



Grant Thornton

Financial statements Elmwood Design Limited

For the Year Ended 31 December 2008

SATURDAY



A48 *A71NACTK* 248
29/08/2009
COMPANIES HOUSE

Company No. 2360152

Company Information

Company registration number	2360152
Registered office	Elmwood House Ghyll Royd Guiseley West Yorkshire LS20 9LT
Directors	J P Sands (Chairman) G P Taylor R Scholey D Longbottom Lord Newby of Rothwell B Child N Ramshaw
Secretary	D Longbottom
Bankers	Natwest Bank plc PO Box 1107 2nd Floor Jardine House 3 Commercial Street Forster Square Bradford BD1 4WD
Solicitors	Gordons LLP Riverside West Whitehall Road Leeds West Yorkshire LS1 4AW
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors No 1 Whitehall Riverside Whitehall Road Leeds LS1 4BN

Contents

Report of the directors	4 - 7
Report of the independent auditor	8 - 9
Accounting policies	10 - 11
Consolidated profit and loss account	12
Group balance sheet	13
Company balance sheet	14
Group cash flow statement	15
Consolidated statement of total recognised gains and losses	16
Notes to the financial statements	17 - 30

Report of the directors

The directors present their report and the financial statements of the group for the year ended 31 December 2008.

Principal activities and business review

The principal activities of the group are brand and design consultancy in the areas of brand articulation, packaging, literature, corporate identity and digital. There have not been any significant changes in the group's principal activities in the year under review. In addition, the activities of the group continue to include the licensing of Make Mine A Builders tea brand.

As shown in the group's profit and loss account on page 12, the group has achieved another year of growth with turnover increasing by 13% and operating profits up by 149% compared to 2007.

The UK and European market remains the key area of operation for the group, accounting for 66% (2007: 86%) of sales. During the year we have seen continued strong growth, the US market being 19% of group sales in 2008, the Australian market growing at 26% with the domestic market shrinking by 14% in line with international growth strategy. During the latter end of 2008 Elmwood entered the US market and opened a New York office to service our local client base. It is expected that the new market will grow significantly during 2009 and beyond.

The balance sheet on page 13 of the financial statements show that the group's financial position is consistent with the growth experienced in the business over the last 12 months. Shareholders' funds have increased by 35% and the year-end cash balance stands at £969,928. The reserves will be utilised in the coming year to support further investment.

Key Performance Indicators

Elmwood continues to measure and incentivise performance and success throughout our offices in Leeds, London, Edinburgh, Melbourne and now New York with the use of a Balanced Business Scorecard. This aims to increase shareholder value by focusing on three key areas - performance, people and profile.

We will achieve financial growth by growing our client revenue linked to profitability.

2008 has been the third successful year of investing in our learning and development programme "Beyond 21". The programme was created to continuously develop our people, to meet the needs of our clients and to deliver satisfaction. Our commitment to learning and people development has meant that in 2008 Elmwood maintained a 2 star accreditation (2007: 2) in the Best Companies to Work For survey as well as achieving a Sunday Times Top 100 Best Companies to Work For place in the table. During 2008 we were also very proud of our recognition from the Yorkshire Post as the winners of the Yorkshire Post's Best Companies to Work For in Yorkshire survey. During 2009 and beyond, Elmwood pledges to continue this level of commitment to our people and our clients.

In March 2008 we also won the Best Culture of Innovation award from Yorkshire Forward at the Innovator Awards. This was a particularly proud moment as the award recognises creative thinking not only for our clients' benefit but in terms of how we manage our own business.

Report of the directors (continued)

A creative business is successful not only when financial performance is being achieved but when the creative product is effective for the client's purpose and therefore achieves award-winning status for the agency. In 2008, Elmwood won a further five International Design Effectiveness Awards, more than any other agency, maintaining our position as the consultancy who has won the most awards in the history of the awards scheme. During 2009 and beyond, our commitment to delivering engaging and effective client solutions will continue.

Results and dividends

The profit for the year amounted to £893,761 (2007: £353,057).

During the year the company paid a dividend of £2.17 per share (2007: £nil)

Financial risk management objectives and policies

The group's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk.

The group does not have material exposures in any of the areas identified above and, consequently does not use derivative instruments to manage these exposures.

The group's principal financial instruments comprise cash and bank deposits together with trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the group's financial instruments can be analysed as follows:

Price risk

The group has no significant exposure to securities price risk, as it holds no listed equity investments.

Foreign Currency Risk

The group is exposed in its trading operations to the risk of changes in foreign currency exchange rates. As the group both buys and sells goods within Europe, Australia and the USA the overall risk is not significant. Historically the main foreign currencies in which the group has operated has been the euro and the Australian dollar. During 2009 the group will grow its operation in the USA but both buying and selling goods will limit the exposure.

Credit risk

The group's principal financial assets are bank balances, cash, and trade debtors, which represent the group's maximum exposure to credit risk in relation to financial assets.

The group's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. Credit insurance is also in place. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the group's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity

The group's policy has been to use long-term loans to finance property purchases. However during 2008 there was no long term loan finance in place.

Report of the directors (continued)

Cash flow interest rate risk

Interest bearing assets comprise cash and bank deposits and earn interest at fixed and variable rates. The interest rate on the bank facility is at market rate and the group's policy is to keep the overdraft within defined limits such that the risk that could arise from a significant change in interest rates would not have a material impact on cash flows. The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on financial performance of the group.

Directors

The directors who served the company throughout the year and up to the date of this report were as follows:

J P Sands
G P Taylor
R Scholey
D Longbottom
Lord Newby of Rothwell
B Child
N Ramshaw

Directors' responsibilities

The directors are responsible for preparing the Report of the directors 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Report of the directors (continued)

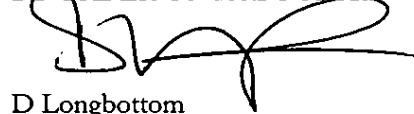
Donations

The group made charitable donations of £4,600 (2007: £4,083) during the year, principally £2,000 made to D & AD Gift Aid, with the remainder to a variety of national and local charities.

Auditor

Grant Thornton UK LLP offer themselves for re-appointment in accordance with the Companies Act 2006.

BY ORDER OF THE BOARD



D Longbottom
Secretary

26 August 2009



Report of the independent auditor to the members of Elmwood Design Limited

We have audited the group and parent company financial statements ("the financial statements") of Elmwood Design Limited for the year ended 31 December 2008 on pages 10 to 30. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the Report of the directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

Report of the independent auditor to the members of Elmwood Design Limited (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2008 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the directors is consistent with the financial statements.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

LEEDS
.....*26th August 2009*.....

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company has not been separately presented in the financial statements. The profit of the parent company for the year is disclosed in note 18.

Basis of consolidation

The group accounts consolidate the accounts of the company and all its subsidiary undertakings at 31 December each year using acquisition accounting. The results of subsidiary undertakings acquired or disposed of during a financial year are included from, or up to, the effective date of acquisition or disposal.

Turnover

Turnover is the revenue arising from the sales of goods and services. It is stated at the fair value of the consideration receivable, net of value added tax.

Revenue from the sale of goods is recognised when the significant risks and benefits of ownership of the product have transferred to the buyer, which may be upon shipment, completion of the product or the product being ready for delivery, based on specific contract terms.

Revenue from services provided by the company is recognised when the company has performed the obligations and in exchange obtained the right to consideration.

Fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Buildings	-	2% straight line
Alterations to leasehold property	-	20% straight line
Plant & equipment	-	25% straight line
Fixtures & fittings	-	25% reducing balance
Motor vehicles	-	25% reducing balance

No depreciation is provided on freehold land. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value, over the expected useful economic lives of the assets concerned. Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down is charged to operating profit.

Operating lease agreements

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Accounting policies

Deferred taxation

Deferred tax is provided, except where not permitted by FRS 19, on timing differences that have arisen but not reversed by the balance sheet date, where timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Where law or accounting standards require gains and losses to be recognised in the statement of total recognised gains and losses, the related taxation is also taken directly to the statement of total recognised gains and losses in due course.

Foreign currencies

Transactions in foreign currencies are recorded at the agreed rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of the exchange ruling at 31 December. Exchange differences arising from the treatment of the net investments in overseas subsidiaries and related foreign currency loans are taken directly to reserves. The trading results of foreign subsidiaries are translated into sterling using the closing exchange rate for the year.

Employee benefit trust (EBT)

The group's EBT is separately administered. Liabilities of the EBT are guaranteed by the group and the assets of the EBT comprise shares in the group. The income, costs, assets and liabilities of the EBT have been included in the financial statements.

Share-based payment

The company operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of share options is measured at the grant date and recognised as an expense on a straight line basis over the vesting period, based on the company's estimates of shares that will eventually vest. Fair value is determined by reference to the Black Scholes option-pricing model.

At the balance sheet date, the company revises its estimate of the number of options that are expected to become exercisable.

When share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (nominal value) and share premium.

In accordance with the transitional provisions of FRS 20 Share Based Payment, this accounting treatment has only been applied to grants of equity instruments after 7 November 2002 that have not vested at 1 January 2008.

Pension costs

The group operates a defined contribution pension scheme. The costs of this scheme are charged in the financial statements as the contributions fall due for payment.

Consolidated profit and loss account

	Note	2008 £	2007 £
Group turnover	1	8,156,919	7,211,954
Cost of sales		(5,069,620)	(4,360,990)
Gross profit		3,087,299	2,850,964
Other operating charges	2	(1,805,785)	(2,335,825)
Operating profit	3	1,281,514	515,139
Interest receivable		19,637	27,133
Interest payable and similar charges	6	(18,936)	(30,626)
Profit on ordinary activities before taxation		1,282,215	511,646
Tax on profit on ordinary activities	7	(388,454)	(158,589)
Profit for the financial year	18	893,761	353,057

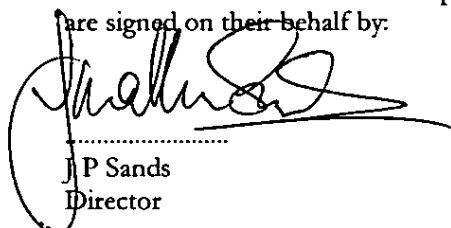
All of the activities of the group are classed as continuing.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and loss account.

Group balance sheet

	Note	2008 £	2007 £
Fixed assets			
Tangible assets	10	1,207,218	1,218,602
Investments	11	2,800	2,800
		<u>1,210,018</u>	<u>1,221,402</u>
Current assets			
Stock		2,022	–
Debtors	12	3,042,843	1,438,833
Cash at bank and in hand		969,928	948,394
		<u>4,014,793</u>	<u>2,387,227</u>
Creditors: amounts falling due within one year	13	<u>(2,341,918)</u>	<u>(1,234,919)</u>
Net current assets		<u>1,672,875</u>	<u>1,152,308</u>
Total assets less current liabilities		<u>2,882,893</u>	<u>2,373,710</u>
Creditors: amounts falling due after more than one year	14	–	(230,047)
		<u>2,882,893</u>	<u>2,143,663</u>
Provisions for liabilities			
Deferred taxation	16	(16,556)	(21,748)
		<u>2,866,337</u>	<u>2,121,915</u>
Capital and reserves			
Called-up equity share capital	17	74,427	74,427
Shares to be issued	18	3,662	2,730
Share premium account	18	60,833	60,833
Other reserves	18	84,301	84,301
Profit and loss account	18	2,674,044	1,930,554
		<u>2,897,267</u>	<u>2,152,845</u>
Own shares	18	<u>(30,930)</u>	<u>(30,930)</u>
Shareholders' funds	20	<u>2,866,337</u>	<u>2,121,915</u>

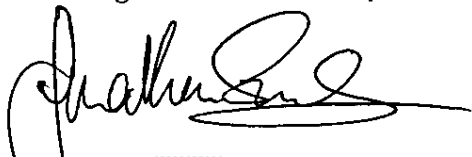
These financial statements were approved by the directors and authorised for issue on 26 August 2009, and are signed on their behalf by:


J P Sands
Director

Company balance sheet

	Note	2008 £	2007 £
Fixed assets			
Tangible assets	10	1,094,648	1,147,721
Investments	11	177,059	177,058
		<u>1,271,707</u>	<u>1,324,779</u>
Current assets			
Debtors	12	3,197,613	1,531,629
Cash at bank and in hand		835,921	609,104
		<u>4,033,534</u>	<u>2,140,733</u>
Creditors: amounts falling due within one year	13	(2,190,016)	(887,927)
Net current assets		<u>1,843,518</u>	<u>1,252,806</u>
Total assets less current liabilities		<u>3,115,225</u>	<u>2,577,585</u>
Creditors: amounts falling due after more than one year	14	—	(230,047)
		<u>3,115,225</u>	<u>2,347,538</u>
Provisions for liabilities			
Deferred taxation	16	(16,556)	(21,748)
		<u>3,098,669</u>	<u>2,325,790</u>
Capital and reserves			
Called-up equity share capital	17	74,427	74,427
Shares to be issued	18	3,662	2,730
Share premium account	18	60,833	60,833
Other reserves	18	84,301	84,301
Profit and loss account	18	2,906,376	2,134,429
		<u>3,129,599</u>	<u>2,356,720</u>
Own shares	18	(30,930)	(30,930)
Shareholders' funds	20	<u>3,098,669</u>	<u>2,325,790</u>

These financial statements were approved by the directors and authorised for issue on 26 August 2009, and are signed on their behalf by:


.....
J P Sands
Director

Group cash flow statement

	Note	2008 £	2007 £
Net cash inflow from operating activities	22	800,289	1,082,663
Returns on investments and servicing of finance	22	701	(3,493)
Taxation	22	(162,574)	(162,665)
Capital expenditure and financial investment	22	(183,509)	(180,460)
Equity dividends paid		(150,000)	-
Cash inflow before financing		<u>304,907</u>	<u>736,045</u>
Repayment of bank loan		(283,373)	(50,028)
Financing	22	<u>(283,373)</u>	<u>(50,028)</u>
Increase in cash	22	<u>21,534</u>	<u>686,017</u>

The accompanying accounting policies and notes form part of these financial statements.

Consolidated statement of total recognised gains and losses

	Note	2008 £	2007 £
Profit for the year	18	893,761	353,057
Group currency translation (loss)/gain	18	(271)	18,684
Total recognised gains and losses		<u>893,490</u>	<u>371,741</u>

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

1 Turnover

In 2008, 40.5% of turnover represented sales outside the UK (2007: 18.4%)

2 Other operating charges

	2008 £	2007 £
Distribution costs	369,743	323,831
Administrative expenses	1,436,042	2,011,994
	<u>1,805,785</u>	<u>2,335,825</u>

3 Operating profit

Operating profit is stated after charging/(crediting):

	2008 £	2007 £
Net profit on foreign currency translation	(765,157)	(6,906)
Depreciation of tangible fixed assets	202,505	188,128
Operating lease rentals - land and buildings	241,719	206,406
- other	8,041	-
Auditor's remuneration - audit of the financial statements	8,500	8,150
Auditor's remuneration - other fees	<u>17,681</u>	<u>28,829</u>

	2008 £	2007 £
Auditor's remuneration - audit of the financial statements	<u>8,500</u>	<u>8,150</u>

Auditor's remuneration - other fees:

	2008	2007
- Audit of the financial statements of the company's subsidiaries	6,500	5,700
- Taxation services	<u>11,181</u>	<u>23,129</u>
	<u>17,681</u>	<u>28,829</u>

Notes to the financial statements

4 Particulars of employees

The average number of staff employed by the group during the financial year amounted to:

	2008 No	2007 No
Office and management	29	25
Artwork and design	69	59
	<u>98</u>	<u>84</u>

The aggregate payroll costs of the above were:

	2008 £	2007 £
Wages and salaries	3,967,819	3,192,153
Social security costs	336,902	314,062
Pension costs	130,487	103,625
	<u>4,435,208</u>	<u>3,609,840</u>

5 Directors

Remuneration in respect of directors was as follows:

	2008 £	2007 £
Emoluments receivable	550,869	487,971
Value of company pension contributions to money purchase schemes	23,364	22,851
	<u>574,233</u>	<u>510,822</u>

Emoluments of highest paid director:

	2008 £	2007 £
Total emoluments (excluding pension contributions)	148,098	134,365
Value of company pension contributions to money purchase schemes	6,557	6,413
	<u>154,655</u>	<u>140,778</u>

Retirement benefits were accruing to 5 directors under a defined contribution scheme (2007:5)

Notes to the financial statements

6 Interest payable and similar charges

	2008 £	2007 £
Interest payable on bank borrowing	11,801	21,185
Other similar charges payable	7,135	9,441
	<u>18,936</u>	<u>30,626</u>

7 Taxation on ordinary activities

(a) Analysis of charge in the year

	2008 £	2007 £
Current tax:		
UK Corporation tax based on the results for the year at 28% (2007 - 30%)	368,744	137,927
Foreign tax	27,551	24,646
Adjustments in respect of prior periods	225	(172)
Total current tax	<u>396,520</u>	<u>162,401</u>
Deferred tax		
Origination and reversal of timing differences	(8,066)	(4,055)
Adjustments in respect of prior periods	-	243
Total deferred tax	<u>(8,066)</u>	<u>(3,812)</u>
Tax on profit on ordinary activities	<u>388,454</u>	<u>158,589</u>

(b) Factors affecting current tax charge

The tax assessed is higher than the standard rate of corporation tax in the UK 28% (2007: 30%). The differences are reconciled below:

	2008 £	2007 £
Profit on ordinary activities before taxation	<u>1,282,215</u>	<u>511,646</u>
Profit on ordinary activities by rate of tax	359,020	153,494
Expenses not deductible for tax purposes	12,301	13,428
Capital allowances for period in excess of depreciation	8,968	6,669
Adjustments to tax charge in respect of previous periods	225	(172)
Marginal relief	-	(6,851)
Other short term timing differences	(150)	(2,614)
Difference on deferred tax rate change	6,434	(1,553)
Rate difference	1,616	-
Unrecognised deferred tax asset	8,106	-
Total current tax (note 7(a))	<u>396,520</u>	<u>162,401</u>

Notes to the financial statements

8 Dividends

	2008 £	2007 £
Equity dividends paid in the year £2.17 per share (2007: £nil per share)	<u>150,000</u>	<u>—</u>

9 Profit attributable to members of the parent company

The profit dealt with in the accounts of the parent company was £921,947 (2007 - £571,315).

10 Tangible fixed assets

Group	Land and buildings £	Leasehold improve- ments £	Plant & equipment £	Fixtures & fittings £	Motor vehicles £	Total £
Cost						
At 1 January 2008	890,882	124,159	1,119,316	512,102	8,320	2,654,779
Exchange difference	—	—	10,315	3,853	893	15,061
Additions	—	36,351	118,091	29,067	—	183,509
At 31 December 2008	<u>890,882</u>	<u>160,510</u>	<u>1,247,722</u>	<u>545,022</u>	<u>9,213</u>	<u>2,853,349</u>
Depreciation						
At 1 January 2008	85,778	96,481	875,750	373,650	4,518	1,436,177
Exchange difference	—	—	5,230	1,735	484	7,449
Charge for the year	14,918	16,747	127,343	42,444	1,053	202,505
At 31 December 2008	<u>100,696</u>	<u>113,228</u>	<u>1,008,323</u>	<u>417,829</u>	<u>6,055</u>	<u>1,646,131</u>
Net book value						
At 31 December 2008	<u>790,186</u>	<u>47,282</u>	<u>239,399</u>	<u>127,193</u>	<u>3,158</u>	<u>1,207,218</u>
At 31 December 2007	<u>805,104</u>	<u>27,678</u>	<u>243,566</u>	<u>138,452</u>	<u>3,802</u>	<u>1,218,602</u>

Notes to the financial statements

10 Tangible fixed assets (continued)

Company	Land and buildings £	Alterations to leasehold property £	Plant & machinery £	Fixtures & fittings £	Total £
Cost					
At 1 January 2008	890,882	124,159	1,023,271	476,233	2,514,545
Additions	—	—	80,120	26,038	106,158
At 31 December 2008	<u>890,882</u>	<u>124,159</u>	<u>1,103,391</u>	<u>502,271</u>	<u>2,620,703</u>
Depreciation					
At 1 January 2008	85,778	96,481	827,057	357,508	1,366,824
Charge for the year	14,918	9,679	98,168	36,466	159,231
At 31 December 2008	<u>100,696</u>	<u>106,160</u>	<u>925,225</u>	<u>393,974</u>	<u>1,526,055</u>
Net book value					
At 31 December 2008	<u>790,186</u>	<u>17,999</u>	<u>178,166</u>	<u>108,297</u>	<u>1,094,648</u>
At 31 December 2007	<u>805,104</u>	<u>27,678</u>	<u>196,214</u>	<u>118,725</u>	<u>1,147,721</u>

11 Investments

	Group companies £	Trade investments £	Total £
Cost			
At 1 January 2008	174,258	2,800	177,058
Additions	1	—	1
At 31 December 2008	<u>174,259</u>	<u>2,800</u>	<u>177,059</u>
Net book value			
At 31 December 2008	<u>174,259</u>	<u>2,800</u>	<u>177,059</u>
At 31 December 2007	<u>174,258</u>	<u>2,800</u>	<u>177,058</u>

The addition during the year relates to the purchase of 100 \$0.01 ordinary shares in Elmwood Design Inc.

Notes to the financial statements

11 Investments (continued)

Details of the company's investments in subsidiary undertakings are as follows:

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Make Mine A Builders Limited	England	Ordinary shares	100%	Tea
Who Shaves the Barber? Limited	England	Ordinary shares	100%	Dormant
Elmwood Design Associates Limited	England	Ordinary shares	100%	Dormant
Palmer Lynch Design Limited	England	Ordinary shares	100%	Dormant
Elmwood Design Australia Pty Limited	Australia	Ordinary shares	100%	Branding and Design
Elmwood Design Inc	USA	Ordinary shares	100%	Branding and Design

All subsidiary companies are included within the consolidation.

The aggregate amount of the capital and reserves of Make Mine a Builders Limited at 31 December 2008 was £237,474 negative (2007: £180,547 negative).

The aggregate amount of the capital and reserves of Who Shaves the Barber? Limited at 31 December 2008 was £25,000 (2007: £25,000). The company has been dormant throughout the year ended 31 December 2008.

The aggregate amount of the capital and reserves of Elmwood Design Australia Pty Limited at 31 December 2008 was Aus\$375,658 (2007: Aus\$259,146).

The aggregate amount of the capital and reserves of Elmwood Design Inc. Limited at 31 December 2008 was US\$39,233.

In addition, the company owns 100% of the issued share capital of Elmwood Design Associates Limited and Palmer Lynch Design Limited. The companies have been dormant throughout the year ended 31 December 2008.

12 Debtors

	2008	The group 2007	2008	The company 2007
	£	£	£	£
Trade debtors	2,833,324	1,316,042	2,661,373	1,181,850
Amounts owed by group undertakings	—	—	413,733	291,554
Other debtors	41,313	24,403	12,254	—
Prepayments and accrued income	148,741	83,406	110,253	58,225
Deferred taxation (note 16)	19,465	14,982	—	—
	<u>3,042,843</u>	<u>1,438,833</u>	<u>3,197,613</u>	<u>1,531,629</u>

Notes to the financial statements

13 Creditors: amounts falling due within one year

	2008	The group 2007	2008	The company 2007
	£	£	£	£
Bank loans	—	53,326	—	53,326
Trade creditors	395,211	266,694	332,008	183,162
Amounts owed to group undertakings	—	—	88,262	25,000
Corporation tax	396,294	162,348	368,744	137,702
Other tax and social security	274,678	249,343	246,009	233,962
Other creditors	4,597	3,079	—	—
Accruals and deferred income	1,271,138	500,129	1,154,993	254,775
	<u>2,341,918</u>	<u>1,234,919</u>	<u>2,190,016</u>	<u>887,927</u>

14 Creditors: amounts falling due after more than one year

	2008	The group 2007	2008	The company 2007
	£	£	£	£
Bank loans	—	230,047	—	230,047

15 Maturity of bank loan

Group and company	2008	2007
	£	£
2-5 years	—	123,395
1-2 years	—	106,652
	—	<u>230,047</u>
Repayable in one year or less	—	53,326
	—	<u>283,373</u>

The bank loan was payable in full by May 2012 and carried interest at 1.4% above the bank base rate. During the year the bank loan was repaid in full.

16 Deferred taxation

The movement in the deferred taxation provision during the year was:

Group and company	£
At 1 January 2008	21,748
Transfer to profit and loss account	(5,192)
At 31 December 2008	<u>16,556</u>

Notes to the financial statements

16 Deferred taxation (continued)

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

Group and company	2008		2007	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>16,556</u>	<u>-</u>	<u>21,748</u>	<u>-</u>

The movement in the group deferred tax asset is as follows:

	£
At 1 January 2008	14,982
Exchange difference	1,610
Transfer from profit and loss account	2,873
At 31 December 2008	<u>19,465</u>

17 Share capital

Authorised share capital:

	2008	2007
	£	£
110,000 Ordinary shares of £1 each	<u>110,000</u>	<u>110,000</u>

Allotted, called up and fully paid:

	2008		2007	
	No	£	No	£
Ordinary shares of £1 each	<u>74,427</u>	<u>74,427</u>	<u>74,427</u>	<u>74,427</u>

Share based payments

The company operates a share incentive scheme named the Elmwood Design Limited Enterprise Management Investment scheme ("EMI" scheme). Under the EMI scheme, the directors can grant options over shares in the company to employees. Options are granted with a fixed exercise price equal to the market value of the shares at the date of grant. There is a contractual limit to the life of the options of ten years. Awards under the ESOP are generally reserved for employees at management level. Options granted under the EMI will become exercisable on the date of an exit event, or additionally in the case of options granted in 2006 at the discretion of the board. Exercise of an option is subject to continued employment.

The following information relates to grants of options after 7 November 2002 that had not vested at 1 January 2008.

	£
Outstanding at 1 January 2008	10,449
Granted during the year	-
Lapsed during the year	-
Exercised during the year	-
Outstanding at 31 December 2008	<u>10,449</u>
Exercisable at 31 December 2008	<u>-</u>

Notes to the financial statements

17 Share capital (continued)

No share options were exercised during the year. The options outstanding at 31 December 2008 had an exercise price of £5.80 and a remaining estimated life of 3 years. The fair value of the options is estimated using the Black Scholes option-pricing model.

The fair value per option and the assumptions used in the calculation were as follows:

Share price at grant date	£5.80
Exercise price	£5.80
Shares under option	10,449
Vesting period (years)	7 (2006)
	5 (2004)
Option life (years)	10
Expected life (years)	7 (2004)
	5 (2006)
Expected volatility	33% (2006)
	45% (2004)
Risk free rate	4.89% (2006)
	4.91% (2004)
Expected dividends expressed as a dividend yield	19.3% (2006)
	10.3% (2004)
Fair value per option	19.9p (2006)
	97.3p (2004)

Expected volatility was determined by discounting the weighted average volatility of comparable listed companies to a comparable private company volatility. The share price of £5.80 was the cost of issued shares of Elmwood Design Limited. The risk free rate of return is the yield on zero coupon UK government bonds of a term consistent with the assumed option life.

The company recognised an expense of £932 (2007: £932) in relation to equity settled share-based payment transactions in the year

Notes to the financial statements

18 Reserves

Group	Share premium account £	Capital redemption reserve fund £	Profit and loss account £	Shares to be issued £	Own shares £	Total £
At 1 January 2008	60,833	84,301	1,930,554	2,730	(30,930)	2,047,488
Share based payment	-	-	-	932	-	932
Profit for the year	-	-	893,761	-	-	893,761
Dividend	-	-	(150,000)	-	-	(150,000)
Currency translation	-	-	(271)	-	-	(271)
At 31 December 2008	60,833	84,301	2,674,044	3,662	(30,930)	2,791,910
Company						
At 1 January 2008	60,833	84,301	2,134,429	2,730	(30,930)	2,251,363
Share based payment	-	-	-	932	-	932
Profit for the year	-	-	921,947	-	-	921,947
Dividend	-	-	(150,000)	-	-	(150,000)
At 31 December 2008	60,833	84,301	2,906,376	3,662	(30,930)	3,024,242

19 Investment in own shares

The company accounts for its own shares held by the trustees of the employee share option scheme as a deduction from shareholders' funds as required by UIFT38: Accounting for ESOP Trusts.

At 31 December 2008, the trust owned 5,333 shares with a nominal value of £5,333.

Dividends payable on these shares have been waived. No shares have been conditionally gifted to certain employees at 31 December 2008.

Notes to the financial statements

20 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Group		
Total recognised gains for the year	893,490	371,741
Dividends (note 8)	(150,000)	-
Share based payment	932	932
Increase in shareholders' funds	<u>744,422</u>	<u>372,673</u>
Opening shareholders' funds	2,121,915	1,749,242
Closing shareholders' funds	<u>2,866,337</u>	<u>2,121,915</u>
Company		
Profit for the financial year	921,947	571,315
Dividends (note 8)	(150,000)	-
Share based payment	932	932
	<u>772,879</u>	<u>572,247</u>
Opening shareholders' funds	2,325,790	1,753,543
Closing shareholders' funds	<u>3,098,669</u>	<u>2,325,790</u>

Notes to the financial statements

21 Financial commitments

Operating lease commitments

The payments which the group is committed to make in the next year under operating leases are as follows:

	2008	2007
	Other	Land and
	£	buildings
		£
Expiring within one year	–	54,375
Expiring between two and five years	24,761	258,598
	<u>24,761</u>	<u>312,973</u>
		<u>197,551</u>

22 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2008	2007
	£	£
Operating profit	1,281,515	515,139
Depreciation	202,505	188,128
(Increase)/decrease in debtors	(1,599,527)	314,896
Increase in creditors	926,379	52,555
Increase in stock	(2,022)	–
Other non-cash charges	932	932
Exchange rate movements	(9,493)	11,013
Net cash inflow from operating activities	<u>800,289</u>	<u>1,082,663</u>

Returns on investments and servicing of finance

	2008	2007
	£	£
Interest received	19,637	27,133
Interest paid	(18,936)	(30,626)
Net cash inflow/(outflow) from returns on investments and servicing of finance	<u>701</u>	<u>(3,493)</u>

Notes to the financial statements

22 Notes to the statement of cash flows (continued)

Capital expenditure and financial investment

	2008 £	2007 £
Payments to acquire tangible fixed assets	(183,509)	(180,460)
Net cash outflow for capital expenditure and financial investment	<u>(183,509)</u>	<u>(180,460)</u>

Financing

	2008 £	2007 £
Repayment of bank loans	(283,373)	(50,028)
Net cash outflow from financing	<u>(283,373)</u>	<u>(50,028)</u>

Reconciliation of net cash flow to movement in net funds

	2008 £	2007 £
Increase in cash in the period	21,534	686,017
Net cash outflow from bank loans	<u>283,373</u>	<u>50,028</u>
Change in net funds	304,907	736,045
Net funds at 1 January 2008	<u>665,021</u>	<u>(71,024)</u>
Net funds at 31 December 2008	<u>969,928</u>	<u>665,021</u>

Notes to the financial statements

22 Notes to the statement of cash flows (continued)

Analysis of changes in net funds

	At 1 Jan 2008 £	Cash flows £	Non-cash flows £	At 31 Dec 2008 £
Net cash:				
Cash in hand and at bank	948,394	(112,473)	134,007	969,928
Debt:				
Debt due within 1 year	(53,326)	53,326	-	-
Debt due after 1 year	(230,047)	230,047	-	-
	(283,373)	283,373	-	-
Net funds	665,021	170,900	134,007	969,928

23 Pensions

The group operates a defined contribution scheme. The assets of the scheme are held separately from the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds and amounted to £130,487 (2007: £80,507).

24 Related party transactions

The group has taken advantage of the FRS 8 exemption not to disclose related transactions between group undertakings as these have all been eliminated within the consolidated financial statements.

25 Ultimate controlling party

The directors regard JP Sands, a director of Elmwood Design Limited as the ultimate controlling party by value of his share holding.