

Registered number: 01385669

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**ARNO GB LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**ARNO GB LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	M J Aspin G T Palmer S B Rothmeier Prinz Phillipp von Thurn und Taxis
<b>Company secretary</b>	M D E Jones
<b>Registered number</b>	01385669
<b>Registered office</b>	Victorian House Coronation Road Bristol BS3 1AA
<b>Independent auditors</b>	Nexia Smith & Williamson Statutory Auditor & Chartered Accountant Portwall Place Portwall Lane Bristol BS1 6NA
<b>Bankers</b>	National Westminster Bank Bristol City Office PO Box 238 32 Corn Street Bristol BS99 7UG
<b>Solicitors</b>	Veale Wasbrough Vizards Orchard Court Orchard Lane Bristol BS1 5WS

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**ARNO GB LIMITED**

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## ARNO GB LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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The directors present their strategic report for the year ended 31 December 2017.

#### Business review

The directors are pleased to report that we have continued to build on our 2016 results and 2017 saw growth in revenue and profitability. A combination of overhead costs being controlled and the work completed on building a better value chain for our customers has returned an operating profit of £1,749,631 which is a 38% increase on the prior year. The business remains focussed on attracting high-end international brand retail clients and we continue to work to hold a balanced client portfolio. A strong pipeline of business moving into 2018 permits the directors to anticipate another good result in 2018.

#### Principal risks and uncertainties

##### Financial instrument risks

The company uses financial instruments comprising borrowings, some cash and liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to assist in financing the company's operations.

The main risks arising from the company's financial instruments are foreign currency risk and interest rate risk.

##### Currency risk

The company is exposed to transaction foreign exchange risk. The company seeks to hedge its exposure using bank facilities denominated in euros and US dollars, with the objective of minimising the effect of fluctuations in exchange rates on future transactions and cash flows.

##### Interest rate risk

The company finances its operations through a mixture of retained profits and bank borrowings. The company's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

##### Portfolio concentration

The company's portfolio is concentrated on a few key customers. However, the company does not consider itself reliant on these customers to continue trading and consistently seeks to increase its customer base.

#### Financial key performance indicators

The financial performance for the year can be analysed as follows:

	2017	2016	Change	Change
	£	£	£	%
Turnover	15,769,368	12,717,447	3,051,921	24.00%
Gross profit	6,664,252	4,570,813	2,093,439	45.80%
Operating profit	1,749,631	1,266,757	482,874	38.12%

This report was approved by the board on 25 June 2018 and signed on its behalf.



Prinz Phillipp von Thurn und Taxis  
Director

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## ARNO GB LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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The directors present their report and the financial statements for the year ended 31 December 2017.

#### Principal activity

The principal activity of the company during the year was the design and management of retail display and merchandising products.

#### Results and dividends

The profit for the year, after taxation, amounted to £1,399,913 (2016 - £985,408).

A dividend was paid in the year to Arno GmbH of £1,275,000 (2016 - £925,000).

#### Directors

The directors who served during the year were:

M J Aspin  
G T Palmer  
S B Rothmeier  
Prinz Phillip von Thurn und Taxis

#### Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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**ARNO GB LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**Disclosure of information to auditors**

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Auditors**

The auditors, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 25 June 2018 and signed on its behalf.



**M D E Jones**  
Secretary

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARNO GB LIMITED**

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**Opinion**

We have audited the financial statements of Arno GB Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of income and retained earnings, Statement of financial position, Statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member, 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 member 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 member, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the the company's affairs as at 31 December 2017 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.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARNO GB LIMITED (CONTINUED)

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### **Other information**

The other information comprises the information included in the Annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

### **Opinion on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

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

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



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARNO GB LIMITED (CONTINUED)

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### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

*Nexia Smith & Williamson*

Michael Neale (Senior statutory auditor)

for and on behalf of

**Nexia Smith & Williamson**

Statutory Auditor

Chartered Accountant

Portwall Place

Portwall Lane

Bristol

BS1 6NA

25 June 2018

**ARNO GB LIMITED**

**STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
Turnover	4	15,769,368	12,717,447
Cost of sales		(9,105,116)	(8,146,634)
<b>Gross profit</b>		<b>6,664,252</b>	<b>4,570,813</b>
Administrative expenses		(4,914,621)	(3,304,056)
<b>Operating profit</b>	5	<b>1,749,631</b>	<b>1,266,757</b>
Interest receivable and similar income	8	75	141
Interest payable and expenses	9	(4,028)	(16,377)
<b>Profit before tax</b>		<b>1,745,678</b>	<b>1,250,521</b>
Tax on profit	10	(345,765)	(265,113)
<b>Profit after tax</b>		<b>1,399,913</b>	<b>985,408</b>
Retained earnings at the beginning of the year		2,232,807	2,172,399
Profit for the year		1,399,913	985,408
Dividends declared and paid		(1,275,000)	(925,000)
<b>Retained earnings at the end of the year</b>		<b>2,357,720</b>	<b>2,232,807</b>


The notes on pages 10 to 23 form part of these financial statements.

**ARNO GB LIMITED**  
**REGISTERED NUMBER:01385669**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Intangible assets	12	24,573	38,528
Tangible assets	13	1,927,434	1,952,256
		<u>1,952,007</u>	<u>1,990,784</u>
<b>Current assets</b>			
Stocks	14	83,660	118,870
Debtors: amounts falling due within one year	15	1,494,110	1,340,793
Cash at bank and in hand	16	1,249,756	1,830,674
		<u>2,827,526</u>	<u>3,290,337</u>
Creditors: amounts falling due within one year	17	(2,236,009)	(2,697,895)
<b>Net current assets</b>		<u>591,517</u>	<u>592,442</u>
<b>Total assets less current liabilities</b>		<u>2,543,524</u>	<u>2,583,226</u>
Creditors: amounts falling due after more than one year	18	(42,500)	(212,500)
<b>Provisions for liabilities</b>			
Deferred tax	21	(48,749)	(43,364)
<b>Net assets</b>		<u><u>2,452,275</u></u>	<u><u>2,327,362</u></u>
<b>Capital and reserves</b>			
Called up share capital	22	80,000	80,000
Share premium account	23	2,506	2,506
Capital redemption reserve	23	12,049	12,049
Profit and loss account	23	2,357,720	2,232,807
		<u><u>2,452,275</u></u>	<u><u>2,327,362</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 June 2018.



**Prinz Phillipp von Thurn und Taxis**  
Director

The notes on pages 10 to 23 form part of these financial statements.

**ARNO GB LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 £	2016 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	1,399,913	985,408
<b>Adjustments for:</b>		
Amortisation of intangible assets	13,955	14,049
Depreciation of tangible assets	104,094	81,974
Interest paid	4,028	16,377
Interest received	(75)	(141)
Taxation charge	345,765	265,113
Decrease/(increase) in stocks	35,210	(19,498)
Increase in debtors	(153,317)	(616,649)
(Decrease)/increase in creditors	(520,075)	1,355,703
Corporation tax paid	(282,191)	(314,349)
<b>Net cash generated from operating activities</b>	<u>947,307</u>	<u>1,767,987</u>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	-	(31,758)
Purchase of tangible fixed assets	(79,272)	(73,956)
Interest received	75	141
<b>Net cash from investing activities</b>	<u>(79,197)</u>	<u>(105,573)</u>
<b>Cash flows from financing activities</b>		
Repayment of loans	(170,000)	(170,000)
Dividends paid	(1,275,000)	(925,000)
Interest paid	(4,028)	(16,377)
<b>Net cash used in financing activities</b>	<u>(1,449,028)</u>	<u>(1,111,377)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(580,918)</u>	<u>551,037</u>
Cash and cash equivalents at beginning of year	1,830,674	1,279,637
<b>Cash and cash equivalents at the end of year</b>	<u><u>1,249,756</u></u>	<u><u>1,830,674</u></u>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	<u><u>1,249,756</u></u>	<u><u>1,830,674</u></u>

The notes on pages 10 to 23 form part of these financial statements.

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## ARNO GB LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1. General information

Arno GB Limited is a limited liability company incorporated in England and Wales. Its registered head office is located at Victorian House, Coronation Road, Bristol, BS3 1AA.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

##### 2.2 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed. It is at this point that the Company is considered to have transferred the risks and rewards of ownership to the buyer.

##### 2.3 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 any accumulated impairment losses.

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

##### 2.4 Tangible fixed assets

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

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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## ARNO GB LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 2. Accounting policies (continued)

##### 2.4 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

Freehold property	-	2% straight line
Motor vehicles	-	25% straight line
Fixtures and fittings	-	25% straight line
Computer equipment	-	25% straight line

##### 2.5 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of income and retained earnings on a straight line basis over the lease term.

##### 2.6 Stocks

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

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

##### 2.7 Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank and short-term bank deposits with an original maturity of three months or less.

Derivative financial instruments are classified as other financial instruments. They are measured at fair value on initial recognition and at the end of each reporting period, with changes in fair value recognised in profit or loss.

Financial liabilities and equity instruments issued by the company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

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## ARNO GB LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 2. Accounting policies (continued)

Interest bearing bank loans, which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

##### 2.8 Foreign currency

Transactions in foreign currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

##### 2.9 Finance costs

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

##### 2.10 Dividends

Equity dividends are recognised when they become legally payable.

##### 2.11 Pensions

###### Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of income and retained earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

##### 2.12 Interest income

Interest income is recognised in the Statement of income and retained earnings using the effective interest method.

##### 2.13 Current and deferred taxation

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

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

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## ARNO GB LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 2. Accounting policies (continued)

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

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

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgments that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

The key judgments and sources of estimation uncertainty in these financial statements are considered to be:

##### **Cost accruals**

An accrual is made at year end for expected costs to complete on fully invoiced projects. The company exercises judgment in calculating this accrual with reference to expected overall margin and releases the accrual as costs are incurred.

##### **Debtor valuation**

The trade debtors balances of £1,313,221 recorded in the company's balance sheet comprise a relatively large number of small balances. A full line by line review of trade debtors is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

##### **Depreciation**

The company exercises judgement to determine useful lives and residual values of tangible fixed assets. The assets are depreciated down to their residual values over their useful estimated lives. Changes in the estimated useful life of an asset are considered at each year end and updated prospectively where required.



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ARNO GB LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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**4. Turnover**

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	10,934,009	8,625,149
Rest of Europe	2,685,280	3,300,299
Rest of the world	2,150,079	791,999
	<u>15,769,368</u>	<u>12,717,447</u>

**5. Operating profit**

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	104,094	81,974
Amortisation of intangible assets, including goodwill	13,955	14,049
Auditor's remuneration for the audit of the financial statements	15,500	19,750
Exchange differences	(66,377)	(115,887)
Other operating lease rentals	<u>40,521</u>	<u>41,723</u>

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ARNO GB LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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**6. Employees**

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

	2017 £	2016 £
Wages and salaries	3,066,936	2,039,961
Social security costs	295,636	238,308
Cost of defined contribution scheme	94,824	145,448
	<u>3,457,396</u>	<u>2,423,717</u>

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

	2017 No.	2016 No.
Client services (production)	28	19
Office administration and sales	22	21
Art studio	5	5
	<u>55</u>	<u>45</u>

**7. Directors' remuneration**

	2017 £	2016 £
Directors' emoluments	920,225	490,552
Company contributions to defined contribution pension schemes	27,419	26,815
	<u>947,644</u>	<u>517,367</u>

During the year retirement benefits were accruing to 3 directors (2016 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £321,862 (2016 - £175,180).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £6,514 (2016 - £13,057).

Key management are considered to be the directors of the company.

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ARNO GB LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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8. Interest receivable

	2017 £	2016 £
Other interest receivable	75	141

9. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	3,712	16,377
Other loan interest payable	316	-

This includes £17,604 credit (2016: £19,597 credit) in respect of the movement in the fair value of the interest rate swap.

10. Taxation

	2017 £	2016 £
<b>Corporation tax</b>		
Current tax on profits for the year	340,380	237,586
<b>Deferred tax</b>		
Origination and reversal of timing differences	5,385	27,527
<b>Taxation on profit on ordinary activities</b>	<b>345,765</b>	<b>265,113</b>

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**ARNO GB LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**10. Taxation (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2016 - *higher than*) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>1,745,678</u>	<u>1,250,521</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	336,043	250,104
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	13,882	(2,656)
Utilisation of tax losses	-	9,114
Timing differences	-	(3,919)
Difference between standard and actual rate of tax	(772)	(4,488)
Other timing differences leading to an (decrease)/increase in taxation	(3,388)	4,317
Deferred tax not recognised	-	12,641
<b>Total tax charge for the year</b>	<u><u>345,765</u></u>	<u><u>265,113</u></u>

**Factors that may affect future tax charges**

Finance Act 2016, which received Royal Assent on 15 September 2016, includes legislation to reduce the main rate of corporation tax from 19% to 17% from 1 April 2020. Accordingly, deferred tax has been calculated at the tax rate of 17%.

**11. Dividends**

	2017 £	2016 £
Dividends on ordinary equity shares	<u><u>1,275,000</u></u>	<u><u>925,000</u></u>

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12. Intangible assets

	Computer software £
<b>Cost</b>	
At 1 January 2017	203,454
At 31 December 2017	<u>203,454</u>
<b>Amortisation</b>	
At 1 January 2017	164,926
Charge for the year	13,955
At 31 December 2017	<u>178,881</u>
<b>Net book value</b>	
At 31 December 2017	<u><u>24,573</u></u>
At 31 December 2016	<u><u>38,528</u></u>

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**13. Tangible fixed assets**

	Freehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost or valuation</b>					
At 1 January 2017	2,229,314	37,530	98,692	225,195	2,590,731
Additions	16,196	-	29,514	33,562	79,272
At 31 December 2017	<u>2,245,510</u>	<u>37,530</u>	<u>128,206</u>	<u>258,757</u>	<u>2,670,003</u>
<b>Depreciation</b>					
At 1 January 2017	401,011	19,305	47,198	170,961	638,475
Charge for the year on owned assets	45,718	9,038	19,727	29,611	104,094
At 31 December 2017	<u>446,729</u>	<u>28,343</u>	<u>66,925</u>	<u>200,572</u>	<u>742,569</u>
<b>Net book value</b>					
At 31 December 2017	<u>1,798,781</u>	<u>9,187</u>	<u>61,281</u>	<u>58,185</u>	<u>1,927,434</u>
At 31 December 2016	<u>1,828,303</u>	<u>18,225</u>	<u>51,494</u>	<u>54,234</u>	<u>1,952,256</u>

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**14. Stocks**

	2017 £	2016 £
Finished goods and goods for resale	<u>83,660</u>	<u>118,870</u>

**15. Debtors**

	2017 £	2016 £
Trade debtors	1,313,221	774,712
Amounts owed by group undertakings	19,649	3,073
VAT repayable	72,576	40,011
Other debtors	2	23,195
Prepayments and accrued income	88,662	499,802
	<u>1,494,110</u>	<u>1,340,793</u>

**16. Cash and cash equivalents**

	2017 £	2016 £
Cash at bank and in hand	<u>1,249,756</u>	<u>1,830,674</u>

**17. Creditors: Amounts falling due within one year**

	2017 £	2016 £
Bank loans	170,000	170,000
Trade creditors	408,012	864,661
Amounts owed to group undertakings	129,970	70,178
Corporation tax	155,380	97,191
Other taxation and social security	190,371	86,462
Other creditors	17,602	11,395
Accruals and deferred income	1,156,306	1,372,036
Financial instruments (see note 21)	8,368	25,972
	<u>2,236,009</u>	<u>2,697,895</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**18. Creditors: Amounts falling due after more than one year**

	2017 £	2016 £
Bank loans	<u>42,500</u>	<u>212,500</u>

**Secured loans**

The bank loan is secured by a charge over the company's freehold property.

**19. Loans**

Analysis of the maturity of loans is given below:

	2017 £	2016 £
<b>Amounts falling due within one year</b>		
Bank loans	170,000	170,000
<b>Amounts falling due 1-2 years</b>		
Bank loans	42,500	212,500
	<u>212,500</u>	<u>382,500</u>

The bank loan is repayable in equal quarterly instalments of £42,500. It consists of a loan and interest rate swap. Interest on the loan is paid at a floating rate of LIBOR +1.9%. As part of the swap, payment is received from a counterparty at a floating rate of LIBOR +0.9% and payment is made to the counterparty at a fixed rate of 5.9% given a net fixed rate interest expense to the company of 6.9%. The bank acting as intermediary for the swap has valued the fair value of the swap at £8,368 in favour of the bank.

**20. Financial instruments**

	2017 £	2016 £
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<u>1,332,870</u>	<u>861,083</u>
<b>Financial liabilities</b>		
Derivative financial instruments measured at fair value through profit or loss	(8,368)	(25,972)
Financial liabilities measured at amortised cost	<u>(1,839,328)</u>	<u>(2,095,033)</u>
	<u>(1,847,696)</u>	<u>(2,121,005)</u>



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**21. Deferred taxation**

	2017 £	2016 £
At beginning of year	(43,364)	(15,837)
Charged to profit or loss	(5,385)	(27,527)
<b>At end of year</b>	<b>(48,749)</b>	<b>(43,364)</b>

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	(48,528)	(40,094)
Short term timing differences	(221)	(3,270)
	<b>(48,749)</b>	<b>(43,364)</b>

**22. Share capital**

	2017 £	2016 £
<b>Shares classified as equity</b>		
<b>Authorised, allotted, called up and fully paid</b>		
80,000 Ordinary shares shares of £1 each	<b>80,000</b>	<b>80,000</b>

**23. Reserves**

**Share premium account**

This represents the excess of amounts paid on issue of ordinary shares over their nominal value.

**Capital redemption reserve**

This reserve comprises own share purchases by the company.

**Profit and loss account**

This reserve comprises accumulated earnings net of distributions to the shareholder.

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**24. Pension commitments**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £94,824 (2016 - £145,448). Contributions totalling £17,602 (2016 - £11,395) were payable to the fund at 31 December 2017 and are included in creditors.

**25. Commitments under operating leases**

At 31 December 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	25,759	13,037
Later than 1 year and not later than 5 years	30,265	9,196
	<u>56,024</u>	<u>22,233</u>

**26. Related party transactions**

	2017 £	2016 £
<b>Sales by Arno GB Limited</b>		
Arno GmbH	1,149	97
Arno OOO	36,677	227,565
<b>Management charges and fees</b>		
Arno GmbH	79,993	56,564
<b>Purchases by Arno GB Limited</b>		
Arno GmbH	398,336	256,877
Arno Istanbul.Sri	9,951	14,539
ARNO Guangzhou	684	-
<b>Net amount due to/(owed by) Arno GB Limited</b>		
Arno GmbH	(129,970)	(59,747)
Arno OOO	19,649	(7,819)
Arno Istanbul.Sri	-	461
	<u>-</u>	<u>461</u>

**27. Controlling party**

The ultimate parent company is Arno GmbH, a company registered in Germany. There is not considered to be an ultimate controlling party of the company.