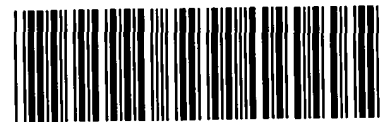


Company Registration No. 04535199 (England and Wales)

CREATIVITY INTERNATIONAL LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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COMPANIES HOUSE

CREATIVITY INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors	M Candela Mr J J Schmitz Mr D Paradis
Secretary	R W Ireland
Company number	04535199
Registered office	16 Narrowboat Way Hurst Business Park Brierley Hill West Midlands United Kingdom DY5 1UF
Auditor	Ormerod Rutter Limited The Oakley Kidderminster Road Droitwich Worcestershire WR9 9AY

CREATIVITY INTERNATIONAL LIMITED

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CREATIVITY INTERNATIONAL LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the Year ended 31 December 2019.

Business review

We aim to represent a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Our review is consistent with the size and nature of our business and is written in the context of the risks and opportunities that we face.

Principal risks and uncertainties

The principal risks and uncertainties facing the company are changes to the level of demand which are principally driven by government policy and spending in the education sector.

Performance for the year

Due to a change in period end in 2018, the year of 2018 reported for 13 periods and this meant that sales for the 2018 period were inflated to £9.33m. Sales in 2019 Jan – Dec were £9.367m vs £8.802m in the same period last year. This is a record year and was +6.4% vs 2018. Our direct sales channels grew by 9% to £731k.

Education continues to face challenges with funding still being a problem in schools and this (our largest) channel contracted by 5% to £5.376m. In 2020 we shall see further changes in the industry with mergers of the larger players and pricing pressures continuing from Far Eastern vendors.

On the other hand, exports continue to enjoy significant growth. We saw export sales increase to £611k which was +19% vs prior year. Our photography backgrounds division fell slightly to £782k from the previous year when sales were £832k. In 2020 we do have our Photokina exhibition and we anticipate a boost in sales after this event.

Retail has had a fabulous year with our focus on licences craft products, namely Crayola, and the uptake has been very significant resulting in our full year sales in retail reaching a record £1.65m. This is 187% above the same period last year.

Key performance indicators

We consider that our key performance indicators are those that communicate the financial performance and strength of the company as a whole, these being turnover, gross margin and operating profit margin.

	Year ended 31 December 2019	Period ended 31 December 2018
Turnover	£9,373,687	£9,337,784
Gross profit margin	42.1%	50.1%
Operating profit margin	6.2%	16.9%

CREATIVITY INTERNATIONAL LIMITED

STRATEGIC REPORT (CONTINUED)

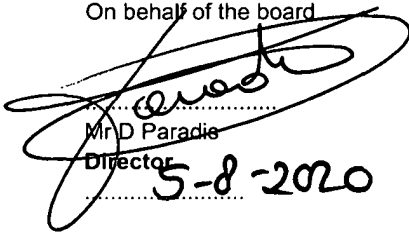
FOR THE YEAR ENDED 31 DECEMBER 2019

Future developments

In January 2020, as part of the FILA group strategy we have transferred the trade and assets of Creativity International Limited to Daler Rowney Limited. As a larger merged organisation we can enhance the customer experience, with a broader product range and improved distribution channels.

All existing customer of Creativity International Limited will continue to be serviced through Daler-Rowney Limited where we anticipate 2020 will bring some exciting new opportunities.

On behalf of the board



Mr D Paradis
Director
5-8-2020

CREATIVITY INTERNATIONAL LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the Year ended 31 December 2019.

Principal activities

The principal activity of the company in the Year under review was that of the supply of craft and educational display products.

Previous reporting period

The comparative figures relate to a 13 month reporting period which was extended from 1 December 2017 to 31 December 2018, and as such are not directly comparable with the current year.

Directors

The directors who held office during the Year and up to the date of signature of the financial statements were as follows:

M Candela
Mr J J Schmitz
Mr D Paradis

Results and dividends

The results for the Year are set out on page 8.

Ordinary dividends were paid amounting to £728,614. The directors do not recommend payment of a final dividend.

Financial instruments

Liquidity risk

The company seeks to arrange liquidity risk by ensuring sufficient liquidity is available to meet foreseeable need to invest cash assets safely and profitably.

Foreign currency risk

The company is exposed in its trading operations to the risk of changes in foreign currency exchange rates. The company's main exposure to foreign exchange rates is through the purchase of goods from US dollar denominated suppliers.

Credit risk

The company's principal financial assets are bank balances, cash and trade debtors which represent the company's maximum exposure to credit risk in relation to financial assets. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one debtor depending upon their history. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the company's management based on prior experience and their assessment of current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Future developments

Information about future developments can be found in the strategic report.

CREATIVITY INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Auditor

The auditor, Ormerod Rutter Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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;
- 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.

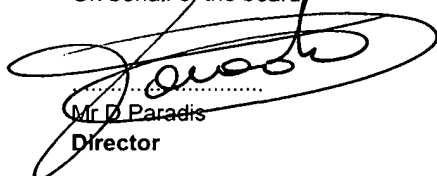
Matters covered in the strategic report

The strategic report includes a review of the business, details of principal risks and uncertainties and details of financial key performance indicators.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



Mr D Paradis
Director

Date: 5-8-2020

CREATIVITY INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CREATIVITY INTERNATIONAL LIMITED

Opinion

We have audited the financial statements of Creativity International Limited (the 'company') for the Year ended 31 December 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the Year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial Year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

CREATIVITY INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CREATIVITY INTERNATIONAL LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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.

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 on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

CREATIVITY INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CREATIVITY INTERNATIONAL LIMITED

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.



Colm McGrory FCA (Senior Statutory Auditor)
for and on behalf of Ormerod Rutter Limited

12/8/2020.
.....

Chartered Accountants
Statutory Auditor

The Oakley
Kidderminster Road
Droitwich
Worcestershire
WR9 9AY

CREATIVITY INTERNATIONAL LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		Year ended 31 December 2019 £	Period ended 31 December 2018 £
	Notes		
Turnover	3	9,373,687	9,337,784
Cost of sales		(5,430,292)	(4,661,468)
Gross profit		3,943,395	4,676,316
Distribution costs		(1,433,189)	(1,451,669)
Administrative expenses		(1,700,361)	(1,648,004)
Exceptional items	4	(225,827)	-
Operating profit	5	584,018	1,576,643
Interest receivable and similar income	9	803	916
Interest payable and similar expenses	10	(7,838)	(8,787)
Profit before taxation		576,983	1,568,772
Tax on profit	11	(110,298)	(290,802)
Profit for the financial Year		466,685	1,277,970
Other comprehensive income			
Revaluation of tangible fixed assets		-	210,692
Tax relating to other comprehensive income		(29,039)	-
Total comprehensive income for the Year		437,646	1,488,662

The Statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

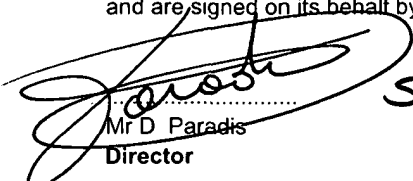
CREATIVITY INTERNATIONAL LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	14		309,221		330,360
Current assets					
Stocks	16	2,428,525		2,755,871	
Debtors	17	947,695		875,118	
Cash at bank and in hand		1,706,855		830,774	
		5,083,075		4,461,763	
Creditors: amounts falling due within one year	18	(1,463,867)		(648,593)	
Net current assets			3,619,208		3,813,170
Total assets less current liabilities			3,928,429		4,143,530
Provisions for liabilities	19		(77,921)		(2,054)
Net assets			3,850,508		4,141,476
Capital and reserves					
Called up share capital	22		1		598,147
Revaluation reserve	23		141,775		197,152
Profit and loss reserves			3,708,732		3,346,177
Total equity			3,850,508		4,141,476

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

 51812020
Mr D. Paradis
Director

Company Registration No. 04535199

CREATIVITY INTERNATIONAL LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £	Revaluation reserve £	Profit and loss reserves £	Total £
Balance at 1 December 2017		598,147	-	2,937,354	3,535,501
Period ended 31 December 2018:					
Profit for the period		-	-	1,277,970	1,277,970
Other comprehensive income:					
Revaluation of tangible fixed assets		-	210,692	-	210,692
Total comprehensive income for the period		-	210,692	1,277,970	1,488,662
Dividends	12	-	-	(833,820)	(833,820)
Transfers		-	(13,540)	13,540	-
Other movements		-	-	(48,867)	(48,867)
Balance at 31 December 2018		598,147	197,152	3,346,177	4,141,476
Period ended 31 December 2019:					
Profit for the period		-	-	466,685	466,685
Other comprehensive income:					
Tax relating to other comprehensive income		-	(29,039)	-	(29,039)
Total comprehensive income for the period		-	(29,039)	466,685	437,646
Dividends	12	-	-	(728,614)	(728,614)
Reduction of shares	22	(598,146)	-	598,146	-
Transfers		-	(26,338)	26,338	-
Balance at 31 December 2019		1	141,775	3,708,732	3,850,508

CREATIVITY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Creativity International Limited is a private company limited by shares incorporated in England and Wales. The registered office is 16, Narrowboat Way, Hurst Business Park, Brierley Hill, West Midlands, DY5 1UF.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of F.I.L.A, Fabbrica Italiana Lapis ed Affini S.p.A. These consolidated financial statements are publicly available.

1.2 Going concern

These financial statements have been drawn up on the going concern basis. If the going concern basis were not appropriate, adjustments would have been made to reduce assets to recoverable amounts, to provide for any further liabilities that might arise, and to re-classify fixed assets as current assets and long term liabilities as current liabilities.

1.3 Turnover

Turnover 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. Turnover is measured at the fair value of the consideration received or receivable for goods provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

The following criteria must also be met before revenue is recognised:

CREATIVITY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership of the goods to the buyer (usually on dispatch of the goods);
- the company retains neither continuing managerial involvement in the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Intangible assets

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

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

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	11.5% straight line
Fixtures and fittings	12% straight line
Office equipment	20% straight line
Motor vehicles	20% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

CREATIVITY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks of raw materials and finished goods are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash at bank and in hand

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

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

CREATIVITY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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. Financial liabilities classified as payable within one year are not amortised.

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

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

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

CREATIVITY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.13 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

CREATIVITY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.14 Retirement benefits

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 Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.16 Foreign exchange

Foreign currency transactions are translated into GB pounds sterling using the spot exchange rates at the dates of the transactions.

At each reporting end date, currency monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Non-monetary items measured at historical costs are translated using the exchange rate when fair value was determined.

Foreign currency gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account for the period, except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the profit and loss account within 'other operating income'.

CREATIVITY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Provision for slow moving and obsolete stock

At each reporting date, management use their knowledge of the market and available sales data to make appropriate provisions against obsolete and slow moving stock.

Provision for doubtful debts

An allowance for doubtful debts is maintained for estimated losses resulting from the inability of the company's customers to make required payments. The allowance is based on the company's regular assessment of the creditworthiness and financial conditions of customers.

3 Turnover and other revenue

	2019 £	2018 £
Turnover analysed by geographical market		
United Kingdom	8,302,053	8,370,228
Rest of European Union	778,716	725,879
Rest of World	292,918	241,677
	<u>9,373,687</u>	<u>9,337,784</u>

4 Exceptional items

	2019 £	2018 £
IT system implementation	55,827	-
Redundancy costs	170,000	-
	<u>225,827</u>	<u>-</u>

CREATIVITY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

5 Operating profit

	2019	2018
	£	£
Operating profit for the period is stated after charging/(crediting):		
Exchange gains	(40,941)	(10,795)
Depreciation of owned tangible fixed assets	42,756	50,531
Loss on disposal of tangible fixed assets	174	-
Amortisation of intangible assets	-	(125,370)
Cost of stocks recognised as an expense	5,209,257	4,380,749
Operating lease charges	469,775	534,448
	<u> </u>	<u> </u>

6 Auditor's remuneration

	2019	2018
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	19,400	18,750
	<u> </u>	<u> </u>
For other services		
All other non-audit services	3,050	2,950
	<u> </u>	<u> </u>

7 Employees

The average monthly number of persons (including directors) employed by the company during the Year was:

	2019	2018
	Number	Number
Administrative staff	46	46
Management Staff	3	3
	<u> </u>	<u> </u>
	49	49
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	1,396,097	1,445,207
Social security costs	123,762	138,305
Pension costs	75,092	63,709
	<u> </u>	<u> </u>
	1,594,951	1,647,221
	<u> </u>	<u> </u>

CREATIVITY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	-	72,750

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2018 - 1).

9 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	803	916

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	803	916
--	-----	-----

10 Interest payable and similar expenses

	2019 £	2018 £
Interest on financial liabilities measured at amortised cost:		
Other interest	7,838	8,787

11 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	63,470	281,623
Adjustments in respect of prior periods	-	9,179
Total current tax	63,470	290,802
Deferred tax		
Origination and reversal of timing differences	46,828	-
Total tax charge	110,298	290,802

CREATIVITY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Taxation

(Continued)

The actual charge for the Year can be reconciled to the expected charge for the Year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	576,983	1,568,772
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	109,627	298,067
Tax effect of expenses that are not deductible in determining taxable profit	5,057	445
Adjustments in respect of prior years	-	9,179
Group relief	(54,278)	-
Amortisation on assets not qualifying for tax allowances	-	(23,820)
Other permanent differences	241	-
Other timing differences	(169)	(1,471)
Depreciation charge in excess of capital allowances	49,820	8,402
Taxation charge for the period	110,298	290,802

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2019 £	2018 £
Deferred tax arising on:		
Revaluation of property	29,039	-

Factors that may affect future tax charges

The main rate of corporation tax will reduce to 17% from 1 April 2020 (a change which has been substantively enacted as of 21 July 2015 as part of the Finance Bill 2015). At Budget 2016, the government announced a further reduction to the Corporation Tax main rate (for all profits except ring fence profits) for the year starting 1 April 2020, setting the rate at 17% instead of 18% as expected in the 2015 Summer Budget.

Deferred tax has been measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and law that have been enacted or substantially enacted by the balance sheet date.

12 Dividends

	2019 £	2018 £
Interim paid	728,614	833,820

CREATIVITY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

13 Intangible fixed assets

	Negative goodwill £
Cost	
At 1 January 2019 and 31 December 2019	(493,260)
Amortisation and impairment	
At 1 January 2019 and 31 December 2019	(493,260)
Carrying amount	
At 31 December 2019	-
At 31 December 2018	-

14 Tangible fixed assets

	Plant and equipment £	Fixtures and fittings £	Office equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2019	350,746	373	970	896	352,985
Additions	22,250	-	-	-	22,250
Disposals	-	-	-	(896)	(896)
At 31 December 2019	372,996	373	970	-	374,339
Depreciation and impairment					
At 1 January 2019	22,394	25	107	99	22,625
Depreciation charged in the Year	42,353	45	194	164	42,756
Eliminated in respect of disposals	-	-	-	(263)	(263)
At 31 December 2019	64,747	70	301	-	65,118
Carrying amount					
At 31 December 2019	308,249	303	669	-	309,221
At 31 December 2018	328,352	348	863	797	330,360

Tangible fixed assets with a carrying amount of £170,199 were revalued at 7 June 2018 by Marshall Stevens, independent valuers not connected with the company on the basis of Level 2 valuation techniques. This valuation technique examines observable inputs for identical assets in less active markets or similar assets in active markets. The directors are satisfied with the current valuation.

CREATIVITY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

14 Tangible fixed assets

(Continued)

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2019 £	2018 £
Cost	688,070	672,156
Accumulated depreciation	(610,199)	(560,243)
Carrying value	<u>77,871</u>	<u>111,913</u>

15 Financial instruments

	2019 £	2018 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>905,460</u>	<u>807,771</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>1,285,926</u>	<u>505,331</u>

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised costs comprise trade creditors, amounts owed to group undertakings, other creditors and accruals.

16 Stocks

	2019 £	2018 £
Raw materials and consumables	111,503	206,875
Finished goods and goods for resale	<u>2,317,022</u>	<u>2,548,996</u>
	<u>2,428,525</u>	<u>2,755,871</u>

An impairment loss of £146,244 (2018: £47,104) was recognised in cost of sales against stock during the period due to slow moving and obsolete stock.

CREATIVITY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

17 Debtors

	2019	2018
	£	£
Amounts falling due within one year:		
Trade debtors	904,705	783,521
Amounts owed by group undertakings	393	-
Other debtors	362	24,250
Prepayments and accrued income	42,235	67,347
	<u>947,695</u>	<u>875,118</u>

An impairment loss of £1,229 (2018: £12,599) was recognised against trade debtors.

18 Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	548,615	193,926
Amounts owed to group undertakings	472,636	279,174
Corporation tax	42,951	91,481
Other taxation and social security	134,990	51,781
Other creditors	-	4,326
Accruals and deferred income	264,675	27,905
	<u>1,463,867</u>	<u>648,593</u>

19 Provisions for liabilities

	Notes	2019	2018
		£	£
Deferred tax liabilities	20	<u>77,921</u>	<u>2,054</u>

20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2019	Liabilities 2018
	£	£
Balances:		
Accelerated capital allowances	48,882	2,054
Revaluations	29,039	-
	<u>77,921</u>	<u>2,054</u>

CREATIVITY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

20 Deferred taxation (Continued)

	2019 £
Movements in the Year:	
Liability at 1 January 2019	2,054
Charge to profit or loss	46,828
Charge to other comprehensive income	29,039
	<u>77,921</u>
Liability at 31 December 2019	<u>77,921</u>

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

21 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>75,092</u>	<u>63,709</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

22 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
1 Ordinary of £1 each	<u>1</u>	<u>598,147</u>
	<u>1</u>	<u>598,147</u>

A resolution was passed on the 23rd December 2019 for the issued share capital to be reduced by 598,146, from 598,147 to 1. The aggregate amount of 598,146 by which the GBP share capital account is so reduced has been credited to the Company's profit and loss as a distributable reserve in line with resolution instruction.

CREATIVITY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

23 Reserves

Revaluation reserve

The revaluation reserve records the excess value of fixed assets from the revaluation over and above the historical cost valuation.

Profit and loss account

The profit and loss account includes all current and prior period retained profits, including dividends paid.

24 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £	2018 £
Within one year	3,614	142,401
Between two and five years	602	4,216
	<u>4,216</u>	<u>146,617</u>

25 Events after the reporting date

Creativity International Limited was acquired by Daler-Rowney Limited on 23 December 2019 through acquisition of shares. Effective 1 January 2020, all trade was hived up to Daler-Rowney Limited.

26 Related party transactions

Transactions with related parties

During the Year the company entered into the following transactions with related parties:

Description of transaction	Income		Payments	
	2019 £	2018 £	2019 £	2018 £
Entities with control, joint control or significant influence over the company	328	-	1,115,376	1,352,615
Other related parties	-	-	340,791	338,000

Amounts owed to/by related parties

The following amounts were outstanding at the reporting end date:

	Amount owed to		Amounts owed by	
	2019 £	2018 £	2019 £	2018 £
Entities with control, joint control or significant influence over the company	472,635	279,174	393	-
Other related parties	63,019	4,326	-	-

CREATIVITY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

26 Related party transactions

(Continued)

During the period, the company paid rent of £312,000 (2018: £338,000) at arms' length to Blue Sky Commercial Limited, a company in which R W Ireland is a director and shareholder.

27 Ultimate controlling party

The company's immediate parent undertaking *Daler-Rowney Limited*, a company incorporated in England and Wales. The registered office is Daler-Rowney House, Peacock Lane, Southern Industrial Area, Bracknell, RG12 8SS, United Kingdom.

The group considers that F.I.L.A. — Fabbrica Italiana Lapis ed Affini S.p.A., a company quoted on the Milan stock exchange, is the ultimate parent company and controlling party.

The largest group of which the company is a member and for which group financial statements are drawn up is that headed by F.I.L.A., whose financial statements are available to the public via its website www.filagroup.it.