

**STRATEGIC REPORT, REPORT OF THE DIRECTOR AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019
FOR
2 HEADS GLOBAL DESIGN LIMITED**

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FOR THE YEAR ENDED 31 JULY 2019**

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2 HEADS GLOBAL DESIGN LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 JULY 2019**

DIRECTOR: Mr P Parra

REGISTERED OFFICE: Crosby House
Meadowbank
Furlong Road
Bourne End
Buckinghamshire
SL8 5AJ

REGISTERED NUMBER: 02004364 (England and Wales)

AUDITORS: Haines Watts
Chartered Accountants and Statutory Auditors
Advantage
87 Castle Street
Reading
Berkshire
RG1 7SN

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 JULY 2019**

The director presents his Strategic Report for the year ended 31 July 2019.

REVIEW OF BUSINESS

The company's principal activity is the creation of meaningful brand experiences for its clients across the globe. The company's work spans strategy and branding, content and video, branded environments, exhibitions and tradeshows, live events and event technology. The company created and delivered over 230 brand experiences on behalf of clients in the year ended 31st July 2019, an increase of 27% from 2018 (180 delivered brand events in 2018) working across every continent worldwide.

For the ninth successive year, the company continued to grow its gross profit, being up 7.26% (2018: 50.9%). Continued tight control of the company's supply chain helped drive the gross profit result for the year.

The combined turnover by event location which shows a well diversified client base, for the company and its associate 2heads Design Inc, was:

		2019	2018
	£	£	
United Kingdom		2,387,193	6,374,033
Europe		10,576,878	9,450,289
USA and South America		7,302,684	5,800,310
Asia and Rest of World		2,227,991	1,875,024
Middle East		552,787	857,050
Total		23,047,533	<u>24,356,706</u>

£1,950,403 (2018 - £1,569,770) on income is in relation to 2heads Design Inc.

Alongside our strong growth, last year also saw 2Heads continue to reinforce our position as the experiential agency of choice for leading global brands by winning several awards including the Experiential Agency of the Year. Outstanding work for clients including Disney, Airbus, Rolls Royce and Playtech continues to help ambitious businesses establish and shore up competitive advantage in difficult markets

As an agency, our offer continues to be powered by our core promise of 'meaningful experiences'. In reality, activating this promise means consistent focus on three strategic pillars. The first is developing content and digital innovation that helps brands build credible, relevant and distinct associations with their audiences. This is enhanced by our second strategic pillar - namely ongoing investment into technology-powered innovation that enhances the brand experience at every turn. Finally, as even the best strategy is only as good as our ability to execute, the third pillar involves continuing to build the reputation for outstanding security, delivery and trust that we have cultivated over 30 years.

This continued focus on earnings before interest, tax, depreciation and amortisation amounted to an increase of 7.8% to £2,264,859 (2018 - £2,101,389).

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 JULY 2019****REVIEW OF BUSINESS (CONTINUED)**

The company measures both financial and non-financial key performance indicators (KPIs) to monitor its performance and has shown improvements in all areas for the year. The key financial KPIs include:

	£	£	2019	2018
Gross Profit			7,715,480	7,193,096
Gross profit percentage			36.57%	31.6%
Operating profit			2,158,449	1,975,639
Operating profit percentage			10.23%	8.7%
Net current assets			5,412,008	4,326,381

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks facing the company include the uncertain global economic climate which can potentially affect customers. The director and senior management monitor and review the performance of the company using, amongst other metrics, the financial KPIs outlined in the previous section of this report.

The company's activities expose it to several financial risks that are inherent within its global market place such as cashflow risk and credit risk.

The company's activities make it susceptible to the financial risk of changes in foreign currency exchange rates which in turn is a risk to cashflow. The company manages this risk by currency hedging and continues to monitor potential exposure in this area.

The company's main financial assets are cash, trade receivables and amounts owed by related undertakings. Therefore the company's main credit risk is attributable to its trade receivables and amounts owed by related undertakings. These amounts are stated in the Balance Sheet at their net realisable value and no provisions or impairment were required in this or the previous financial year. An impairment would be made where there is an identified loss event which had an effect on the recoverability of the asset.

The company has no significant credit risk exposure as a result of rigorous credit control policies and because the receivables balance is spread over a variety of clients.

FINANCIAL INSTRUMENTS

The company operates on a day to day basis with working capital facilities including cash and hire purchase facilities. The company does not utilise any long or short term debt instruments. The company does not use financial instruments in its day to day operations or financing.

ON BEHALF OF THE BOARD:

Mr P Parra - Director

25 February 2020

**REPORT OF THE DIRECTOR
FOR THE YEAR ENDED 31 JULY 2019**

The director presents his report with the financial statements of the company for the year ended 31 July 2019.

DIVIDENDS

The total distribution of dividends for the year ended 31 July 2019 totalled £550,000.

FUTURE DEVELOPMENTS

The director expects the company to continue its annual growth trend as a result of net new client wins, retention and growth of existing clients, and rigorous supply chain control. The company continues to develop and enhance its in-house technology solutions for clients which provide invaluable key analytics to aid clients in their business development and brand experience strategies.

DIRECTOR

Mr P Parra held office during the whole of the period from 1 August 2018 to the date of this report.

DISABLED EMPLOYEES

The company is committed to employment practices based on equal opportunities for all employees irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities.

EMPLOYEE INVOLVEMENT

Amongst other initiatives, the company periodically holds company-wide meetings to update employees on corporate developments. Employee involvement is encouraged as maintaining employee awareness of factors affecting the company continues to help drive the future success of the business.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Strategic Report, the Report of the Director 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;
- 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.

**REPORT OF THE DIRECTOR
FOR THE YEAR ENDED 31 JULY 2019**

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ON BEHALF OF THE BOARD:

Mr P Parra - Director

25 February 2020

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF 2 HEADS GLOBAL DESIGN LIMITED

Opinion

We have audited the financial statements of 2 Heads Global Design Limited (the 'company') for the year ended 31 July 2019 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, 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).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 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 Auditors' 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 UK, including the FRC'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.

Other information

The director is responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Director, but does not include the financial statements and our Report of the Auditors 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 Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements; and
 - the Strategic Report and the Report of the Director have been prepared in accordance with applicable legal requirements.
-

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF 2 HEADS GLOBAL DESIGN LIMITED

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 Report of the Director.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to

report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 Statement of Director's Responsibilities set out on page four, 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 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.

Auditors' 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 a Report of the Auditors 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 Report of the Auditors.

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 a Report of the Auditors 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.

Ben Loveday FCCA (Senior Statutory Auditor)
for and on behalf of Haines Watts
Chartered Accountants and Statutory Auditors
Advantage
87 Castle Street
Reading
Berkshire
RG1 7SN

25 February 2020

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**INCOME STATEMENT
FOR THE YEAR ENDED 31 JULY 2019**

	Notes	2019 £	2018 £
TURNOVER	4	21,097,130	22,786,936
Cost of sales		13,381,650	<u>15,593,840</u>
GROSS PROFIT		7,715,480	<u>7,193,096</u>
Administrative expenses		5,642,311	<u>5,296,946</u>
		2,073,169	<u>1,896,150</u>
Other operating income		85,280	<u>79,489</u>
OPERATING PROFIT	6	2,158,449	<u>1,975,639</u>
Interest receivable and similar income	7	21,888	16,597
		2,180,337	<u>1,992,236</u>
Interest payable and similar expenses	8	3,104	2,553
PROFIT BEFORE TAXATION		2,177,233	<u>1,989,683</u>
Tax on profit	9	388,646	<u>373,785</u>
PROFIT FOR THE FINANCIAL YEAR		<u>1,788,587</u>	<u>1,615,898</u>

The notes form part of these financial statements

**OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2019**

	Notes	2019 £	2018 £
PROFIT FOR THE YEAR		1,788,587	1,615,898
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,788,587</u>	<u>1,615,898</u>

BALANCE SHEET
31 JULY 2019

	Notes	2019		2018	
		£	£	£	£
FIXED ASSETS					
Intangible assets	11		189,662		-
Tangible assets	12		223,652		277,837
Investments	13		88		-
			<u>413,402</u>		<u>277,837</u>
CURRENT ASSETS					
Stocks	14	1,172,178		866,755	
Debtors	15	6,030,209		7,684,921	
Cash at bank and in hand	16	4,245,964		<u>2,683,219</u>	
		11,448,351		11,234,895	
CREDITORS					
Amounts falling due within one year	17	6,033,694		<u>6,908,514</u>	
NET CURRENT ASSETS			5,414,657		<u>4,326,381</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			5,828,059		4,604,218
CREDITORS					
Amounts falling due after more than one year	18		(22,054)		(28,776)
PROVISIONS FOR LIABILITIES	21		(19,194)		<u>(27,218)</u>
NET ASSETS			<u>5,786,811</u>		<u>4,548,224</u>
CAPITAL AND RESERVES					
Called up share capital	22		11,470		11,470
Share premium	23		21,036		21,036
Retained earnings	23		5,754,305		<u>4,515,718</u>
SHAREHOLDERS' FUNDS			<u>5,786,811</u>		<u>4,548,224</u>

The notes form part of these financial statements

BALANCE SHEET - continued
31 JULY 2019

The financial statements were approved and authorised for issue by the director on 25 February 2020 and were signed by:

Mr P Parra - Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2019

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 August 2017	11,470	3,039,820	21,036	3,072,326
Changes in equity				
Dividends	-	(140,000)	-	(140,000)
Total comprehensive income	-	1,615,898	-	1,615,898
Balance at 31 July 2018	11,470	4,515,718	21,036	4,548,224
Changes in equity				
Dividends	-	(550,000)	-	(550,000)
Total comprehensive income	-	1,788,587	-	1,788,587
Balance at 31 July 2019	11,470	5,754,305	21,036	5,786,811

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2019**

	Notes	2019 £	2018 £
Cash flows from operating activities			
Cash generated from operations	1	2,501,350	573,982
Interest element of hire purchase payments paid		(3,104)	(2,553)
Tax paid		(167,706)	(321,473)
Net cash from operating activities		<u>2,330,540</u>	<u>249,956</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(189,662)	-
Purchase of tangible fixed assets		(52,225)	(224,235)
Purchase of fixed asset investments		(88)	-
Sale of tangible fixed assets		9,014	24,732
Interest received		21,888	16,597
Net cash from investing activities		<u>(211,073)</u>	<u>(182,906)</u>
Cash flows from financing activities			
Capital repayments in year		(6,722)	(6,758)
Equity dividends paid		(550,000)	(140,000)
Net cash from financing activities		<u>(556,722)</u>	<u>(146,758)</u>
Increase/(decrease) in cash and cash equivalents		<u>1,562,745</u>	<u>(79,708)</u>
Cash and cash equivalents at beginning of year	2	<u>2,683,219</u>	<u>2,762,927</u>
Cash and cash equivalents at end of year	2	<u><u>4,245,964</u></u>	<u><u>2,683,219</u></u>

The notes form part of these financial statements

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2019**
1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2019	2018
	£	£
Profit before taxation	2,177,233	1,989,683
Depreciation charges	106,410	109,336
Profit on disposal of fixed assets	(9,014)	(7,647)
Finance costs	3,104	2,553
Finance income	(21,888)	(16,597)
	2,255,845	2,077,328
Increase in stocks	(305,423)	(546,905)
Decrease/(increase) in trade and other debtors	1,654,711	(3,620,703)
(Decrease)/increase in trade and other creditors	(1,103,783)	2,664,262
Cash generated from operations	<u>2,501,350</u>	<u>573,982</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 July 2019

	31.7.19	1.8.18
	£	£
Cash and cash equivalents	<u>4,245,964</u>	<u>2,683,219</u>

Year ended 31 July 2018

	31.7.18	1.8.17
	£	£
Cash and cash equivalents	<u>2,683,219</u>	<u>2,762,927</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019**

1. GENERAL INFORMATION

2 Heads Global Design Limited ("the company") creates and delivers meaningful client experiences and related products. The company operates primarily in the UK, Europe and USA.

2. STATUTORY INFORMATION

2 Heads Global Design Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

3. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered, excluding Value Added Tax (VAT).

The company recognises revenue by reference to the stage of completion and as detailed below:

i. Sale of services

The company creates and delivers meaningful client experiences and related products. Revenue is recognised once the service or product has been delivered.

ii. Rental income

The company earns rental income from the subletting of its leased property. Rental income is recognised in the period to which it relates.

iii. Interest income

Interest income is recognised when the right to receive payment is established.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on research is written off in the year in which it is incurred.

Development expenditure is recognised as an intangible asset once the relevant criteria has been met.

Website and product development costs will be amortised once the assets have been bought into use over their estimated useful lives using the straight line method.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2019**

3. **ACCOUNTING POLICIES - continued**

Tangible fixed assets

Tangible fixed assets are recorded at historical cost less accumulated depreciation. Cost comprises the purchase price and any costs directly attributable to bringing the asset to its working condition and location for its intended use. Depreciation is provided at the following annual rates in order to write down the cost of each asset to its estimated residual value over its estimated useful life.

Land and buildings	- straight line over the life of the lease
Plant and machinery	- 33% straight line
Fixtures and fittings	- 20% straight line
Motor vehicles	- 20% straight line
Computer equipment	- 20% straight line

Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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

Foreign currencies

The company's functional and presentation currency is pounds sterling.

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.

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 Income Statement.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2019**

3. **ACCOUNTING POLICIES - continued**

Hire purchase and leasing commitments

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the agreement.

i. Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used.

The capital element of lease obligations is recorded as a liability on inception of the agreement.

Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

ii. Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to the Income Statement on a straight line basis over the period of the lease.

iii. Lease incentives

Incentives received to enter into an operating lease are credited to the Income Statement, to reduce the lease expense, on a straight line basis over the period of the lease.

Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements and defined contribution pension plans.

i. Short term benefits

Short term benefits, including holiday pay, are recognised as an expense in the period in which the service is received.

ii. Defined contribution pension plans

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 when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

iii. Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the profit

and loss accounts when the company has a legal or constructive obligation to make payments under the plan as a result of past events and Page 17 a reliable estimate of the obligation can be made.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2019**

3. ACCOUNTING POLICIES - continued

Financial instruments

The company has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments.

i. Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price.

At the end of the reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii. Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies are initially recognised at transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less, if not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2019

4. **TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2019	2018
	£	£
United Kingdom	16,668,904	9,239,612
Europe	1,093,135	3,720,783
USA and South America	2,780,113	9,649,712
Asia and ROW	554,978	176,829
	<u>21,097,130</u>	<u>22,786,936</u>

5. **EMPLOYEES AND DIRECTORS**

	2019	2018
	£	£
Wages and salaries	3,194,974	2,708,819
Social security costs	410,707	311,390
Other pension costs	93,604	56,143
	<u>3,699,285</u>	<u>3,076,352</u>

The average number of employees during the year was as follows:

	2019	2018
Sales	1	2
Design & project management	45	40
Warehouse	3	2
Administrative	15	9
	<u>64</u>	<u>53</u>

	2019	2018
	£	£
Director's remuneration	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2019
6. OPERATING PROFIT

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

	2019	2018
	£	£
Hire of plant and machinery	14,323	11,291
Other operating leases	385,004	336,511
Operating lease income	(85,280)	(79,489)
Depreciation - owned assets	99,330	102,256
Depreciation - assets on hire purchase contracts	7,080	7,080
Profit on disposal of fixed assets	(9,014)	(7,647)
Auditor's remuneration	15,402	11,500
Foreign exchange differences	<u>(160,192)</u>	<u>26,183</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019	2018
	£	£
Deposit account interest	<u>21,888</u>	<u>16,597</u>

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	£	£
Hire purchase	<u>3,104</u>	<u>2,553</u>

9. TAXATION
Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2019	2018
	£	£
Current tax:		
UK corporation tax	396,669	367,706
Deferred tax	<u>(8,023)</u>	<u>6,079</u>
Tax on profit	<u>388,646</u>	<u>373,785</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2019

9. TAXATION - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK.

The difference is explained below:

	2019 £	2018 £
Profit before tax	<u>2,177,233</u>	<u>1,989,683</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	413,674	378,040
Effects of:		
Expenses not deductible for tax purposes	6,470	4,497
Capital allowances in excess of depreciation	-	(10,676)
Depreciation in excess of capital allowances	6,765	-
Group relief	(30,240)	(4,155)
Deferred tax movement	<u>(8,023)</u>	<u>6,079</u>
Total tax charge	<u>388,646</u>	<u>373,785</u>

10. DIVIDENDS

	2019 £	2018 £
Ordinary shares of £1 each		
Final	<u>550,000</u>	<u>140,000</u>

11. INTANGIBLE FIXED ASSETS

	Development costs £	Website development £	Totals £
COST			
Additions	<u>122,544</u>	<u>67,118</u>	<u>189,662</u>
At 31 July 2019	<u>122,544</u>	<u>67,118</u>	<u>189,662</u>
NET BOOK VALUE			
At 31 July 2019	<u>122,544</u>	<u>67,118</u>	<u>189,662</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2019

12. TANGIBLE FIXED ASSETS

	Short leasehold £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST					
At 1 August 2018	17,930	205,441	166,498	241,245	631,114
Additions	-	45,106	7,119	-	52,225
Disposals	-	-	-	(24,556)	(24,556)
At 31 July 2019	<u>17,930</u>	<u>250,547</u>	<u>173,617</u>	<u>216,689</u>	<u>658,783</u>
DEPRECIATION					
At 1 August 2018	724	145,730	76,493	130,330	353,277
Charge for year	2,391	43,872	32,067	28,080	106,410
Eliminated on disposal	-	-	-	(24,556)	(24,556)
At 31 July 2019	<u>3,115</u>	<u>189,602</u>	<u>108,560</u>	<u>133,854</u>	<u>435,131</u>
NET BOOK VALUE					
At 31 July 2019	<u>14,815</u>	<u>60,945</u>	<u>65,057</u>	<u>82,835</u>	<u>223,652</u>
At 31 July 2018	<u>17,206</u>	<u>59,711</u>	<u>90,005</u>	<u>110,915</u>	<u>277,837</u>

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Motor vehicles £
COST	
At 1 August 2018 and 31 July 2019	<u>35,399</u>
DEPRECIATION	
At 1 August 2018	17,110
Charge for year	7,080
At 31 July 2019	<u>24,190</u>
NET BOOK VALUE	
At 31 July 2019	<u>11,209</u>
At 31 July 2018	<u>18,289</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2019

13. **FIXED ASSET INVESTMENTS**

Shares in
group
undertakings
£

COST

Additions

At 31 July 2019

NET BOOK VALUE

At 31 July 2019

88

88

88

The company's investments at the Balance Sheet date in the share capital of companies include the following:

Subsidiary

2 Heads Limited

Registered office: 163 Lower Kimmage Road, Kimmage, Dublin 6W

Nature of business: Dormant

Class of shares:	%
Ordinary	holding 100.00

Associated company

2Heads Design Inc

Registered office: 1351 3rd Street Promenade, Suite 300, Santa Monica, CA 90401

Nature of business: Create & deliver client experiences

Class of shares:	%
Common stock	holding 20.00

The company reduced its investment in 2Heads Design Inc from 51% to 20% on 1 August 2017.

14. **STOCKS**

	2019	2018
	£	£
Work-in-progress	<u>1,172,178</u>	<u>866,755</u>

15. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019	2018
	£	£
Trade debtors	4,340,659	6,090,338
Amounts owed by group undertakings	32,069	35,082
Other debtors	651,293	578,772
VAT	38,841	84,412
Prepayments and accrued income	967,347	896,317
	<u>6,030,209</u>	<u>7,684,921</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2019

15. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued**

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

16. **CASH AT BANK AND IN HAND**

	2019 £	2018 £
Bank balances	4,237,555	2,678,972
Cash in hand	<u>8,409</u>	<u>4,247</u>
	<u>4,245,964</u>	<u>2,683,219</u>

17. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019 £	2018 £
Hire purchase contracts (see note 19)	6,722	6,722
Trade creditors	1,108,488	2,417,667
Amounts owed to group undertakings	-	13,752
Tax	396,761	167,798
Social security and other taxes	98,691	94,159
Other creditors	299,642	58,711
Deferred income	3,263,775	3,051,032
Accrued expenses	<u>859,615</u>	<u>1,098,673</u>
	<u>6,033,694</u>	<u>6,908,514</u>

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

18. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2019 £	2018 £
Hire purchase contracts (see note 19)	3,921	10,643
Other creditors	<u>18,133</u>	<u>18,133</u>
	<u>22,054</u>	<u>28,776</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2019

19. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase contracts	
	2019	2018
	£	£
Net obligations repayable:		
Within one year	6,722	6,722
Between one and five years	<u>3,921</u>	<u>10,643</u>
	<u>10,643</u>	<u>17,365</u>
	Non-cancellable operating leases	
	2019	2018
	£	£
Within one year	352,491	354,327
Between one and five years	1,203,682	1,252,796
In more than five years	<u>339,255</u>	<u>590,960</u>
	<u>1,895,428</u>	<u>2,198,083</u>

The future minimum lease receipts under non-cancellable operating leases are as follows:

	2019	2018
	£	£
Within one year	60,447	60,447
Between one and five years	<u>20,149</u>	<u>80,596</u>
	<u>80,596</u>	<u>141,043</u>

20. SECURED DEBTS

The following secured debts are included within creditors:

	2019	2018
	£	£
Hire purchase contracts	<u>10,643</u>	<u>17,365</u>

Obligations under hire purchase leases are secured on the assets to which they relate.

21. PROVISIONS FOR LIABILITIES

	2019	2018
	£	£
Deferred tax	<u>19,194</u>	<u>27,218</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2019

21. PROVISIONS FOR LIABILITIES - continued

	Deferred tax
	£
Balance at 1 August 2018	27,218
Credit to Income Statement during year	(8,024)
Balance at 31 July 2019	<u>19,194</u>

22. CALLED UP SHARE CAPITAL

Allotted and issued:			
Number:	Class:	Nominal value:	2019
		£1	£
11,470	Ordinary		2018
			£
			<u>11,470</u>

23. RESERVES

	Retained earnings	Share premium	Totals
	£	£	£
At 1 August 2018	4,515,718	21,036	4,536,754
Profit for the year	1,788,587		1,788,587
Dividends	(550,000)		(550,000)
At 31 July 2019	<u>5,754,305</u>	<u>21,036</u>	<u>5,775,341</u>

24. ULTIMATE PARENT COMPANY

2 Heads Global Holdings Limited is regarded by the director as being the company's ultimate parent company.

The smallest and largest group in which the results of the company are consolidated is that headed by 2 Heads Global Holdings Limited. The consolidated financial statements of this group are available to the public and may be obtained from the Registrar of Companies.

25. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard

102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose

related party transactions with wholly owned subsidiaries within the group.

Other related parties

	2019	2018
	£	£
Opening balance	544,798	504,073
Interest charged	15,000	15,000
Amount due from related party	<u>559,798</u>	<u>544,798</u>