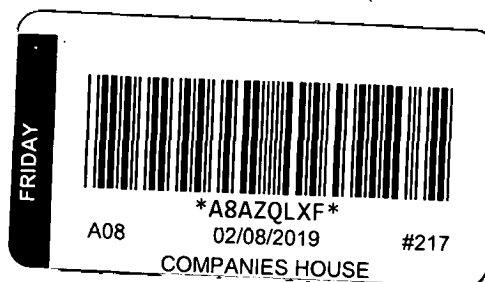


Elmwood Design Limited

Registered number: 02360152

Annual report and financial statements

For the year ended 31 December 2018



ELMWOOD DESIGN LIMITED

COMPANY INFORMATION

Directors

J P Sands
G P Taylor
S J Gatfield
S L Wilson

Registered number

02360152

Registered office

105 Water Lane
Leeds
LS11 5WD

Independent auditor

Mazars LLP
Chartered Accountants & Statutory Auditor
5th Floor
3 Wellington Place
Leeds
LS1 4AP

ELMWOOD DESIGN LIMITED

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**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

Introduction

The directors present their Strategic Report and their Directors' Report on the affairs of the Company and Group together with the financial statements and auditor's report for the year ended 31 December 2018.

Principal activities

The principal activities of the Group are brand and design consultancy in the areas of brand and design strategy, brand experience, 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 February 2018 the Group acquired Framework Creative Ltd an Augmented and Virtual Reality business who have products and skills that allow Elmwood to increase their services and deliverables to their clients.

Business review

The 2018 Group Profit and Loss Account reported a reasonable financial performance for the year. Turnover decreased by 1% compared to 2017 and the gross profit margin decreased by 0.5% to 36.3 % (2017: 36.8%). 2018 reported profit before tax is £178,578 compared to £251,797 in 2017. The directors have not paid an interim dividend (2017: £0.83 per ordinary share).

Whilst the UK remains the key area of operation for the group, income from other territories (Europe, Asia Pacific, USA and Canada) has grown during the year reflecting the increasing global activities of the Group.

Good performance of the domestic market supports the rest of the Group in its international growth strategy and this is expected to continue into 2019. Group shareholder funds have increased by 4.7% (2017: 5.7%) and the year-end cash balance available stands at £2,259,271 (2017: £1,809,947). The reserves will be used in the coming year to support further Group investment. As part of the review process the directors will continue to assess the Group's global footprint and where the Group is strategically best placed to service their clients and the products and services being delivered.

Elmwood continues to measure and incentivise performance and success throughout our studios in Leeds, London, Melbourne, New York and Singapore, with the use of Key Performance Indicator's ("KPI's"). This aims to increase shareholder value by focusing on three key areas of our business - financial performance, our people and our clients. We will achieve financial growth by growing our client revenue linked to profitability within all the markets in which we are active.

Our commitment to our people has meant that in 2018 we remain accredited with our Investors in People. During 2018 and beyond, Elmwood pledges to continue this level of commitment to our people and our clients.

A creative business is successful not only when financial performance is being achieved but more importantly when the creative product is effective for the client's purpose and therefore achieves award-winning status for the agency. In 2018 Elmwood won a further 5 International Design Effectiveness Awards. We continue to maintain our position as the consultancy who has won the most awards in the scheme's history as well as being at the top of the table for over 10 years, confirming our brand positioning as "The World's most effective brand design consultancy". During 2019, our commitment to delivering engaging and effective client solutions will continue.

ELMWOOD DESIGN LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Going concern

The financial position of the Group, its cash flows and liquidity position are healthy.

The Group has considerable financial resources together with a strong order book with a number of customers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully, notwithstanding any current economic uncertainty.

The directors have an expectation that the Company and the Group has more than adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Principal risks and uncertainties

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 sterling 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 analyzed as follows:

Competition risk

Competitive pressure in the market is a continuing risk for the Company and the Group, which could result in losing sales to other competitors, both in the UK and overseas. The Group manages such risk by forming and maintaining strong relationships with all customers, offering and justifying value added services, which the company feels it is uniquely experienced to provide and has extensive knowledge of the market. The Group also strives to continually improve levels of service and innovative and creative expertise on offer to its customers.

Price 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 within Europe, Australia, the USA and Singapore the overall risk is not significant. The main foreign currencies in which the Group operates are the Euro, and Australian, US and Singapore dollars.

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.


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.

ELMWOOD DESIGN LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

This report was approved by the board on 30 July 2019 and signed on its behalf.


J P Sands
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments 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 Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group 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 £248,832 (2017 - £342,672).

Directors

The directors who served during the year were:

D Longbottom (resigned 5 July 2019)
J P Sands
G P Taylor
S J Gatfield
S L Wilson

Brexit

The Directors continue to assess the potential implications if the United Kingdom withdraw from the European Union. Although there is an appreciation that there a level of uncertainty associated with this. There are no current significant direct implications.

ELMWOOD DESIGN LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director 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 and the Group's auditor is aware of that information.

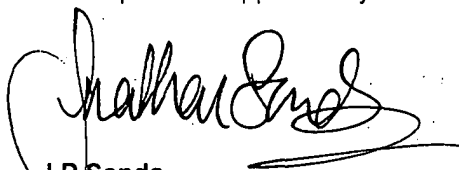
Post balance sheet events

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

Auditor

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

This report was approved by the board on **30 July 2019** and signed on its behalf.


J P Sands
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELMWOOD DESIGN LIMITED

Opinion

We have audited the financial statements of Elmwood Design Limited (the 'Parent Company') for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Positions, the Consolidated Statement of Cash Flows, the Consolidated and Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 Group and Company's affairs as at 31 December 2018 and of the Group's 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 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.

The impact of uncertainties due to the United Kingdom exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 5.

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Group's and Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Group and Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Group's and Company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Group and Company and this is particularly the case in relation to Brexit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELMWOOD DESIGN LIMITED

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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's nor the Parent 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 directors are 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELMWOOD DESIGN LIMITED

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 the audit 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.



Shaun Mullins (Senior statutory auditor)

for and on behalf of

Mazars LLP
Chartered Accountants and Statutory Auditor
5th Floor
3 Wellington Place
Leeds
LS1 4AP

Date: 31.07.2019

ELMWOOD DESIGN LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
Turnover	4	14,050,744	14,194,355
Cost of sales		(8,954,441)	(8,966,582)
Gross profit		5,096,303	5,227,773
Distribution costs		(473,984)	(466,392)
Administrative expenses		(4,442,753)	(4,542,957)
Operating profit	5	179,566	218,424
Income from shares in group undertakings		-	36,671
Interest receivable and similar income	9	2,596	1,818
Interest payable and expenses	10	(3,584)	(5,116)
Profit before taxation		178,578	251,797
Tax on profit	11	70,254	90,875
Profit for the financial year		248,832	342,672
Foreign currency movements		(71,679)	5,905
Other comprehensive income for the year		(71,679)	5,905
Total comprehensive income for the year		177,153	348,577

There were no recognised gains and losses for 2018 or 2017 other than those included in the consolidated statement of comprehensive income.

The notes on pages 18 to 42 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	14	105,808	-
Tangible assets	15	434,435	518,254
Investments	16	2,800	2,800
		<u>543,043</u>	<u>521,054</u>
Current assets			
Debtors: amounts falling due within one year	17	4,482,817	4,480,925
Cash at bank and in hand	18	2,259,271	1,809,947
		<u>6,742,088</u>	<u>6,290,872</u>
Creditors: amounts falling due within one year	19	(3,245,980)	(2,868,222)
Net current assets		<u>3,496,108</u>	<u>3,422,650</u>
Total assets less current liabilities		<u>4,039,151</u>	<u>3,943,704</u>
Provisions for liabilities			
Deferred taxation	21	-	(44,489)
Other provisions	22	(122,502)	(159,719)
		<u>(122,502)</u>	<u>(204,208)</u>
Net assets		<u><u>3,916,649</u></u>	<u><u>3,739,496</u></u>
Capital and reserves			
Called up share capital	23	71,840	71,840
Share premium account	25	60,833	60,833
Capital redemption reserve	25	86,888	86,888
Foreign exchange reserve	25	(296,320)	(224,641)
Other reserves	25	(30,930)	(30,930)
Profit and loss account	25	4,024,338	3,775,506
		<u><u>3,916,649</u></u>	<u><u>3,739,496</u></u>

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

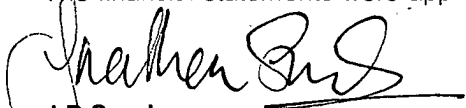

J P Sands
Director

30 July 2019

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	15	310,578	408,172
Investments	16	248,534	77,110
		<u>559,112</u>	<u>485,282</u>
Current assets			
Debtors: amounts falling due within one year	17	3,925,152	4,273,914
Cash at bank and in hand	18	970,422	867,745
		<u>4,895,574</u>	<u>5,141,659</u>
Creditors: amounts falling due within one year	19	(1,796,797)	(1,653,523)
Net current assets		<u>3,098,777</u>	<u>3,488,136</u>
Total assets less current liabilities		<u>3,657,889</u>	<u>3,973,418</u>
Provisions for liabilities			
Deferred taxation	21	-	(44,489)
Other provisions	22	(122,502)	(122,502)
		<u>(122,502)</u>	<u>(166,991)</u>
Net assets		<u><u>3,535,387</u></u>	<u><u>3,806,427</u></u>
Capital and reserves			
Called up share capital	23	71,840	71,840
Share premium account	25	60,833	60,833
Capital redemption reserve	25	86,888	86,888
Other reserves	25	(30,930)	(30,930)
Profit and loss account carried forward		3,346,756	3,617,796
		<u><u>3,535,387</u></u>	<u><u>3,806,427</u></u>

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


J P Sands
Director

30 July 2019

The notes on pages 18 to 42 form part of these financial statements.

ELMWOOD DESIGN LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Share premium account	Capital redemption reserve	Foreign exchange reserve	Own shares	Profit and loss account	Total equity
	£	£	£	£	£	£	£
At 1 January 2018	71,840	60,833	86,888	(224,641)	(30,930)	3,775,506	3,739,496
Comprehensive income for the year							
Profit for the year	-	-	-	-	-	248,832	248,832
Movement on foreign exchange	-	-	-	(71,679)	-	-	(71,679)
Other comprehensive income for the year	-	-	-	(71,679)	-	-	(71,679)
Total comprehensive income for the year	-	-	-	(71,679)	-	248,832	177,153
Total transactions with owners	-	-	-	-	-	-	-
At 31 December 2018	71,840	60,833	86,888	(296,320)	(30,930)	4,024,338	3,916,649

The notes on pages 18 to 42 form part of these financial statements.

ELMWOOD DESIGN LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Share premium account	Capital redemption reserve	Foreign exchange reserve	Own shares	Profit and loss account	Total equity
	£	£	£	£	£	£	£
At 1 January 2017	71,840	60,833	86,888	(230,546)	(30,930)	3,492,215	3,450,300
Comprehensive income for the year							
Profit for the year	-	-	-	-	-	342,672	342,672
Movement on foreign exchange	-	-	-	5,905	-	-	5,905
Other comprehensive income for the year	-	-	-	5,905	-	-	5,905
Total comprehensive income for the year	-	-	-	5,905	-	342,672	348,577
Dividends: Equity capital	-	-	-	-	-	(59,381)	(59,381)
Total transactions with owners	-	-	-	-	-	(59,381)	(59,381)
At 31 December 2017	71,840	60,833	86,888	(224,641)	(30,930)	3,775,506	3,739,496

The notes on pages 18 to 42 form part of these financial statements.

ELMWOOD DESIGN LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Share premium account	Capital redemption reserve	Own shares	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2018	71,840	60,833	86,888	(30,930)	3,617,796	3,806,427
Comprehensive income for the year						
Loss for the year	-	-	-	-	(271,040)	(271,040)
Total comprehensive income for the year	-	-	-	-	(271,040)	(271,040)
At 31 December 2018	71,840	60,833	86,888	(30,930)	3,346,756	3,535,387

The notes on pages 18 to 42 form part of these financial statements.

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Share premium account	Capital redemption reserve	Own shares	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2017	71,840	60,833	86,888	(30,930)	3,741,197	3,929,828
Comprehensive income for the year						
Loss for the year	-	-	-	-	(64,020)	(64,020)
Total comprehensive income for the year	-	-	-	-	(64,020)	(64,020)
Contributions by and distributions to owners						
Dividends: Equity capital	-	-	-	-	(59,381)	(59,381)
Total transactions with owners	-	-	-	-	(59,381)	(59,381)
At 31 December 2017	71,840	60,833	86,888	(30,930)	3,617,796	3,806,427

The notes on pages 18 to 42 form part of these financial statements.

ELMWOOD DESIGN LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	248,832	342,672
Adjustments for:		
Amortisation of intangible assets	10,678	-
Depreciation of tangible assets	207,559	231,671
Loss on disposal of tangible assets	3,318	4,889
Interest paid	3,584	5,116
Interest received	(2,596)	(1,818)
Taxation charge	(70,254)	(90,875)
Decrease in stocks	-	890
Decrease/(increase) in debtors	131,145	(569,112)
Increase in creditors	361,483	541,960
Decrease in provisions	(37,217)	-
Corporation tax paid	(7,092)	(47,435)
Foreign exchange	(71,679)	6,415
Net cash generated from operating activities	<u>777,761</u>	<u>424,373</u>
Cash flows from investing activities		
On acquisition of subsidiary	(171,424)	-
Purchase of tangible fixed assets	(122,138)	(268,712)
Sale of tangible fixed assets	2,512	982
Purchase of unlisted and other investments	-	236,572
Interest received	2,596	1,818
HP interest paid	(3,584)	-
Net cash from investing activities	<u>(292,038)</u>	<u>(29,340)</u>

ELMWOOD DESIGN LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	2017 £
Cash flows from financing activities		
Repayment of finance leases	(36,399)	-
Dividends paid	-	(59,381)
Interest paid	-	(5,116)
Net cash used in financing activities	<u>(36,399)</u>	<u>(64,497)</u>
Net increase in cash and cash equivalents	449,324	330,536
Cash and cash equivalents at beginning of year	1,809,947	1,479,411
Cash and cash equivalents at the end of year	<u>2,259,271</u>	<u>1,809,947</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,259,271	1,809,947
	<u>2,259,271</u>	<u>1,809,947</u>

The notes on pages 18 to 42 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. General information

Elmwood Design Limited is a private company limited by shares incorporated in the United Kingdom. The company's registered number is 02360152. The address of its registered office is 101 Water Lane, Leeds, LS11 5WD.

The principal activity of the group and company is that of a provision of brand and design consultancy.

The financial statements have been presented in Pound Sterling as this is currency of the primary economic environment in which the company operates and is rounded to the nearest pound.

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 Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2014.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.3 Going concern

The principal risks that the Group faces are described in the Strategic Report.

The financial position of the Group, its cash flows and liquidity position are reasonable.

The Group has considerable financial resources, and a strong order book with a number of customers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully, notwithstanding any current economic uncertainty.

The directors have an expectation that the Company has more than adequate resources to continue in operational existence for the foreseeable future, including a period of 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

2.4 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 Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

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

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.5 Revenue

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

Rendering of services

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

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

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated 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 Interest income

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

2.8 Finance costs

Finance costs are charged to the Consolidated 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.9 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated 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 Group in independently administered funds.

2.10 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Consolidated Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Consolidated Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Consolidated Statement of Comprehensive Income is charged with fair value of goods and services received.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.11 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

2.12 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Other intangible fixed assets

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

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

The estimated useful lives range as follows:

Goodwill	-	10	years
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.13 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Alterations to leasehold property	- 20% straight-line
Plant & machinery	- 25% straight-line
Fixtures & fittings	- 25% reducing balance
Software	- 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 Consolidated Statement of Comprehensive Income.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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

2.15 Debtors

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

2.16 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. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

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 Provisions for liabilities

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

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

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.19 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable 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 financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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 Consolidated Statement of Comprehensive Income.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.19 Financial instruments (continued)

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.

2.20 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.

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

Critical judgements in applying the company's accounting policies

The critical judgements that the directors have made in the process of applying the company's accounting policies that have the most significant effect on the statutory financial statements are discussed below.

Assessing indicators of impairment

In assessing whether there have been any indicators of impairment assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

Key sources of estimation uncertainty

Revenue recognition

Determining the amount of revenue requires an estimation of the revenue earned to date based on the stage of completion. This relies on accurate estimation of future costs to complete and the margin to be gained.

4. Turnover

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	4,330,490	5,053,104
Rest of the World	9,720,254	9,141,251
	<u>14,050,744</u>	<u>14,194,355</u>

ELMWOOD DESIGN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

5. Operating profit

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

	2018 £	2017 £
Depreciation of tangible fixed assets	207,599	231,671
Exchange differences	(176,101)	111,411
Operating lease rentals - other	756,170	710,913
Operating lease rentals - plant and machinery	-	11,174
Loss on disposal of tangible fixed assets	3,318	4,889
Profit on disposal of fixed asset investments	-	(109,372)
	<u> </u>	<u> </u>

6. Auditor's remuneration

	2018 £	2017 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	23,775	17,428
The audit of the Company's subsidiaries	4,168	11,752
	<u> </u>	<u> </u>

Fees payable to the Group's auditor and its associates in respect of:

All other services	27,321	7,900
	<u> </u>	<u> </u>
	<u>27,321</u>	<u>7,900</u>

ELMWOOD DESIGN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

7. Employees

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

	Group 2018 £	Group 2017 £
Wages and salaries	7,299,095	7,175,026
Social security costs	653,096	639,956
Cost of defined contribution scheme	330,769	321,852
	<u>8,282,960</u>	<u>8,136,834</u>

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

	2018 No.	2017 No.
Office and management	20	38
Artwork and design	92	82
	<u>112</u>	<u>120</u>

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	741,265	641,050
Company contributions to defined contribution pension schemes	30,430	30,005
	<u>771,695</u>	<u>671,055</u>

During the year retirement benefits were accruing to 5 directors (2017 - 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £182,000 (2017 - £187,709).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9,250 (2017 - £9,250).

ELMWOOD DESIGN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. Interest receivable

	2018 £	2017 £
Other interest receivable	2,596	1,818

10. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	177	2,510
Finance leases and hire purchase contracts	3,407	2,606
	<u>3,584</u>	<u>5,116</u>

ELMWOOD DESIGN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	-	(40,917)
Adjustments in respect of previous periods	-	(2,744)
	<u>-</u>	<u>(43,661)</u>
Foreign tax		
Foreign tax on income for the year	-	8,276
	<u>-</u>	<u>8,276</u>
Total current tax	<u>-</u>	<u>(35,385)</u>
Deferred tax		
Origination and reversal of timing differences	(70,254)	(57,323)
Changes to tax rates	-	(1,655)
In respect of prior year	-	3,488
Total deferred tax	<u>(70,254)</u>	<u>(55,490)</u>
Taxation on loss on ordinary activities	<u>(70,254)</u>	<u>(90,875)</u>

ELMWOOD DESIGN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	178,578	251,797
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	33,930	48,471
Effects of:		
Non-qualifying depreciation	-	544
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	12,552	23,685
Fixed asset differences	7,276	-
Utilisation of tax losses	(87,197)	(153,616)
Adjustments to tax charge in respect of prior periods	-	744
Non-taxable income	-	8,394
Tax rate changes	(3,734)	(27,283)
Other differences leading to an increase (decrease) in the tax charge	(14,204)	-
Deferred taxation and other timing differences not recognised	(18,877)	-
Impact of state taxes	-	8,276
Effect of loss carry back	-	(90)
Total tax charge for the year	(70,254)	(90,875)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate to 17% from 1 April 2020, was enacted in September 2016.

There is an unrecognised deferred tax asset relating to losses carried forward of £2,385,651 (2017: £2,700,000).

ELMWOOD DESIGN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

12. Dividends

	2018 £	2017 £
Ordinary shares	-	59,381
	<u>-</u>	<u>59,381</u>

13. Parent company result for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent Company for the year was £271,040 (2017 - loss £64,020).

14. Intangible fixed assets**Group**

	Goodwill £
Cost	
Additions	116,486
At 31 December 2018	<u>116,486</u>
Amortisation	
Charge for the year	10,678
At 31 December 2018	<u>10,678</u>
Net book value	
At 31 December 2018	<u>105,808</u>
At 31 December 2017	<u>-</u>

All of the Group's intangible fixed assets are held on a consolidated basis, there are none held in the parent Company

ELMWOOD DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

15. Tangible fixed assets

Group

	L/Term Leasehold Property £	Plant & machinery £	Fixtures & fittings £	Software £	Total £
Cost or valuation					
At 1 January 2018	267,190	890,328	216,658	108,928	1,483,104
Additions	16,865	96,733	8,639	-	122,237
Acquisition of subsidiary	-	5,462	-	-	5,462
Disposals	-	(31,960)	(407)	-	(32,367)
Exchange adjustments	473	8,786	1,782	-	11,041
At 31 December 2018	284,528	969,349	226,672	108,928	1,589,477
Depreciation					
At 1 January 2018	140,774	654,988	138,831	30,257	964,850
Charge for the year on owned assets	34,617	116,333	20,299	36,310	207,559
Disposals	-	(26,176)	(361)	-	(26,537)
Exchange adjustments	411	7,187	1,572	-	9,170
At 31 December 2018	175,802	752,332	160,341	66,567	1,155,042
Net book value					
At 31 December 2018	108,726	217,017	66,331	42,361	434,435
At 31 December 2017	126,416	235,340	77,827	78,671	518,254

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2018 £	2017 £
Software	42,361	78,671
	<u>42,361</u>	<u>78,671</u>

ELMWOOD DESIGN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. Tangible fixed assets (continued)

Company

	L/Term Leasehold Property £	Plant & machinery £	Fixtures & fittings £	Software £	Total £
Cost or valuation					
At 1 January 2018	249,318	521,805	137,750	108,928	1,017,801
Additions	13,817	40,825	7,027	-	61,669
Disposals	-	(17,570)	(407)	-	(17,977)
At 31 December 2018	263,135	545,060	144,370	108,928	1,061,493
Depreciation					
At 1 January 2018	130,080	362,249	87,043	30,257	609,629
Charge for the year on owned assets	32,656	74,316	13,430	36,310	156,712
Disposals	-	(15,063)	(363)	-	(15,426)
At 31 December 2018	162,736	421,502	100,110	66,567	750,915
Net book value					
At 31 December 2018	100,399	123,558	44,260	42,361	310,578
At 31 December 2017	119,238	159,556	50,707	78,671	408,172

ELMWOOD DESIGN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. Fixed asset investments

Group

	Unlisted investments £
Cost or valuation	
At 1 January 2018	2,800
At 31 December 2018	<u>2,800</u>

Company

	Investments in subsidiary companies £	Unlisted investments £	Total £
Cost or valuation			
At 1 January 2018	174,310	2,800	177,110
Additions	171,424	-	171,424
Disposals	(100,000)	-	(100,000)
At 31 December 2018	<u>245,734</u>	<u>2,800</u>	<u>248,534</u>
At 1 January 2018	100,000	-	100,000
Impairment on disposals	(100,000)	-	(100,000)
At 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
At 31 December 2018	<u>245,734</u>	<u>2,800</u>	<u>248,534</u>
At 31 December 2017	<u>74,310</u>	<u>2,800</u>	<u>77,110</u>

On 14 August 2018, Make Mine A Builders Limited, a subsidiary of Elmwood Design Limited, was dissolved.

On 1 February 2018, 100% of the share capital of Framework Creative Limited was acquired.

ELMWOOD DESIGN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. Fixed asset investments (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Who Shaves the Barber? Limited	105 Water Lane, Leeds, LS11 5WD	Ordinary	100%
Elmwood Design Associates Limited	105 Water Lane, Leeds, LS11 5WD	Ordinary	100%
Palmer Lynch Design Limited	105 Water Lane, Leeds, LS11 5WD	Ordinary	100%
Framework Creative Limited	105 Water Lane, Leeds, LS11 5WD	Ordinary	100%
Elmwood Design Australia Pty Limited	Level 21, 55 Collins Street, Melbourne, Vic 3000	Ordinary	100%
Elmwood Design Inc	531 West 25th Street, 3E, New York, NY 10001	Ordinary	100%
Elmwood Design Singapore Pte Limited	8 Wilkie Road, 03-01 Wilkie Edge, Singapore	Ordinary	100%

17. Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade debtors	3,885,334	3,823,983	1,890,578	2,013,982
Amounts owed by group undertakings	-	-	1,667,932	1,838,438
Other debtors	257,623	290,345	187,874	187,406
Prepayments and accrued income	173,310	226,467	84,377	142,287
Tax recoverable	99,296	96,775	79,140	91,801
Deferred taxation	67,254	43,355	15,251	-
	<u>4,482,817</u>	<u>4,480,925</u>	<u>3,925,152</u>	<u>4,273,914</u>

18. Cash and cash equivalents

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Cash at bank and in hand	2,259,271	1,809,947	970,422	867,745
	<u>2,259,271</u>	<u>1,809,947</u>	<u>970,422</u>	<u>867,745</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

19. Creditors: Amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade creditors	598,070	921,628	312,825	394,275
Amounts owed to group undertakings	-	-	60,426	95,116
Corporation tax	60	4,631	-	-
Other taxation and social security	288,128	338,047	181,648	241,571
Obligations under finance lease and hire purchase contracts	42,361	78,670	42,361	78,670
Other creditors	37,521	47,011	7,300	29,942
Accruals and deferred income	2,279,840	1,478,235	1,192,237	813,949
	<u>3,245,980</u>	<u>2,868,222</u>	<u>1,796,797</u>	<u>1,653,523</u>

20. Financial instruments

	Group 2018 £	Group 2017 £
Financial assets		
Financial assets measured at fair value through profit or loss	2,259,271	1,809,947
Financial assets that are debt instruments measured at amortised cost	4,142,957	4,114,329
Financial assets that are equity instruments measured at cost less impairment	2,800	2,800
	<u>6,405,028</u>	<u>5,927,076</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(677,952)	(1,047,309)

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents.

Financial assets that are debt instruments measured at amortised cost comprise trade and other debtors.

Financial assets that are equity instruments measured at cost less impairment comprise fixed asset unlisted investments.

Financial liabilities measured at amortised cost comprise trade and other creditors and obligations under finance lease and hire purchase contracts.

ELMWOOD DESIGN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

21. Deferred taxation

Group

	2018 £	2017 £
At beginning of year	(1,134)	(17,163)
Charged to profit or loss	70,254	16,029
Exchange adjustments	(1,866)	-
At end of year	67,254	(1,134)

Company

	2018 £	2017 £
At beginning of year	(44,489)	(34,625)
Charged to profit or loss	59,740	(9,864)
At end of year	15,251	(44,489)

The deferred tax balance is made up as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Accelerated capital allowances	67,254	(1,134)	15,251	(44,489)
	<u>67,254</u>	<u>(1,134)</u>	<u>15,251</u>	<u>(44,489)</u>
Comprising:				
Asset - included in debtors due within one year	67,254	43,355	15,251	-
Liability	-	(44,489)	-	(44,489)
	<u>67,254</u>	<u>(1,134)</u>	<u>15,251</u>	<u>(44,489)</u>

There is an unrecognised deferred tax asset relating to losses carried forward of £2,385,651 (2017: £2,700,000).

ELMWOOD DESIGN LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2018**

22. Provisions**Group**

	Provision for dilapidations £
At 1 January 2018	159,719
Utilised in year	(37,217)
At 31 December 2018	122,502

Company

	Provision for dilapidations £	Total £
At 1 January 2018	122,502	122,502
At 31 December 2018	122,502	122,502

23. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
71,840 (2017 - 71,840) Ordinary shares of £1.00 each	71,840	71,840

The entity holds treasury shares (own shares) with an aggregate nominal value of £5,333.

The Company has one class of ordinary shares which carry no right to fixed income.

**NOTES TO THE FINANCIAL STATEMENTS
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24. 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 scheme 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.

No share options were exercised during the year. The share options vesting period is determined based on the date of any change in control of the Company. The exit event is not deemed to be probable and therefore no expense has been recognised.

Options have been granted under the scheme to subscribe for Ordinary shares of the Company as follows:

Number of shares under option	Subscription price per share	Exercise period
1,305	£5.80	2014 – 2024
2,564	£5.80	2016 – 2026
1,305	£6.67	2012 – 2022
2,000	£5.35	2013 – 2023
2,000	£1.00	2013 – 2023
7,000	£1.00	2018 – 2028

25. Reserves**Share premium account**

The share premium account reserve contains the premium arising on issue of equity shares, net of issue of expenses.

Capital redemption reserve

The capital redemption reserve represents amounts paid when the Company purchases its own shares. This reserve is not distributable.

Foreign exchange reserve

The foreign exchange translation reserve represents cumulative gains or losses on the translation of foreign subsidiaries' assets, liabilities and results upon consolidation.

Profit & loss account

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

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26. Business combinations

On 1 February 2018, the Company completed the acquisition of 100% of the share capital and voting rights of a digital design agency, Framework Creative Limited.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £	Fair value £
Tangible fixed assets	5,561	5,561
Debtors	106,617	106,617
Total assets	112,178	112,178
Creditors due within one year	(57,240)	(57,240)
Total identifiable net assets	54,938	54,938
Goodwill		116,486
Total purchase consideration		171,424
Consideration		£
Cash		171,424
Total purchase consideration		171,424
Cash outflow on acquisition		£
Purchase consideration settled in cash, as above		171,424
		171,424
Net cash outflow on acquisition		171,424

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**NOTES TO THE FINANCIAL STATEMENTS
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26. Business combinations (continued)

The results of Framework Creative Limited since its acquisition are as follows:

	Current period since acquisition £
Turnover	325,749
Profit for the year	17,453

27. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £330,769 (2017 - £321,852). Contributions totalling £15,017 (2017 - £17,571) were payable to the fund at the reporting date and are included in creditors.

28. Commitments under operating leases

At 31 December 2018 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Land & buildings				
Not later than 1 year	765,518	759,187	470,920	470,920
Later than 1 year and not later than 5 years	1,408,986	2,079,536	996,231	1,479,526
	<u>2,174,504</u>	<u>2,838,723</u>	<u>1,467,151</u>	<u>1,950,446</u>
	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Other				
Not later than 1 year	22,525	24,868	10,119	11,707
Later than 1 year and not later than 5 years	40,707	27,228	32,368	5,171
	<u>63,232</u>	<u>52,096</u>	<u>42,487</u>	<u>16,878</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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29. Related party transactions

The company has taken advantage of the exemption available in Section 33 of FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" related party disclosures from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

30. Controlling party

The directors regard J P Sands, a director of Elmwood Design Limited, as the ultimate controlling party by virtue of his shareholding in the Company.