

Egmont UK Limited

Annual report and financial statements

31 December 2014

Registered number 449706

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Annual report and financial statements

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Strategic Report

Business Review

Egmont UK Ltd is part of the Egmont Group, one of Europe's leading media groups telling stories through books, magazines, film, TV, music, games and mobile telephones in 30 countries. The structure of the group is unique in that the Egmont Group is owned by the Egmont Foundation, a charitable trust based in Denmark whose aim is to bring lasting improvement to the lives of young people.

In the UK, Egmont is the top specialist children's publisher selling more than 17 million books and 10 million magazines each year for children of all ages, in a mature and fiercely competitive market.

Egmont UK operates through two distinct divisions reflecting its core products: Egmont Books (including licensed character books, fiction, non-fiction and picture books) and Egmont Magazines.

Egmont UK is home to some of the world's best-loved authors, illustrators and licensed characters such as Michael Morpurgo, Andy Stanton, Michael Grant, Julia Donaldson, Winnie-the-Pooh, Tintin, Mr Men, Thomas the Tank Engine, Barbie, Disney Princess, Minecraft and Ben 10.

2014 achievements

In 2014 Egmont UK Ltd delivered an exceptional performance in what remains a tough economic environment, gaining market share and higher profits on the back of strong results from both divisions. Overall UK Revenue increased from £45,785K in 2013 to £60,082K in 2014 and the profit before taxation was £6,595k (2013: £575k). These results reflect strong trading in books, in particular from the Minecraft titles sold in the UK and overseas, strong sales of Disney's Frozen magazine which was launched in December 2014 and fewer one-time charges.

The future route

In 2015 we will continue to push ahead with a growth strategy, building on the success of Minecraft and *Frozen*, publishing *Star Wars* books and magazines as the lead-up to the new movie gathers pace and other launches of key children's properties.

We continue to invest in consumer insight as a critical route to better publishing and will build on our 2014 research with children and their families to improve our publishing and our reach with retailers, consumers and licensors.

Future risks and uncertainties

The company acknowledges that the competition in both the UK book and magazine market is fierce. The economic climate remains challenging but children's books and magazines have remained resilient. They are recognised by parents and educators as having educational value and providing engaging and fun content away from screens.

We expect the magazine market will continue to remain stable in terms of retail sales value and volume. Children's books have a secure position and still offer a special and unique medium for telling stories.

Strategic Report (continued)

Governance

The UK management board frequently monitors the company's performance, the market and competitive landscape and the opportunities and risks created by technological development. In particular, we monitor developments in licensing and kids' interests.

Registered Office
The Yellow Building
1 Nicholas Road
London, W11 4AN

By order of the board

29th April
Date: 2015


A Hurcombe - Director

Directors' Report

The directors present their report and the audited financial statements for the year ended 31st December 2014.

Directors

The following persons have served as directors during the year and up to the date of approval of these financial statements:

A Hurcombe
S Kragh
G Laskier
R McMenemy
C Poplak

The company has in place a directors' and officers' liability insurance policy.

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

Political and charitable contributions

The company made no political contributions during the year.

Donations made to charities amounted to £2,525 (2013: £7,710).

Dividends

The directors do not recommend the payment of a dividend (2013: *£nil*).

Creditor payment policy

The company is committed to meeting the payment terms of suppliers in accordance with any contract agreed with the supplier or as required by law.

Explanation of our payment procedures are communicated to suppliers on a regular basis.

Employee involvement

The directors recognise the importance of human resources and the company's policy is to encourage active involvement of employees in matters affecting employees' interests. This is facilitated through the means of company meetings, e-mail and corporate intranet.

Disabled persons

It is the Group's policy to give fair consideration to the employment needs of disabled people and to comply with current legislation with regard to their employment. Wherever practicable, we continue to employ and promote the careers of existing employees who become disabled and to consider disabled persons for employment, subsequent training, career development and promotion on the basis of their aptitudes and abilities.

Directors' report (continued)


Auditor

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

Registered Office
The Yellow Building
1 Nicholas Road
London, W11 4AN

By order of the board

29th April
Date: 2015


A Hurcombe - Director

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

The directors are responsible for preparing the Strategic Report, 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 IFRSs as adopted by the EU 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 then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 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
15 Canada Square,
Canary Wharf,
London
E14 5GL
United Kingdom

Independent auditor's report to the members of Egmont UK Limited

We have audited the financial statements of Egmont UK Limited for the year ended 31 December 2014 set out on pages 9 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

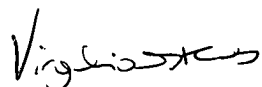
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Egmont UK Limited (continued)

Matters on which we are required to report by exception

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.



Virginia Stevens (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

21st May 2015

**Statement of comprehensive income
for the year ended 31 December 2014**

	Note	2014 £000	2013 £000
Revenue	2	60,082	45,785
Cost of sales		(30,427)	(22,204)
Gross profit		29,655	23,581
Distribution costs		(15,393)	(14,271)
Administration costs		(7,902)	(8,705)
Other income		39	54
Results from operating activities		6,399	659
Finance income	6	234	26
Finance costs	6	(38)	(110)
Net finance income/(costs)		196	(84)
Profit before tax		6,595	575
Income tax	7	(597)	(60)
Profit for the year		5,998	515
Total comprehensive income for the year attributable to owners of the company		5,998	515

The notes on pages 13 to 28 form an integral part of these financial statements.

Statement of changes in equity
at 31 December 2014

	Share capital £000	Share premium £000	Revaluation reserve £000	Retained earnings £000
Balance at 1 Jan 2013	79	1,837	298	4,943
Total comprehensive income for the year	-	-	-	515
Balance at 31 Dec 2013	79	1,837	298	5,458
Total comprehensive income for the year	-	-	-	5,998
Balance at 31 Dec 2014	79	1,837	298	11,456

The notes on pages 13 to 28 form an integral part of these financial statements.

Statement of financial position
at 31 December 2014

	Note	2014 £000	2013 £000
Assets			
Non-current assets			
Property, Plant and Equipment	8	860	1,099
Intangible assets	9	115	197
Deferred tax asset	10	650	650
		<u>1,625</u>	<u>1,946</u>
Current assets			
Inventories	11	6,947	5,450
Trade and other receivables	12	28,677	21,702
Income tax assets		230	198
Prepayments		2,968	3,198
Cash and cash equivalents	13	13,474	10,488
		<u>52,296</u>	<u>41,036</u>
Total assets		<u>53,921</u>	<u>42,982</u>
Equity			
Share capital	16	79	79
Share premium		1,837	1,837
Revaluation reserve		298	298
Retained earnings		11,456	5,458
		<u>13,670</u>	<u>7,672</u>
Liabilities			
Current liabilities			
Trade and other payables	14	34,626	31,727
Provisions	15	5,625	3,583
		<u>40,251</u>	<u>35,310</u>
Total equity and liabilities		<u>53,921</u>	<u>42,982</u>

The notes on pages 13 to 28 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 2015
and signed on its behalf by:

A Hurcombe
Director

Company registered number - 449706

Statement of cash flows

for the year ended 31 December 2014

	Note	2014 £000	2013 £000
Cash flows from operating activities			
Profit for the year		5,998	515
Adjustments for:			
Depreciation and amortisation	3	377	650
Net finance (income)/costs	6	(196)	84
Impairment gain/(loss) on financial instruments	6	-	(58)
Income tax expense	7	597	60
		6,776	1,251
Changes in:			
Inventories		(1,497)	239
Trade and other receivables		(6,203)	(3,215)
Prepayments		230	313
Provisions		2,042	(9)
Trade and other payables		2,339	2,209
Cash generated from operating activities		3,687	788
Interest paid	6	(38)	(8)
Income tax received		(629)	(245)
Net cash from operating activities		3,020	535
Cash flows from investing activities			
Interest received	6	22	26
Acquisitions of property and equipment	8	(42)	(67)
Acquisitions of intangible assets	9	(14)	(150)
Net cash from investing activities		(34)	(191)
Cash flows from financing activities			
Dividends paid		-	-
Net cash from financing activities		-	-
Net increase in cash and cash equivalents		2,986	344
Cash and cash equivalents at 1 Jan		10,488	10,144
Cash and cash equivalents at 31 Dec		13,474	10,488

The notes on pages 13 to 28 form an integral part of these financial statements.

Notes to the financial statements

1 Accounting policies

Egmont UK Limited (the "Company") is a company incorporated and domiciled in the UK.

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

- Heritage assets which are stated at fair value with movements in valuation being taken to Other Comprehensive Income.

The preparation of financial statements in conformity with Adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements and estimates made by management in the application of Adopted IFRS that have significant effect on the financial statements are discussed in note 23.

Future accounting standards

The following are financial reporting standards applicable to the Company for future financial periods and have not been applied in preparing these financial statements:

- IAS 17 Leases is an ongoing project by the IASB to reconsider the accounting treatment for leasing arrangements. The project is being conducted jointly by the FASB. The discussion paper that has been issued proposes for lessees, to eliminate the requirement to classify a lease contract as an operating or finance lease, and to require a single accounting model to be applied to all leases. The paper proposes that a lessee recognize in its financial statements a "right of use" asset representing its right to use the leased asset, and a liability representing its obligation to pay lease rentals. The proposals for lessor accounting are still being discussed. The IASB have proposed an exemption from these requirements for lessors of investment property measured at fair value. This will result in the Company recognising an asset and related liability in respect of its premises rental arrangements.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Going Concern

The UK Egmont group continues to generate profits, despite the challenging market they operate in. Significant cash balances are held and there are no external borrowings. Having given consideration to the above and forecast trading levels the directors believe it is appropriate to prepare the accounts on a going concern basis.

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.

Revenue

Revenue relates to the sale of books and magazines and other associated ancillary income.

The revenue from the sale of books and magazines is represented by the invoiced value of goods supplied (excluding VAT) less an estimate for the expected value of returns made under sale or return arrangements.

Ancillary income includes the invoiced value of royalties from the sale of publishing rights and magazine advertising.

Magazine sales distributed into the market are accrued for in the month of sale, adjusted for the estimate of expected returns, and invoiced in the following month when the sales have been confirmed by the magazine distributor.

Books translated into a foreign language sold for export are invoiced in three parts. The sale is not recognised until the final third invoice has been issued.

Revenue is recognised in the accounting period in which the company makes the sale.

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 income / expenditure for the year.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in debt and equity securities

Equity investments classified as financial instruments in accordance with IAS 39 were upon transition designated as stated at fair value, with any resultant gain or loss recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Property, Plant and Equipment

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.

Furniture and equipment	3 years
Fixtures and fittings	3 years
Heritage assets	See below

Heritage assets:

The company has a collection of children's characters illustrations which are held as part of the culture and history of the Egmont Group. The illustrations are loaned to various museums to increase the public's knowledge and appreciation of these popular works.

The collection of illustrations is reported in the Balance Sheet at fair value. The collection is periodically revalued by an external valuer with any surplus or deficit on revaluation being reported in Other Comprehensive Income. The illustrations are deemed to have indeterminate lives and a high residual value; hence the directors do not consider it appropriate to charge depreciation.

The company does not actively trade in these assets and has no intention to dispose of these assets.

Costs which in the directors' view are required to preserve or clearly prevent further deterioration of items within the collection are recognised in profit or loss when incurred.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation 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.

Software	– 3 years
Development	– 5 years
Trademarks	– 10 years

Inventories

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

Impairment

The carrying amount of the Company's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Reversals of impairment

An impairment loss is reversed when there is an indication that the impairment loss may no longer exist or there has been a change in the estimates used to determine the recoverable amount.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Financing income and expenses

Financing expenses comprise interest payable and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

2 Revenue

	2014	2013
	£000	£000
<i>Sales comprised the following:</i>		
Sale of goods	58,917	44,739
Sale of services	614	505
Royalty income	281	294
Other income	270	247
 Total revenue	 60,082	 45,785

3 Expenses and auditor's remuneration

	2014	2013
	£000	£000
<i>Included in the profit for the year are the following:</i>		
Amounts receivable by auditor and their associates in respect of:		
Audit of these financial statements	53	69
Services relating to taxation	16	24
Depreciation and amortisation	377	650
 Rentals payable under operating leases	 347	 350

Notes to the financial statements (continued)

4 Directors' remuneration

	2014	2013
	£000	£000
Directors' emoluments	872	1,271
Company contributions to group personal pension schemes	125	178

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £323,170 (2013: £350,943), and company pension contributions of £44,426 (2013: £56,484) were made to a group personal scheme on their behalf.

	Number of directors	
	2014	2013
Retirement benefits are accruing to the following number of directors under:		
Group personal pension schemes	4	5

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:

	2014	2013
	No. of employees	
Management and administration	37	40
Production, distribution and sales	179	171
	216	211

The aggregate payroll costs of these persons were as follows:

	2014	2013
	£000	£000
Wages and salaries	8,766	8,832
Social security costs	930	911
Pension costs	989	1,004
Severance costs	411	107
	11,096	10,854

Notes to the financial statements (continued)

6 Finance income and costs

	2014 £000	2013 £000
Recognised in profit or loss income		
Interest income on bank accounts	7	8
Interest income on loans	15	17
Interest income from HMRC	-	1
Foreign exchange differences	212	-
Finance income	<u>234</u>	<u>26</u>
Costs		
Interest expense on bank accounts	38	8
Foreign exchange differences	-	102
Finance costs	<u>38</u>	<u>110</u>
Net finance income/(cost) recognised in profit or loss	<u>196</u>	<u>(84)</u>

7 Taxation

Recognised in the income statement

	2014 £000	2013 £000
<i>UK corporation tax</i>		
Current tax on income for the period	520	-
Adjustments in respect of prior periods	77	60
Current tax expense	<u>597</u>	<u>60</u>
<i>Deferred taxation</i>		
Origination/reversal of timing differences	-	-
Deferred tax expense	<u>-</u>	<u>-</u>
Total tax expense	<u>597</u>	<u>60</u>

Notes to the financial statements (continued)

7 Taxation (continued)

Reconciliation of effective tax rate

	2014 £000	2013 £000
Profit for the year	5,998	515
Total tax expense	(597)	(60)
	<hr/>	<hr/>
Profit excluding taxation	6,595	575
	<hr/>	<hr/>
Income tax using the UK corporation tax rate of 21% (2013:23%)	1,418	134
Effects of:		
Expenses not deductible for tax purposes	24	22
Depreciation for the year in excess of capital allowances	10	72
Utilisation of brought forward tax losses	(304)	-
Group relief-Egmont US, inc. losses	(628)	(228)
Adjustment in respect of prior years	77	60
	<hr/>	<hr/>
Total tax charge (see above)	597	60
	<hr/>	<hr/>

Factors that may affect future tax charges

The UK corporation tax rate reduced from 23% in 2013 to 21% in 2014. The rate of corporation tax will further reduce to 20% in 2015 and this will reduce the company's future current tax charge accordingly.

A deferred tax asset of £650,000 (2013:£650,000) has been recognised. A further deferred tax asset of £211,000 (2013: £515,000) 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 20% (2013:23%).

It has not yet been possible to quantify the full anticipated effect of the changes to the tax rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

Notes to the financial statements (continued)

8 Property, Plant and Equipment

	Furniture & Equipment £000	Fixtures & Fittings £000	Heritage Assets £000	Total £000
Cost or valuation				
At 1 January 2013	687	834	298	1,819
Additions	56	11	-	67
Disposals	-	-	-	-
At 31 December 2013	743	845	298	1,886
At 1 January 2014	743	845	298	1,886
Additions	42	-	-	42
Disposals	-	-	-	-
At 31 December 2014	785	845	298	1,928
Depreciation and impairment				
At 1 January 2013	342	153	-	495
Charge for the year	133	159	-	292
Disposals	-	-	-	-
At 31 December 2013	475	312	-	787
At 1 January 2014	475	312	-	787
Charge for the year	121	160	-	281
Disposals	-	-	-	-
At 31 December 2014	596	472	-	1,068
Net Book Value				
At 1 January 2013	345	681	298	1,324
At 31 December 2013	268	533	298	1,099
At 31 December 2014	189	373	298	860

Heritage assets

Heritage assets are carried at fair value. The Heritage Assets were valued by Bonhams on 08/09/2009 based on their open market value by comparison to similar items being traded on the auction market. Bonhams are a recognised valuer and have appropriate qualification and recent experience in the valuation of artwork. Under IFRS 7 this is viewed as a Level 2 classification within the fair value hierarchy. The directors have reviewed the carrying value of the assets and consider it to still be appropriate.

At 31 December 2014 had the heritage assets been measured using the cost model (historical cost less accumulated depreciation and impairment losses) their carrying value would have been £nil (2013:£nil).

Notes to the financial statements (continued)

9 Intangible assets

	Software £000	Development £000	Trademarks £000	Total £000
Cost or valuation				
At 1 January 2013	1,074	608	21	1,703
Additions	150	-	-	150
Disposals	-	-	-	-
At 31 December 2013	1,224	608	21	1,853
At 1 January 2014	1,224	608	21	1,703
Additions	14	-	-	14
Disposals	-	-	-	-
At 31 December 2014	1,238	608	21	1,867
Amortisation and impairment				
At 1 January 2013	883	406	9	1,298
Charge for the year	155	202	1	358
Disposals	-	-	-	-
At 31 December 2013	1,038	608	10	1,656
At 1 January 2014	1,038	608	10	1,656
Charge for the year	94	-	2	96
Disposals	-	-	-	-
At 31 December 2014	1,132	608	12	1,752
Net book value				
At 1 January 2013	191	202	12	405
At 31 December 2013	186	-	11	197
At 31 December 2014	106	-	9	115

The amortisation charge is recognised in the following line items in the income statement:

	2014 £000	2013 £000
Administration costs	97	358

Software is amortised over its useful economic life of 3 years and trademarks are amortised over a 10 year period.

Intangible assets are monitored for impairment on an annual basis. A forecast of revenue relating to trademarks and transmedia assets is made to test for the impairment of these assets. Software is assessed for impairment based on its functionality over the estimated economic life of the asset.

Notes to the financial statements (continued)

10 Deferred tax asset

A deferred tax asset is recognised to the extent that the directors' can accurately forecast its utilisation.

Deferred Taxation

	2014	2013
	£000	£000
At 1 January	650	650
Utilised during the year	(304)	-
Recognised during the year	304	-
At 31 December	650	650

11 Inventories

	2014	2013
	£000	£000
Raw materials	13	9
Work in progress	2,157	2,027
Finished goods	4,777	3,414
	6,947	5,450

During the year inventory with a cost of £17,456k (2013: £11,390k) was included within cost of sales.

Inventories are shown net of a provision for slow moving and obsolete items.

At 31 December 2014 the stock provision amounted to £1,214k (2013: £685k). This provision relates wholly to finished goods (books).

	2014	2013
	£000	£000
At 1 January	685	934
Utilised during the year	(493)	-
Provision created/(released) in the year	1,022	(249)
At 31 December	1,214	685

Notes to the financial statements (continued)

12 Trade and other receivables

	2014 £000	2013 £000
Trade receivables due from trade customers	19,161	12,464
Trade receivables due from related parties	1,132	919
Loans due from related parties	7,805	6,938
Other receivables	579	1,381
Total trade and other receivables	<u>28,677</u>	<u>21,702</u>

The company regularly reviews the ageing profile of the trade receivables and actively seeks to collect any amounts that have fallen outside the defined credit terms. The balances disclosed above are net of appropriate bad debt provisions.

The age of trade and other receivables from trade customers at the reporting date was:

	2014 £000	2013 £000
Not past due	18,031	12,015
Past due 0-30 days	263	345
Past due 31-90 days	519	48
More than 90 days	348	56
	<u>19,161</u>	<u>12,464</u>

13 Cash and cash equivalents

	2014 £000	2013 £000
Cash on hand	3	1
Cash at bank	13,471	10,487
Total cash and cash equivalents	<u>13,474</u>	<u>10,488</u>

14 Trade and other payables

	2014 £000	2013 £000
Trade payables due to trade suppliers	9,983	7,301
Trade payables due to related parties	37	87
Loans due to related parties	19,803	19,850
Accrued liabilities	4,441	4,242
Other payables	361	247
Total trade and other payables	<u>34,626</u>	<u>31,727</u>

All loans between Egmont companies are short term and repayable on demand.

Notes to the financial statements (continued)

15 Provision for liabilities

	Returns £000	Total £000
At 1 Jan 2013	3,583	3,583
Utilised during the year	(20,088)	(20,088)
Provision created/(released)	22,130	22,130
At 31 Dec 2013	5,625	5,625

All provisions are expected to be utilised within 12 months.

Provisions refer to expected book and magazine sale returns.

The provision for magazine returns is based on an estimate of what the company expects the final net sale to be after the magazine issue ceases to be on sale. The on sale period is a duration of 6-8 weeks which is the period in which all magazines can be returned for credit. All magazines are sold on a sale or return basis and the estimate is based on recent trends, distribution levels, price, seasonality, etc.

The provision for book returns is calculated by book list based on the pattern of actual book returns made over the past 12 months.

16 Share Capital

	Authorised Shares	£000's	Issued and fully paid Shares	£000's
Ordinary shares of £1 each				
At 31 December 2013	<u>208,000</u>	<u>208</u>	<u>79,480</u>	<u>79</u>
At 31 December 2014	<u>208,000</u>	<u>208</u>	<u>79,480</u>	<u>79</u>

17 Financial instruments

The company has exposure to credit risk, foreign currency risk and liquidity risk from its normal course of business.

Credit risk is the risk of financial loss to the company if a customer fails to meet its contractual obligations.

Management has a credit policy in place and the exposure to risk is monitored on an ongoing basis. Credit checks are performed on all customers requiring credit and a credit insurance policy is in place to minimise exposure to credit risk.

Foreign currency risk arises from transacting in foreign currencies. This risk is minimised by the purchase of forward contracts for the main foreign currencies.

Liquidity risk is the risk the company will not be able to meet its financial obligations as they fall due.

The company uses financial instruments, including trade receivables and trade payables that arise directly from its operations

Management believes the fair values to be equal to the carrying value.

Notes to the financial statements (continued)

18 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 £989,174 (2013: £1,004,123).

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

19 Contingent liabilities and capital commitments

There are guarantees in place between Egmont UK Limited and the following group companies in respect of loans and overdrafts outstanding:

- Egmont International Holdings A/S
- Egmont Holding Limited
- Egmont Magazines Limited
- Nordisk Film Post Production Sales (UK) Limited

The value outstanding at the year end was £nil (2013: £nil). Where the Company has entered into financial guarantee contracts to guarantee the indebtedness of other Companies within its Group, the Company consider these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

There were no capital commitments at 31 December 2014 (2013:£nil).

20 Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2014		2013	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Less than one year	309	21	309	43
Between one and five years	1,237	9	712	25
More than five years	619	-	-	-

During the year £347k (2013: £350k) was recognized as an expense in the income statement in respect of operating leases.

The lease on the office premises is for 10 years and there is a break clause option in the lease agreement that can be exercised in 2017.

21 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.

Notes to the financial statements (continued)

22 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 2013 was Egmont Foundation, incorporated in Denmark.

Egmont Holding Limited has a 50% investment in Hardie Grant Egmont. Egmont UK Limited sold books to the value of £683k (2013: £1,583k) to Hardie Grant Egmont in 2013. The amount owed to Egmont UK Limited at the end of the year was £588k (2013: £580k).

Sales of goods and services to other Egmont companies

	Sales value		Receivable	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Fellow subsidiaries of Egmont foundation	5,887	2,546	1,132	1,500
	5,887	2,546	1,132	1,500

Sales to other Egmont companies comprised books and royalties for the right to publish books.

Purchases of goods and services from other Egmont companies

	Purchase value		Payables	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Fellow subsidiaries of Egmont foundation	4,209	3,357	37	87
	4,209	3,357	37	87

Costs incurred from other Egmont companies included editorial fees, royalties, marketing costs, IT costs and management fees.

Loans between Egmont companies

	Loans payable		Loans receivable	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Fellow subsidiaries of Egmont foundation	19,803	19,850	7,805	6,938
	19,803	19,850	7,805	6,938

During the year loans receivable increased due to additional funding to Egmont Holding Ltd to finance the US subsidiary.

All loans between Egmont companies are short term and repayable on demand.

Related party transactions stated above are conducted on an arm length basis.

Notes to the financial statements (continued)

23 Accounting estimates and judgments

Management discussed the disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Key sources of estimation uncertainty

Note 8 provide details of depreciable tangible assets.

Note 9 details intangible assets and amortisation charges.

Provisions have been made for the following:

- Inventories
- Book and magazine returns
- Trade customer receivables

As disclosed in note 11 provision has been made for slow moving and obsolete stock.

Estimates for book and magazine returns are detailed in note 15.

Provisions have been put in place for trade customer receivables that are not collectible or the risk of not collecting has increased.

All provisions are reviewed and updated on a regular basis.