

COMPANY REGISTRATION NUMBER: 04467117

**THE EMPIRE HOLDING COMPANY LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31st DECEMBER 2016**



**BREBNERS**  
Chartered Accountants & Statutory Auditor  
130 Shaftesbury Avenue  
London  
W1D 5AR

# THE EMPIRE HOLDING COMPANY LIMITED

## FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2016

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**THE EMPIRE HOLDING COMPANY LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**

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<b>Director</b>	S C Burdge
<b>Company secretary</b>	D R Blight
<b>Registered office</b>	130 Shaftesbury Avenue 2nd Floor London W1D 5EU
<b>Auditor</b>	Brebners Chartered Accountants & Statutory Auditor 130 Shaftesbury Avenue London W1D 5AR

# THE EMPIRE HOLDING COMPANY LIMITED

## STRATEGIC REPORT

YEAR ENDED 31st DECEMBER 2016

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### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company continued to be that of the provision of management services to group and related companies. Those companies are principally engaged as creative film design agencies and in the production of film trailers.

The Empire Group of companies are known for the production of high quality design and trailers and this has resulted in their becoming a market leader for this work in the UK and Europe. The group also contains a subsidiary company in New York, USA, to which the same production values attach.

The year ended 31st December 2016 has seen the group continue to be profitable, using its resources to increase its staff base, which itself has enabled the continuation of the high quality product which is what the Empire companies are known for, partly as a result of bringing more of the production and finishing process in-house.

### FINANCIAL KEY PERFORMANCE INDICATORS

The director is pleased to report another profitable year, and considers the Financial Key Performance Indicators to be the following:

	2016	2015
Turnover (£)	5,255,031	5,959,638
Gross profit (£)	4,509,448	5,474,930
Staff costs as a %age of turnover	47.1%	39.1%
Profit before tax (£)	937,237	1,558,057

The director is of the opinion that the benchmarks above are at an acceptable level and expect continued profitability in the forthcoming year.

### Outlook

The company continues to occupy a key place within the market, has a respected name within the industry and, whilst it is too early to predict the outcome for 2017, the director is encouraged by the substantial level of trade thus far. The company wants to continue its growth and it is hoped that the increased investment in staff, plus a post year end expansion of design space, will see improved results in the year ended 31st December 2017

# THE EMPIRE HOLDING COMPANY LIMITED

## STRATEGIC REPORT *(continued)*

YEAR ENDED 31st DECEMBER 2016

### FINANCIAL AND OPERATING RISKS

The director considers the main business risks to be reduced demand for film and subsequently reduced demand for film promotion activities, together with increased competition within the industry in the UK, Europe and the USA. The company and group place great emphasis on the quality of design work and it is this which the director believes helps to retain the group's status within the industry. It also strives to ensure that the highest quality staff are engaged to support the output of the group, and consequently the loss of staff to competitors is considered an operating risk to the group. The director also considers the general economic outlook to be a risk to the business, although in previous economic downturns the film industry and demand for film has proven to be resilient. This, along with the good working relationships built up with customers, means that the director feels that the group has minimised its exposure to such risks. This is evident in the good financial performance of the group since the balance sheet date.

### RISK MANAGEMENT

The director is responsible for determining the level of risk acceptable to the company. This is subject to regular review. The company seeks to mitigate its risks through the application of strict limits and controls and a monitoring process at operational level. Where it is appropriate and cost effective risks are passed to insurers.

#### Strategic risk

Strategic risk is the risk that results directly from operating in a specific industry at a specific time. The company mitigates this risk by maintaining good working relationships with its customers and by ensuring that the high quality design values are maintained.

#### Compliance risk

Compliance risk is the risk that results from rules and regulations affecting the group. The group mitigates this risk by ensuring it continues to uphold all regulatory standards and by ensuring that it maintains the strictest control over data protection.

#### Financial risk

Financial risk is any risk relating to financing. There are regular reviews of debtors to ensure they remain at a reasonable level. The group ensures that liquidity is maintained by monitoring cash balances regularly to ensure it retains flexibility in the management of cash flows. Cash is held in GBP and US Dollar currencies, which mitigates exchange rate risks.

#### Operational risk

Operational risk is caused by failures in business processes or the systems or physical infrastructure that support them that have the potential to result in financial loss or reputation damage. This includes errors, omissions, systems failure, lack of resources or physical assets and deliberate acts such as fraud. The group has sufficient staff to deliver design to the clients on a timely basis, as well as constant and regular investment in its own equipment and facilities to deliver quality work. Furthermore, the group seeks to continually improve its operating efficiencies and standards.

#### Reputational risks

Reputational risk is the risk that the group's reputation may be damaged from negative publicity. The group enjoys a good reputation for high quality design, and aims to uphold this reputation at all times.

This report was approved by the board of directors on 28/9/17 and signed on behalf of the board by:

  
 S C Burdge  
 Director

# THE EMPIRE HOLDING COMPANY LIMITED

## DIRECTOR'S REPORT

### YEAR ENDED 31st DECEMBER 2016

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The director presents his report and the financial statements of the group for the year ended 31st December 2016.

#### DIRECTOR

The director who served the company during the year was as follows:

S C Burdge

#### PRINCIPAL ACTIVITY

The principal activity of the company during the year was of a holding company and providing management services. The principal activity of the subsidiary undertakings continued to be that of a creative film design agency.

#### DIVIDENDS

The director does not recommend the payment of a dividend.

#### EVENTS AFTER THE END OF THE REPORTING PERIOD

Particulars of events after the reporting date are detailed in note 27 to the financial statements.

#### DISCLOSURE OF INFORMATION IN THE STRATEGIC REPORT

The company has chosen in accordance with S.414C(11) Companies Act 2006 to set out in the company's strategic report information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained within the director's report. It has done so in respect of future developments and financial risk management and exposure.

#### DIRECTOR'S RESPONSIBILITIES STATEMENT

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

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

In preparing these financial statements, the director is required to:

- select suitable accounting policies 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 company will continue in business.

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

# THE EMPIRE HOLDING COMPANY LIMITED

## DIRECTOR'S REPORT *(continued)*

YEAR ENDED 31st DECEMBER 2016

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### AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

This report was approved by the board of directors on 28/12/17 and signed on behalf of the board by:



S C Burdge  
Director

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**THE EMPIRE HOLDING COMPANY LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE EMPIRE**  
**HOLDING COMPANY LIMITED**

**YEAR ENDED 31st DECEMBER 2016**

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We have audited the financial statements of The Empire Holding Company Limited for the year ended 31st December 2016 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

**RESPECTIVE RESPONSIBILITIES OF DIRECTOR AND AUDITOR**

As explained more fully in the director's responsibilities statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the strategic report and the director's report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31st December 2016 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.

**THE EMPIRE HOLDING COMPANY LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE EMPIRE**  
**HOLDING COMPANY LIMITED** *(continued)*

**YEAR ENDED 31st DECEMBER 2016**

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**OPINION ON OTHER MATTER 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.

In the light of our 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 the Directors' Report.

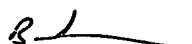
**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

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

**OTHER MATTERS**

The financial statements of The Empire Holding Company Limited for the year ended 31st December 2015 were exempt from the statutory requirement for audit and hence the corresponding figures are unaudited.



John Chamberlain (Senior Statutory Auditor)

For and on behalf of  
Brebners  
Chartered Accountants & Statutory Auditor  
130 Shaftesbury Avenue  
London  
W1D 5AR

22/9/17

**THE EMPIRE HOLDING COMPANY LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED 31st DECEMBER 2016**

		2016	Unaudited
		£	2015
	Note		£
<b>TURNOVER</b>	<b>4</b>	<b>5,255,031</b>	<b>5,959,638</b>
Cost of sales		<u>745,583</u>	<u>484,708</u>
<b>GROSS PROFIT</b>		<b>4,509,448</b>	<b>5,474,930</b>
Administrative expenses		<u>3,913,907</u>	<u>4,040,165</u>
Other operating income		<u>434,114</u>	<u>262,232</u>
<b>OPERATING PROFIT</b>	<b>5</b>	<b>1,029,655</b>	<b>1,696,997</b>
Other interest receivable and similar income	<b>8</b>	<u>7,581</u>	<u>9,063</u>
Interest payable and similar expenses	<b>9</b>	<u>99,999</u>	<u>148,003</u>
<b>PROFIT BEFORE TAXATION</b>		<b>937,237</b>	<b>1,558,057</b>
Tax on profit	<b>10</b>	<u>201,704</u>	<u>370,008</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b><u>735,533</u></b>	<b><u>1,188,049</u></b>
Foreign currency retranslation		<u>(85,291)</u>	<u>(22,537)</u>
Dividends paid to minority interests		<u>(233,000)</u>	<u>(152,999)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>(318,291)</u></b>	<b><u>(175,536)</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>417,242</u></b>	<b><u>1,012,513</u></b>
Profit for the financial year attributable to:			
The owners of the parent company		<u>723,452</u>	<u>1,165,950</u>
Minority interests		<u>12,081</u>	<u>22,099</u>
		<b><u>735,533</u></b>	<b><u>1,188,049</u></b>
Total comprehensive income for the year attributable to:			
The owners of the parent company		<u>409,819</u>	<u>993,473</u>
Minority interests		<u>7,423</u>	<u>19,040</u>
		<b><u>417,242</u></b>	<b><u>1,012,513</u></b>

All the activities of the group are from continuing operations.

The notes on pages 16 to 34 form part of these financial statements.

**THE EMPIRE HOLDING COMPANY LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**31st DECEMBER 2016**

	Note	2016 £	2015 £
<b>FIXED ASSETS</b>			
Tangible assets	12	4,483,397	4,629,119
Investments	13	<u>14,282</u>	<u>14,282</u>
		<b>4,497,679</b>	<b>4,643,401</b>
<b>CURRENT ASSETS</b>			
Debtors	14	3,968,327	2,951,460
Cash at bank and in hand		<u>122,791</u>	<u>145,261</u>
		<b>4,091,118</b>	<b>3,096,721</b>
<b>CREDITORS: amounts falling due within one year</b>	16	<u>2,885,793</u>	<u>2,235,922</u>
<b>NET CURRENT ASSETS</b>		<b>1,205,325</b>	<b>860,799</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>5,703,004</b>	<b>5,504,200</b>
<b>CREDITORS: amounts falling due after more than one year</b>	17	<b>2,216,580</b>	<b>2,403,155</b>
<b>PROVISIONS</b>			
Taxation including deferred tax	19	43,963	75,826
Other provisions	19	<u>231,621</u>	<u>231,621</u>
		<b>275,584</b>	<b>307,447</b>
<b>NET ASSETS</b>		<b><u>3,210,840</u></b>	<b><u>2,793,598</u></b>

The consolidated statement of financial position  
continues on the following page.

The notes on pages 16 to 34 form part of these financial statements.

**THE EMPIRE HOLDING COMPANY LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*

**31st DECEMBER 2016**

	Note	2016 £	2015 £
<b>CAPITAL AND RESERVES</b>			
Called up share capital	23	25,682	25,682
Profit and loss account	24	<u>3,119,247</u>	<u>2,709,428</u>
<b>EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY</b>		<b>3,144,929</b>	<b>2,735,110</b>
<b>MINORITY INTERESTS</b>		<u>65,911</u>	<u>58,488</u>
		<b>3,210,840</b>	<b>2,793,598</b>

These financial statements were approved by the board of directors and authorised for issue on 28/9/17 and are signed on behalf of the board by:



S C Burdge  
Director

Company registration number: 04467117

The notes on pages 16 to 34 form part of these financial statements.

# THE EMPIRE HOLDING COMPANY LIMITED

## COMPANY STATEMENT OF FINANCIAL POSITION

31st DECEMBER 2016

	Note	2016 £	2015 £
<b>FIXED ASSETS</b>			
Tangible assets	12	4,310,269	4,419,313
Investments	13	166,189	166,189
		<u>4,476,458</u>	<u>4,585,502</u>
<b>CURRENT ASSETS</b>			
Debtors	14	2,425,896	1,868,115
Cash at bank and in hand		440	555
		<u>2,426,336</u>	<u>1,868,670</u>
<b>CREDITORS: amounts falling due within one year</b>	16	<u>3,771,182</u>	<u>3,358,471</u>
<b>NET CURRENT LIABILITIES</b>		<u>1,344,846</u>	<u>1,489,801</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,131,612</u>	<u>3,095,701</u>
<b>CREDITORS: amounts falling due after more than one year</b>	17	2,204,176	2,345,993
<b>PROVISIONS</b>			
Taxation including deferred tax	19	22,669	51,361
Other provisions	19	231,621	231,621
		<u>254,290</u>	<u>282,982</u>
<b>NET ASSETS</b>		<u>673,146</u>	<u>466,726</u>

The company statement of financial position  
continues on the following page.

The notes on pages 16 to 34 form part of these financial statements.

**THE EMPIRE HOLDING COMPANY LIMITED**  
**COMPANY STATEMENT OF FINANCIAL POSITION** *(continued)*

**31st DECEMBER 2016**

	Note	2016 £	2015 £
<b>CAPITAL AND RESERVES</b>			
Called up share capital	23	25,682	25,682
Profit and loss account	24	647,464	441,044
<b>MEMBERS FUNDS</b>		<u>673,146</u>	<u>466,726</u>

The profit for the financial year of the parent company was £206,420 (2015: £30,425 loss).

These financial statements were approved by the board of directors and authorised for issue on 28/9/17,  
and are signed on behalf of the board by:

  
S C Burdge  
Director

Company registration number: 04467117

The notes on pages 16 to 34 form part of these financial statements.

**THE EMPIRE HOLDING COMPANY LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 31st DECEMBER 2016**

	Called up share capital £	Profit and loss account £	Equity attributable to the owners of the parent company £	Minority interests £	Total £
<b>AT 1st JANUARY 2015</b>	25,682	1,715,955	1,741,637	39,448	1,781,085
Profit for the year		1,165,950	1,165,950	22,099	1,188,049
Other comprehensive income for the year:					
Foreign currency retranslation	–	(22,537)	(22,537)	–	(22,537)
Dividends paid to minority interests	–	(149,940)	(149,940)	(3,059)	(152,999)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	–	993,473	993,473	19,040	1,012,513
<b>AT 31st DECEMBER 2015</b>	25,682	2,709,428	<b>2,735,110</b>	58,488	<b>2,793,598</b>
Profit for the year		723,452	<b>723,452</b>	12,081	<b>735,533</b>
Other comprehensive income for the year:					
Foreign currency retranslation	–	(85,291)	<b>(85,291)</b>	–	<b>(85,291)</b>
Dividends paid to minority interests	–	(228,342)	<b>(228,342)</b>	(4,658)	<b>(233,000)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	–	409,819	<b>409,819</b>	7,423	<b>417,242</b>
<b>AT 31st DECEMBER 2016</b>	<u>25,682</u>	<u>3,119,247</u>	<u><b>3,144,929</b></u>	<u>65,911</u>	<u><b>3,210,840</b></u>

The notes on pages 16 to 34 form part of these financial statements.

**THE EMPIRE HOLDING COMPANY LIMITED**  
**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 31st DECEMBER 2016**

	Called up share capital £	Profit and loss account £	Total £
<b>AT 1st JANUARY 2015</b>	25,682	471,469	497,151
Profit for the year	—	(30,425)	(30,425)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	—	(30,425)	(30,425)
<b>AT 31st DECEMBER 2015</b>	25,682	441,044	466,726
Profit for the year	—	206,420	206,420
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	—	206,420	206,420
<b>AT 31st DECEMBER 2016</b>	<u>25,682</u>	<u>647,464</u>	<u>673,146</u>

The notes on pages 16 to 34 form part of these financial statements.

**THE EMPIRE HOLDING COMPANY LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED 31st DECEMBER 2016**

	Note	2016 £	2015 £
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the financial year		735,533	1,188,049
<i>Adjustments for:</i>			
Depreciation of tangible assets		237,625	231,668
Fair value adjustment of investment property		–	134,017
Other interest receivable and similar income		(7,581)	(9,063)
Interest payable and similar expenses		99,999	148,003
Tax on profit		201,704	370,008
Accrued expenses/(income)		106,214	(9,317)
<i>Changes in:</i>			
Trade and other debtors		(1,016,867)	(749,313)
Trade and other creditors		349,204	80,477
Cash generated from operations		705,831	1,384,529
Interest paid		(99,999)	(148,003)
Interest received		7,581	9,063
Tax received/(paid)		40,487	(473,034)
Net cash from operating activities		<u>653,900</u>	<u>772,555</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of tangible assets		(78,505)	(283,443)
Net cash used in investing activities		<u>(78,505)</u>	<u>(283,443)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		–	2,598,715
Repayments of borrowings		(218,559)	(2,762,634)
Payments of finance lease liabilities		(104,468)	(113,401)
Dividends paid to minority interests		(233,000)	(153,000)
Net cash used in financing activities		<u>(556,027)</u>	<u>(430,320)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		19,368	58,792
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<u>(172,336)</u>	<u>(231,128)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	15	<u>(152,968)</u>	<u>(172,336)</u>

The notes on pages 16 to 34 form part of these financial statements.

**THE EMPIRE HOLDING COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31st DECEMBER 2016**

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**1. GENERAL INFORMATION**

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is 130 Shaftesbury Avenue, 2nd Floor, London, W1D 5EU.

**2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and the Companies Act 2006.

**3. ACCOUNTING POLICIES****Basis of preparation**

These financial statements have been prepared in Pounds Sterling (£) and have been prepared on the historical cost basis.

**Going concern**

During the year the group remained profitable and had net assets at the year end date of £3,210,840.

Unaudited management accounts and forecasts show that the group continues to trade profitably for the period subsequent to the year end.

The group's working capital requirements are currently met via a combination of trade creditors, bank facilities and hire purchase. The directors have no reason to believe that any of these facilities will be discontinued.

As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current economic outlook.

On the above basis the directors consider that it is reasonable to prepare the accounts on a going concern basis.

**Transition to FRS 102**

The entity transitioned from previous UK GAAP to FRS 102 as at 1st January 2015. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 31.

**Disclosure exemptions**

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

(a) No cash flow statement has been presented for the company.

**Consolidation**

The financial statements consolidate the financial statements of The Empire Holding Company Limited and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

# THE EMPIRE HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2016

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### 3. ACCOUNTING POLICIES *(continued)*

#### **Consolidation *(continued)***

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual profit and loss account.

#### **Minority interests**

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

The proportions of profit or loss and changes in equity allocated to the owners of the parent and to the minority interests are determined on the basis of existing ownership interests and do not reflect the possible exercise or conversion of options or convertible instruments.

#### **Judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### ***Significant judgements***

Other than those involving estimations there are no judgements that management have made in the process of applying the entity's accounting policies that have a significant effect on the amounts recognised in the financial statements.

#### ***Key sources of estimation uncertainty***

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year as follows:

#### ***Useful economic lives of tangible assets***

Tangible fixed assets are depreciated to their estimated residual values over their estimated useful lives. The group exercises judgement to determine these useful lives and residual values.

#### ***Fair value of investment properties***

Investment properties are revalued to fair value. The group exercises judgement in determining fair value.

#### **Revenue recognition**

The turnover shown in the profit and loss account represents amounts receivable for services supplied during the year, exclusive of Value Added Tax.

# THE EMPIRE HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31st DECEMBER 2016

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#### 3. ACCOUNTING POLICIES *(continued)*

##### Revenue recognition *(continued)*

Turnover in respect of the provision of management services is recognised as services are performed when the company has a right to consideration.

Revenues from design services are normally recognised as services are performed, on a time basis when the company has a right to consideration. Occasionally design services are sold on a fixed price basis, and under these circumstances revenue is recognised according to the percentage of work performed.

If circumstances arise that may change the original estimates of revenues or extent of progress towards completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues and are reflected in income in the period in which the circumstances that gave rise to the revision become known by management.

##### Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Lease income is recognised in profit or loss on a straight line basis over the lease term. The aggregate cost of lease incentives are recognised as a reduction to income over the lease term on a straight-line basis. Costs, including depreciation, incurred in earning the lease income are recognised as an expense. Any initial direct costs incurred in negotiating and arranging the operating lease are added to the carrying amount of the lease and recognised as an expense over the lease term on the same basis as the lease income.

##### Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

##### Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

# THE EMPIRE HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31st DECEMBER 2016

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#### 3. ACCOUNTING POLICIES *(continued)*

##### Amortisation

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

Goodwill - 10 years

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Negative goodwill up to the value of non-monetary assets acquired is written off in the periods in which the non-monetary assets are recovered and any excess over this value is written off in the periods expected to be benefitted.

##### Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

##### Depreciation

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

Freehold property	-	Over 50 years
Leasehold property	-	Over the term of the lease
Fixtures, fittings and equipment	-	10%-25% straight line
Motor vehicles	-	20% straight line

##### Fixed asset impairment

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

# THE EMPIRE HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2016

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### 3. ACCOUNTING POLICIES *(continued)*

#### Investment property

Investment property is initially recorded at cost, which includes purchase price and any directly attributable expenditure.

Investment property is revalued to its fair value at each reporting date and any changes in fair value are recognised in profit or loss.

If a reliable measure of fair value is no longer available without undue cost or effort for an item of investment property, it shall be transferred to tangible assets and treated as such until it is expected that fair value will be reliably measurable on an on-going basis.

#### Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

#### Related parties

For the purposes of these financial statements, a party is considered to be related to the company if:

(i) the party has the ability, directly or indirectly, through one or more intermediaries, to control the company or exercise significant influence over the company in making financial and operating policy decisions, or has joint control over the company;

(ii) the company and the party are subject to common control;

(iii) the party is an associate of the company or a joint venture in which the company is a venturer;

(iv) the party is a member of key management personnel of the company or the company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals;

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the company or of any entity that is a related party of the company; or

(vii) the party, or any member of a group of which it is part, provides key management personnel services to the company or its parent.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

# THE EMPIRE HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2016

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### 3. ACCOUNTING POLICIES *(continued)*

#### Trade debtors and other debtors

Trade and other debtors are initially recognised at the transaction price and thereafter stated at amortised cost using the effective interest method, less impairment losses for bad and doubtful debts except where the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings or current liabilities.

#### Trade and other creditors

Trade and other creditors are initially recognised at the transaction price and are thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial in which case they are stated at cost.

#### Issue costs

Issue costs in respect of raising long term finance are accounted for as a reduction in proceeds received and charged over the period of debt at a constant rate on the carrying amount.

#### Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

#### Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

# THE EMPIRE HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2016

### 3. ACCOUNTING POLICIES *(continued)*

#### Financial instruments

Basic financial instruments are recognised at amortised cost, except for investments in non-convertible preference and non-puttable ordinary shares which are measured at fair value, with changes recognised in profit or loss. Derivative financial instruments are initially recorded at cost and thereafter at fair value with changes recognised in profit or loss.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

#### Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

### 4. TURNOVER

Turnover arises from:

	2016 £	Unaudited 2015 £
Rendering of services	<u>5,255,031</u>	<u>5,959,638</u>

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

### 5. OPERATING PROFIT

Operating profit or loss is stated after (crediting)/charging:

	2016 £	Unaudited 2015 £
Depreciation of tangible assets	237,625	231,668
Fair value adjustments to investment property	–	134,017
Impairment of trade debtors	5,612	623
Foreign exchange differences	<u>(335,458)</u>	<u>(129,488)</u>

In addition, operating lease costs were incurred in respect of rent on land and buildings totalling £409,348 (2015: £384,603) and in respect of equipment totalling £12,232 (2015: £Nil).

# THE EMPIRE HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2016

### 6. STAFF COSTS

The average number of persons employed by the group during the year, including the director, amounted to:

	2016 No.	2015 No.
Production staff	40	41
Administrative staff	8	9
Management staff	3	3
	<u>51</u>	<u>53</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2016 £	Unaudited 2015 £
Wages and salaries	2,227,237	2,089,170
Social security costs	228,545	201,648
Other pension costs	17,544	36,496
	<u>2,473,326</u>	<u>2,327,314</u>

### 7. DIRECTOR'S REMUNERATION

The director's aggregate remuneration in respect of qualifying services was:

	2016 £	Unaudited 2015 £
Remuneration	<u>10,000</u>	<u>10,000</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2016 No.	2015 No.
Defined contribution plans	<u>1</u>	<u>1</u>

### 8. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £	Unaudited 2015 £
Interest receivable	<u>7,581</u>	<u>9,063</u>

### 9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2016 £	Unaudited 2015 £
Interest on banks loans and overdrafts	91,105	96,890
Interest on obligations under finance leases and hire purchase contracts	9,191	15,195
Other interest payable and similar charges	7,886	6,469
	<u>108,182</u>	<u>118,554</u>

# THE EMPIRE HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2016

### 10. TAX ON PROFIT

#### Major components of tax expense

	2016 £	Unaudited 2015 £
<b>Current tax:</b>		
UK current tax expense	233,567	364,377
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(31,863)	5,631
<b>Tax on profit</b>	<b>201,704</b>	<b>370,008</b>

#### Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2015: higher than) the standard rate of corporation tax in the UK of 20% (2015: 20.25%).

	2016 £	Unaudited 2015 £
Profit on ordinary activities before taxation	937,237	1,558,057
Profit on ordinary activities by rate of tax	195,555	315,507
Effect of expenses not deductible for tax purposes	18,600	38,469
Deferred taxation	(31,863)	5,631
Depreciation in excess of capital allowances	19,412	10,401
<b>Tax on profit</b>	<b>201,704</b>	<b>370,008</b>

Furthermore the company has capital losses of £77,044 which are to be carried forward to be relieved against future capital gains. No deferred tax asset has been provided on this due to the uncertainty over the timing of its reversal.

### 11. INTANGIBLE ASSETS

Group	Negative goodwill £
<b>Cost</b>	
At 1 Jan 2016 and 31 Dec 2016	(194,018)
<b>Amortisation</b>	
At 1 Jan 2016 and 31 Dec 2016	(194,018)
<b>Carrying amount</b>	
At 1 Jan 2016 and 31 Dec 2016	—

The company has no intangible assets.

# THE EMPIRE HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31st DECEMBER 2016

#### 12. TANGIBLE ASSETS

Group	Freehold property £	Investment property £	Leasehold property £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
<b>Cost</b>						
At 1 Jan 2016	1,262,391	2,917,333	160,023	1,242,002	33,820	5,615,569
Additions	–	–	5,545	72,960	–	78,505
Disposals	–	–	–	(158,273)	–	(158,273)
Foreign exchange movement	–	–	15,400	46,197	–	61,597
<b>At 31 Dec 2016</b>	<b>1,262,391</b>	<b>2,917,333</b>	<b>180,968</b>	<b>1,202,886</b>	<b>33,820</b>	<b>5,597,398</b>
<b>Depreciation</b>						
At 1 Jan 2016	68,509	–	106,275	804,902	6,764	986,450
Charge for the year	25,189	–	10,990	194,690	6,756	237,625
Disposals	–	–	–	(158,273)	–	(158,273)
Foreign exchange movement	–	–	9,826	38,373	–	48,199
<b>At 31 Dec 2016</b>	<b>93,698</b>	<b>–</b>	<b>127,091</b>	<b>879,692</b>	<b>13,520</b>	<b>1,114,001</b>
<b>Carrying amount</b>						
<b>At 31 Dec 2016</b>	<b>1,168,693</b>	<b>2,917,333</b>	<b>53,877</b>	<b>323,194</b>	<b>20,300</b>	<b>4,483,397</b>
At 31 Dec 2015	1,193,882	2,917,333	53,748	437,100	27,056	4,629,119

Company	Investment property £	Computer Equipment £	Fixtures and fittings £	Plant and machinery £	Total £
<b>Cost</b>					
At 1 January 2016	4,136,000	355,397	241,384	50,073	4,782,854
Additions	–	12,107	4,795	–	16,902
<b>At 31 December 2016</b>	<b>4,136,000</b>	<b>367,504</b>	<b>246,179</b>	<b>50,073</b>	<b>4,799,756</b>
<b>Depreciation</b>					
At 1 January 2016	–	161,224	187,688	14,629	363,541
Charge for the year	–	71,652	49,287	5,007	125,946
<b>At 31 December 2016</b>	<b>–</b>	<b>232,876</b>	<b>236,975</b>	<b>19,636</b>	<b>489,487</b>
<b>Carrying amount</b>					
<b>At 31 December 2016</b>	<b>4,136,000</b>	<b>134,628</b>	<b>9,204</b>	<b>30,437</b>	<b>4,310,269</b>
At 31 December 2015	4,136,000	194,173	53,696	35,444	4,419,313

Investment property is initially recorded at cost, which includes purchase price and any directly attributable expenditure.

Investment property is revalued to its fair value at each reporting date and any changes in fair value are recognised in profit or loss.

If a reliable measure of fair value is no longer available without undue cost or effort for an item of investment property, it shall be transferred to tangible assets and treated as such until it is expected that fair value will be reliably measurable on an on-going basis.

# THE EMPIRE HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31st DECEMBER 2016

#### 12. TANGIBLE ASSETS *(continued)*

The group's investment property has been valued by the directors at 31st December 2016 at an amount of £2,917,333.

The company's investment property has been valued by the directors at 31st December 2016 at an amount of £4,136,000.

#### Hire purchase agreements

Included within the net book value of £4,483,396 is £122,794 (2015: £188,116) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £65,322 (2015: £65,311).

#### 13. INVESTMENTS

Group	Artwork £
Cost	
At 1 Jan 2016 and 31 Dec 2016	<u>14,282</u>
Impairment	
At 1 Jan 2016 and 31 Dec 2016	<u>—</u>
Carrying amount	
At 1 Jan 2016 and 31 Dec 2016	<u>14,282</u>
Company	Shares in group undertakings £
Cost	
At 1 Jan 2016 and 31 Dec 2016	<u>166,189</u>
Impairment	
At 1 Jan 2016 and 31 Dec 2016	<u>—</u>
Carrying amount	
At 1 Jan 2016 and 31 Dec 2016	<u>166,189</u>

The company holds more than 20% of the issued share capital of the companies listed below. The principal activity of all trading companies continued to be that of a creative design film agency. All companies are registered in England and Wales with the exception of Empire Design New York Corporation which is incorporated in the United States of America.

#### Subsidiaries, associates and other investments

Details of the investments in which the group and the parent company have an interest of 20% or more are as follows:

	Class of share	Percentage of shares held
<b>Subsidiary undertakings</b>		
The Empire Design Company Limited	Ordinary Shares of £1	98
Empire Digital Limited	Ordinary Shares of £1	100

# THE EMPIRE HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31st DECEMBER 2016

#### 13. INVESTMENTS *(continued)*

	Class of share	Percentage of shares held
The Empire ESOP Trustee Company Limited*	Ordinary Shares of £1	98
Empire Design New York Corporation	Ordinary Shares of £1	100

\* = indirect subsidiary undertaking

Empire Digital Limited and The Empire ESOP Trustee Company Limited did not trade in the year.

The director believes that there has been no impairment to carrying values of investments.

#### 14. DEBTORS

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Trade debtors	947,589	596,889	–	–
Amounts owed by group undertakings	–	–	230,291	216,754
Prepayments and accrued income	484,087	399,553	72,871	67,112
Director's loan account	684,412	278,491	684,412	278,491
Other debtors	1,852,239	1,676,527	1,438,322	1,305,758
	<u>3,968,327</u>	<u>2,951,460</u>	<u>2,425,896</u>	<u>1,868,115</u>

#### 15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2016	2015
	£	£
Cash at bank and in hand	122,791	145,261
Bank overdrafts	(275,759)	(317,597)
	<u>(152,968)</u>	<u>(172,336)</u>

#### 16. CREDITORS: amounts falling due within one year

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Bank loans and overdrafts	420,430	454,892	175,046	171,098
Trade creditors	209,571	123,617	33,306	44,752
Amounts owed to group undertakings	–	–	3,262,844	2,804,366
Accruals and deferred income	196,562	90,348	116,943	84,799
Corporation tax	590,475	316,421	142,354	70,615
Social security and other taxes	171,391	110,807	6,631	4,314
Obligations under finance leases and hire purchase contracts	43,053	102,763	–	76,199
Other creditors	1,254,311	1,037,074	34,058	102,328
	<u>2,885,793</u>	<u>2,235,922</u>	<u>3,771,182</u>	<u>3,358,471</u>

# THE EMPIRE HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31st DECEMBER 2016

#### 16. CREDITORS: amounts falling due within one year *(continued)*

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2016	2015
	£	£
Bank loans and overdrafts	175,046	171,098
Other creditors including taxation and social security	–	58,094
Hire purchase agreements	–	76,199
	<u>175,046</u>	<u>305,391</u>

Bank overdrafts are secured by a fixed and floating charge over the assets of the group.

Bank loans carry interest at 3.66% and 2% plus base rate. These loans are secured first by a fixed charge over the freehold property of the company and further by a fixed and floating charge over the assets of the company and its subsidiaries. Both loans are repayable within 5 years.

Other creditors include a loan of £Nil (2015: £58,094) on which interest was payable at a rate of 12% per annum. The loan was secured by a second legal charge over the freehold property of the company. The full outstanding loan amount was repaid during the year.

Liabilities under hire purchase agreements are secured on the assets concerned.

The bank loans and overdrafts of The Empire Design Company Limited, The Empire Holding Company Limited and The Empire Film Company Limited are secured by cross guarantee and debenture over the assets of the three aforementioned companies.

#### 17. CREDITORS: amounts falling due after more than one year

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Bank loans and overdrafts	2,204,176	2,345,993	2,204,176	2,345,993
Obligations under finance leases and hire purchase contracts	12,404	57,162	–	–
	<u>2,216,580</u>	<u>2,403,155</u>	<u>2,204,176</u>	<u>2,345,993</u>

Bank loans are stated net of unamortised issue costs of £12,215 (2015: £16,093). The company originally incurred total issue costs of £19,345 in respect of raising loan finance for funding purposes. These costs together with the interest expense are allocated to the profit and loss account over the term of the facilities at a constant rate on the carrying amount. During the year an amount of £3,878 (2015: £3,252) was recognised in the profit and loss account.

# THE EMPIRE HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31st DECEMBER 2016

#### 18. FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Not later than 1 year	<b>43,053</b>	102,763	–	76,199
Later than 1 year and not later than 5 years	<b>12,404</b>	57,162	–	–
	<b>55,457</b>	159,925	–	76,199

Liabilities under hire purchase agreements are secured on the assets concerned.

#### 19. PROVISIONS

<b>Group</b>	<b>Dilapidations</b>	<b>Deferred tax</b>	<b>Total</b>
	<b>£</b>	<b>(note 20)</b>	<b>£</b>
At 1st January 2016	231,621	75,826	<b>307,447</b>
Charge against provision	–	(31,863)	<b>(31,863)</b>
<b>At 31st December 2016</b>	<b>231,621</b>	<b>43,963</b>	<b>275,584</b>

<b>Company</b>	<b>Dilapidations</b>	<b>Deferred tax</b>	<b>Total</b>
	<b>£</b>	<b>(note 20)</b>	<b>£</b>
At 1st January 2016	231,621	51,361	<b>282,982</b>
Charge against provision	–	(28,692)	<b>(28,692)</b>
<b>At 31st December 2016</b>	<b>231,621</b>	<b>22,669</b>	<b>254,290</b>

#### 20. DEFERRED TAX

The deferred tax included in the statement of financial position is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Included in provisions (note 19)	<b>43,963</b>	75,826	<b>22,669</b>	51,361

The deferred tax account consists of the tax effect of timing differences in respect of:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Accelerated capital allowances	<b>43,963</b>	75,826	<b>22,669</b>	51,361

#### 21. EMPLOYEE BENEFITS

##### Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £17,544 (2015: £36,496).

# THE EMPIRE HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2016

### 22. FINANCIAL INSTRUMENTS

The carrying amount for each category of financial instrument is as follows:

#### Financial assets that are debt instruments measured at amortised cost

	Group 2016 £	2015 £
Financial assets that are debt instruments measured at amortised cost	<u>3,887,609</u>	<u>2,909,242</u>

#### Financial liabilities measured at amortised cost

	Group 2016 £	2015 £
Financial liabilities measured at amortised cost	<u>3,249,351</u>	<u>2,657,347</u>

### 23. CALLED UP SHARE CAPITAL

#### Issued, called up and fully paid

	2016		2015	
	No.	£	No.	£
Ordinary shares of £1 each	<u>25,682</u>	<u>25,682</u>	<u>25,682</u>	<u>25,682</u>

### 24. RESERVES

Profit and loss account - This reserve records retained earnings and accumulated losses.

### 25. OPERATING LEASES

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

	Group 2016 £	2015 £	Company 2016 £	2015 £
Not later than 1 year	770,037	693,500	236,045	245,775
Later than 1 year and not later than 5 years	1,270,812	1,639,325	3,921	239,965
Later than 5 years	<u>542,658</u>	<u>832,658</u>	<u>-</u>	<u>-</u>
	<u>2,583,507</u>	<u>3,165,483</u>	<u>239,966</u>	<u>485,740</u>

The above lease commitments relate to property utilised by this company, The Empire Design Company Limited and The Empire Film Company Limited. Although the lease is in the name of The Empire Design Company Limited, The Empire Holding Company Limited has agreed to meet any future liability in respect of these leases.

### 26. CONTINGENCIES

The company has given a cross guarantee in respect of bank borrowings of its subsidiary undertaking (The Empire Design Company Limited) and a related undertaking (The Empire Film Company Limited). At 31st December 2016 the potential liability was £245,384. This guarantee is supported by a fixed and floating charge over the assets and undertakings of the company and a right of set off between the group's debit and credit balances.

# THE EMPIRE HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31st DECEMBER 2016

#### 27. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the year end dividends amounting to £583,000 have been paid by the company and an additional £156,000 of dividends have been paid to minority interests.

#### 28. DIRECTOR'S ADVANCES, CREDITS AND GUARANTEES

Included within debtors is an amount of £684,412 (2015: 278,491) due from S C Burdge, director. During the year advances of £756,023 and repayments of £350,012 were made. Interest of £5,641 (2015: £5,126) has been charged at a rate of 3% and there are no set terms in place.

#### 29. RELATED PARTY TRANSACTIONS

##### Group

During the year the group received management charges of £853,262 (2015: £673,676), received rental income of £284,051 (2015: £262,232), received a contribution towards administrative expenses of £Nil (£4,000) and paid management charges of £139,050 (2015: £94,058) to companies under common control.

Included within other debtors is an amount of £1,599,093 (2015: £1,373,292) due from and included within other creditors is an amount of £1,177,785 (2015: £1,052,699) due to companies under common control.

A director has given a personal guarantee in respect of the bank loans limited to £90,000.

During the year, an amount of £16,000 (2015: £18,000) was paid to the wife of a director, in respect of interior design services provided to the group.

Included within other debtors is an amount of £155,546 (2015: £236,811) due from key management personnel. During the year dividends of £233,000 (2015: £153,000) and remuneration of £109,854 (2015: £138,833) were paid and interest of £1,940 (2015: £3,937) was received from key management personnel.

##### Company

In accordance with FRS 102 paragraph 33.1A, exemption is taken not to disclose transactions in the year between group undertakings where 100% of the voting rights are controlled within the group.

During the year management fees of £506,128 (2015: £520,152) and rental income of £255,192 (2015: £255,192) were received from other group undertakings.

Included within other creditors is an amount of £10,000 (2015: £10,000) due to subsidiary undertakings.

Included within other debtors is an amount of £1,405,948 (2015: £1,254,125) due from companies under common control. During the year management fees of £703,200 (2015: £673,676), rental income of £58,551 (2015: £82,732) and a contributions toward administrative expenses of £Nil (2015: £4,000) were received from companies under common control.

A director has given a personal guarantee in respect of the bank loans limited to £90,000.

During the year, an amount of £16,000 (2015: £18,000) was paid to the wife of a director, in respect of interior design services provided to the company.

# THE EMPIRE HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31st DECEMBER 2016

#### 30. CONTROLLING PARTY

The company is under the control and ultimate control of S C Burdge.

#### 31. TRANSITION TO FRS 102

These are the first financial statements that comply with FRS 102. The group and the company transitioned to FRS 102 on 1st January 2015.

#### Reconciliation of equity

Group	1st January 2015			31st December 2015		
	As previously stated £	Effect of transition £	FRS 102 (as restated) £	As previously stated £	Effect of transition £	FRS 102 (as restated) £
Fixed assets	4,517,269	133,050	4,650,319	4,584,069	59,332	4,643,401
Current assets	2,280,728	–	2,280,728	3,096,721	–	3,096,721
Creditors: amounts falling due within one year	(4,661,796)	–	(4,661,796)	(2,235,922)	–	(2,235,922)
Net current assets	(2,381,068)	–	(2,381,068)	860,799	–	860,799
Total assets less current liabilities	2,136,201	133,050	2,269,251	5,444,868	59,332	5,504,200
Creditors: amounts falling due after more than one year	(186,350)	–	(186,350)	(2,403,155)	–	(2,403,155)
Provisions	(301,816)	–	(301,816)	(307,447)	–	(307,447)
Net assets	1,648,035	133,050	1,781,085	2,734,266	59,332	2,793,598
Capital and reserves	1,648,035	133,050	1,781,085	2,734,266	59,332	2,793,598

# THE EMPIRE HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31st DECEMBER 2016

#### 31. TRANSITION TO FRS 102 *(continued)*

##### Reconciliation of equity

Company	1st January 2015			31st December 2015		
	As previously stated £	Effect of transition £	FRS 102 (as restated) £	As previously stated £	Effect of transition £	FRS 102 (as restated) £
Fixed assets	4,502,170	188,630	4,690,800	4,501,384	84,118	4,585,502
Current assets	1,206,050	–	1,206,050	1,868,670	–	1,868,670
Creditors: amounts falling due within one year	(4,949,361)	–	(4,949,361)	(3,358,471)	–	(3,358,471)
Net current assets	(3,743,311)	–	(3,743,311)	(1,489,801)	–	(1,489,801)
Total assets less current liabilities	758,859	188,630	947,489	3,011,583	84,118	3,095,701
Creditors: amounts falling due after more than one year	(159,606)	–	(159,606)	(2,345,993)	–	(2,345,993)
Provisions	(290,732)	–	(290,732)	(282,982)	–	(282,982)
Net assets	308,521	188,630	497,151	382,608	84,118	466,726
Capital and reserves	308,521	188,630	497,151	382,608	84,118	466,726

##### Reconciliation of profit or loss for the year

	Year ended 31st December 2015		
	As previously stated £	Effect of transition £	FRS 102 (as restated) £
Turnover	5,959,638	–	5,959,638
Cost of sales	(484,708)	–	(484,708)
Gross profit	5,474,930	–	5,474,930
Administrative expenses	(3,966,447)	(73,718)	(4,040,165)
Other operating income	262,232	–	262,232
Operating profit	1,770,715	(73,718)	1,696,997
Other interest receivable and similar income	9,063	–	9,063
Interest payable and similar expenses	(148,003)	–	(148,003)
Tax on profit	(370,008)	–	(370,008)
Profit for the financial year	1,261,767	(73,718)	1,188,049

**THE EMPIRE HOLDING COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS** *(continued)***YEAR ENDED 31st DECEMBER 2016**

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**31. TRANSITION TO FRS 102** *(continued)*

The group has adopted FRS 102 for the year ended 31st December 2016 and has restated the comparative prior year amounts. The following were changes in accounting policies arising from the transition to FRS 102:

**Investment properties**

Under FRS 102 property let to group companies is required to be stated at fair value and disclosed as investment property, where previous UK GAAP precluded such treatment.

The impact on the group is an increase in net assets at 1st January 2015 of £133,050. Additionally depreciation previously charged in 2015 of £60,299 is reversed on transition and a fair value adjustment loss of £134,017 has been recognised in 2015.

The impact on the company is an increase in net assets at 1st January 2015 of £188,630. Additionally depreciation previously charged in 2015 of £85,488 is reversed on transition and a fair value adjustment loss of £190,000 has been recognised in 2015.