

Registration number: 01599748

Pentagram Design Limited

Annual Report and Financial Statements

for the Year Ended 30 September 2017

Sterling Grove Accountants Limited
Chartered Certified Accountants and Statutory Auditors
Thames House
Bourne End Business Park
Cores End Road
Bourne End
Buckinghamshire
SL8 5AS



Pentagram Design Limited

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Pentagram Design Limited

Company Information

Directors	H Pearce J Oehler D Lippa M Willer D Weil N Ramchandani J Rushworth A Hyland
Company secretary	Jack O'Hern FCA
Registered office	11 Needham Road London W11 2RP
Bankers	Barclays Bank plc
Auditors	Sterling Grove Accountants Limited Chartered Certified Accountants and Statutory Auditors Thames House Bourne End Business Park Cores End Road Bourne End Buckinghamshire SL8 5AS

Pentagram Design Limited

Strategic Report for the Year Ended 30 September 2017

The directors present their strategic report for the year ended 30 September 2017.

Principal activity

The principal activity of the company is design and consultancy services through our main office in London, England and our European branch in Berlin, Germany

Fair review of the business

The results for the year ended 30 September 2017 has demonstrated our continued focus and commitment to providing industry leading work within our core multi-disciplinary design business. This has resulted arguably in our best year to date. Turnover has increased by 11% and our client base has increased by 5% year on year.

Pentagram's communications channels speak to a large audience and continue to grow. In the last six months of the financial year the follower count for all of our social media channels grew: Instagram by 37% to 306,956 followers, Twitter by 6% to 266,424 followers, Facebook by 7% to 116,393 followers, and LinkedIn by 15% to 55,499 followers. On top of this, subscriptions to our email newsletter grew by 19% to 16,532 people.

From a client point of view, the Pentagram London office completed a number of high profile projects. Diverse and varied work included: business innovation projects for tech companies such as 'Graphcore' and 'The Technology Partnership', to brand identities for 'London Fashion Week' and 'Art Basel'. Pentagram also designed major exhibitions for the Barbican, 'Mangasia: Wonderlands of Asian Comics', and the Design Museum, 'Ferrari: Under the Skin'. The studio also took on a number of clients in the charity sector; including the launch identity, brand strategy and messaging system for a charity initiated by 'The C&A Foundation'.

The Pentagram London office continues to be a hub for creative ideas, hosting a dozen events including: talks by leading creatives Liza Enebeis & Sacha Lobe; an installation curated by Pentagram partner Domenic Lippa for the 'London Design Festival'; and screenings of 'Red Trees', a feature film directed by Pentagram Partner Marina Willer – which is now available on Netflix worldwide. The studio continues to run a programme of school visits and educational outreach events, including a portfolio workshop in partnership with The Dots, which was attended by around 100 aspiring graphic designers.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2017	2016
Turnover - UK	%	42	53
Turnover - Europe	%	33	14
Turnover - USA	%	7	9
Turnover - Rest of the World	%	18	24
No. of clients	no.	188	179

Pentagram Design Limited

Strategic Report for the Year Ended 30 September 2017

Principal risks and uncertainties

Currency risk

The company is exposed to translation and transaction foreign exchange risk.

Some of the company's purchases are transacted in non-sterling. Foreign exchange differences on retranslation of these liabilities are taken to the profit and loss account of the company.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs.

Interest rate risk

The company finances its operations through retained profits.

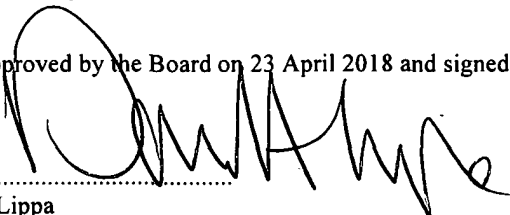
The interest rate exposure of the financial assets and liabilities of the company as at 30 September 2017 is shown in the financial statements. The balance sheet includes trade debtors and creditors which do not attract interest and are therefore subject to fair value interest rate risk.

Credit risk

The company's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises, therefore, from trade debtors.

In order to manage credit risk, management set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed periodically by the financial controller.

Approved by the Board on 23 April 2018 and signed on its behalf by:



D Lippa
Director

Pentagram Design Limited

Directors' Report for the Year Ended 30 September 2017

The directors present their report and the financial statements for the year ended 30 September 2017.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements 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; 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 the financial statements comply with the Companies Act 2006 and in accordance with FRS 102. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Directors of the company

The directors who held office during the year were as follows:

H Pearce

J Oehler

D Lippa

M Willer

D Weil

N Ramchandani

W Russell (resigned 30 September 2017)

J Rushworth

A Hyland

Financial instruments

Objectives and policies

The company uses various financial instruments which include cash, trade debtors, trade creditors and amounts due to group undertakings that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail in the strategic report.

Pentagram Design Limited

Directors' Report for the Year Ended 30 September 2017

Environmental matters

Pentagram is committed to environmental protection. The company has a policy of internal waste management and environmental protection within the office. Recycling procedures are in place for all appropriate materials and environmentally sound adhesives and adhesive application systems used by all design teams.

The company attempts to be environmentally responsible in all design disciplines, using recycled/recyclable materials in graphic projects, non-endangered materials in architecture and interior design projects.

Future developments

The Directors are encouraged with the overall performance for the year and feel they are well positioned for an exciting and successful 2018.

Branches outside the United Kingdom

The company has a branch office based in Berlin, Germany.

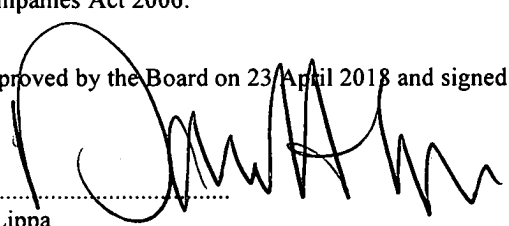
Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

The auditors Sterling Grove Accountants Limited are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 23 April 2018 and signed on its behalf by:


.....
D Lippa
Director

Pentagram Design Limited

Independent Auditor's Report to the Members of Pentagram Design Limited

Opinion

We have audited the financial statements of Pentagram Design Limited (the 'company') for the year ended 30 September 2017, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2017 and of its loss 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.

Pentagram Design Limited

Independent Auditor's Report to the Members of Pentagram Design Limited

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 matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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' report, 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Pentagram Design Limited

Independent Auditor's Report to the Members of Pentagram Design Limited

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Mr Gino Paolo Amasanti FCCA (Senior Statutory Auditor)
For and on behalf of Sterling Grove Accountants Limited, Statutory Auditor

Thames House
Bourne End Business Park
Cores End Road
Bourne End
Buckinghamshire
SL8 5AS

23 April 2018

Pentagram Design Limited

Profit and Loss Account for the Year Ended 30 September 2017

	Note	Total 30 September 2017 £	Total 30 September 2016 £
Turnover	3	10,114,727	9,091,981
Cost of sales		<u>(2,174,596)</u>	<u>(1,980,005)</u>
Gross profit		7,940,131	7,111,976
Administrative expenses		(8,122,652)	(7,295,366)
Other operating income	4	<u>232,521</u>	<u>231,553</u>
Operating profit	6	<u>50,000</u>	<u>48,163</u>
Other interest receivable and similar income	7	-	2,424
Interest payable and similar expenses	8	<u>-</u>	<u>(586)</u>
		<u>-</u>	<u>1,838</u>
Profit before tax		50,000	50,001
Taxation	12	<u>(144,194)</u>	<u>(20,080)</u>
(Loss)/profit for the financial year		<u><u>(94,194)</u></u>	<u><u>29,921</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

The notes on pages 16 to 26 form an integral part of these financial statements.

Pentagram Design Limited

Statement of Comprehensive Income for the Year Ended 30 September 2017

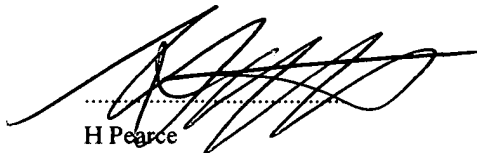
	Note	2017 £	2016 £
(Loss)/profit for the year		<u>(94,194)</u>	<u>29,921</u>
Total comprehensive income for the year		<u><u>(94,194)</u></u>	<u><u>29,921</u></u>

Pentagram Design Limited
(Registration number: 01599748)
Balance Sheet as at 30 September 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	13	141,579	143,399
Investments	14	<u>2</u>	<u>2</u>
		<u>141,581</u>	<u>143,401</u>
Current assets			
Stocks	15	-	14,013
Debtors	16	3,753,399	3,263,739
Cash at bank and in hand		<u>2,474,255</u>	<u>2,051,676</u>
		6,227,654	5,329,428
Creditors: Amounts falling due within one year	18	<u>(4,178,875)</u>	<u>(3,798,275)</u>
Net current assets		<u>2,048,779</u>	<u>1,531,153</u>
Total assets less current liabilities		2,190,360	1,674,554
Provisions for liabilities	19	<u>(634,000)</u>	<u>(24,000)</u>
Net assets		<u>1,556,360</u>	<u>1,650,554</u>
Capital and reserves			
Called up share capital	21	105,007	105,007
Profit and loss account		<u>1,451,353</u>	<u>1,545,547</u>
Total equity		<u>1,556,360</u>	<u>1,650,554</u>

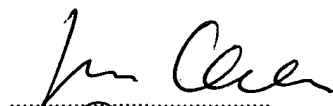
Pentagram Design Limited
(Registration number: 01599748)
Balance Sheet as at 30 September 2017

Approved and authorised by the Board on 23 April 2018 and signed on its behalf by:



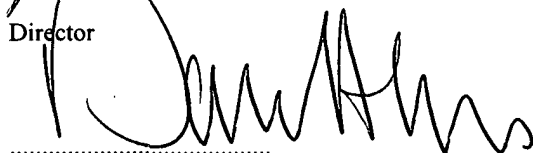
H Pearce

Director



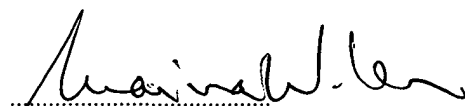
J Oehler

Director



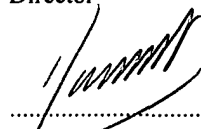
D Lippa

Director



M Willer

Director



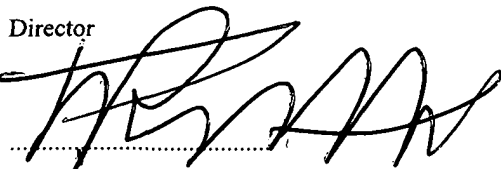
D Weil

Director



N Ramchandani

Director

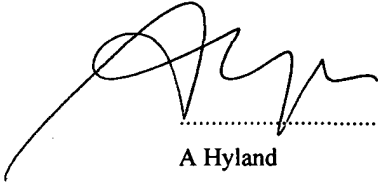
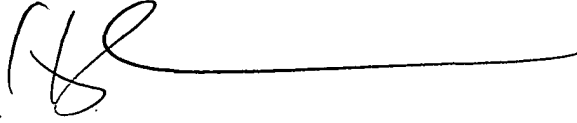


J Rushworth

Director

Pentagram Design Limited

(Registration number: 01599748)
Balance Sheet as at 30 September 2017


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A Hyland
Director

Pentagram Design Limited

Statement of Changes in Equity for the Year Ended 30 September 2017

	Share capital £	Profit and loss account £	Total £
At 1 October 2016	105,007	1,545,547	1,650,554
Loss for the year	-	(94,194)	(94,194)
Total comprehensive income	-	(94,194)	(94,194)
At 30 September 2017	105,007	1,451,353	1,556,360

	Share capital £	Profit and loss account £	Total £
At 1 October 2015	105,007	1,515,626	1,620,633
Profit for the year	-	29,921	29,921
Total comprehensive income	-	29,921	29,921
At 30 September 2016	105,007	1,545,547	1,650,554

Pentagram Design Limited

Statement of Cash Flows for the Year Ended 30 September 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
(Loss)/profit for the year		(94,194)	29,921
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	87,057	88,288
Profit on disposal of tangible assets	5	-	(8,073)
Finance income	7	-	(2,424)
Finance costs	8	-	586
Income tax expense	12	144,194	20,080
		137,057	128,378
Working capital adjustments			
Decrease/(increase) in stocks	15	14,013	(14,013)
Increase in trade debtors	16	(489,660)	(137,426)
Increase/(decrease) in trade creditors	18	292,518	(683,915)
Increase in provisions	19	610,000	-
Cash generated from operations		563,928	(706,976)
Income taxes paid	12	(56,112)	(8,734)
Net cash flow from operating activities		507,816	(715,710)
Cash flows from investing activities			
Interest received	7	-	2,424
Acquisitions of tangible assets		(85,237)	(84,934)
Proceeds from sale of tangible assets		-	8,073
Net cash flows from investing activities		(85,237)	(74,437)
Cash flows from financing activities			
Interest paid	8	-	(586)
Net increase/(decrease) in cash and cash equivalents		422,579	(790,733)
Cash and cash equivalents at 1 October		2,051,676	2,842,409
Cash and cash equivalents at 30 September		2,474,255	2,051,676

The notes on pages 16 to 26 form an integral part of these financial statements.

Pentagram Design Limited

Notes to the Financial Statements for the Year Ended 30 September 2017

1 General information

The company is a private company limited by share capital incorporated in England.

The address of its registered office is:

11 Needham Road
London
W11 2RP

These financial statements were authorised for issue by the Board on 23 April 2018.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Group accounts not prepared

The company has taken advantage of the exemption provided by Section 402 of the Companies Act 2006 and has not prepared group accounts on the grounds that the inclusion of the subsidiary (which is dormant) is not material for the purposes of giving a true and fair view.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The Company recognises revenue when a service has been completed in accordance with the terms of agreement with the client. Where the provision of a service remains incomplete at the end of a period, a proportion of the income pertaining to the level of the service performed is accrued and is part of the debtors balance within amounts recoverable on contracts.

Where clients have been invoiced in advance for services to be delivered at a future date, the income is deferred and becomes part of the creditors balance.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Pentagram Design Limited

Notes to the Financial Statements for the Year Ended 30 September 2017

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Short leasehold improvements	Over the unexpired term of the lease
Fixtures, fittings and computer equipment	25%-33% on cost

Investments

Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade debtors are recognised at the transaction price less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost, using the first in first out method, and estimated selling price less costs to complete and sell.

Pentagram Design Limited

Notes to the Financial Statements for the Year Ended 30 September 2017

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Provisions

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Share capital

Ordinary shares are classified as equity.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans and other short term employee benefits are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2017 £	2016 £
Design and consultancy services	<u>10,114,727</u>	<u>9,091,981</u>

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2017 £	2016 £
Rental income and other operating income	<u>232,521</u>	<u>231,553</u>

5 Other gains and losses

The analysis of the company's other gains and losses for the year is as follows:

	2017 £	2016 £
Gain (loss) on disposal of property, plant and equipment	<u>-</u>	<u>8,073</u>

Pentagram Design Limited

Notes to the Financial Statements for the Year Ended 30 September 2017

6 Operating profit

Arrived at after charging/(crediting)

	2017 £	2016 £
Depreciation expense	87,057	88,288
Foreign exchange losses/(gains)	48,742	(152,758)
Operating lease expense - property	488,140	494,731
Operating lease expense - office equipment	51,944	50,090
Profit on disposal of property, plant and equipment	<u>-</u>	<u>(8,073)</u>

7 Other interest receivable and similar income

	2017 £	2016 £
Interest income on bank deposits	<u>-</u>	<u>2,424</u>

8 Interest payable and similar expenses

	2017 £	2016 £
Other interest expenses	<u>-</u>	<u>586</u>

9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2017 £	2016 £
Wages and salaries	5,065,332	4,584,906
Social security costs	571,121	527,968
Pension costs, defined contribution scheme	31,503	93,366
Other employee expense	<u>190,473</u>	<u>158,866</u>
	<u>5,858,429</u>	<u>5,365,106</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2017 No.	2016 No.
Production	57	58
Administration and support	<u>15</u>	<u>15</u>
	<u>72</u>	<u>73</u>

Pentagram Design Limited

Notes to the Financial Statements for the Year Ended 30 September 2017

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2017	2016
	£	£
Remuneration	2,776,168	2,329,128
Contributions paid to money purchase schemes	198	59,103
	<u>2,776,366</u>	<u>2,388,231</u>

In respect of the highest paid director:

	2017	2016
	£	£
Remuneration	<u>362,596</u>	<u>306,745</u>

11 Auditors' remuneration

	2017	2016
	£	£
Audit of the financial statements	<u>14,735</u>	<u>14,000</u>
Other fees to auditors		
Taxation compliance services	2,500	12,825
All other assurance services	<u>3,663</u>	<u>8,487</u>
	<u>6,163</u>	<u>21,312</u>

Pentagram Design Limited

Notes to the Financial Statements for the Year Ended 30 September 2017

12 Taxation

Tax charged/(credited) in the income statement

	2017 £	2016 £
Current taxation		
UK corporation tax	135,000	15,000
UK corporation tax adjustment to prior periods	<u>9,194</u>	<u>3,080</u>
	144,194	18,080
Deferred taxation		
Arising from origination and reversal of timing differences	<u>-</u>	<u>2,000</u>
Tax expense in the income statement	<u><u>144,194</u></u>	<u><u>20,080</u></u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2016 - the same as the standard rate of corporation tax in the UK) of 19% (2016 - 20%).

The differences are reconciled below:

	2017 £	2016 £
Profit before tax	<u>50,000</u>	<u>50,001</u>
Corporation tax at standard rate	9,500	10,000
Effect of expense not deductible in determining taxable profit (tax loss)	125,600	6,049
Tax decrease from effect of capital allowances and depreciation	(413)	(1,917)
Tax increase from other short-term timing differences	313	2,000
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>9,194</u>	<u>3,948</u>
Total tax charge	<u><u>144,194</u></u>	<u><u>20,080</u></u>

During the year the UK corporation tax rate was decreased.

Deferred tax

Deferred tax assets and liabilities

	Liability £
2017	
Differences between accumulated depreciation and capital allowances	<u>24,000</u>
2016	
Differences between accumulated depreciation and capital allowances	<u><u>24,000</u></u>

Pentagram Design Limited

Notes to the Financial Statements for the Year Ended 30 September 2017

13 Tangible assets

	Land and buildings £	Furniture, fittings and equipment £	Total £
Cost or valuation			
At 1 October 2016	780,027	1,101,066	1,881,093
Additions	14,060	71,177	85,237
Disposals	-	(1,350)	(1,350)
At 30 September 2017	<u>794,087</u>	<u>1,170,893</u>	<u>1,964,980</u>
Depreciation			
At 1 October 2016	780,027	957,667	1,737,694
Charge for the year	312	86,745	87,057
Eliminated on disposal	-	(1,350)	(1,350)
At 30 September 2017	<u>780,339</u>	<u>1,043,062</u>	<u>1,823,401</u>
Carrying amount			
At 30 September 2017	<u>13,748</u>	<u>127,831</u>	<u>141,579</u>
At 30 September 2016	<u>-</u>	<u>143,399</u>	<u>143,399</u>

Included within the net book value of land and buildings above is Nil (2016 - £Nil) in respect of freehold land and buildings and £13,748 (2016 - £Nil) in respect of short leasehold land and buildings.

14 Investments in subsidiaries, joint ventures and associates

	2017 £	2016 £
Investments in subsidiaries	<u>2</u>	<u>2</u>
Subsidiaries		£
Cost or valuation		
At 1 October 2016		<u>2</u>
Provision		
Carrying amount		
At 30 September 2017		<u>2</u>
At 30 September 2016		<u>2</u>

Pentagram Design Limited

Notes to the Financial Statements for the Year Ended 30 September 2017

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held		
			2017	2016	
Subsidiary undertakings					
Pentagram Design Services Limited	England	Ordinary	100%	100%	

The principal activity of Pentagram Design Services Limited is of a dormant company.

15 Stocks

	2017 £	2016 £
Other inventories	-	14,013

The cost of stocks recognised as an expense in the year amounted to £14,013 (2016 - £Nil).

16 Debtors

	Note	2017 £	2016 £
Trade debtors		2,735,648	2,202,798
Amounts owed by related parties	24	203,019	368,290
Other debtors		83,119	90,083
Prepayments		348,275	347,261
Accrued income		193,598	135,414
Amounts recoverable on long term contracts		189,740	119,893
Total current trade and other debtors		<u>3,753,399</u>	<u>3,263,739</u>

17 Cash and cash equivalents

	2017 £	2016 £
Cash on hand	9,070	7,486
Cash at bank	<u>2,465,185</u>	<u>2,044,190</u>
	<u>2,474,255</u>	<u>2,051,676</u>

Pentagram Design Limited

Notes to the Financial Statements for the Year Ended 30 September 2017

18 Creditors

	Note	2017 £	2016 £
Due within one year			
Trade creditors		748,466	473,521
Amounts due to related parties	24	454,913	378,386
Social security and other taxes		359,589	244,555
Other payables		41,715	42,426
Accrued expenses		2,471,110	2,644,387
Income tax liability	12	103,082	15,000
		<u>4,178,875</u>	<u>3,798,275</u>

19 Deferred tax and other provisions

	Deferred tax £	Other provisions £	Total £
At 1 October 2016	24,000	-	24,000
Additional provisions	<u>-</u>	<u>610,000</u>	<u>610,000</u>
At 30 September 2017	<u>24,000</u>	<u>610,000</u>	<u>634,000</u>

The deferred tax provision relates to differences between accumulated depreciation and capital allowances. The amount of the net reversal of deferred tax expected to occur next year is £15,000 (2016: £15,000), relating to the reversal of existing timing differences on tangible fixed assets.

The other provision relates to an estimated amount payable as settlement towards an ongoing dispute in respect of EFURBS payments made by the company in the year ended 30 September 2010. The full provision of £610,000 is expected to reverse next year.

20 Pension and other schemes

Defined contribution pension scheme

The company operates defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the company to the schemes and amounted to £31,503 (2016 - £93,366).

Pentagram Design Limited

Notes to the Financial Statements for the Year Ended 30 September 2017

21 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No.	£	No.	£
Ordinary of £1 each	<u>105,007</u>	<u>105,007</u>	<u>105,007</u>	<u>105,007</u>

22 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2017 £	2016 £
Not later than one year	75,177	-
Later than one year and not later than five years	14,805	146,845
Later than five years	<u>6,938,750</u>	<u>7,393,750</u>
	<u>7,028,732</u>	<u>7,540,595</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £506,944 (2016 - £505,090).

23 Contingent liabilities

Performance bonds require the company to make payments to clients in the event that the company does not perform what is expected of it under the terms of any related contracts. As at 30 September 2017 the company had performance bonds to the value of £41,521 (2016: £41,521) in respect of its clients.

24 Related party transactions

Key management personnel compensation

	2017 £	2016 £
Salaries and other short term employee benefits	<u>2,776,366</u>	<u>2,388,231</u>

Pentagram Design Limited

Notes to the Financial Statements for the Year Ended 30 September 2017

Transactions with directors

Other transactions with directors

During the year the directors operated directors' loan accounts. Advances to directors in the year were £139,071 (2016: £66,638) and repayments made by directors were £136,255 (2016: £62,427). At the balance sheet date amounts owed to the company by directors was £10,258 (2016: £12,366). and amounts owed to the directors by the company was £75,802 (2016: £80,727). All of these loans are interest free and repayable on demand.

The company leases its London office from joint owners which includes some of the current directors. The total rent charged during the year amounted to £455,000 (2016: £455,000). At the balance sheet date the amounts due to the directors (in relation to rents payable) was £nil (2016: £nil).

Income and receivables from related parties

	Parent £	Other related parties £
2017		
Receipt of services	143,871	801,978
Amounts receivable from related party	-	200,370
2016		

Expenditure with and payables to related parties

	Parent £	Other related parties £
2017		
Rendering of services	366,212	19,682
Amounts payable to related party	379,111	-
2016		
Rendering of services	296,896	171,740
Amounts payable to related party	297,659	-

25 Parent and ultimate parent undertaking

The parent of the largest group in which these financial statements are consolidated is Pentagram Design AG, incorporated in Switzerland.

Copies of the group accounts are available upon request from:

Pentagram Design AG
Untermuli 7
Postfach 4440
CH-6304 Zug
Switzerland