
SMITH GLOBAL LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

SMITH GLOBAL LTD

COMPANY INFORMATION

Directors	S J Balcombe J A C Lohan T Lohan E G Orr P H Portz E Novoselov (appointed 5 October 2018) B White (appointed 5 October 2018)
Company secretary	N S Shafi
Registered number	04438845
Registered office	2nd Floor, Nucleus House 2 Lower Mortlake Road Richmond TW9 2JA
Independent auditors	White Hart Associates (London) Limited Chartered Accountants and Statutory Auditors 2nd Floor, Nucleus House 2 Lower Mortlake Road Richmond TW9 4JA

SMITH GLOBAL LTD

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

Introduction

The directors present their strategic report of the Company and the Group for the year ended 31 December 2018.

The Group is required by the Companies Act, to set out in this report a fair review of the business of the Group during the financial year ended 31 December 2018, and of the position of the Group at the year end, and a description of the principal risks and uncertainties facing the Group. The review is prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for the strategies to succeed, and the business review should not be relied upon by any other party or for any other purpose.

Business review

The Group added a further 280 new hotels and villas to its portfolio during the year bringing accommodation listing on its website to approximately 1,500. It acted as an agent on over 70,000 bookings with an average value of approximately £1,000.

As a result, the business' Gross Retail Turnover ("GRT") grew by 20% on 2017 with associated turnover growing by 21%.

The key performance indicators used by the directors to monitor the progress of the Group are set out below:

	2018	<i>2017</i>
	£	<i>£</i>
Gross Retail Turnover ("GRT")	67,128,677	<i>55,969,590</i>
Turnover	14,408,661	<i>11,860,931</i>
Turnover as a percentage of GRT	21.46%	<i>21.19%</i>
Profit/(loss) on ordinary activities	452,272	<i>(2,494)</i>
Profit/(loss) on ordinary activities as a percentage of turnover	3.14%	<i>(0.02%)</i>

There is also a foreign exchange loss included in the consolidated statement of other comprehensive income for the year amounting to £200,708 (2017 - gain of £188,960). This primarily relates to the translation of inter-company loan balances with the overseas subsidiaries at the exchange rates ruling at the year-end.

The directors consider the results to be satisfactory, given the general economic climate in which the Group has and continues to operate, particularly the ongoing uncertainty around Britain's exit from the European Union.

During 2018, the business started selling experiences ("SideStories") alongside its accommodation bookings. In November 2018, the business also completed a successful crowdfunding equity raise. This funding will be utilised to grow the company through investments in new products, markets, technology, partners and expertise.

The directors have also considered the going concern of the Group for the 12 months from approval date of these audited financial statements. See note 2 in the accounting policies for full details.

Research and development

The Group continually researches new hotels, villas and experiences to publish information on and continuously develops its proprietary booking technology to act as an agent for hotels, villa owners and experience providers.

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

Future developments

The strategic aim of the Group for 2019 and 2020 is to continue to add more carefully curated global product and focus on driving growth through member service and retention and through a growing network of distribution partners.

Principal risks and uncertainties

Financial instrument risk

Up to 31 December 2018, Smith Bonds Plc, one of the Group's wholly owned subsidiaries, had issued £2,331,500 (2017 - £2,776,000) of four year unsecured bonds paying an annual interest of 7.5% in cash or 9.5% in Smith loyalty money.

Also, the Group is exposed to translation and transaction foreign exchange risk. However, the Group benefits from inbuilt hedging, with both revenues and costs in multiple currencies. Revenues include annual fees paid by around 1,200 hotels and villas around the world, paid in currencies of the group's choice (e.g. GBP, EUR, USD, SGD), plus booking prepayments from customers all over the world and invoiced commissions from the global hotels. Costs include marketing and hotel account management operations in GBP, EUR, USD and SGD and booking payments to the global hotels, in both cases largely matching with the revenues received.

Regulatory risk

The Group is exposed to various regulators, including the Civil Aviation Authority ("CAA") which issues an Air Travel Organisers Licence ("ATOL") which is required in order for the group to sell flights. This licence is renewed in September each year and is subject to assessments of fitness and financial criteria, the framework of which is available on the CAA website (www.caa.co.uk).

Competition

The Group faces competition from both a growing number of internet based travel agents and accommodation and flight providers who are increasing the volume of sales they make directly to general public. The Group seeks to constantly invest in its brand to increase public awareness as well as offer a wide selection of products from a wide range of suppliers at competitive prices to maintain its market position.

Commercial risk

As an internet based business the Group is dependent on the uninterrupted operation of its IT systems and website. These systems are vulnerable to power loss, fire, computer viruses and other events. Loss of these systems would impair the ability of the Company and the Group to carry on its business effectively. IT risks are managed through the operation of independent data centres.

The commercial risks which may affect the trading performance of the Group include:

- acts of terrorism, particularly in key tourist destinations;
- epidemics in key tourist destinations which threaten the health of tourists;
- wars or other international uncertainty which affects air travel;
- natural disasters in key tourist destinations;
- weather conditions, both in the UK and key tourist destinations;
- changes in customer behaviour and preferences;
- increases in government taxes.

These factors may affect the Group by causing potential customers to cancel or postpone travel plans, reducing the earnings potential of the Group. The Group seeks to minimise such risks by offering a wide selection of products in a wide range of destinations.

SMITH GLOBAL LTD

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

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

E G Orr
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

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

Directors' responsibilities statement

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

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

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Principal activity

The Group's principal activity during the year continued to be the publishing of hotel information and acting as a booking agent for hotels.

Results and dividends

The profit for the year, after taxation, amounted to £451,627 (2017 - £213,722).

No dividends will be distributed for the year ended 31 December 2018.

Directors

The directors who served during the year were:

S J Balcombe
J A C Lohan
T Lohan
E G Orr
P H Portz
E Novoselov (appointed 5 October 2018)
B White (appointed 5 October 2018)

SMITH GLOBAL LTD

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

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 and the Group'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 and the Group's auditors are aware of that information.

Post balance sheet events

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

Auditors

The auditors, White Hart Associates (London) Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

E G Orr
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SMITH GLOBAL LTD

Opinion

We have audited the financial statements of Smith Global Ltd (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018, which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

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

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of investments, intangible assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SMITH GLOBAL LTD (CONTINUED)

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' 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.

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 Group 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 Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SMITH GLOBAL LTD (CONTINUED)

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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 on page 4, 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SMITH GLOBAL LTD (CONTINUED)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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.

M S Caldicott ACA FCCA CTA (Senior Statutory Auditor)

for and on behalf of

White Hart Associates (London) Limited

Chartered Accountants and Statutory Auditors

2nd Floor, Nucleus House

2 Lower Mortlake Road

Richmond

TW9 4JA

30 September 2019

SMITH GLOBAL LTD

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Turnover	4	14,408,661	11,860,931
Cost of sales		(2,257,339)	(1,795,134)
Gross profit		12,151,322	10,065,797
Administrative expenses		(11,733,227)	(10,113,371)
Other operating income	5	250,356	289,362
Operating profit	6	668,451	241,788
Interest receivable and similar income	10	146	-
Interest payable and similar expenses	11	(216,325)	(244,282)
Profit/(loss) before tax		452,272	(2,494)
Tax on profit/(loss)	12	(645)	216,216
Profit for the financial year		451,627	213,722
Profit for the year attributable to:			
Owners of the parent		451,627	213,722
		451,627	213,722

The notes on pages 20 to 48 form part of these financial statements.

SMITH GLOBAL LTD

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

	Note	2018 £	2017 £
Profit/(loss) for the financial year		451,627	213,722
Other comprehensive income			
Exchange gain/ (loss)		(200,708)	188,960
Other comprehensive income for the year		(200,708)	188,960
Total comprehensive income for the year		<u>250,919</u>	<u>402,682</u>
Profit for the year attributable to:			
Owners of the parent Company		451,627	213,722
		<u>451,627</u>	<u>213,722</u>

The notes on pages 20 to 48 form part of these financial statements.

SMITH GLOBAL LTD
REGISTERED NUMBER: 04438845

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	14	2,217,205	1,871,550
Tangible assets	15	84,386	95,160
		<u>2,301,591</u>	<u>1,966,710</u>
Current assets			
Stocks	17	136,451	163,867
Debtors: amounts falling due within one year	18	3,352,683	3,101,653
Cash at bank and in hand	19	7,472,059	2,067,618
		<u>10,961,193</u>	<u>5,333,138</u>
Creditors: amounts falling due within one year	20	(8,769,410)	(8,206,077)
Net current assets/(liabilities)		<u>2,191,783</u>	<u>(2,872,939)</u>
Total assets less current liabilities		<u>4,493,374</u>	<u>(906,229)</u>
Creditors: amounts falling due after more than one year	21	(2,153,500)	(2,576,000)
Provisions for liabilities			
Net assets/(liabilities)		<u><u>2,339,874</u></u>	<u><u>(3,482,229)</u></u>
Capital and reserves			
Called up share capital	24	208,551	155,018
Share premium account	25	10,264,508	4,746,857
Foreign exchange reserve	25	107,097	307,805
Profit and loss account	25	(8,240,282)	(8,691,909)
Equity attributable to owners of the parent Company		<u><u>2,339,874</u></u>	<u><u>(3,482,229)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 September 2019.

E G Orr
Director

The notes on pages 20 to 48 form part of these financial statements.

SMITH GLOBAL LTD
REGISTERED NUMBER: 04438845

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	14	2,212,936	1,871,550
Tangible assets	15	84,388	95,162
Investments	16	23,536	13,482
		<u>2,320,860</u>	<u>1,980,194</u>
Current assets			
Stocks	17	136,451	163,867
Debtors: amounts falling due within one year	18	4,815,719	4,368,532
Cash at bank and in hand	19	7,192,272	1,977,930
		<u>12,144,442</u>	<u>6,510,329</u>
Creditors: amounts falling due within one year	20	(10,417,964)	(10,284,991)
Net current assets/(liabilities)		<u>1,726,478</u>	<u>(3,774,662)</u>
Total assets less current liabilities		<u>4,047,338</u>	<u>(1,794,468)</u>
Net assets/(liabilities)		<u><u>4,047,338</u></u>	<u><u>(1,794,468)</u></u>
Capital and reserves			
Called up share capital	24	208,551	155,018
Share premium account	25	10,264,508	4,746,857
Profit and loss account brought forward		(6,696,343)	(6,809,159)
Profit for the year		270,622	112,816
		<u>(6,425,721)</u>	<u>(6,696,343)</u>
Profit and loss account carried forward		<u><u>4,047,338</u></u>	<u><u>(1,794,468)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 September 2019.

E G Orr
Director

The notes on pages 20 to 48 form part of these financial statements.

SMITH GLOBAL LTD

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

	Called up share capital £	Share premium account £	Foreign exchange reserve £	Profit and loss account £	Total equity £
At 1 January 2018	155,018	4,746,857	307,805	(8,691,909)	(3,482,229)
Comprehensive income for the year					
Profit for the year	-	-	-	451,627	451,627
Exchange gain/(loss)	-	-	(200,708)	-	(200,708)
Other comprehensive income for the year	-	-	(200,708)	-	(200,708)
Total comprehensive income for the year	-	-	(200,708)	451,627	250,919
Shares issued during the year	53,533	6,173,268	-	-	6,226,801
Costs relating to share issue	-	(655,617)	-	-	(655,617)
Total transactions with owners	53,533	5,517,651	-	-	5,571,184
At 31 December 2018	208,551	10,264,508	107,097	(8,240,282)	2,339,874

The notes on pages 20 to 48 form part of these financial statements.

SMITH GLOBAL LTD

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

	Called up share capital £	Share premium account £	Foreign exchange reserve £	Profit and loss account £	Total equity £
At 1 January 2017	154,458	4,746,831	118,845	(8,905,631)	(3,885,497)
Comprehensive income for the year					
Profit for the year	-	-	-	213,722	213,722
Exchange gain/(loss)	-	-	188,960	-	188,960
Other comprehensive income for the year	-	-	188,960	-	188,960
Total comprehensive income for the year	-	-	188,960	213,722	402,682
Shares issued during the year	560	26	-	-	586
Total transactions with owners	560	26	-	-	586
At 31 December 2017	155,018	4,746,857	307,805	(8,691,909)	(3,482,229)

The notes on pages 20 to 48 form part of these financial statements.

SMITH GLOBAL LTD

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

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2018	155,018	4,746,857	(6,696,343)	(1,794,468)
Comprehensive income for the year				
Profit for the year	-	-	270,622	270,622
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	270,622	270,622
Contributions by and distributions to owners				
Shares issued during the year	53,533	6,173,268	-	6,226,801
Costs relating to share issue	-	(655,617)	-	(655,617)
Total transactions with owners	53,533	5,517,651	-	5,571,184
At 31 December 2018	208,551	10,264,508	(6,425,721)	4,047,338

The notes on pages 20 to 48 form part of these financial statements.

SMITH GLOBAL LTD

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

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2017	154,458	4,746,831	(6,809,159)	(1,907,870)
Comprehensive income for the year				
Profit for the year	-	-	112,816	112,816
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	112,816	112,816
Contributions by and distributions to owners				
Shares issued during the year	560	26	-	586
Total transactions with owners	560	26	-	586
At 31 December 2017	155,018	4,746,857	(6,696,343)	(1,794,468)

The notes on pages 20 to 48 form part of these financial statements.

SMITH GLOBAL LTD

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

	2018 £	2017 £
Cash flows from operating activities		
Profit/(loss) for the financial year	451,627	213,722
Adjustments for:		
Amortisation of intangible assets	712,361	596,988
Depreciation of tangible assets	53,639	47,753
Future loyalty costs on equity fund raise	(224,128)	-
Interest paid	216,325	244,282
Interest received	(146)	-
Taxation charge	645	(216,216)
Decrease/(increase) in stocks	27,416	(93,531)
(Increase) in debtors	(250,190)	(547,801)
Increase in creditors	701,276	1,373,613
Corporation tax (paid)/received	(731)	219,100
Effect of foreign exchange rate changes	(200,708)	188,960
Net cash generated from operating activities	1,487,386	2,026,870
Cash flows from investing activities		
Purchase of intangible fixed assets	(1,058,016)	(903,988)
Purchase of tangible fixed assets	(42,863)	(24,193)
Interest received	146	-
Net cash outflow from acquisition of subsidiaries	(5,920)	-
Net cash from investing activities	(1,106,653)	(928,181)

SMITH GLOBAL LTD

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

	2018 £	2017 £
Cash flows from financing activities		
Issue of ordinary shares	5,509,812	586
Proceeds from bond issue	-	18,000
Redemption of bonds	(159,000)	(98,000)
Repayment of other loans	(10,275)	(21,514)
Loans due from/(repaid to) directors	(100,719)	-
Loans from other participating interests repaid	-	(14,528)
Interest paid	(216,325)	(244,282)
Net cash used in financing activities	5,023,493	(359,738)
Net increase in cash and cash equivalents	5,404,226	738,951
Cash and cash equivalents at beginning of year	2,067,618	1,328,667
Cash and cash equivalents at the end of year	7,471,844	2,067,618
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	7,472,059	2,067,618
Bank overdrafts	(215)	-
	7,471,844	2,067,618

The notes on pages 20 to 48 form part of these financial statements.

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

1. General information

Smith Global Limited is a private company limited by shares, domiciled in England and Wales, registration number 04438845. The registered office is 2nd Floor, Nucleus House, 2 Lower Mortlake Road, Richmond, TW9 2JA.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

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

The following principal accounting policies have been applied:

2.2 Basis of consolidation

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

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

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

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

2. Accounting policies (continued)

2.3 Going concern

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Group Strategic Report on page 2. Despite the continuing uncertainties prevalent in the industry, the directors are confident that they can trade profitably and maintain liquidity for the coming year. During the year, the Company raised £5.8m in equity investment to ensure sufficient liquidity is maintained in the Group over the coming years. They have also considered the period for at least 12 months following the approval of these annual financial statements and have prepared forecasts and projections to support this opinion, including compliance with bank and bond covenants.

As highlighted in note 21 to the financial statements, the Group has historically met its day to day working capital requirements by issuing interest bearing bonds. The bonds are non-transferable, non convertible and unsecured, to be repaid 6 months after the requisite date of 1 January each year.

The directors have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

2.4 Related party exemption

The Company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the Group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

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

2. Accounting policies (continued)

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

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

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

2.6 Revenue

Turnover represents the commission/margin earned on all hotel and associated arrangements sold, recognised on the date of stay basis, and the publishing of hotel information and invoicing of membership fees, recognised over the period they relate to, net of value added tax.

Turnover is attributable to one continuing activity.

Gross Retail Turnover ("GRT") is the total gross amount receivable by the hotels in respect of booking arrangements made through the group for the year. Application Note 23 to FRS 102 requires the statutory turnover to be the net commission/margin earned. GRT for the year ended 31 December 2018 was £67,128,677 (2017 - £55,969,590).

Trade debtors still represent gross amounts receivable in respect of hotel arrangements and publishing and membership sales, and trade creditors still represent gross amounts payable in respect of hotel arrangements and publishing and membership purchases.

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

2. Accounting policies (continued)

2.7 Operating leases: the Group as lessee

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

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

2.8 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which is estimated to be 5 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.9 Interest income

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

2.10 Finance costs

Finance costs are charged to the Consolidated Income Statement 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.

2.11 Borrowing costs

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

2.12 Pensions

Defined contribution pension plan

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

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

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

2. Accounting policies (continued)

2.13 Share based payments

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

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

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

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

2.14 Taxation

Tax is recognised in the Consolidated Income Statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

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

2. Accounting policies (continued)

2.15 Intangible assets

Software development costs

Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale.
- The intention to complete the software and use or sell it.
- The ability to use the software or to sell it.
- How the software will generate probable future economic benefits.
- Availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
- The ability to measure reliably the expenditure attributable to the software during its development.

Goodwill

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

Other 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.

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.

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

The estimated useful lives range as follows:

Development expenditure	-	5	years
Intellectual Property	-	5	years

2.16 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.

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

2. Accounting policies (continued)

2.16 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:

Short-term leasehold property	- over the term of the lease
Plant and machinery	- 25% on cost
Fixtures and fittings	- 25% on cost
Image library	- 25% on cost

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

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

2.17 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.18 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 weighted average basis.

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.

2.19 Debtors

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

2.20 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

2. Accounting policies (continued)

2.21 Creditors

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

2.22 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

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

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

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

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

In the application of the Company's accounting policies, the directors are required to make judgments, 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 estimates are recognised in the period in which the estimates are 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.

4. Turnover

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Publishing and travel agency sales	14,408,661	11,860,931
	<u>14,408,661</u>	<u>11,860,931</u>

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	14,106,340	11,481,147
United States of America	302,321	379,784
	<u>14,408,661</u>	<u>11,860,931</u>

5. Other operating income

	2018 £	2017 £
Other operating income	250,356	289,362
	<u>250,356</u>	<u>289,362</u>

SMITH GLOBAL LTD

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

6. Operating profit

The operating profit is stated after charging:

	2018	2017
	£	£
Exchange differences	<u>(58,916)</u>	<u>483,146</u>

7. Auditors' remuneration

	2018	2017
	£	£
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>34,940</u>	<u>54,020</u>

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

All other services	<u>4,930</u>	<u>5,858</u>
	<u>4,930</u>	<u>5,858</u>

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

8. Employees

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

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Wages, salaries and fees	4,489,946	3,857,002	3,280,861	2,646,066
Social security costs	574,820	466,144	473,322	357,345
Cost of defined contribution scheme	60,227	26,988	60,227	26,988
	<u>5,124,993</u>	<u>4,350,134</u>	<u>3,814,410</u>	<u>3,030,399</u>

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

	2018 No.	<i>2017 No.</i>
Administration	56	55
Development	15	13
Marketing	18	11
Sales	23	20
	<u>112</u>	<u>99</u>

9. Directors' remuneration

	2018 £	<i>2017 £</i>
Directors' emoluments	476,398	423,000
Company contributions to defined contribution pension schemes	6,423	3,500
	<u>482,821</u>	<u>426,500</u>

During the year retirement benefits were accruing to 4 directors (2017 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £142,267 (2017 - £145,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £2,267 (2017 - £1,250).

SMITH GLOBAL LTD

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

10. Interest receivable

	2018 £	2017 £
Other interest receivable	146	-
	<u>146</u>	<u>-</u>

11. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	-	15,592
Bonds interest	216,325	228,690
	<u>216,325</u>	<u>244,282</u>

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

12. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	28	-
Adjustments in respect of previous periods	-	(217,658)
	<u>28</u>	<u>(217,658)</u>
Foreign tax		
Foreign tax on income for the year	617	1,442
	<u>617</u>	<u>1,442</u>
Total current tax	<u>645</u>	<u>(216,216)</u>
Deferred tax		
	<u>-</u>	<u>-</u>
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on profit/(loss) on ordinary activities	<u>645</u>	<u>(216,216)</u>

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

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

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

	2018 £	2017 £
Profit/(loss) on ordinary activities before tax	<u>452,272</u>	<u>(2,494)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19%)	85,932	(474)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	57,327	51,673
Capital allowances for year in excess of depreciation	(7,813)	(6,644)
Utilisation of tax losses	(100,621)	(19,150)
Foreign profits/losses not subject to UK tax/foreign tax	(36,182)	(23,459)
Research and development tax credits received	-	(218,162)
Unrelieved tax losses carried forward	2,002	-
Total tax charge for the year	<u><u>645</u></u>	<u><u>(216,216)</u></u>

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the Statement of Financial Position date have been measured using these enacted tax rates and reflected in these financial statements.

13. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Income Statement in these financial statements. The profit after tax of the parent Company for the year was £270,622 (2017 - £112,816).

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

14. Intangible assets**Group**

	Patents and licences £	Development costs £	Goodwill £	Total £
Cost				
At 1 January 2018	48,107	3,539,548	-	3,587,655
Additions	22,136	1,029,477	6,403	1,058,016
At 31 December 2018	70,243	4,569,025	6,403	4,645,671
Amortisation				
At 1 January 2018	8,400	1,707,705	-	1,716,105
Charge for the year	4,626	705,601	2,134	712,361
At 31 December 2018	13,026	2,413,306	2,134	2,428,466
Net book value				
At 31 December 2018	57,217	2,155,719	4,269	2,217,205
At 31 December 2017	39,707	1,831,843	-	1,871,550

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

14. Intangible assets (continued)

Company

	Patents and licences £	Development costs £	Total £
Cost			
At 1 January 2018	48,107	3,539,548	3,587,655
Additions	21,710	1,029,477	1,051,187
At 31 December 2018	<u>69,817</u>	<u>4,569,025</u>	<u>4,638,842</u>
Amortisation			
At 1 January 2018	8,400	1,707,705	1,716,105
Charge for the year	4,200	705,601	709,801
At 31 December 2018	<u>12,600</u>	<u>2,413,306</u>	<u>2,425,906</u>
Net book value			
At 31 December 2018	<u>57,217</u>	<u>2,155,719</u>	<u>2,212,936</u>
At 31 December 2017	<u>39,707</u>	<u>1,831,843</u>	<u>1,871,550</u>

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

15. Tangible fixed assets**Group**

	Short-term leasehold property	Plant and machinery	Fixtures and fittings	Image library	Total
	£	£	£	£	£
Cost or valuation					
At 1 January 2018	91,344	198,220	2,418	17,013	308,995
Additions	-	34,678	8,185	-	42,863
At 31 December 2018	91,344	232,898	10,603	17,013	351,858
Depreciation					
At 1 January 2018	60,636	146,983	2,140	4,076	213,835
Charge for the year on owned assets	18,268	30,542	1,424	3,403	53,637
At 31 December 2018	78,904	177,525	3,564	7,479	267,472
Net book value					
At 31 December 2018	12,440	55,373	7,039	9,534	84,386
At 31 December 2017	30,708	51,237	278	12,937	95,160

The net book value of land and buildings may be further analysed as follows:

	2018	2017
	£	£
Short leasehold	12,440	30,708
	<u>12,440</u>	<u>30,708</u>

SMITH GLOBAL LTD

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

15. Tangible fixed assets (continued)

Company

	Short-term leasehold property £	Plant and machinery £	Fixtures and fittings £	Image library £	Total £
Cost or valuation					
At 1 January 2018	91,344	113,949	2,418	17,013	224,724
Additions	-	30,773	8,185	-	38,958
At 31 December 2018	91,344	144,722	10,603	17,013	263,682
Depreciation					
At 1 January 2018	60,636	62,710	2,140	4,076	129,562
Charge for the year on owned assets	18,268	26,637	1,424	3,403	49,732
At 31 December 2018	78,904	89,347	3,564	7,479	179,294
Net book value					
At 31 December 2018	12,440	55,375	7,039	9,534	84,388
At 31 December 2017	30,708	51,239	278	12,937	95,162

The net book value of land and buildings may be further analysed as follows:

	2018 £	2017 £
Short leasehold	12,440	30,708
	12,440	30,708

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

16. Fixed asset investments**Company**

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2018	13,482
Additions	10,054
	<hr/>
At 31 December 2018	23,536
	<hr/>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Mr & Mrs Smith (Americas) Inc	19 W. 34th Street, Suite 1018, New York, NY 10001, USA	Ordinary	100 %
Smith Bonds Plc	2nd Floor, Nucleus House, 2 Lower Mortlake Road, Richmond, TW9 2JA	Ordinary	100 %
Sidestory Limited	2nd Floor, Nucleus House, 2 Lower Mortlake Road, Richmond, TW9 2JA	Ordinary	100 %

17. Stocks

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Inventories	136,451	163,867	136,451	163,867
	<hr/>	<hr/>	<hr/>	<hr/>
	136,451	<i>163,867</i>	136,451	<i>163,867</i>
	<hr/>	<hr/>	<hr/>	<hr/>

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

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

18. Debtors

	Group 2018	<i>Group 2017</i>	Company 2018	<i>Company 2017</i>
	£	<i>£</i>	£	<i>£</i>
Trade debtors	2,579,377	<i>2,438,492</i>	2,406,770	<i>2,275,257</i>
Amounts owed by group undertakings	-	<i>-</i>	1,694,793	<i>1,550,132</i>
Other debtors	232,697	<i>274,424</i>	178,045	<i>158,064</i>
Prepayments and accrued income	536,111	<i>385,079</i>	536,111	<i>385,079</i>
Tax recoverable	4,498	<i>3,658</i>	-	<i>-</i>
	<u>3,352,683</u>	<i><u>3,101,653</u></i>	<u>4,815,719</u>	<i><u>4,368,532</u></i>

19. Cash and cash equivalents

	Group 2018	<i>Group 2017</i>	Company 2018	<i>Company 2017</i>
	£	<i>£</i>	£	<i>£</i>
Cash at bank and in hand	7,472,059	<i>2,067,618</i>	7,192,272	<i>1,977,930</i>
Less: bank overdrafts	(215)	<i>-</i>	-	<i>-</i>
	<u>7,471,844</u>	<i><u>2,067,618</u></i>	<u>7,192,272</u>	<i><u>1,977,930</u></i>

20. Creditors: Amounts falling due within one year

	Group 2018	<i>Group 2017</i>	Company 2018	<i>Company 2017</i>
	£	<i>£</i>	£	<i>£</i>
Bank overdrafts	215	<i>-</i>	-	<i>-</i>
Other loans	178,000	<i>210,275</i>	-	<i>10,275</i>
Trade creditors	701,452	<i>910,035</i>	680,933	<i>915,303</i>
Amounts owed to group undertakings	-	<i>-</i>	2,378,083	<i>2,784,408</i>
Corporation tax	759	<i>-</i>	759	<i>-</i>
Other taxation and social security	450,324	<i>442,149</i>	193,468	<i>228,408</i>
Other creditors	5,398,709	<i>4,884,497</i>	5,398,218	<i>4,879,554</i>
Accruals and deferred income	2,039,951	<i>1,759,121</i>	1,766,503	<i>1,467,043</i>
	<u>8,769,410</u>	<i><u>8,206,077</u></i>	<u>10,417,964</u>	<i><u>10,284,991</u></i>

SMITH GLOBAL LTD

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

21. Creditors: Amounts falling due after more than one year

	Group 2018 £	Group 2017 £
Other loans	2,153,500	2,576,000
	<u>2,153,500</u>	<u>2,576,000</u>

Included in other loans above are 'Bonds 2017' that were issued at various dates between July 2012 and December 2017 at par and carry interest at a rate of 7.5% or 9.5% depending on whether the subscriber opted for cash payment or Mr & Mrs Smith loyalty money respectively. The loyalty money can be redeemed against travel packages booked with the parent company, Smith Global Limited. The bonds are non-transferable, non-convertible and unsecured, to be repaid on 2 July 2019 if the appropriate redemption notice was provided, or rolled forward for a further 12 months on the same terms if not. The repayment is guaranteed by Smith Global Limited.

22. Loans

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Amounts falling due within one year				
Other loans	178,000	210,275	-	10,275
	<u>178,000</u>	<u>210,275</u>	<u>-</u>	<u>10,275</u>
Amounts falling due 1-2 years				
Other loans	2,153,500	2,576,000	-	-
	<u>2,153,500</u>	<u>2,576,000</u>	<u>-</u>	<u>-</u>
	<u>2,331,500</u>	<u>2,786,275</u>	<u>-</u>	<u>10,275</u>

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

23. Financial instruments

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Financial assets				
Financial assets measured at fair value through profit or loss	7,472,059	2,067,618	7,192,272	1,977,930
Financial assets that are debt instruments measured at amortised cost	2,812,069	2,712,916	4,279,608	3,983,453
	<u>10,284,128</u>	<u>4,780,534</u>	<u>11,471,880</u>	<u>5,961,383</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(9,151,484)</u>	<u>(9,023,042)</u>	<u>(8,903,394)</u>	<u>(8,739,697)</u>

Financial assets measured at fair value through profit or loss comprise bank and cash balances, which are revalued at 31 December 2018 in line with year-end spot rates.

Financial assets that are debt instruments measured at amortised cost comprise trade and other debtors arising in the normal course of business.

Financial liabilities measured at amortised cost comprise trade and other creditors and accruals arising in the normal course of business.

24. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
208,551 (2017 - 155,018) Ordinary shares shares of £1.00 each	<u>208,551</u>	<u>155,018</u>

2,590 Ordinary shares of £1 each were allotted under the EMI scheme and fully paid for cash at par during the year.

1,168 Ordinary shares of £1 each were allotted and fully paid for cash at a premium of £2 per share during the year.

2,284 Ordinary shares of £1 each were issued during the year to existing bond holders of Smith Bonds Plc as a result of a bond conversion programme.

The Company also issued additional 47,491 shares to Crowdcube Nominees Limited and other individuals as a result of a crowd funding campaign.

Total Ordinary shares of £1 each issued by the Company during the year amounted to 53,533.

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

25. Reserves

Share premium account

The share premium account represents the additional amount shareholders have paid for their issued shares that was in excess of the par value of those shares.

Foreign exchange reserve

The foreign exchange reserve represents differences arising upon the revaluation of foreign subsidiary companies stated in their local currencies. The financial statements of these companies are revalued to match the presentation currency of the group for consolidation purposes, to show the entirety of the group's results in Pounds Sterling (GBP). See accounting policy 2.5 for details of how the individual balances within the foreign subsidiaries are translated.

Profit and loss account

The profit and loss account represents the net distributable reserves of the company at the date of the statement of financial position.

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

26. Business combinations

On 5 April 2018, the Company acquired the entire share capital of Sidestory Limited for a total consideration of £10,054 paid by cash.

Acquisition of Sidestory Limited

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £	Fair value adjustment £	Fair value £
Current assets			
Debtors	11,126	-	11,126
Cash at bank and in hand	4,134	-	4,134
Total assets	15,260	-	15,260
Creditors			
Due within one year	(11,609)	-	(11,609)
Total identifiable net assets	3,651	-	3,651
Goodwill			6,403
Total purchase consideration			10,054
Consideration			
			£
Cash			10,054
Total purchase consideration			10,054
Cash outflow on acquisition			
			£
Purchase consideration settled in cash, as above			10,054
			10,054
Less: Cash and cash equivalents acquired			(4,134)
Net cash outflow on acquisition			5,920

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

26. Business combinations (continued)

The results of Sidestory Limited since its acquisition are as follows:

	Current period since acquisition £
Turnover	<u><u>35,500</u></u>
Loss for the year	<u><u>(5,597)</u></u>

27. Contingent liabilities

At 31 December 2018, the contingent liabilities outstanding in respect of counter indemnities and guarantees given by the Group, in the normal course of business, to the Group's bond insurance obligors in respect of Civil Aviation Authority (CAA) bond amounted to £Nil (2017 - £100,000).

28. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £60,227 (2017 - £26,988). Contributions totalling £75,538 (2017 - £16,566) were payable to the fund at the reporting date and are included in creditors.

29. Commitments under operating leases

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

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Not later than 1 year	85,080	204,192	85,080	204,192
Later than 1 year and not later than 5 years	-	85,080	-	85,080
	<u><u>85,080</u></u>	<u><u>289,272</u></u>	<u><u>85,080</u></u>	<u><u>289,272</u></u>

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

30. Directors' advances, credits and guarantees

	2018 £	2017 £
J A C Lohan		
Balance outstanding at start of year	47,082	44,833
Amounts advanced	2,250	2,249
Amounts repaid	-	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	-	-
	<u>49,332</u>	<u>47,082</u>

The loan is unsecured, with interest arising at 7.5% per annum and with no fixed repayment date.

31. Directors' personal guarantees

On 14 November 2017, joint personal guarantees of £250,000 were provided to Barclays Bank plc by three of the directors, E G Orr, J A C Lohan and T Lohan, for the provision of seasonal overdraft facilities. The personal guarantees were released by Barclays Bank Plc during 2019.

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

32. Related party transactions

	2018	2017
	£	£
EDCO Capital UK Limited		
Mr E G Orr, a director, is also a director/shareholder of EDCO Capital UK Limited.		
Amount due to the related party at the balance sheet date	-	10,315
Sally Balcombe Consulting Limited		
Mrs S J Balcombe, a director, is also director/shareholder of Sally Balcombe Consulting Limited.		
Non-executive consultancy services provided to the company	5,000	13,000
Amount due to the related party at the balance sheet date	8,400	8,400
Avonglen Limited		
Mr B White, a director, is also director/shareholder of Avonglen Limited.		
Non-executive consultancy services provided to the company	8,760	-
Amount due to the related party at the balance sheet date	<u>2,405</u>	<u>-</u>

33. Controlling party

In the opinion of the directors, there is no ultimate controlling party.

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

34. Share-based payment transactions

Share options were granted as follows:

	Unexercised share options B/fwd £	Issued in year £	Lapsed £	Exercised £	Unexercised options C/fwd £
Share options granted at a market value and exercise price of £1 per share					
J A C Lohan	6,600	-	-	-	6,600
T Lohan	4,800	-	-	-	4,800
E G Orr	3,600	-	-	(1,600)	2,000
S J Balcombe	-	-	-	-	-
Staff	2,670	-	(52)	(990)	1,628
	<u>17,670</u>	<u>-</u>	<u>(52)</u>	<u>(2,590)</u>	<u>15,028</u>

	Unexercised share options B/fwd £	Issued in year £	Lapsed £	Exercised £	Unexercised options C/fwd £
Share options granted at a market value and exercise price of £2 per share					
J A C Lohan	1,142	-	-	-	1,142
T Lohan	1,142	-	-	-	1,142
E G Orr	1,142	-	-	(1,142)	-
S J Balcombe	246	-	-	-	246
Staff	516	-	(52)	(26)	438
	<u>4,188</u>	<u>-</u>	<u>(52)</u>	<u>(1,168)</u>	<u>2,968</u>

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

34. Share-based payment transactions (continued)

	Unexercised share options B/fwd £	Issued in year £	Lapsed £	Exercised £	Unexercised options C/fwd £
Share options granted at a market value of £3 per share and exercise price of £87 per share					
J A C Lohan	-	4,404	-	-	4,404
T Lohan	-	4,404	-	-	4,404
E G Orr	-	4,404	-	-	4,404
B White	-	2,202	-	-	2,202
J Diment	-	6,606	-	-	6,606
	-	22,020	-	-	22,020

All share options had their stated market values agreed with HM Revenue and Customs under the Enterprise Management Incentives (EMI) Scheme.

For the options granted at a market value of £1 and £2 per share, all are linked to performance conditions and will lapse if the employee leaves without exercising the options or at the end of ten years, whichever is earlier.

For the options granted at a market value of £3 per share, exercise is dependent on certain market conditions being satisfied, and will lapse if the option holder leaves (except at the discretion of the Board) or at the end of ten years, whichever is earlier.

The Group has applied the transitional relief available under FRS 102 for all share options granted prior to the FRS 102 transition date of 1 January 2014.

The directors have considered the fair value of share options granted post 1 January 2014 and are satisfied that no provision is required in the financial statements at 31 December 2018 based on the Group's current and forecast performance and cash flow, and taking into account all known market and non-market conditions.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.