

Company Registration No. 04798616 (England and Wales)

**CREATIVE DISTRIBUTION LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**



# CREATIVE DISTRIBUTION LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	G L Dain C F Lewis A Hogarth S R J Wilson
<b>Secretary</b>	Mr A Hogarth
<b>Company number</b>	04798616
<b>Registered office</b>	Unit 2, Beddington Lane Industrial Estate 119 Beddington Lane Croydon Surrey CR0 4TD
<b>Auditor</b>	Ledger Sparks Audit LLP Airport House Suite 43-45 Purley Way Croydon Surrey CR0 0XZ
<b>Business address</b>	Unit 2, Beddington Lane Industrial Estate 119 Beddington Lane Croydon Surrey CR0 4TD
<b>Bankers</b>	HSBC UK Bank Plc 9 Wellesley Road Croydon CR9 2AA
<b>Solicitors</b>	Warners Law LLP Bank Street Tonbridge Kent TN9 1BL

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# CREATIVE DISTRIBUTION LIMITED

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# CREATIVE DISTRIBUTION LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 30 JUNE 2019**

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The directors present the strategic report for the year ended 30 June 2019.

### Fair review of the business

The principal activity of the company continued to be the wholesale distribution of computer video games and toys. This activity is principally conducted from its extensive office and warehouse facility in Croydon, UK.

The result is in line with what we expected and budgeted and are slightly under the previous. We are satisfied with the result when considering the current market conditions and overall economic climate.

	2019	2018
	£'000	£'000
Turnover	45,364	52,522
Gross profit	5,808	6,479
Profit before tax	2,611	3,116

Both turnover and profit have decreased as expected. We still consider the levels achieved for the final profit to be very respectable given the tough market conditions. As mentioned in many previous reports it is common knowledge that video games are being digitalised and so the physical products are on the decline. We have increased our gross margin compared to last year and we are only 0.17% down on net profit before tax. We have still maintained very healthy margins and so a good final profit on the year.

### Principal risks and uncertainties

The two biggest threats to the business are BREXIT and digitalisation. Brexit seems the most prevalent though with uncertainty as to whether a deal can be struck pre-exit. The risks are due to possible loss of free trade with the EEC, effects on currency and recruiting quality members of staff. We are putting a 'back up' plan in place to counter the free trade issue, but it could still cause a lot of disruption to business as any change can.

Digitalisation is an ongoing threat to the main 'boxed product' business. We are countering this though with more focus and investment going into Reef Entertainment Limited - a company in which Creative Distribution Limited owns a minority shareholding, with common directors and shareholders - will publish computer games both in boxed products and in the format of digital downloadable games.

### Key performance indicators

For the core distribution business turnover and gross profit margin are our key performance indicators. Monthly targets are set (for both turnover and margin) which feed into an annual target set at the beginning of the financial year. Daily reports are sent to the management team so we can monitor closely how the business is performing. As well as these main key performance indicators we run weekly stock reports to make sure stock levels are under control.

Management accounts are also produced monthly to make sure overheads are monitored constantly. There haven't been many changes to the core business (in terms of staff levels and functionality) and so overheads are reasonably consistent every month. The key performance indicators were consistent throughout the year. We have a small part of the business which sells used cars, but this is being closed in the next financial year.

In terms of market share Creative Distribution Limited is one of the largest privately owned video games and peripherals companies in the UK, with a strong market share in Europe and the UK. When benchmarking our results against competitors we remain happy with our gross and net margins.

# CREATIVE DISTRIBUTION LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

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### Other information and explanations

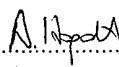
Our short term investment made a loss this year but over the two years we are still at a £25,344 profit. We are hopeful the investment we hold will recover in the next financial year.

### Future plans

We are investing a lot more time and money into Reef Entertainment Limited - a related company where Creative Distribution Limited is a minority shareholder and with common shareholders. Reef Entertainment is publishing a computer game in November of 2019 which we expect to do very well. The new game will be released both in physical and digital format. Together with its own titles plus deals to distribute third party games we see a lot of opportunity for growth and development. We have big plans for Reef Entertainment Limited in the coming years.

The reindeer figures didn't do as well for its second Christmas as we hoped in this financial year. We believe it was a pricing issue as we increased the price slightly due to its popular demand when released. We are continuing the line for Christmas 2019 whilst targeting a broad amount of distribution outlets and have reduced the licensing costs. For this reason we are looking to increase its turnover and profits next year. As a percentage of the overall business it is still a very small part but it is an area where we see a lot of opportunity for development.

Approved by the Board and signed on its behalf by:



A Hogarth

Director

28/11/19

# **CREATIVE DISTRIBUTION LIMITED**

## **DIRECTORS' REPORT**

***FOR THE YEAR ENDED 30 JUNE 2019***

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The directors present their report and financial statements for the year ended 30 June 2019.

### **Directors**

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

G L Dain  
C F Lewis  
A Hogarth  
S R J Wilson

### **Results and dividends**

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

The directors have declared the payment of an interim ordinary dividend of £2,363,043 (2018: £2,067,377).

# **CREATIVE DISTRIBUTION LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 30 JUNE 2019**

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### **Future developments**

Details of future developments can be found in the Strategic Report and forms part of this report by cross reference. There are no events that have occurred after the balance sheet date which would impact the financial statements.

### **Going Concern**

The directors have a reasonable expectation that the company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in the notes to the financial statements.

### **Financial risk management objectives and policies**

As part of the company's compliance with the Companies Act 2006 the directors wish to report on various additional matters in relation to the management of financial risks to which the business is exposed. The company has not used financial derivatives to mitigate these risks. Also, see details on the principle risk in the strategic report for more information and impact of the Brexit'. In terms of borrowings although there is a sales financing facility in place if required, this hasn't been used at all since 2018. We believe that this puts us in a very secure and self supporting position.

### **Credit risk**

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Trade debts are secured against an international credit insurance policy.

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

### **Liquidity and cash flow risk**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the directors regularly review the cash flow position of the business to ensure that a strong cash balance is maintained. The company also has its short-term debt finance facilities available if required.

### **Price risk**

The company is exposed to commodity price risk. The company does not manage its exposure to commodity price risk due to cost benefit considerations.

### **Currency risk**

The functional currency of the company is the Pound Sterling in which a large proportion of its turnover is derived. However, the company does have turnover in the Euro and US Dollars as well as cost of sales in Euro, US Dollars and Danish Kroner. The company endeavours to manage its risk by maintaining good levels of Euros and US Dollars against the weakening Pound Sterling and use of forward exchange contracts to secure against currency variances on purchases.

### **Auditor**

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

(1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware;

and

(2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

# CREATIVE DISTRIBUTION LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 for that period.

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

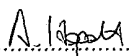
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
-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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

### Statement of disclosure to auditor

The directors who held office at the date of approval of this directors' report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditor is aware and each director has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the board

  
A Hogarth  
Director

Date: 28/11/19

# CREATIVE DISTRIBUTION LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF CREATIVE DISTRIBUTION LIMITED

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#### Opinion

We have audited the financial statements of Creative Distribution Limited (the 'company') for the year ended 30 June 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

#### Conclusions relating to going concern

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

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

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinions on other matters prescribed by the Companies Act 2006

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

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

# CREATIVE DISTRIBUTION LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF CREATIVE DISTRIBUTION LIMITED

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

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

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

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

#### Responsibilities of directors

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

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

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

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

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



Roberto Colepio FCCA (Senior Statutory Auditor)  
for and on behalf of Ledger Sparks Audit LLP

28/11/19

Statutory Auditor

Airport House  
Suite 43-45  
Purley Way  
Croydon  
Surrey  
CR0 0XZ

# CREATIVE DISTRIBUTION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 £	2018 £
Turnover	3	45,363,604	52,521,901
Cost of sales		(39,556,907)	(46,042,404)
<b>Gross profit</b>		<b>5,806,697</b>	<b>6,479,497</b>
Administrative expenses		(3,165,091)	(3,433,549)
Other operating income		4,653	3,010
<b>Operating profit</b>	4	<b>2,646,259</b>	<b>3,048,958</b>
Interest receivable and similar income		2,731	3,708
Gain on investments	7	(37,991)	63,335
<b>Profit before taxation</b>		<b>2,610,999</b>	<b>3,116,001</b>
Tax on profit	8	(496,381)	(583,673)
<b>Profit for the financial year</b>		<b>2,114,618</b>	<b>2,532,328</b>

The company has no other items of comprehensive income in any of the periods for which the financial statements are presented. As such no separate statement of other comprehensive income is presented.

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

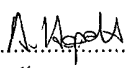
# CREATIVE DISTRIBUTION LIMITED

## BALANCE SHEET

AS AT 30 JUNE 2019

	Notes	2019 £	£	2018 £	£
<b>Fixed assets</b>					
Goodwill	10		-		-
Tangible assets	11		9,615		-
Investments	12		877		877
<b>Current assets</b>					
Stocks	15	9,196,933		9,411,811	
Debtors	16	5,779,459		6,323,618	
Investments	17	182,524		38,617	
Cash at bank and in hand		2,436,146		3,117,552	
		17,595,062		18,891,598	
<b>Creditors: amounts falling due within one year</b>	18	(2,524,196)		(3,545,692)	
<b>Net current assets</b>			15,070,866		15,345,906
<b>Total assets less current liabilities</b>			15,081,358		15,346,783
<b>Capital and reserves</b>					
Called up share capital	20		969		970
Share premium account			374,977		374,977
Capital redemption reserve			586		585
Profit and loss reserves			14,704,826		14,970,251
<b>Total equity</b>			15,081,358		15,346,783

The financial statements were approved by the board of directors and authorised for issue on 28/11/19 and are signed on its behalf by:

  
A Hogarth  
Director

Company Registration No. 04798616

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

# CREATIVE DISTRIBUTION LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 July 2017</b>		947	-	585	14,505,300	14,506,832
<b>Year ended 30 June 2018:</b>						
Profit and total comprehensive income for the year		-	-	-	2,532,328	2,532,328
Issue of share capital	20	23	374,977	-	-	375,000
Dividends	9	-	-	-	(2,067,377)	(2,067,377)
<b>Balance at 30 June 2018</b>		970	374,977	585	14,970,251	15,346,783
<b>Year ended 30 June 2019:</b>						
Profit and total comprehensive income for the year		-	-	-	2,114,618	2,114,618
Dividends	9	-	-	-	(2,363,043)	(2,363,043)
Own shares acquired		-	-	-	(17,000)	(17,000)
Redemption of shares	20	(1)	-	1	-	-
<b>Balance at 30 June 2019</b>		969	374,977	586	14,704,826	15,081,358

# CREATIVE DISTRIBUTION LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 £	£	2018 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	21	2,445,946		1,555,715	
Income taxes paid		(616,043)		(519,360)	
<b>Net cash inflow from operating activities</b>		<b>1,829,903</b>		<b>1,036,355</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(12,820)		-	
Proceeds on disposal of fixed asset investments		(220,848)		(35,689)	
Proceeds from other investments and loans		99,672		101,767	
Interest received		2,731		3,708	
<b>Net cash (used in)/generated from investing activities</b>		<b>(131,265)</b>		<b>69,786</b>	
<b>Financing activities</b>					
Proceeds from issue of shares		-		375,000	
Redemption of shares		(1)		-	
Purchase of treasury shares		(17,000)		-	
Dividends paid		(2,363,043)		(2,067,377)	
<b>Net cash used in financing activities</b>		<b>(2,380,044)</b>		<b>(1,692,377)</b>	
<b>Net decrease in cash and cash equivalents</b>		<b>(681,406)</b>		<b>(586,236)</b>	
Cash and cash equivalents at beginning of year		3,117,552		3,703,788	
<b>Cash and cash equivalents at end of year</b>		<b>2,436,146</b>		<b>3,117,552</b>	

# CREATIVE DISTRIBUTION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2019**

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### **1 Accounting policies**

#### **Company information**

Creative Distribution Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit 2, Beddington Lane Industrial Estate, 119 Beddington Lane, Croydon, Surrey, CR0 4TD.

#### **1.1 Accounting convention**

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

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

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

#### **1.2 Going concern**

The financial statements have been prepared on a going concern basis as the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

#### **1.3 Turnover**

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Turnover is recognised upon the delivery of goods to customers.

#### **1.4 Intangible fixed assets - goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and business, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 5 years. A provision is made for any impairment.

#### **1.5 Tangible fixed assets**

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

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

Plant and machinery	4 years
Fixtures, fittings & equipment	4 years

#### **1.6 Fixed asset investments**

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

# CREATIVE DISTRIBUTION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

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### 1 Accounting policies

(Continued)

#### 1.7 Impairment of fixed assets

#### 1.8 Stocks

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

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

#### 1.9 Cash and cash equivalents

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

#### 1.10 Financial instruments

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

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

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

##### *Basic financial assets*

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### *Other financial assets*

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

##### *Impairment of financial assets*

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

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

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

# CREATIVE DISTRIBUTION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

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### 1 Accounting policies

(Continued)

#### *Derecognition of financial assets*

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

#### *Other financial liabilities*

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

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

#### *Derecognition of financial liabilities*

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

#### 1.11 Equity instruments

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

#### 1.12 Taxation

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

#### *Current tax*

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

# CREATIVE DISTRIBUTION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 1 Accounting policies

(Continued)

#### *Deferred tax*

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

#### **1.13 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

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

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### **1.14 Retirement benefits**

The company operates a defined contribution pension scheme. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### **1.15 Leases**

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

#### **1.16 Foreign exchange**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### **1.17 Consolidation**

The company has taken advantage of the exemption from presenting consolidated financial statements as permitted by FRS102 on the grounds that the subsidiary undertakings are immaterial individually and collectively. Therefore the accounts show information about the company as an individual entity.

# CREATIVE DISTRIBUTION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 2 Judgements and key sources of estimation uncertainty

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

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

### 3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2019 £	2018 £
<b>Turnover analysed by class of business</b>		
Sale of goods	44,493,189	51,399,712
Sale of cars	870,415	1,122,189
	<u>45,363,604</u>	<u>52,521,901</u>

	2019 £	2018 £
<b>Other significant revenue</b>		
Interest income	2,731	3,708
	<u>2,731</u>	<u>3,708</u>

	2019 £	2018 £
<b>Turnover analysed by geographical market</b>		
United Kingdom	12,706,029	14,786,379
Europe	21,185,622	22,817,247
Rest of World	11,471,953	14,918,275
	<u>45,363,604</u>	<u>52,521,901</u>

### 4 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(64,303)	163,850
Fees payable to the company's auditor for the audit of the company's financial statements	28,000	32,400
Depreciation of owned tangible fixed assets	3,205	-
Cost of stocks recognised as an expense	39,556,907	46,042,404
Operating lease charges	441,967	457,753
	<u>39,965,776</u>	<u>46,633,407</u>

# CREATIVE DISTRIBUTION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 4 Operating profit

(Continued)

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £64,303 (2018 - £163,850).

### 5 Employees

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

	2019 Number	2018 Number
Sales and distribution	41	45
Administration	17	17
	<u>58</u>	<u>62</u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	1,621,093	1,625,694
Social security costs	152,108	157,544
Pension costs	31,144	21,529
	<u>1,804,345</u>	<u>1,804,767</u>

### 6 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	274,639	218,347
Company pension contributions to defined contribution schemes	5,858	5,600
	<u>280,497</u>	<u>223,947</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2018 - 4).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £	2018 £
Remuneration for qualifying services	187,400	131,958
Company pension contributions to defined contribution schemes	3,893	1,486
	<u>191,293</u>	<u>133,444</u>

# CREATIVE DISTRIBUTION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 7 Gain on Investments

	2019 £	2018 £
Gain on disposal of current asset investments	38,950	60,407
Other unrealised gains and losses	(76,941)	2,928
	<u>(37,991)</u>	<u>63,335</u>

### 8 Taxation

	2019 £	2018 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	493,906	591,897
	<u></u>	<u></u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	2,475	(8,224)
	<u></u>	<u></u>
<b>Total tax charge</b>	<u>496,381</u>	<u>583,673</u>

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

	2019 £	2018 £
Profit before taxation	2,610,999	3,116,001
	<u></u>	<u></u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	496,090	592,040
Tax effect of expenses that are not deductible in determining taxable profit	291	647
Permanent capital allowances in excess of depreciation	(2,475)	(790)
Other non-reversing timing differences	2,475	(8,224)
	<u></u>	<u></u>
<b>Taxation charge for the year</b>	<u>496,381</u>	<u>583,673</u>

### 9 Dividends

	2019 £	2018 £
Interim paid	2,363,043	2,067,377
	<u></u>	<u></u>

# CREATIVE DISTRIBUTION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 10 Intangible fixed assets

	Goodwill £
<b>Cost</b>	
At 1 July 2018 and 30 June 2019	63,947
<b>Amortisation and impairment</b>	
At 1 July 2018 and 30 June 2019	63,947
<b>Carrying amount</b>	
At 30 June 2019	-
At 30 June 2018	-

### 11 Tangible fixed assets

	Plant and machinery £	Fixtures, fittings & equipment £	Total £
<b>Cost</b>			
At 1 July 2018	-	318,686	318,686
Additions	12,820	-	12,820
At 30 June 2019	12,820	318,686	331,506
<b>Depreciation and impairment</b>			
At 1 July 2018	-	318,686	318,686
Depreciation charged in the year	3,205	-	3,205
At 30 June 2019	3,205	318,686	321,891
<b>Carrying amount</b>			
At 30 June 2019	9,615	-	9,615
At 30 June 2018	-	-	-

### 12 Fixed asset investments

	Notes	2019 £	2018 £
Investments in subsidiaries	13	877	877

# CREATIVE DISTRIBUTION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 12 Fixed asset investments (Continued)

#### Movements in fixed asset investments

	Shares in group undertakings £
<b>Cost or valuation</b>	
At 1 July 2018 & 30 June 2019	877
<b>Carrying amount</b>	
At 30 June 2019	877
At 30 June 2018	877

### 13 Subsidiaries

Details of the company's subsidiaries at 30 June 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of	% Held	
			shares held	Direct	Indirect
Creative Distribution HK Limited	Hong Kong	Import and Export	Ordinary	100.00	
Creative Distribution Promotions Limited	England	Dormant	Ordinary	100.00	

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Capital and Reserves	Profit/(Loss)
	£	£
Creative Distribution HK Limited	(29,055)	(9,380)
Creative Distribution Promotions Limited	100	-

Neither companies are publicly traded. The company did not receive any dividends in both years from the above.

### 14 Financial instruments

	2019 £	2018 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	5,397,429	5,656,325
Equity instruments measured at cost less impairment	182,524	38,617
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	2,290,932	3,185,489

# CREATIVE DISTRIBUTION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 15 Stocks

	2019 £	2018 £
Finished goods and goods for resale	9,196,933	9,411,811

### 16 Debtors

	2019 £	2018 £
<b>Amounts falling due within one year:</b>		
Trade debtors	3,548,897	4,094,772
Other debtors	1,606,283	1,709,177
Prepayments and accrued income	623,153	516,068
	5,778,333	6,320,017
Deferred tax asset (note 19)	1,126	3,601
	5,779,459	6,323,618

### 17 Current asset investments

	2019 £	2018 £
Listed investments	182,524	38,617
<b>Listed investments included above:</b>		
Listed investments carrying amount	182,524	38,617

### 18 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	2,141,885	3,012,656
Amounts owed to group undertakings	871	871
Corporation tax	203,760	325,897
Other taxation and social security	29,504	34,306
Other creditors	8,369	5,856
Accruals and deferred income	139,807	166,106
	2,524,196	3,545,692

# CREATIVE DISTRIBUTION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2019

#### 19 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2019 £	Assets 2018 £
<b>Balances:</b>		
Accelerated capital allowances	1,126	3,601
	<u>          </u>	<u>          </u>
<b>Movements in the year:</b>		2019 £
Asset at 1 July 2018		(3,601)
Charge to profit or loss		2,475
		<u>          </u>
Asset at 30 June 2019		(1,126)
		<u>          </u>

#### 20 Share capital

	2019 £	2018 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
580 Ordinary A Shares of £1 each	580	581
10 Ordinary B Shares of £1 each	10	10
10 Ordinary C Shares of £1 each	10	10
25 Ordinary E Shares of £1 each	25	25
168 Ordinary G Shares of £1 each	168	334
10 Ordinary H Shares of £1 each	10	10
166 (2018: 0) Ordinary I Shares of £1 each	166	-
	<u>          </u>	<u>          </u>
	969	970
	<u>          </u>	<u>          </u>

On 26 January 2019 the company bought back 1 Ordinary A share for an amount of £17,000 and 166 Ordinary G shares were converted to 166 Ordinary I shares.

The Ordinary B shares, Ordinary C shares, Ordinary E shares, Ordinary G, Ordinary H and Ordinary I shares of £1 each do not rank pari passu in all respects with the Ordinary A shares of the company as they have no voting or participation rights but are entitled to dividends at the discretion of the directors.

# CREATIVE DISTRIBUTION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 21 Cash generated from operations

	2019 £	2018 £
Profit for the year after tax	2,114,618	2,532,328
<b>Adjustments for:</b>		
Taxation charged	496,381	583,673
Investment income	(2,731)	(3,708)
Depreciation and impairment of tangible fixed assets	3,205	-
Gain on sale of investments	(38,950)	(60,407)
Amounts written off investments	76,941	(2,928)
<b>Movements in working capital:</b>		
Decrease/(increase) in stocks	214,878	(1,297,018)
Decrease/(increase) in debtors	480,962	(163,299)
Decrease in creditors	(899,358)	(32,926)
<b>Cash generated from operations</b>	<b>2,445,946</b>	<b>1,555,715</b>

### 22 Retirement benefit schemes

	2019 £	2018 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	31,144	21,529

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

### 23 Operating lease commitments

#### Lessee

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

	2019 £	2018 £
Within one year	411,819	203,690
Between two and five years	1,498,540	-
	<b>1,910,359</b>	<b>203,690</b>

### 24 Related party transactions

# CREATIVE DISTRIBUTION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2019

#### 24 Related party transactions

(Continued)

##### Transactions with related parties

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

	Sales 2019	2018	Purchases 2019	2018
A company incorporated in Denmark and where G L Dain, A Hogarth and C F Lewis are shareholders	1,740,697	1,812,413	5,664,250	11,222,973
A company incorporated in the UK where Creative Distribution Limited owns 3% shareholding and all the 4 directors are also shareholders	348,800	264,549	1,366,254	919,972

At the balance sheet date, included in trade creditors were amounts due to a company incorporated in Denmark where G L Dain, A Hogarth and C F Lewis are shareholders and amount of £507,112 (2018: £607,445) and an amount of £Nil (2018 : £340,188) was owed to the company incorporated in the UK where Creative Distribution Limited owns 3% shareholding and all four directors are also directors and shareholders.

At the balance sheet date, included in 'Trade debtors' were amounts of £147,524 (2018 : £320,216) owed from the company incorporated in Denmark . Also at balance sheet date, included in 'Other debtors' is an amount owed from the company incorporated in the UK of £1,291,907 (2018: £1,113,698).

At balance sheet date, the company owed the directors and shareholders G L Dain an amount of £13,180 (2018 : £3,058 due to the company ) and A Hogarth an amount of £10,652 (2018: £504 due to the company). The loans are unsecured, interest free and repayable on demand.  
Also at balance sheet date, the director S J Wilson owed the company £62,627 (2018: £95,955). The loan is unsecured and interest is charged at a rate of 3% per annum. Interest accrued in the year was £2,627 (2018: £3,640).

Dividends totalling £1,673,569 (2018: £1,505,555) were paid in the year in respect of shares held by the company's directors.

#### 25 Ultimate controlling party

Throughout both years the company was controlled by its managing director G L Dain by virtue of his majority shareholding.