2022

	Share capital £000	Retained earnings £000	Total equity £000
At 1 January 2022	-	6,137	6,137
Comprehensive income for the year			
Profit for the year	-	3,024	3,024
At 31 December 2022	-	9,161	9,161

Statement of Changes in Equity For the Year Ended 31 December 2021

	Share capital £000	Retained earnings £000	Total equity £000
At 1 January 2021	-	3,842	3,842
Comprehensive income for the year			
Profit for the year	-	2,295	2,295
At 31 December 2021	-	6,137	6,137

The notes on pages 14 to 29 form part of these financial statements.

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

1. General information

1000Heads Limited ("the Company") is a private company limited by shares incorporated in England and Wales under the Companies Act. The address of the registered office is given on the Company Information page and the nature of the Company's operations and its principal activity are set out in the Strategic Report.

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 presentation currency used is Pound Sterling and amounts have been presented in round thousands ("£000s").

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Labyrinth UK Holdco Limited as at 31 December 2022 and these financial statements may be obtained from Companies House.

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.3 Going concern

In adopting the going concern basis for preparing the financial statements, the Directors have considered the future trading prospects of the Company, the Company's available liquidity and the Company's principal risks as set out in the Strategic Report.

The Company meets its day-to-day working capital requirements through ongoing operating cashflows and intercompany balances with fellow group companies.

The Directors have reviewed trading forecasts for the 12 months beyond the accounts signing date to assess the Company's ability to continue as a going concern.

- The latest trading forecast shows that the Company expects to remain profitable for the next twelve months following the approval of these financial statements.
- The latest trading forecasts were stress tested and reasonable worst-case scenario analysis was completed. This included modelling client growth rates below historic levels and assuming new business wins significantly lower than current FY 22 trading forecast levels.
- Assessment of this reasonable worst-case scenario's effects on cash shows that the Company is expected to have sufficient cash resources for the next 12 months.

The Directors are comfortable that these projections indicate that the Company will be able to meet all of its commitments to at least 31 December 2024. The Directors have also identified additional actions which could be taken to preserve cash and reduce costs should such a worst-case scenario occur; these would include the ability to defer certain variable cost expenditure and project spends.

On the basis of this assessment, the Directors consider that the Company has adequate resources to operate for the foreseeable future, and as such, have adopted the going concern basis in preparing these Financial Statements.

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts rebates, value added tax and other sales taxes.

Rendering of services

Turnover derived from retainers is recognised evenly on a monthly basis over the life of the retainer contract.

Turnover for fixed fee projects 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 turnover can be measured reliably;
- It is probable that the Company will receive 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.

Where turnover is recognised for a given period but it has not yet been invoiced to the customer, this is recorded as accrued income.

Where amounts have been invoiced to customers prior to the year end but will be recognised in future periods (on the basis of when services will be provided), this is recorded as deferred income.

Turnover on the recharge of media costs is recognised when the costs are incurred.

Management fees

Management fees are amounts charged to fellow group companies and are recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured. Management fees are recognised on a straight line basis over the year and are disclosed within other operating income.

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.5 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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

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.

2.7 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research is recognised as an expense when it is incurred.

Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured.

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

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 Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.10 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 reporting 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 Statement of Financial Position 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 reporting date.

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.

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.11 Tangible fixed assets (continued)

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:

Leasehold improvements	-	23% over the term of the lease
Fixtures and fittings	-	25% straight line
Office equipment	-	33% 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 Intangible assets

Software development costs

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research is recognised as an expense when it is incurred.

Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate that the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised to 'administrative expenses' on a straight line basis over their expected useful economic lives of 3 years.

Amortisation begins when the intangible asset is available for use, ie when it is in the location and condition necessary for it to be usable in the manner intended by management. The expected useful economic life of development costs are estimated based on business plans which set out the development plan and time to market for the associated project. If it is not possible to distinguish between the research phase and the development phase of an internal project the expenditure is treated as if it were all incurred in the research phase only.

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.

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.

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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, and 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.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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 reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position 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.

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting judgements and estimation

The Company makes estimates and assumptions in preparing these financial statements. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are address below:

Useful economic lives of tangible assets and intangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

Revenue recognition

Determining the amount of revenue to recognise in respect of project work ongoing at the year end. Factors taken into account in assessing the percentage completion of a project include hours worked versus budget, project phases, milestones completed or deliverables issued to the client.

Deferred tax

Determine whether a Deferred Tax Asset should be recognised in respect of tax losses carried forward by the company at the year end. The recognition of a Deferred Tax Asset is determined based on management's assessment of the expected future profits of the company, the estimated losses available for group relief from other UK group entities and the likelihood that the company's tax losses will be utilised in the near future. A Deferred Tax Asset is only recognised to the extent that management consider it probable that it will be recovered based on the above assessment.

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

4. Turnover

The whole of the turnover is attributable to marketing services.

Analysis of turnover by country of destination:

	2022 £000	2021 £000
United Kingdom	2,638	1,268
Rest of Europe	4,056	4,506
Rest of World	1,928	1,701
Asia	8	94
	<u>8,630</u>	<u>7,569</u>

5. Other operating income

	2022 £000	2021 £000
Management fee	<u>1,142</u>	<u>1,142</u>

Other operating income is attributable to management fees receivable from 1000Heads Inc, a related group.

6. Operating profit

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

	2022 £000	2021 £000
Depreciation of tangible fixed assets	61	75
Defined contribution pension cost	64	62
Exchange differences	(59)	(10)
Other operating lease rentals	655	639
Impairment charge/(reversal) of intercompany balance (see note 14)	<u>(289)</u>	<u>163</u>

7. Auditor's remuneration

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

	2022 £000	2021 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>45</u>	<u>30</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of the parent company.

8. Employees

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

	2022 £000	2021 £000
Wages and salaries	4,075	3,401
Social security costs	527	405
Cost of defined contribution scheme	64	62
	<u>4,666</u>	<u>3,868</u>

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

	2022 No.	2021 No.
Client services and administration	<u>78</u>	<u>77</u>

9. Directors' remuneration

	2022 £000	2021 £000
Directors' emoluments	<u>202</u>	<u>170</u>

No director's individual emoluments were in excess of £200,000 for the 2022 or 2021 financial years.

10. Exceptional administrative expenses

	2022 £000	2021 £000
Exceptional items	<u>-</u>	<u>35</u>

In the year ended 31 December 2021, exceptional items consisted of intercompany balances written off in relation to 1000Heads Media Limited and The Echo Agency Limited; both of which were dissolved during 2021.

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

11. Taxation

	2022 £000	2021 £000
Corporation tax		
Current tax on profits for the year	-	2
Total current tax	-	2
Deferred tax		
Origination and reversal of timing differences	-	(140)
Total deferred tax	-	(140)
Taxation on profit on ordinary activities	-	(138)

Factors affecting tax charge/(credit) for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £000	2021 £000
Profit on ordinary activities before tax	3,024	2,156
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	575	410
Effects of:		
Fixed asset differences	(2)	2
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	3	40
Income not taxable for tax purposes	(5)	-
Remeasurement of deferred tax for changes in tax rates	-	(126)
Deferred tax not recognised	2	(105)
Group relief claimed	(573)	(359)
Total tax charge/(credit) for the year	-	(138)

As at 31 December 2022 the Company has an unrecognised deferred tax asset of £389,000 (2021 - £389,000). The amount has not been recognised based on the uncertainty as to when it will unwind.

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

11. Taxation (continued)

Factors that may affect future tax charges

The standard rate of UK corporation tax is currently 19.00%. A rate increase to 25.00% comes into effect from 1 April 2023. As this increase in rate was not enacted at the reporting date, there is no impact on the calculation of tax at the reporting date.

12. Intangible assets

	Software development £000
Cost	
At 1 January 2022	67
Additions	72
At 31 December 2022	<u>139</u>
Net book value	
At 31 December 2022	<u>139</u>
At 31 December 2021	<u>67</u>

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

13. Tangible fixed assets

	Leasehold improvements £000	Fixtures and fittings £000	Office equipment £000	Total £000
Cost or valuation				
At 1 January 2022	492	43	475	1,010
Additions	-	-	38	38
At 31 December 2022	492	43	513	1,048
Depreciation				
At 1 January 2022	492	24	379	895
Charge for the year	-	8	53	61
At 31 December 2022	492	32	432	956
Net book value				
At 31 December 2022	-	11	81	92
At 31 December 2021	-	19	96	115

14. Debtors

	2022 £000	2021 £000
Trade debtors	2,357	1,754
Amounts owed by group undertakings	9,781	7,338
Other debtors	26	27
Prepayments and accrued income	646	448
Corporation tax recoverable	48	46
Deferred taxation (see note 16)	140	140
	12,998	9,753

During the year the Company reversed an impairment that was previously made on intercompany debt due from 1000Heads Consulting DMCC of £289,000 (2021 – impairment of £163,000).

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

15. Creditors: amounts falling due within one year

	2022 £000	2021 £000
Trade creditors	282	278
Amounts owed to group undertakings	2,867	2,920
Other taxation and social security	298	182
Other creditors	46	46
Accruals and deferred income	1,064	855
	<u>4,557</u>	<u>4,281</u>

Included within amounts owed to group undertakings is an amount of £70,041 in respect of a loan to Buffalo Bidco UK Limited. This loan is unsecured, accrues interest at 1% per annum, has no fixed repayment date and is repayable on demand.

All other amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

16. Deferred taxation

	2022 £000
At beginning of year	140
Credited to profit or loss	-
At end of year	<u>140</u>

The deferred tax asset is made up as follows:

	2022 £000	2021 £000
Losses and other deductions	140	140
	<u>140</u>	<u>140</u>

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

17. Share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	-	-

All shares have equal voting rights, equal rights to a dividend and equal rights to participate in any winding up of the Company.

18. Reserves

Retained earnings

Retained earnings represent cumulative profits and losses net of dividends.

19. Contingent liabilities

All assets of 1000Heads Limited were pledged as security for a group bank loan held by 1KH Bidco Limited. On 13 June 2022 the loan was repaid in full (2021 - £11,635,000).

20. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the fund and amounted to £64,000 (2021 - £62,000). Contributions totalling £15,000 (2021 - £13,000) were payable to the fund at the Statement of Financial Position date and are included in other creditors.

21. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £000	2021 £000
Not later than 1 year	710	710
Later than 1 year and not later than 5 years	592	1,303
	1,302	2,013

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

22. Related party transactions

The Company has taken advantage of the exemption available under paragraph 33.1A of the Financial Reporting Standard 102 not to disclose transactions with other wholly owned members of the Group.

The Company is related to Business Garage Limited, Loud Group Limited and IVIP Limited as these companies are owned by M Rowe, a Director of the Company during the year. The aggregate of sales and recharges to these entities during the year amounted to £Nil (2021 - £1,000). The aggregate of purchases from these entities during the year amounted to £Nil (2021 - £104,087). At the year end an amount of £Nil (2021 - £Nil) was due from these entities.

23. Controlling party

The Company's immediate parent company is 1000Heads Group Limited. Following the acquisition of the Company's previous ultimate parent company, 1KH Topco Limited, by Buffalo Bidco UK Limited on 13 June 2022, the ultimate parent company became Labyrinth UK Holdco Limited, a company incorporated in the United Kingdom.

The largest and smallest Group in which the results of these financial statements are consolidated is that headed by Labyrinth UK Holdco Limited copies of which may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF12 3VZ.

The ultimate controlling party of the Company is a collection of the English limited partnerships comprising Charterhouse Capital Partners X, which in turn are managed and controlled by Charterhouse GP LLP, a limited partnership registered in England.

The address of the registered office of Charterhouse GP LLP is Belgrave House, 76 Buckingham Palace Road, London, SW1W 9TQ.