

1000Heads Limited

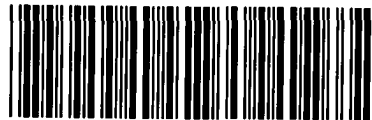
Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 07368320

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1000Heads Limited

Company Information

Director	M J Davison
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 2019

The Directors present their Strategic Report for the year ended 31 December 2019.

Principal activities and business review

The Company provides strategic advice and support to clients on a global basis across a number of complimentary 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 27 June 2019, 1KH Topco Limited acquired the business of 1000Heads Group Limited and its subsidiaries including 1000heads Ltd, a leading social first digital marketing agency.

Following the investment by 1KH Topco Limited, the Company seeks to further expand its operations and has utilised 2019 to develop its client base and to recruit additional staff to support expansion.

The Company generated a profit after taxation for the period ending 31 December 2019 of £706,722 (2018 - £1,782,897). The Company has net assets of £2,557,452 (2018 - £4,015,434) as at 31 December 2019.

Key performance indicators

Key financial highlights are as follows for the period ending 31 December 2019:

Revenue	£7,953,597
Staff Cost Ratio	43%
Operating Profit Margin	4%

In the year ending 31st December 2019 the Company employed an average of 72 people with 84.7% operating in client related roles.

1000Heads Limited

Strategic Report (continued) For the Year Ended 31 December 2019

Principal risks and uncertainties

Operating in a COVID world

The business has proved to be extremely resilient to the pressures of operating within the restrictions imposed by COVID. The business has reacted quickly to the changing nature of business and adapted to provide innovative solutions to unique problems which have arisen during the pandemic.

Whilst many of the Company's clients operate in resilient sectors, the Company may see increasing churn where there are significant adverse financial impacts of the pandemic on client's core businesses.

Competition and market pressures

The Companies performance is largely dependent on an ability to successfully compete in the key markets, for the UK this is mainly Europe. 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.

Brexit

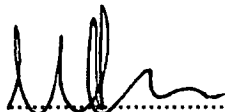
The economic and political uncertainty of our business environment may be destabilised by the United Kingdom's decision to leave the European Union. This may negatively affect the level of business activity amongst our clients. In addition, the business may also be impacted by:

- The loss of freedom of movement provisions
- Changes to provisions regarding the movement of data
- Foreign exchange risks
- Imposition of tariffs on a non-EU based Group, reducing price competitiveness

Cash flow

The business is reliant on operating cashflows from clients. In the event of a significant customer default or cash flow deficit, the Company is protected by limited client concentration within the UK roster; beyond that it also has the benefit of profitable trading from its subsidiaries.

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



M J Davison
Director

Date: 09/12/2020

1000Heads Limited

Director's Report For the Year Ended 31 December 2019

The director presents his report and the financial statements for the year ended 31 December 2019.

Directors

The directors who served during the year were:

M S Rowe (resigned 26 September 2019)

M J Davison (appointed 26 September 2019)

Director's responsibilities statement

The director is responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

Results and dividends

The profit for the year, after taxation, amounted to £706,722 (2018 - £1,782,897).

During the year, the director recommend payment of a dividend of £2,164,704 (2018 - £Nil).

1000Heads Limited

Director's Report (continued) For the Year Ended 31 December 2019

Going concern

Whilst the global pandemic has had a widespread macro-economic effect, our business was able to transition to remote working seamlessly and we have been able to perform very effectively managing the expectations of clients, and delivering continuous excellent service.

Although the business has seen a short-term reduction in inbound client enquiries during the early phase of COVID, we are pleased that the transition to remote working enabled the business to develop its pipeline of client opportunities and continue to win new business throughout the summer 2020 period.

We are continuing to review our approach to returning to a physical common set of office locations however this will be determined by local rules and ensuring the safety of our staff. However, the business is fully effective whilst working remotely and this enables us to gradually phase any return to office strategy.

In light of the unprecedented upheaval to the global economy caused by the pandemic, the Director has sought additional reassurance, including but not limited to:

- Revised rolling P&L forecasting based on a cautious revenue projection model
- Reasonable worst-case scenario planning analysis based on client losses of up to 25% of current portfolio (with no pipeline replacement)
- Assessment of this reasonable worst-case scenario's effects on cash and available resources

The Director is comfortable that these projections indicate that the Company will be able to meet all of its commitments to at least 31 December 2021. Further to this the Director has 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. Furthermore, the company has obtained a letter of support from a fellow group company providing financial support, in the event that it needs it, for the period to 31 December 2021.

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

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.

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 2.

Auditor

BDO LLP was appointed as auditor during the period and has expressed its willingness to continue in office. A resolution to re-appoint will be processed at the annual general meeting.

1000Heads Limited

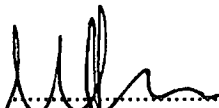
Director's Report (continued) For the Year Ended 31 December 2019

Disclosure of information to auditor

Each of the persons who are directors at the time when this Director's Report is approved has confirmed that:

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

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


.....
M J Davison
Director

Date: 09/12/2020

1000Heads Limited

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

Opinion

We have audited the financial statements of 1000Heads Limited (the 'Company') for the year ended 31 December 2019, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes, 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 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.

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. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

1000Heads Limited

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

Other information

The director is responsible for the other information. The other information comprises the information included in the Annual Report, 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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 Director's 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of director

As explained more fully in the Director's responsibilities statement on page 3, the director is 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 director determines 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 director is 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 director either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

1000Heads Limited

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

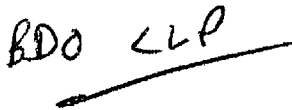
Auditor's responsibilities for the audit of the financial statements

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

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.

A handwritten signature in black ink, appearing to read 'BDO LLP', with a horizontal line drawn underneath it.

Andrew Viner (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

Date: 09/12/2020

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 2019

	Note	2019 £	2018 £
Turnover	4	7,953,597	8,895,743
Cost of sales		(866,994)	(1,697,974)
Gross profit		7,086,603	7,197,769
Administrative expenses		(7,579,871)	(5,746,585)
Exceptional administrative expenses	10	(327,155)	-
Other operating income	5	1,141,601	739,108
Operating profit	6	321,178	2,190,292
Interest receivable and similar income	11	4,383	14,723
Interest payable and expenses	12	(5,444)	(23,108)
Profit before tax		320,117	2,181,907
Tax on profit	13	386,605	(399,010)
Profit for the financial year		706,722	1,782,897

There was no other comprehensive income for 2019 (2018:£NIL).

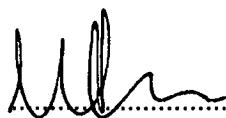
The notes on pages 12 to 25 form part of these financial statements.

1000Heads Limited
Registered number: 07368320

Statement of Financial Position
As at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	15	136,163	206,675
Current assets			
Debtors: amounts falling due within one year	16	5,209,215	8,733,551
Cash and cash equivalents		1,460,130	1,033,116
		<u>6,669,345</u>	<u>9,766,667</u>
Creditors: amounts falling due within one year	17	(4,248,056)	(5,930,337)
Net current assets		<u>2,421,289</u>	<u>3,836,330</u>
Deferred tax	18	-	(27,571)
Net assets		<u><u>2,557,452</u></u>	<u><u>4,015,434</u></u>
Capital and reserves			
Called up share capital	19	100	100
Profit and loss account	20	2,557,352	4,015,334
		<u><u>2,557,452</u></u>	<u><u>4,015,434</u></u>

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



M J Davison
Director

Date: 09/12/2020

The notes on pages 12 to 25 form part of these financial statements.

1000Heads Limited

Statement of Changes in Equity For the Year Ended 31 December 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	100	4,015,334	4,015,434
Comprehensive income for the year			
Profit for the year	-	706,722	706,722
Total comprehensive income for the year	-	706,722	706,722
Dividends	-	(2,164,704)	(2,164,704)
At 31 December 2019	100	2,557,352	2,557,452

Statement of Changes in Equity For the Year Ended 31 December 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	100	2,232,437	2,232,537
Comprehensive income for the year			
Profit for the year	-	1,782,897	1,782,897
Total comprehensive income for the year	-	1,782,897	1,782,897
At 31 December 2018	100	4,015,334	4,015,434

The notes on pages 12 to 25 form part of these financial statements.

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

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 Director's 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 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;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the financial statements of 1KH Topco Limited as at 31 December 2019 and these financial statements may be obtained from Companies House.

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.3 Going concern

Whilst the global pandemic has had a widespread macro-economic effect, our business was able to transition to remote working seamlessly and we have been able to perform very effectively managing the expectations of clients, and delivering continuous excellent service.

Although the business has seen a short-term reduction in inbound client enquiries during the early phase of COVID, we are pleased that the transition to remote working enabled the business to develop its pipeline of client opportunities and continue to win new business throughout the summer 2020 period.

We are continuing to review our approach to returning to a physical common set of office locations however this will be determined by local rules and ensuring the safety of our staff. However, the business is fully effective whilst working remotely and this enables us to gradually phase any return to office strategy.

In light of the unprecedented upheaval to the global economy caused by the pandemic, the Director has sought additional reassurance, including but not limited to:

- Revised rolling P&L forecasting based on a cautious revenue projection model
- Reasonable worst-case scenario planning analysis based on client losses of up to 25% of current portfolio (with no pipeline replacement)
- Assessment of this reasonable worst-case scenario's effects on cash and available resources

The Director is comfortable that these projections indicate that the Company will be able to meet all of its commitments to at least 31 December 2021. Further to this the Director has 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. Furthermore, the company has obtained a letter of support from a fellow group company providing financial support, in the event that it needs it, for the period to 31 December 2021.

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

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. The following criteria must also be met before turnover is recognised:

Rendering of services

Turnover 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 turnover 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.

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

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 and all other foreign exchange gains and losses are presented in the statement of comprehensive 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

Research and development expenditure is written off in the year in which it is incurred.

2.8 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.9 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.11 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.

2.12 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.

2.13 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 statement of financial position 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 Balance Sheet date.

2.14 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 2019

2. Accounting policies (continued)

2.14 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.

2.15 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.16 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.

2.17 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.

2.18 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.

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.18 Financial instruments (continued)

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.

2.19 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

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.

Judgements in applying accounting policies

No significant judgements have had to be made by management in preparing these financial statements.

Accounting judgements and estimation

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 addressed below:

i. Useful economic lives of tangible 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.

ii. 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.

iii. 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.

4. Turnover

The whole of the turnover is attributable to marketing services.

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	3,249,189	8,667,404
Rest of Europe	4,277,528	40,710
Rest of the world	426,880	187,629
	<u>7,953,597</u>	<u>8,895,743</u>

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

5. Other operating income

	2019 £	2018 £
Management fee	1,141,601	739,108

6. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	152,950	194,641
Defined contribution pension cost	50,109	32,803
Research & development charged as an expense	-	184,517
Exchange differences	100,523	130,715
Other operating lease rentals	522,706	500,688
Impairment of intercompany debtor (note 16)	1,390,647	-

7. Auditor's remuneration

	2019 £	2018 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	25,926	10,000

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 director's remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	3,393,958	3,080,191
Cost of defined contribution scheme	50,109	32,803
	3,444,067	3,112,994

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

	2019 No.	2018 No.
Client services and administration	72	67

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

9. Director's remuneration

	2019 £	2018 £
Director's emoluments	1,840	67,057
	<u>1,840</u>	<u>67,057</u>

10. Exceptional items

	2019 £	2018 £
Exceptional	327,155	-
	<u>327,155</u>	<u>-</u>

Included within exceptional items are costs of £110,935 incurred as part of the acquisition of 1000Heads Group Limited and its subsidiary companies and £216,217 in respect of bonuses.

11. Interest receivable

	2019 £	2018 £
Other interest	4,383	14,723
	<u>4,383</u>	<u>14,723</u>

12. Interest payable and similar charges

	2019 £	2018 £
Loan interest	5,444	16,276
Other interest	-	6,832
	<u>5,444</u>	<u>23,108</u>

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

13. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	(359,034)	386,605
Adjustments in respect of previous periods	-	15,877
Total current tax	(359,034)	402,482
Deferred tax		
Origination and reversal of timing differences	(27,571)	(3,472)
Total deferred tax	(27,571)	(3,472)
Taxation on profit on ordinary activities	(386,605)	399,010

Factors affecting tax (credit)/charge for the year

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	320,117	2,181,907
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	60,822	414,562
Effects of:		
Fixed asset timing differences	9,378	-
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	315,508	15,048
Other permanent differences	(1,282,197)	-
Losses carried back	389,980	-
Adjustments to tax charge in respect of prior periods	(386,605)	15,877
Adjustment in research and development tax credit leading to a decrease in the tax charge	-	(45,576)
Deferred tax not recognised	506,509	-
Group relief	-	(901)
Total tax (credit)/charge for the year	(386,605)	399,010

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

13. Taxation (continued)

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

14. Dividends

	2019 £	2018 £
Dividends paid	2,164,704	-

During the year, dividends of £21,647 (2018 - £Nil) per share were paid to shareholders.

15. Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Office equipment £	Total £
Cost				
At 1 January 2019	459,267	13,242	311,821	784,330
Additions	32,871	14,403	35,164	82,438
At 31 December 2019	492,138	27,645	346,985	866,768
Depreciation				
At 1 January 2019	349,181	11,100	217,374	577,655
Charge for the year	110,086	3,829	39,035	152,950
At 31 December 2019	459,267	14,929	256,409	730,605
Net book value				
At 31 December 2019	32,871	12,716	90,576	136,163
At 31 December 2018	110,086	2,142	94,447	206,675

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

16. Debtors

	2019 £	2018 £
Trade debtors	1,694,781	2,018,238
Amounts owed by group undertakings	1,897,860	2,410,672
Other debtors	641,388	3,800,804
Prepayments and accrued income	614,156	503,837
Corporation tax recoverable	361,030	-
	<u>5,209,215</u>	<u>8,733,551</u>

During the year the company recognised an impairment loss of £1,390,647 relating to an amount owed by 1000heads Dubai which was deemed no longer recoverable.

17. Creditors: Amounts falling due within one year

	2019 £	2018 £
Bank overdrafts	275,819	364,479
Bank loans	-	41,667
Trade creditors	521,336	631,606
Amounts owed to group undertakings	2,290,425	3,365,848
Corporation tax	-	306,420
Other taxation and social security	247,212	243,810
Other creditors	27,725	13,444
Accruals and deferred income	885,539	963,063
	<u>4,248,056</u>	<u>5,930,337</u>

Secured loans

The bank loans and overdraft of £275,819 (2018 - £406,146) is secured on a bank standard debenture and guarantees given by 1000Heads Group Limited. The bank overdraft is repayable on demand.

The interest rate on the bank loan was fixed at 6.25% per annum and the loan was repayable in monthly installments over a 48 month period to April 2019. The bank loan was fully repaid by 31 December 2019.

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

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

18. Deferred taxation

	2019 £	2018 £
At beginning of year	27,571	31,043
Credited to profit or loss	(27,571)	(3,472)
At end of year	-	27,571

The deferred taxation balance is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	-	27,571

19. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

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

20. Reserves

Profit and loss account

The profit and loss account represents cumulative profits and losses net of dividends.

21. 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 £50,109 (2018 - £32,803). Contributions totalling £23,795 (2018 - £7,321) were payable to the fund at the Balance Sheet date and are included in other creditors.

1000Heads Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

22. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	473,586	451,815
Later than 1 year and not later than 5 years	2,723,120	-
	<u>3,196,706</u>	<u>451,815</u>

23. 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 and Loud Group 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 £17,735 (2018 - £27,851). The aggregate of purchases from these entities during the year amounted to £481,800 (2018 - £403,285). At the year end an amount of £23,984 (2018 due from - £322,042) was due to these entities. During the year, amounts of £Nil (2018 - £Nil) due from these entities was written off.

The director has given personal guarantees of £Nil (2018: £110,000) on the Company's bank overdraft facility and bank loan.

The director has loans owing to the group at the year end:

	2019 £	2018 £
M J Davison	-	2,808,352
	<u>-</u>	<u>2,808,352</u>

Interest is charged on the loan at the HMRC official rate of interest on beneficial loans.

24. Controlling party

The company is a subsidiary of 1000Heads Group Limited. The ultimate controlling party is considered to be Phoenix Equity Nominees Limited.

The largest and smallest group in which the results of these financial statements are consolidated is that headed by 1KH Topco Limited copies of which may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF12 3VZ.