

Registration number: 07123442

THIRDWAY INTERIORS LIMITED

Financial Statements

for the Year Ended 31 December 2018



BREBNERS

Chartered Accountants & Statutory Auditor
130 Shaftesbury Avenue
London
W1D 5AR

THIRDWAY INTERIORS LIMITED

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THIRDWAY INTERIORS LIMITED

Company Information

| | |
|--------------------------|--|
| Directors | B J P Gillam D F Munro M J Booth J T Sweeney M J Sullivan |
| Registered office | 130 Shaftesbury Avenue 2nd Floor London W1D 5EU |
| Auditors | Brebners Chartered Accountants & Statutory Auditor 130 Shaftesbury Avenue W1D 5AR |

THIRDWAY INTERIORS LIMITED

Strategic Report for the Year Ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

What the business does

The principal activity of the company during the year was the provision of interior design and build services across tenant and landlord clients.

At ThirdWay Interiors our customers are at the heart of our business, as was recognised when ThirdWay was shortlisted for the Customer Focus Award at the Lloyds National Business Awards.

We know we are only as good as our last job and that's why we are committed to making every client our next reference. You will not find a more skilled, passionate, fun-loving, creative and dedicated team to deliver a fit out.

We have been winners or finalists for industry awards including London Design Awards where Chiswick Park achieved Silver-rating in the commercial Interior category, Mixology Awards in which ThirdWay was shortlisted for Best D&B Company, and Business Culture Awards where Elements has been shortlisted for Best Design Initiative. We believe the quality of our work speaks for itself.

Source Type of Work

ThirdWay continues to maintain a healthy distribution between tenant and landlord work.

The source of this work includes repeat business, agent relationships, property investors, project managers and direct recommendations, as well as increased drive on lead generation through digital and traditional marketing campaigns. Excellent delivery continues to drive additional business.

In 2018, ThirdWay delivered a number of landmark tenant projects including Fever-Tree, Revolut and Carwow and landlord projects at the Columbus Building, Canary Wharf Group and at Elm Yard, Clerkenwell.

CAT A+ Offering

With the growth of demand in serviced office space, tenants have started to expect more from landlords and in turn are being viewed more as customers than tenants. ThirdWay pioneered a new concept in design & build, coined Cat A+, alongside other significant industry stakeholders. The Cat A+ offering includes demo, marketing suite and plug and play concepts which enable property owners to market ready-to-use workspaces to a wide range of customers, meeting the demands of the younger generation and securing a tenant more quickly. ThirdWay consider ourselves as market leader in this offering and are excellently placed to deliver alongside our partner businesses. Cat A+ contributed to the significant growth in revenue from 2017 to 2018.

THIRDWAY INTERIORS LIMITED

Strategic Report for the Year Ended 31 December 2018

Financial Key Performance Indicators

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

| | Unit | 2018 | 2017 |
|--------------------------|------|------------|------------|
| Turnover | £ | 63,727,411 | 43,710,578 |
| Profit/(loss) before tax | £ | 2,970,591 | 5,133,710 |
| Net assets | £ | 6,367,412 | 5,231,287 |

In addition to the above, the current ratio for the year to 31 December 2018 was 1.58 (2017: 1.47).

The directors are pleased with the levels of turnover and profitability generated in the year, in what continues to be an uncertain economic environment.

Turnover for 2018 shows a significant increase of £20m (46%), whilst maintaining a relatively consistent gross profit margin. Ongoing strong delivery, buyer confidence, returning customers, established brand and reputation, together with additional opportunities created from partner businesses have all helped drive the top line.

As previously reported, significant investment in back end technology, people, facilities and processes continues to be made, demonstrating the directors positive outlook for the company. This investment together with the non-reoccurring costs as shown in note 6 of the financial statements has resulted in a disproportionate increase in administration expenses in the year, thus impacting upon the bottom line.

The directors are also satisfied with the statement of financial position at 31 December 2018 which shows over £6.3m of net assets, almost £7.5m of net current assets and £3m cash at bank.

With these significant financial resources available, the directors feel ThirdWay remains well-placed to exploit future opportunities as and when they arise.

Non-Financial Key Performance Indicators

The company seeks to ensure that responsible business practice is fully integrated into the management of all its operations and into the culture of all parts of its business. It believes that the consistent adoption of responsible business practice is essential for operational excellence, which in turn, ensures the delivery of its core objectives of sustained real growth in profitability.

Given the company's size and diversity, the directors take a vast range of non-financial performance indicators into account.

THIRDWAY INTERIORS LIMITED

Strategic Report for the Year Ended 31 December 2018

Group Companies

Subsidiary companies of ThirdWay Group Limited, the parent undertaking, continue to provide complementary services to ThirdWay Interiors clients, ensuring a more seamless, integrated and collaborative experience.

Tribe Furniture Limited (principally engaged with the supply of furniture), IV Real Estate Limited (principally engaged in the development and management of commercial property), and ThirdWay Architecture Limited (principally engaged in the provision of architectural and consultancy services) continued to support the overall Group offering during the year.

In 2018, ThirdWay Contracts Limited (principally engaged with the more traditional approach to build management working alongside external consultants) was established, a further related undertaking and offering.

2018 saw the first full year of ThirdWay Interiors (and all partner companies) operating from the new headquarters building at Old Street in London. The move has had a positive impact on employees' performance and allows the team to demonstrate the many offerings in the new client presentation and demonstration suite. The new office also allows each group entity to have their own space whilst being able to work closely with the partner firms, a benefit that has reaped rewards throughout 2018.

Employees

ThirdWay is a business built on people and we have a uniquely skilled, passionate, fun-loving, creative and dedicated team. We aim to ensure that employee retention is market leading, with a high focus on well-being, training and development, which will in turn, ensure the team is in the best position to support our clients.

The ThirdWay Group was named in the Times Top 100 Small Businesses to work for, for the third year in a row, ranking 10th in 2019. In addition, ThirdWay was awarded the Sunday Times Special Award for Wellbeing. More recently, ThirdWay was also shortlisted for FSB London Employer of the Year.

Health and safety

Health and safety procedures and policies are in place to ensure continued compliance. We provide regular training and risk assessments are performed. These standards for all site and project staff ensure they are suitably trained for both the on-site requirements and also the legal aspects, not only in terms of documentation, but also awareness of legal responsibilities.

Regulatory compliance

In early 2019, ThirdWay Interiors agreed to a settlement with the regulator for breaching competition law. The item outlined in the report relating to ThirdWay Interiors was a single unauthorised infringement over a short period in early 2017. It was not instigated by ThirdWay Interiors, we did not gain commercially in any way from it, and no client suffered any financial loss. Nevertheless, it was important that we acted appropriately by cooperating fully with the regulator.

Whilst we felt the size of the fine was disproportionate, we took the commercial decision to close the matter and settle the case in 2019. We are incredibly disappointed with the infringement as we have always prided ourselves on doing things the right way. Our board has taken appropriate action to ensure this one-off situation cannot occur again through additional processes and regular staff training. We have also used this event as an opportunity to put in place robust compliance measures.

THIRDWAY INTERIORS LIMITED

Strategic Report for the Year Ended 31 December 2018

Financial Instruments, Risk Management, Objectives and Policies

The company uses basic financial instruments, other than derivatives, comprising cash, trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The company had no hedging arrangements at 31 December 2018.

In respect of bank balances the company had no overdraft facility during the year and the company maintained significant cash at bank balances throughout the year.

The company's exposure to exchange risk is minimal as the majority of sales and purchases contracted are in Sterling.

The management of the business is subject to several risks, which are reviewed by the board and appropriate procedures put in place to monitor and mitigate. The key risks are liquidity risk and customer credit exposure.

Liquidity risk

The objective of the company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The company expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the company has credit facilities available.

Credit risk

The company may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by maintaining strong on-going customer relationships and closely monitoring outstanding debts from all sources.

Contract risk

Contract risk is mitigated through back to backing of associated risks with sub-contractors.

THIRDWAY INTERIORS LIMITED

Strategic Report for the Year Ended 31 December 2018

Research and Development

The company continues to undertake research and development in order to improve and diversify its service offering.

Summary and Future Developments

The board continuously monitors for and responds to changes in the company's risk environment, ensuring that the company is well placed to address operational, reputational, financial and business risks in a timely and appropriate manner.

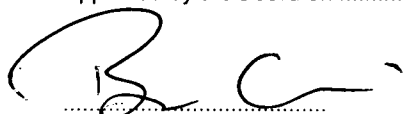
The directors are aware of the potential for future economic uncertainties, driven by the nervousness around Brexit. However, with ThirdWay's strong brand and diverse product offering, feel both protected, and well-placed to exploit any opportunities as they arise in the marketplace.

Whilst economic times are uncertain, our expectation is that the commercial design and build market will continue to thrive within London and the UK more generally.

Continued development of and investment in people, technology and processes throughout 2018 have further strengthened the foundation for strong growth and retaining high levels of pre-tax profits.

The directors are confident the pipeline for 2019 demonstrates that revenue will continue to remain strong and healthy due to the successful portfolio built and number of partnerships formed.

Approved by the Board on 27/09/19 and signed on its behalf by:



B J P Gillam
Director

THIRDWAY INTERIORS LIMITED

Directors' Report for the Year Ended 31 December 2018

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

Directors of the company

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

B J P Gillam

D F Munro

M J Booth

J T Sweeney

M J Sullivan (appointed 20 July 2018)

Dividends

Particulars of recommended dividends are detailed in note to the financial statements.

Disclosure of information in the Strategic Report

The company has chosen in accordance with s.414C(11) Companies Act 2006 to set out in the company's strategic report information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the directors' report. It has done so in respect of future developments, research & development and financial instruments.

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.

Approved by the Board on 27/09/19 and signed on its behalf by:


B J P Gillam
Director

THIRDWAY INTERIORS LIMITED

Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and 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. 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.

THIRDWAY INTERIORS LIMITED

Independent Auditor's Report to the Members of Thirdway Interiors Limited for the Year Ended 31 December 2018

Opinion

We have audited the financial statements of Thirdway Interiors Limited (the 'company') for the year ended 31 December 2018, which comprise the Statement of Income and Retained Earnings, Statement of Financial Position, 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).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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.

THIRDWAY INTERIORS LIMITED

Independent Auditor's Report to the Members of Thirdway Interiors Limited for the Year Ended 31 December 2018

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 Statement of Directors' Responsibilities (set out on page 8), 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:

- 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.

THIRDWAY INTERIORS LIMITED

Independent Auditor's Report to the Members of Thirdway Interiors Limited for the Year Ended 31 December 2018

- 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.

Use of our report

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



Martin Widdowson (Senior Statutory Auditor)
For and on behalf of

Brebners, Statutory Auditor
130 Shaftesbury Avenue
London
W1D 5AR

Date: 30/9/19

THIRDWAY INTERIORS LIMITED

Statement of Income and Retained Earnings for the Year Ended 31 December 2018

| | Note | 2018 £ | 2017 £ |
|--|----------|-------------------------|-------------------------|
| Turnover | 3 | 63,727,411 | 43,710,578 |
| Cost of sales | | <u>(48,780,340)</u> | <u>(32,510,597)</u> |
| Gross profit | | 14,947,071 | 11,199,981 |
| Administrative expenses | | (13,041,347) | (6,537,961) |
| Other operating income | 4 | <u>1,077,059</u> | <u>452,823</u> |
| Operating profit | 6 | 2,982,783 | 5,114,843 |
| Other interest receivable and similar income | 7 | 20,377 | 18,867 |
| Interest payable and similar charges | 8 | <u>(32,569)</u> | <u>-</u> |
| Profit before tax | | 2,970,591 | 5,133,710 |
| Taxation | 13 | <u>(1,099,466)</u> | <u>(887,419)</u> |
| Profit for the financial year | | 1,871,125 | 4,246,291 |
| Retained earnings brought forward | | 5,231,187 | 2,984,896 |
| Dividends paid | | <u>(735,000)</u> | <u>(2,000,000)</u> |
| Retained earnings carried forward | | <u>6,367,312</u> | <u>5,231,187</u> |

The notes on pages 14 to 26 form an integral part of these financial statements.

THIRDWAY INTERIORS LIMITED

Statement of Financial Position as at 31 December 2018

| | Note | 2018 £ | 2017 £ |
|--|------|---------------------|---------------------|
| Fixed assets | | | |
| Tangible assets | 14 | 868,436 | 865,103 |
| Current assets | | | |
| Debtors | 15 | 17,306,629 | 9,937,294 |
| Cash at bank and in hand | | <u>3,010,212</u> | <u>4,934,997</u> |
| | | 20,316,841 | 14,872,291 |
| Creditors: Amounts falling due within one year | 17 | <u>(12,826,113)</u> | <u>(10,115,668)</u> |
| Net current assets | | <u>7,490,728</u> | <u>4,756,623</u> |
| Total assets less current liabilities | | <u>8,359,164</u> | <u>5,621,726</u> |
| Creditors: Amounts falling due after more than one year | 17 | (149,996) | (322,107) |
| Provisions for liabilities | 19 | <u>(1,841,756)</u> | <u>(68,332)</u> |
| Net assets | | <u>6,367,412</u> | <u>5,231,287</u> |
| Capital and reserves | | | |
| Called up share capital | 20 | 100 | 100 |
| Profit and loss account | 21 | <u>6,367,312</u> | <u>5,231,187</u> |
| Total equity | | <u>6,367,412</u> | <u>5,231,287</u> |

Approved and authorised by the Board on 27/09/19 and signed on its behalf by:



B J P Gillam
Director

Company registration number: 07123442

The notes on pages 14 to 26 form an integral part of these financial statements.

THIRDWAY INTERIORS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

1 GENERAL INFORMATION

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

The address of its registered office is:

130 Shaftesbury Avenue
2nd Floor
London
W1D 5EU

The principal activity of the company is the provision of interior design and build services across tenant and landlord clients.

The principal place of business is:

Morelands
5-23 Old Street
London
EC1V 9HL

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' and the Companies Act 2006.

Basis of preparation

These financial statements have been prepared using the historical cost convention except any items disclosed in the accounting policies as being shown at fair value and are presented in sterling, which is the functional currency of the entity.

Summary of disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS102:

- (a) No cash flow statement has been presented for the company.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

THIRDWAY INTERIORS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

Judgements and key sources of estimation and uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgement

Other than those involving estimations there are no judgements that management have made in the process of applying the entity's accounting policies that have a significant effect on the amounts recognised in the financial statements.

Key source of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. Key assumptions and other estimation uncertainty may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- Useful economic lives of tangible assets

Tangible fixed assets are depreciated to their estimated residual values over their estimated useful lives. The company exercises judgement to determine these useful lives and residual values.

- Impairment of trade debtors

The company makes an estimate of the recoverable value of trade debtors. When assessing any potential impairment of trade debtors, management considers factors including the ageing profile of debtors and historical experience.

- Project stage of completion

Income and associated costs are recognised for projects based on their stage of completion at the year end. The company exercises judgement to determine an appropriate stage of completion for each project, which is reviewed regularly throughout the year by management.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, stated net of discounts and of Value Added Tax.

In respect of long-term contracts and contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, usually on despatch of the goods, the amount of revenue can be measured reliably, it is probable that the associated economic benefits will flow to the entity, and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

THIRDWAY INTERIORS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

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.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge 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 tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

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 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.

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 |
|----------------------------------|------------------------------|
| Leasehold property | over the length of the lease |
| Fixtures, fittings and equipment | 25% straight line |

Research and Development

Research and development expenditure is written off in the period in which it is incurred.

THIRDWAY INTERIORS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

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.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Income Statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance costs in the Income Statement and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

THIRDWAY INTERIORS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Financial instruments

Classification

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Recognition and measurement

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Impairment

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

3 REVENUE

The analysis of the company's revenue for the year from continuing operations carried out wholly in the UK is as follows:

| | 2018 £ | 2017 £ |
|-----------------------|-------------------|-------------------|
| Rendering of services | <u>63,727,411</u> | <u>43,710,578</u> |

4 OTHER OPERATING INCOME

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

| | 2018 £ | 2017 £ |
|-------------------------------|------------------|----------------|
| Rent receivable | 79,790 | 95,630 |
| Management charges receivable | <u>997,269</u> | <u>357,193</u> |
| | <u>1,077,059</u> | <u>452,823</u> |

THIRDWAY INTERIORS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

5 OTHER GAINS AND LOSSES

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

| | 2018 £ | 2017 £ |
|--|-----------|-----------|
| Gain (loss) on disposal of property, plant and equipment | - | (13,301) |

6 OPERATING PROFIT

Arrived at after charging/(crediting)

| | 2018 £ | 2017 £ |
|---|-----------|-----------|
| Depreciation expense | 286,339 | 179,402 |
| Foreign exchange losses | 7,315 | 6,331 |
| Operating lease expense - property charges | 708,140 | 306,600 |
| Operating lease expense - equipment hire | 23,233 | 22,494 |
| Loss on disposal of property, plant and equipment | - | 13,301 |
| Regulatory fines | 1,780,703 | - |
| Bad debts | 565,031 | (63,478) |

7 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2018 £ | 2017 £ |
|----------------------------------|---------------|---------------|
| Interest income on bank deposits | 13,450 | 10,862 |
| Other finance income | 6,927 | 8,005 |
| | <u>20,377</u> | <u>18,867</u> |

8 INTEREST PAYABLE AND SIMILAR EXPENSES

| | 2018 £ | 2017 £ |
|---|---------------|-----------|
| Interest expense on other finance liabilities | <u>32,569</u> | <u>-</u> |

THIRDWAY INTERIORS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

9 STAFF COSTS

The aggregate payroll costs were as follows:

| | 2018 £ | 2017 £ |
|--|------------------|------------------|
| Wages and salaries | 4,612,274 | 3,452,734 |
| Social security costs | 866,024 | 556,852 |
| Pension costs, defined contribution scheme | 160,724 | 46,838 |
| Other employee expenses | 604,696 | 387,048 |
| | <u>6,243,718</u> | <u>4,443,472</u> |

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

| | 2018 No. | 2017 No. |
|-----------------------------------|-------------|-------------|
| Administration and support | 14 | 10 |
| Sales, marketing and distribution | 59 | 47 |
| | <u>73</u> | <u>57</u> |

10 DIRECTORS' REMUNERATION

The directors' remuneration for the year was as follows:

| | 2018 £ | 2017 £ |
|--|------------------|----------------|
| Remuneration | 1,241,442 | 826,817 |
| Contributions paid to money purchase schemes | 10,529 | 2,609 |
| | <u>1,251,971</u> | <u>829,426</u> |

In respect of the highest paid director:

| | 2018 £ | 2017 £ |
|------------------------|----------------|----------------|
| Aggregate remuneration | <u>399,027</u> | <u>402,876</u> |

11 PENSION AND OTHER SCHEMES

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to ££160,724.48 (2017 - £46,838).

THIRDWAY INTERIORS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

12 AUDITORS' REMUNERATION

| | 2018 £ | 2017 £ |
|-----------------------------------|---------------|---------------|
| Audit of the financial statements | <u>30,500</u> | <u>40,000</u> |

Fees payable to the company's auditor for other services:

| | 2018 £ | 2017 £ |
|--------------------------|---------------|---------------|
| Other non-audit services | <u>27,506</u> | <u>31,241</u> |

13 TAXATION

Tax charged/(credited) in the income statement

| | 2018 £ | 2017 £ |
|---|-------------------------|-----------------------|
| Current taxation | | |
| UK corporation tax | 1,255,857 | 1,020,409 |
| UK corporation tax adjustment to prior periods | <u>(149,112)</u> | <u>(149,835)</u> |
| | 1,106,745 | 870,574 |
| Deferred taxation | | |
| Arising from origination and reversal of timing differences | <u>(7,279)</u> | <u>16,845</u> |
| Tax expense in the income statement | <u>1,099,466</u> | <u>887,419</u> |

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2017 - higher than the standard rate of corporation tax in the UK) of 19% (2017 - 19.25%).

The differences are reconciled below:

| | 2018 £ | 2017 £ |
|--|-------------------------|-----------------------|
| Profit before tax | <u>2,970,591</u> | <u>5,133,710</u> |
| Corporation tax at standard rate | 564,412 | 988,239 |
| Effect of expense not deductible in determining taxable profit (tax loss) | 688,016 | 44,902 |
| Deferred tax expense (credit) from unrecognised temporary difference from a prior period | (7,279) | 16,845 |
| Tax increase (decrease) from effect of capital allowances and depreciation | 5,303 | (11,017) |
| Tax increase (decrease) arising from group relief | (1,874) | (1,715) |
| Tax increase (decrease) from effect of adjustment in research and development tax credit | <u>(149,112)</u> | <u>(149,835)</u> |
| Total tax charge | <u>1,099,466</u> | <u>887,419</u> |

THIRDWAY INTERIORS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

Deferred tax

The deferred tax included in the statement of financial position is as follows:

| | Liability £ |
|--------------------------------|----------------|
| 2018 | |
| Accelerated capital allowances | <u>61,053</u> |
| | |
| 2017 | Liability £ |
| Accelerated capital allowances | <u>68,332</u> |

14 TANGIBLE ASSETS

| | Leasehold Improvements £ | Furniture, fittings and equipment £ | Total £ |
|----------------------------|--------------------------------|--|-----------------------|
| Cost or valuation | | | |
| At 1 January 2018 | 388,549 | 760,805 | 1,149,354 |
| Additions | 22,218 | 267,454 | 289,672 |
| Disposals | <u>(57,001)</u> | <u>-</u> | <u>(57,001)</u> |
| At 31 December 2018 | <u>353,766</u> | <u>1,028,259</u> | <u>1,382,025</u> |
| Depreciation | | | |
| At 1 January 2018 | 73,424 | 210,827 | 284,251 |
| Charge for the year | 52,006 | 234,333 | 286,339 |
| Eliminated on disposal | <u>(57,001)</u> | <u>-</u> | <u>(57,001)</u> |
| At 31 December 2018 | <u>68,429</u> | <u>445,160</u> | <u>513,589</u> |
| Carrying amount | | | |
| At 31 December 2018 | <u>285,337</u> | <u>583,099</u> | <u>868,436</u> |
| At 31 December 2017 | <u>315,125</u> | <u>549,978</u> | <u>865,103</u> |

Furniture, fittings and equipment with a carrying value of £268,007 is pledged as security for liabilities.

THIRDWAY INTERIORS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

15 DEBTORS

| | 2018 £ | 2017 £ |
|-------------------------------------|-------------------|------------------|
| Trade debtors | 3,463,379 | 2,831,337 |
| Amounts owed by group undertakings | 1,004,675 | 494,076 |
| Other debtors | 234,662 | 12,679 |
| Prepayments | 834,144 | 849,724 |
| Accrued income | 365,231 | 275,945 |
| Amounts recoverable under contracts | 11,404,538 | 5,473,533 |
| | <u>17,306,629</u> | <u>9,937,294</u> |

16 CASH AND CASH EQUIVALENTS

| | 2018 £ | 2017 £ |
|--------------|------------------|------------------|
| Cash on hand | <u>3,010,212</u> | <u>4,934,997</u> |

17 CREDITORS

| | Note | 2018 £ | 2017 £ |
|-----------------------------------|------|-------------------|-------------------|
| Due within one year | | | |
| Loans and borrowings | 18 | 164,135 | 152,964 |
| Trade creditors | | 5,279,884 | 2,574,848 |
| Amounts due to group undertakings | | 207,756 | 141,879 |
| Social security and other taxes | | 237,247 | 977,554 |
| Other payables | | 350,896 | 760,020 |
| Accrued expenses | | 5,789,734 | 4,177,484 |
| Corporation tax liability | | 494,202 | 210,347 |
| Payments received on account | | 302,259 | 1,120,572 |
| | | <u>12,826,113</u> | <u>10,115,668</u> |
| Due after one year | | | |
| Loans and borrowings | 18 | <u>149,996</u> | <u>322,107</u> |

THIRDWAY INTERIORS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

18 LOANS AND BORROWINGS

| | 2018 £ | 2017 £ |
|-------------------------------------|----------------|----------------|
| Current loans and borrowings | | |
| Finance lease liabilities | <u>164,135</u> | <u>152,964</u> |

| | 2018 £ | 2017 £ |
|---|----------------|----------------|
| Non-current loans and borrowings | | |
| Finance lease liabilities | <u>149,996</u> | <u>322,107</u> |

Obligations under finance leases are secured on the assets concerned.

19 DEFERRED TAX AND OTHER PROVISIONS

| | Deferred tax £ | Other provisions £ | Total £ |
|--|-------------------|-----------------------|------------------|
| At 1 January 2018 | 68,332 | - | 68,332 |
| Additional provisions | - | 1,780,703 | 1,780,703 |
| Increase (decrease) in existing provisions | <u>(7,279)</u> | <u>-</u> | <u>(7,279)</u> |
| At 31 December 2018 | <u>61,053</u> | <u>1,780,703</u> | <u>1,841,756</u> |

Other provisions represent the directors' best estimate of probable obligations in respect of a regulatory issue that was unresolved at 31 December 2018, where future economic benefit is expected to be transferred subsequently. An amount of £1,780,703 is included within administrative expenses in respect of this provision.

20 SHARE CAPITAL

Allotted, called up and fully paid shares

| | 2018 | | 2017 | |
|------------------------------|------------|------------|------------|------------|
| | No. | £ | No. | £ |
| Ordinary A shares of £1 each | 50 | 50 | 50 | 50 |
| Ordinary B shares of £1 each | 28 | 28 | 28 | 28 |
| Ordinary C shares of £1 each | 12 | 12 | 12 | 12 |
| Ordinary D shares of £1 each | 10 | 10 | 10 | 10 |
| | <u>100</u> | <u>100</u> | <u>100</u> | <u>100</u> |

THIRDWAY INTERIORS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

21 RESERVES

The profit and loss account includes all current and prior retained earnings and accumulated losses.

22 OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

Finance leases

The total of future minimum lease payments is as follows:

| | 2018 £ | 2017 £ |
|---|----------------|----------------|
| Not later than one year | 164,135 | 152,964 |
| Later than one year and not later than five years | 149,996 | 322,107 |
| | <u>314,131</u> | <u>475,071</u> |

Operating leases

The total of future minimum lease payments is as follows:

| | 2018 £ | 2017 £ |
|---|------------------|------------------|
| Not later than one year | 713,417 | 746,917 |
| Later than one year and not later than five years | 1,578,376 | 2,309,874 |
| | <u>2,291,793</u> | <u>3,056,791</u> |

The amount of non-cancellable operating lease payments recognised as an expense during the year was £281,490 (2017 - £306,600).

Operating leases - lessor

The total of future minimum lease payments is as follows:

| | 2018 £ | 2017 £ |
|---|-----------|----------------|
| Not later than one year | - | 250,875 |
| Later than one year and not later than five years | - | 717,090 |
| | <u>-</u> | <u>967,965</u> |

The amount of non-cancellable operating lease receipts recognised as income during the year was £79,790 (2017 - £95,630).

THIRDWAY INTERIORS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

23 RELATED PARTY TRANSACTIONS

Summary of transactions with other related parties

In accordance with FRS 102 paragraph 33.1A, exemption is taken not to disclose transactions in the year between wholly owned group undertakings.

At 31 December 2018 an amount of £1,004,675 (2017: £494,076) was due from other group undertakings.

During the year the company made sales and recharged office costs of £1,612,600 (2017: £813,930) to and purchases amounting to £236,940 (2017: £517,862) from other group undertakings.

24 PARENT AND ULTIMATE PARENT UNDERTAKING

The company's immediate parent and ultimate controlling party is The Thirdway Group Limited.

The parent of the smallest group preparing group accounts including the results of the company is The Thirdway Group Limited.

The registered office of The Thirdway Group Limited is :
130 Shaftesbury Avenue, 2nd Floor, London, W1D 5EU.