Egmont UK Limited
Directors' report and financial statements

31 December 2008

Registered number 449706

Directors' report and financial statements

Contents

Directors' report

The directors present their report and the audited financial statements for the year ended 31st December 2008.

Business Review

Egmont UK Ltd is a media company within the Egmont Group. The Group has activities in 22 countries across the world, and the ultimate owner of the Group is a charitable trust based in Denmark.
In the UK, Egmont is a leading publisher of children's books and magazines in a mature and fiercely competitive market.
In the magazine business the most important titles are licensed character magazines such as *Disney Princess, Barbie*, and *Thomas the Tank Engine*; in addition the company publishes own brand magazines such as *GO Girl and Toxic* which both contributed to a growth in Egmont UK's turnover in 2008 and the maintenance of our No 2 position in the children's magazine market.

Our book activities are divided into two divisions:

Egmont Publishing is the UK's leading character publisher with classic properties such as *Winnie the Pooh, Thomas the Tank Engine, Mr. Men, Bob the Builder, Fireman Sam* and *Tintin*. Our position in this segment has been further strengthened this year with the acquisition of the publishing rights to among other characters *Shaun the Sheep and Jess the Cat*.

Egmont Press is our award winning Fiction and Picture Book imprint. In 2008 Egmont Press launched Andy Stanton's "mad, bad and dangerously funny" Mr Gum books - winner of the Blue Peter Award and the Red House Children's Book award.

2008 achievements.

In 2008 Egmont UK Ltd again delivered a strong turnover and profit performance. Overall UK turnover grew 9.6% from £44,553K in 2007 to £48,821K in 2008. The profit before taxation amounted to £2,035k (2007: £2,817k) which was ahead of expectations and showed a repetition of strong trading over the last three years.

The directors have paid a final ordinary dividend of £19.62k per share totalling £1,550k.

2008 was the year to continue process improvements and once again prove our ability to deliver sustainable profitable performance within a tough trading environment. In addition it was also the year where we saw the development of our subsidiary in the USA which will launch in 2009.

Egmont continued to develop their Ethical Publishing program, a project whose watchwords are product safety, ethical trading and responsible forestry.

The future route.

In 2009 we will continue along this route and we will push ahead with a growth strategy in *Magazines*, launching a new title and continuing to develop existing properties. *Press* and *Publishing* (Books) will continue to grow the business through further exploitation of the increasing number of licensed properties and new authors.

Directors' report (Continued)

Future risks and uncertainties.

The company acknowledges that the competition in both the UK book market and the magazine market is fierce. The economic climate is harsh but children's books and magazines are usually more resilient than other higher ticket items. They are viewed as a 'good thing' and have the support of parents, the education system and society as a whole.

We expect the magazine market will continue to decline in terms of retail sales value and volume.

Thankfully, children's books is less threatened by competing digital media, they have a more secure position and still offer a unique solution for telling stories.

The digitalisation of media for children is not just a threat, it is also an opportunity and Egmont UK is active in investigating and pursuing business prospects in this area.

Governance.
The UK management board frequently monitors the company's performance, the market development and the technological development as well as the competitors' initiatives. Furthermore we do monitor the development in the areas related to licensors etc.

Directors

The following persons have served as directors during the year and since the year end:

D Cordy (Resigned 1st January 2008)
K A Culff
S Kragh
R McMenemy
C Moller (Resigned 6th November 2008)
D Pocock (Resigned 1st January 2008)
C Poplak
D I Riley
J Weir (Appointed 6th November 2008)

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

Political and charitable contributions

The company made no political contributions during the year.

Donations made to charities amounted to £25,000 *(2007: £1,200).*

Directors' report (Continued)

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

Registered Office
239 Kensington High Street
London
W8 6SA

By order of the board

J Weir - Secretary

Date: 25th March 2009

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Egmont UK Limited

We have audited the financial statements of Egmont UK Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Reconciliation of movements in shareholders' funds, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Egmont UK Limited (Continued)

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;and
- the information given in the Director' Report is consistent with the financial statements

KPMG LLP

Chartered Accountants
Registered Auditor

9th April 2009

Profit and loss account

for the year ended 31 December 2008

	Note	2008 £000	2008 £000	2007 £000	2007 £000
Turnover	2		**48,821**		**44,553**
Cost of sales			**(25,029)**		**(19,281)**
Gross profit			**23,792**		**25,272**
Distribution costs		**(12,641)**		**(11,071)**	
Administrative costs		**(8,566)**		**(11,858)**	
Other operating income		**117**		**422**	
			(21,090)		**(22,507)**
Operating profit			**2,702**		**2,765**
Interest receivable			**216**		**88**
Interest payable and similar charges	6		**(814)**		**(36)**
Impairment of fixed asset investment	10		**(69)**		**-**
Profit on ordinary activities before taxation	3		**2,035**		**2,817**
Tax on profit on ordinary activities	7		**(534)**		**(771)**
Profit for the financial year			**1,501**		**2,046**

There were no acquisitions or discontinued operations in either 2008 or 2007.

The company had no recognised gains or losses this year or during the previous year other than those reflected in the above profit and loss account.

Reconciliation of movements in equity shareholders' funds

	2008 £000	2007 £000
Profit for the financial year	**1,501**	2,046
Dividends paid	**(1,550)**	(1,100)
Net Addition to/(Reduction) to equity shareholders' funds	**(49)**	946
Opening equity shareholders' funds	**3,459**	2,513
Closing equity shareholders' funds	**3,410**	3,459

Balance sheet
at 31 December 2008

	Note	**2008**		2007	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*9*		**757**		-
Investments	*10*		**2,455**		-
			3,212		-
Current assets					
Stocks	*11*	**5,084**		3,657	
Debtors	*12*	**20,832**		17,032	
Cash at bank and in hand		**10,477**		14,066	
		36,393		34,755	
Creditors: amounts falling due within one year	*13*	**(35,620)**		(31,221)	
Net current assets :					
Analysed as :					
Due within one year		**142**		2,887	
Due after more than one year		**631**		647	
			773		3,534
Provision for liabilities	*14*		**(575)**		(75)
Net assets			**3,410**		3,459
Capital and reserves					
Share capital	*15*		**79**		79
Share premium	*16*		**1,837**		1,837
Profit and loss account	*16*		**1,494**		1,543
Shareholders' funds equity interests			**3,410**		3,459

These financial statements were approved by the Board of Directors on [illegible]th March 2009 and signed on its behalf by:

J Weir ....

Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Cash Flow Statement

Under Financial Reporting Standard 1 (revised), the company is exempt from the requirements to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary and the consolidated financial statements of the ultimate parent company are available to the public at the address given in Note 20.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

FRS 8 Related Party Transactions

The company has taken advantage of the exemption not to disclose details regarding transactions with other group undertakings as permitted by Financial Reporting Standard No 8, as the company is a wholly owned subsidiary. The results of the company have been consolidated in the financial statements of the ultimate holding company, which are publicly available from the address given in Note 20.

Turnover

Turnover represents the invoiced value of goods supplied excluding VAT.

Translation of overseas currencies into sterling

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction, or if hedged forward at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Tangible fixed assets

Depreciation is provided on cost at the following annual rates on a straight-line basis intended to write off the assets over their estimated useful lives.

Office equipment	20%
Furniture and fittings	20%

Stocks

Stocks and work in progress are stated at the lower of cost, including attributable overheads, and estimated net realisable value.

Notes (contd)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Pension costs

The company operates a group personal pension scheme. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Leases

Rentals payable under operating lease arrangements are charged to the profit and loss account on a straight-line basis over the life of the lease.

2 Turnover

	2008	2007
	£000	£000
Sales were made to the following markets:		
United Kingdom	**43,290**	39,085
North America & Rest of World	**2,679**	1,306
Europe	**1,599**	1,507
Australasia	**1,253**	2,655
	48,821	44,553

3 Profit on ordinary activities before taxation

	2008	2007
	£000	£000
Profit on ordinary activities before taxation is stated after charging:		
Amounts receivable by auditors and their associates in respect of:		
Audit of these financial statements	**88**	101
Taxation Services	**17**	44
Other Services	**-**	-
Depreciation	**150**	40
Rentals payable under operating leases	**764**	679

Notes (contd)

4 Directors' emoluments

	2008 £000	2007 £000
Directors' emoluments	**1,065**	563
Company contributions to group personal pension schemes	**54**	35

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £254,832 *(2007: £154,634)*, and company pension contributions of £15,000 *(2007: £9,105)* were made to a group personal scheme on their behalf.

	Number of directors 2008	2007
Retirement benefits are accruing to the following number of directors under:		
Group personal pension schemes	**6**	4

In 2007 the remuneration of the Directors' of Egmont Holdings Limited totaling £612K was recharged from Egmont Holdings Limited to Egmont UK Limited. These costs were in addition to the costs noted above.

5 Staff numbers and costs

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

	2008	2007
	No. of employees	
Management and administration	**38**	10
Production, distribution and sales	**219**	181
	257	191

The aggregate payroll costs of these persons were as follows:

	2008 £000	2007 £000
Wages and salaries	**8,520**	6,226
Social security costs	**590**	609
Other pension costs	**506**	351
	9,616	7,186

In 2007 additional staff costs of £1,584k in respect of employees of Egmont Holdings Limited had been recharged from Egmont Holdings Limited to Egmont UK Limited.

Notes (contd)

6 Interest payable and similar charges

	2008	2007
	£000	£000
Differences on exchange	**772**	36
Other interest payable	**42**	-
	814	36

7 Taxation

Analysis of charge in period

	2008		2007	
	£000	**£000**	£000	£000
UK corporation tax				
Current tax on income for the period	**690**		840	
Adjustments in respect of prior periods	**(156)**		(69)	
		534		771
Deferred taxation				
Origination/reversal of timing differences		-		-
Tax on profit on ordinary activities		**534**		771

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (*2007: lower*) than the standard rate of corporation tax in the UK of 28% (*2007: 30%*). The differences are explained below:

	2008	2007
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	**2,035**	2,817
Current tax at 28% (*2007: 30%*)	**570**	845
Effects of:		
Expenses not deductible for tax purposes	**143**	31
Depreciation for the year in excess of capital allowances	**2**	(64)
Utilisation of tax losses	**(25)**	(245)
Origination/reversal of timing differences	**-**	(143)
Adjustments in respect of prior periods	**(156)**	(69)
Transfer pricing adjustment	**-**	274
Adjustments due to changes in tax rates	**-**	142
Total current tax charge (see above)	**534**	771

Notes (contd)

7 Taxation

Factors that may affect future tax charges
The company expects its effective tax rate in future years to be less than the standard rate of corporation tax in the UK due principally to the availability of tax losses. A deferred tax asset of £800,000 (2007:£800,000) has been recognised. A further deferred tax asset of £1,137,621 (2007: £1,162,731) has not been recognised as the directors do not feel certain that the timing differences will reverse in the near future.
The unrecognised deferred tax asset is calculated at 28% (2007:30%).

8 Dividends

	2008 **£000**	2007 £000
Dividend paid in respect of current year	**1,550**	1,100
Total Dividend	**1,550**	1,100

9 Tangible assets

	Furniture & Equipment **2008** £000
Cost	
Balance at 1 January 2008	778
Additions	57
Transfer from group undertaking	929
Balance at 31 December 2008	**1,764**
Depreciation	
Balance at 1 January 2008	778
Transfer from group undertaking	79
Charge for the period	150
Balance at 31 December 2008	**1,007**
Net book value	
At 1 January 2008	-
At 31 December 2008	**757**

Notes (contd)

10 Investments

Subsidiaries	2008 £000
Cost	
Acquisitions	2,524
Surplus/(deficit) on investment revaluation	(69)
Investment value at 31 December	**2,455**

Egmont US Inc., is a subsidiary company of Egmont UK Ltd. The company operates in the US, publishing children's books.

The subsidiary is 100% owned by Egmont UK Ltd with a total investment of $5m (£2.5m).

The deficit on investment revaluation is net of the trading loss for the year and exchange gains on revaluation.

11 Stocks

	2008 £000	2007 £000
Work in progress	**615**	337
Finished goods	**4,469**	3,320
	5,084	3,657

12 Debtors

	2008 £000	2007 £000
Due within one year:		
Trade debtors	**11,428**	10,137
Amounts due from parent and fellow subsidiary undertakings	**5,009**	5,239
Other debtors	**789**	750
Deferred tax	**169**	153
Prepayments and accrued income	**2,806**	106
	20,201	16,385
Due after more than one year:		
Deferred taxation	**631**	647
Total debtors	**20,832**	17,032

The balance of the deferred tax asset reflects a utilisation during the year of £25,000 (*2007: £245,000*) with a subsequent recognition of the same amount from tax losses that were previously unrecognised.

Royalty advances paid to authors and licensors accounted for in creditors in the prior year are now reported within prepayments.

Notes (contd)

12 Debtors (continued)

	Trading Losses £000
Deferred Taxation	
At 1 January 2008	800
Utilised during the year	(25)
Recognition of previously unrecognised deferred tax asset	25
At 31 December 2008	800

13 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	**8,404**	5,050
Amount due to parent and fellow subsidiary undertakings	**21,247**	19,894
Taxation	**225**	486
Social Security costs	**380**	196
Accruals and deferred income	**2,750**	3,001
Provision for returns	**2,614**	2,594
Total creditors	**35,620**	31,221

14 Provision for liabilities

	2008 £000
Dilapidations provision	
At beginning of year	**75**
Transfer from group undertaking	**500**
At end of Year	**575**

Notes (contd)

15 Share Capital

	Authorised Shares	Authorised £000's	Issued and fully paid Shares	Issued and fully paid £000's
Ordinary shares of £1 each				
At 31 December 2007	208,000	208	79,480	79
At 31 December 2008	**208,000**	**208**	**79,480**	**79**

16 Reserves

	Share Premium £000	Profit and loss account £000
Balance at 1 January 2008	1,837	1,543
Profit for the financial year	-	1,501
Dividend paid	-	(1,550)
Balance at 31 December 2008	**1,837**	**1,494**

17 Pension scheme

The company operates a group personal pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £506,450 (2007: £351,420).

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year

18 Contingent liabilities and capital commitments

There are composite guarantees in place between Egmont UK Limited and the following group companies:-
Egmont International Holdings A/S
Egmont Holding Limited
Egmont Magazines Limited
Nordisk Film Post Production Sales (UK) Limited

19 Operating lease commitments

At 31 December 2008 the company had annual commitments under non-cancellable operating leases as set out below.

	2008		2007	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	-	**52**	-	51
In the second to fifth years inclusive	-	**46**	-	54
Over five years	**826**	-	826	-

Notes (contd)

20 Ultimate parent undertaking and parent undertaking

The company is a subsidiary undertaking of Egmont Book Publishing Limited, registered in England and Wales. The ultimate holding company is the Egmont Foundation, registered in Denmark.

A copy of the group accounts can be obtained from the Egmont Foundation, 11 Vognmagergade, DK-1148, Copenhagen K, Denmark.

21 Related party disclosures

The company is controlled by Egmont Holding Limited. In the opinion of the directors, the company's ultimate controlling party as at 31 December 2008 was Egmont International Holding A/S, incorporated in Denmark.

As the company is a wholly owned subsidiary of Egmont Holding Limited the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group headed by Egmont Holding Limited.

Egmont Holding Ltd now has a 50% investment in Hardie Grant Egmont. Egmont UK Ltd sold books to the value of £1,036k (2007: £606k) to Hardie Grant Egmont in 2008. The amount owed to Egmont UK Ltd at the end of the year was £725k (2007: £592k).