

Arthouse Limited

Annual Report and Financial Statements

Year Ended

31 December 2018

Company Number 03897091



Arthouse Limited

Company Information

Directors	A R Kenyon S A Carroll C L Bate W A Butt P Mullan (appointed 2 September 2019)
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Registered number	03897091
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Registered office	St James Church Bacup Road Waterfoot Rossendale BB4 7JU
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Independent auditor	BDO LLP 3 Hardman Street Manchester M3 3AT
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Arthouse Limited

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Arthouse Limited

Strategic Report For the Year Ended 31 December 2018

Introduction

The directors present their strategic report together with the audited financial statements of the company for the year ended 31 December 2018.

Business review

The principal activity of the company is the design and distribution of wall-coverings and home decorative products. The business continues to focus on bringing new products and initiatives to an ever-changing market place to meet the needs of consumers. During 2018, revenues reflected the rapidly changing state of the competitive market place in which the company operates. The directors have managed costs and cash to drive value for money against the company's indirect expenditure, whilst continuing to invest in new product initiatives to improve the customer offer. The directors consider the performance for the year to have been challenging, but satisfactory against a backdrop of the tough retail market conditions and ongoing uncertainty around a potential no deal exit from the EU (Brexit). The Directors are satisfied that the necessary restructuring undertaken during 2017 and 2018 has laid the foundations for the future sustainability and success of the business, including preparations for a no-deal Brexit.

The forward strategy of the business is the further development of several key strategic initiatives, to grow future sales in its target markets. These investments are in line with existing growth aspirations, and further help to spread risk across a broader number of customers and sales channels.

As with prior years the directors recognise the continued support and loyalty of our customers and suppliers and would like to take this opportunity to thank them.

Arthouse Limited

Strategic Report (continued) For the Year Ended 31 December 2018

Principal risks and uncertainties

The principal risks associated with the business are:

Demand for the company's products and the pressure on the gross margins: In order to mitigate this risk, the group continues to create "on trend", market-leading designs across all its product portfolio. It actively seeks to introduce innovation through both design and technology employed, in order to continually be able to offer its customers exciting market leading product.

Business continuity planning: The directors are continuing their policy of wherever possible, dual sourcing products wherever possible, to provide continuity of supply in the event of the loss of a supplier. This ensures that the business remains at the forefront of product development as well as benchmarking price, quality and innovation.

Loss of a major customer: To mitigate the impact of the loss of a customer, Arthouse endeavours to credit insure all its debts. In addition to this, Arthouse continues to spread any potential risk through securing new customers and markets (particularly in the US and Europe), as well as the introduction of new products across both existing and new sales channels.

Movements in interest and foreign exchange rates: To mitigate such movements, management monitor the respective rates closely and will undertake hedging arrangements as they consider necessary.

The Board is responsible for the company's risk management and for ensuring that robust processes are in place to identify, manage and report risks that threaten the business objectives of the company. These include operational and regulatory compliance risks. The principal features of the company's risk management are:

- A strong control environment. This is founded on an appropriate organisational structure for planning, executing, controlling and monitoring business operations. It includes clearly defined responsibilities and accountabilities.
- Control procedures: These include budgetary systems and management controls to manage financial risk, including the provision of timely and accurate management information tracking key performance measures, as well as procedures to ensure complete and accurate accounting, all of which is regularly reviewed by the board.

Arthouse Limited

Strategic Report (continued) For the Year Ended 31 December 2018

Financial key performance indicators

In addition, the directors regularly review the performance of the company using key performance indicators to assess the efficiency and profitability of the business and to take appropriate action.

KPI	2018 £000	2017 £000
Sales	18,196	17,866
Gross Profit	7,157	6,221
Net Profit/(loss)	899	(1,435)

Charitable and political donations

During the year the company made charitable contributions of £390 (2017: £120). Arthouse continues to be a patron of Rossendale Hospice, and for their benefit, the directors and staff organise several fund raising events throughout the year, including 'friends and family' evenings for which the company donates products for sale. The proceeds from these events are not included in the aforementioned sum. There were no political contributions.

Employment of disabled persons

The company gives full consideration to applications for employment by disabled persons where the candidate's ability and skills are appropriate for the job. In the event of an employee becoming disabled whilst in the company's employment, it ensures to arrange appropriate facilities and suitable working conditions where possible.

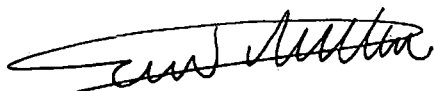
The company employs individuals with special requirements which are catered for.

Employee involvement

The experience of team members continues to be an asset of the company. The company encourages and is committed to, the personal development of all employees and tries to ensure that it continues to provide opportunities for training and career progression within the business. Staff welfare and team development continue to be at the core of company philosophy and these activities will continue to be an important aspect of the business.

The directors would like to take the opportunity to again thank all employees for their continued support and loyalty to the company.

This report was approved by the board on 27 September 2019 and signed on its behalf.



P Mullan
Director

Arthouse Limited

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.

Results and dividends

The profit for the year, after taxation, amounted to £898,921 (2017 - loss £1,434,601).

Interim dividends of £Nil (2017: £Nil) were paid during the year. The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year were:

A R Kenyon
S A Carroll
C L Bate (appointed 2 January 2019)
W A Butt (appointed 2 January 2019)
C E Clarke (resigned 21 September 2018)

Matters covered in the strategic report

The principal activity of the company, an indication of the likely future developments of the business and details of financial risk management are included in the strategic report on page 1. In addition, details of charitable donations, employee involvement and the employment of disabled persons are also included in the Strategic Report.

Disclosure of information to auditor

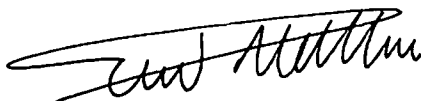
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

Auditor

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

This report was approved by the board on 27 SEPTEMBER 2019 and signed on its behalf.



P Mullan
Director

Arthouse Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2018

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Arthouse Limited

Independent Auditor's Report to the Members of Arthouse Limited

Opinion

We have audited the financial statements of Arthouse Limited ("the Company") for the year ended 31 December 2018 which comprise Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the 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 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.

Arthouse Limited

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

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.

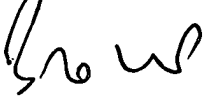
A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our Auditor's Report.

Arthouse Limited

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Julien Rye (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom
Date: 30/09/2019

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

Arthouse Limited

Statement of Comprehensive Income For the Year Ended 31 December 2018

	Note	2018 £	2017 £
Turnover	4	18,195,860	17,865,881
Cost of sales		(11,038,999)	(11,645,136)
Gross profit		7,156,861	6,220,745
Administrative expenses		(6,275,435)	(7,987,015)
Operating profit/(loss)	5	881,426	(1,766,270)
Interest payable and expenses	8	(13,279)	(8,818)
Profit/(loss) before tax		868,147	(1,775,088)
Tax on profit/(loss)	9	30,774	340,487
Profit/(loss) for the financial year attributable to the owners of the parent company		898,921	(1,434,601)

There was no other comprehensive income for 2018 (2017:£Nil).

The notes on pages 12 to 24 form part of these financial statements.

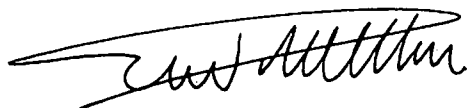
Arthouse Limited
Registered number: 03897091

Statement of Financial Position
As at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	10	96,491	68,385
Investments	11	2	2
		<u>96,493</u>	<u>68,387</u>
Current assets			
Stocks	12	3,290,883	2,855,050
Debtors: amounts falling due within one year	13	13,587,657	13,150,982
Cash at bank and in hand	14	314,382	39,855
		<u>17,192,922</u>	<u>16,045,887</u>
Creditors: amounts falling due within one year	15	(5,771,962)	(5,486,219)
Net current assets		<u>11,420,960</u>	<u>10,559,668</u>
Total assets less current liabilities		<u>11,517,453</u>	<u>10,628,055</u>
Provisions for liabilities			
Deferred tax	16	-	(9,523)
		<u>-</u>	<u>(9,523)</u>
Net assets		<u><u>11,517,453</u></u>	<u><u>10,618,532</u></u>
Capital and reserves			
Called up share capital	17	40,000	40,000
Share premium account	18	250,000	250,000
Capital redemption reserve	18	10,000	10,000
Profit and loss account	18	11,217,453	10,318,532
		<u><u>11,517,453</u></u>	<u><u>10,618,532</u></u>

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

27 SEPTEMBER 2019



P Mullan
Director

The notes on pages 12 to 24 form part of these financial statements.

Arthouse Limited

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

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2018	40,000	250,000	10,000	10,318,532	10,618,532
Comprehensive income for the year					
Profit for the year	-	-	-	898,921	898,921
Total comprehensive income for the year	-	-	-	898,921	898,921
At 31 December 2018	40,000	250,000	10,000	11,217,453	11,517,453

Statement of Changes in Equity For the Year Ended 31 December 2017

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2017	40,000	250,000	10,000	11,753,133	12,053,133
Comprehensive loss for the year					
Loss for the year	-	-	-	(1,434,601)	(1,434,601)
Total comprehensive loss for the year	-	-	-	(1,434,601)	(1,434,601)
At 31 December 2017	40,000	250,000	10,000	10,318,532	10,618,532

The notes on pages 12 to 24 form part of these financial statements.

Arthouse Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

1. General information

Arthouse Limited is a private company, limited by shares, incorporated in England & Wales under the Companies Act 2006. The address of the registered office is given on the Company Information page and the nature of the company's operations and its principal activities are set out in the Strategic Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are prepared in sterling and rounded to the nearest £.

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Arthouse Topco Limited as at 31 December 2018 and these financial statements may be obtained from Companies House, Crown Way, Cardiff. CF14 3UZ.

2.3 Preparation of consolidated financial statements

The financial statements contain information about Arthouse Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its ultimate parent, Arthouse Topco Limited, a company registered in the United Kingdom.

2.4 Going concern

The directors have reviewed trading and cash flow forecasts and after making enquiries, have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to prepare the financial statements on a going concern basis. The financial statements do not contain any adjustments that may be required should the company be unable to continue as a going concern.

Arthouse Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.5 Revenue

Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue is recognised when, in the opinion of the directors, the company has fulfilled its contractual obligations under the terms of the sale which is generally on despatch of the goods. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

2.6 Finance costs

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

2.7 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.8 Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

2.9 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

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

Depreciation is provided on the following basis:

Improvements to l/hold property -	5% on cost or over the term of the lease if shorter
Fixtures and fittings -	33% on cost
Office equipment -	33% on cost
Computer equipment -	33% on cost

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Arthouse Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

2.12 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.

2.13 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.

2.14 Financial instruments

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and amounts due from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

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

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and amounts due to fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost using the effective interest method.

2.15 Creditors

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

Arthouse Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.16 Foreign currency translation

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the income statement.

2.17 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

2.18 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

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

In preparing these financial statements, the directors have made the following judgements:

- Determine whether there are indicators of impairment of the company's trade and other debtors and amounts due from group undertakings. When assessing impairment of trade and other debtors, management considers factors such as the ageing profile and historical experience. When assessing impairment of amounts due from group undertakings factors taken into consideration include the financial position and expected future financial performance of those entities.

Arthouse Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

4. Turnover

The whole of the turnover is attributable to the principal activity of the company.

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	16,245,377	16,078,149
Rest of Europe	1,250,433	966,552
Rest of the world	700,050	821,180
	<u>18,195,860</u>	<u>17,865,881</u>

5. Operating profit/(loss)

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

	2018 £	2017 £
Depreciation of tangible fixed assets	55,166	57,411
Hire of land & buildings - operating leases	76,172	148,157
Hire of other assets - operating leases	83,790	66,650
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	37,495	27,968
Exchange differences	(47,596)	41,757
Defined contribution pension cost	79,454	80,980
	<u>79,454</u>	<u>80,980</u>

Arthouse Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

6. Employees

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

	2018 £	2017 £
Wages and salaries	2,226,586	2,544,840
Social security costs	231,172	268,063
Cost of defined contribution scheme	79,454	80,980
	<u>2,537,212</u>	<u>2,893,883</u>

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

	2018 No.	2017 No.
Studio	13	15
Sales	9	12
Administration	34	37
	<u>56</u>	<u>64</u>

7. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	630,641	425,183
Company contributions to defined contribution pension schemes	37,166	26,513
	<u>667,807</u>	<u>451,696</u>

During the year retirement benefits were accruing to 4 directors (2017 - 6) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £161,580 (2017 - £163,927).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £18,750 (2017 - £18,750).

8. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	<u>13,279</u>	<u>8,818</u>

Arthouse Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

9. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits/(losses) for the year	55,788	(337,961)
Adjustments in respect of previous periods	(72,645)	-
Total current tax	(16,857)	(337,961)
Deferred tax		
Origination and reversal of timing differences	(6,122)	(2,526)
Adjustments in respect of prior periods	(7,795)	-
Total deferred tax	(13,917)	(2,526)
Taxation on profit/(loss) on ordinary activities	(30,774)	(340,487)

Factors affecting tax credit 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/(loss) before tax	868,147	(1,775,088)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	164,948	(341,704)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	18,615	3,268
Capital allowances for year in excess of depreciation	709	2,542
Adjustments to tax charge in respect of prior periods	(80,440)	-
Other timing differences leading to an increase (decrease) in taxation	(22,765)	(4,593)
Group relief	(104,256)	-
R&D expenditure credits	(7,585)	-
Total tax credit for the year	(30,774)	(340,487)

Factors that may affect future tax charges

Arthouse Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

9. Taxation (continued)

Reductions in UK Corporation tax rate from 20% to 17% (19% effective from 1 April 2017 and 17% effective from 1 April 2020) have been substantively enacted. This will impact the company's future tax charge accordingly.

10. Tangible fixed assets

	Improvements to leasehold property £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation					
At 1 January 2018	52,016	58,936	76,212	407,960	595,124
Additions	-	2,846	541	79,885	83,272
Disposals	-	-	-	(537)	(537)
At 31 December 2018	52,016	61,782	76,753	487,308	677,859
Depreciation					
At 1 January 2018	43,362	58,936	67,118	357,323	526,739
Charge for the year on owned assets	6,137	949	4,890	43,190	55,166
Disposals	-	-	-	(537)	(537)
At 31 December 2018	49,499	59,885	72,008	399,976	581,368
Net book value					
At 31 December 2018	2,517	1,897	4,745	87,332	96,491
At 31 December 2017	8,654	-	9,094	50,637	68,385

Arthouse Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

11. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2018 and 31 December 2018	<u><u>2</u></u>

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
A Shade Wilder Limited	Ordinary	100 %	Dormant
Arthouse Interiors Limited	Ordinary	100 %	Dormant

The registered office of both subsidiaries is St James Church, Bacup Road, Waterfoot, Rossendale, BB4 7JU.

12. Stocks

	2018 £	2017 £
Finished goods and goods for resale	<u><u>3,290,883</u></u>	<u><u>2,855,050</u></u>

Stock recognised in cost of sales during the year as an expense was £10,508,614 (2017 - £10,999,822).

A stock provision impairment/write-back of £532,501 (2017 - write-back of £356,231) was recognised in cost of sales against stock during the year.

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Arthouse Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

13. Debtors: Amounts falling due within one year

	2018 £	2017 £
Trade debtors	3,138,488	3,177,644
Amounts owed by group undertakings	10,104,301	9,235,636
Other debtors	-	19,683
Prepayments and accrued income	293,825	380,722
Tax recoverable	46,649	337,297
Deferred taxation	4,394	-
	<u>13,587,657</u>	<u>13,150,982</u>

Amounts owed by group undertakings are repayable on demand and interest free.

14. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	314,382	39,855
Less: bank overdrafts	-	(509,025)
	<u>314,382</u>	<u>(469,170)</u>

15. Creditors: Amounts falling due within one year

	2018 £	2017 £
Bank overdrafts	-	509,025
Trade creditors	4,002,172	2,709,517
Amounts owed to group undertakings	265,500	563,225
Other taxation and social security	126,572	75,388
Other creditors	142,628	112,082
Accruals and deferred income	1,235,090	1,516,982
	<u>5,771,962</u>	<u>5,486,219</u>

Amounts owed to group undertakings are repayable on demand and interest free.

Arthouse Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

16. Deferred taxation

	2018 £	2017 £
At beginning of year	9,523	12,049
Charged to profit or loss	(13,917)	(2,526)
At end of year	(4,394)	9,523

The deferred taxation balance is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	13,784	10,693
Other short term timing differences	(18,178)	(1,170)
	(4,394)	9,523

17. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
40,000 Ordinary shares of £1 each	40,000	40,000

Arthouse Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

18. Reserves

The company's reserves are as follows:

Share capital

Share capital represents the nominal value of shares issued.

Share premium account

The share premium account represents the premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from the share premium.

Capital redemption reserve

The capital redemption reserve contains the nominal value of own shares that have been acquired by the company and cancelled.

Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

19. Pension commitments

The company operates two defined contribution pension schemes. The assets of the schemes are held separately from those of the company in an independently administered fund. The pension charge amounted to £79,454 (2017 - £80,980). Contributions amounting to £13,093 (2017 - £9,891) were payable to the fund and are included in creditors.

Arthouse Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

20. Commitments under operating leases

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

	2018 £	2017 £
Land and Buildings		
Not later than 1 year	76,172	66,650
Later than 1 year and not later than 5 years	136,435	109,260
	<u>212,607</u>	<u>175,910</u>
	2018 £	2017 £
Other		
Not later than 1 year	83,790	79,383
Later than 1 year and not later than 5 years	77,226	47,108
Later than 5 years	432	-
	<u>161,448</u>	<u>126,491</u>

21. Transactions with directors

During the year loans were provided to certain directors totalling £Nil (2017 - £Nil).

22. Related party transactions

The company is a wholly owned subsidiary of Arthouse Holding Limited and has taken advantage of the available exemption conferred by section 33.1A of FRS 102 not to disclose transactions with group members due to consolidated accounts being publicly available.

23. Controlling party

The company's immediate parent company is Arthouse Holding Limited, which is owned 100% by Arthouse Group Limited. The company's ultimate parent undertaking is Arthouse Topco Limited. The registered office of Arthouse Topco Limited is St James Church Bacup Road, Waterfoot, Rossendale, Lancashire, England, BB4 7JU.

As at 31 December 2018, the largest and smallest group in which the results are consolidated is that headed by Arthouse Topco Limited. The consolidated accounts of the company are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. No other group accounts include the results of the company.

The controlling parties are considered to be the directors of Arthouse Topco Limited.