

Egmont Books Limited

Directors' report and financial statements

31 December 2003

Registered number 449706



Directors' report and financial statements

Contents

Directors' report	2
Statement of directors' responsibilities	3
Independent auditor's report to the members of Egmont Books Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7-13

Directors' report

The directors present their report and the audited financial statements for the year ended 31st December 2003.

Trading results and dividends

The profit before taxation for the period was £140k (2002 - £880k). The directors recommend payment of a dividend of £11.3924 per share costing £900k (2002 - £nil).

Principal activities

The principal business of the company remains that of book publishing.

Directors

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

S Kragh
Julie Goldsmith (resigned 7th October 2003)
M F Main
S Thain (resigned 12th March 2003)
A Kennedy
B Rasmussen
D Pocock
D I Riley
F Clarke (appointed 1st February 2003)
Robert McMenemy (appointed 7th October 2003)

Directors' interests

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Political and charitable contributions

The company made no political contributions during the year.

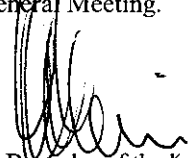
Donations made to charity amounted to £110 (2002: £25,593)

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Registered Office
239 Kensington High Street
London
W8 6SA

Date: 10 March 2004



By order of the board

M F Main - Secretary

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those 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;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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

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

Independent auditors' report to the members of Egmont Books Limited

We have audited the financial statements on pages 5 to 14.

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 are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 not consistent with the financial statements, if 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 transactions with the company is not disclosed.


Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG LLP
Chartered Accountants
Registered Auditor

 11th March, 2004

Profit and loss account

for the year ended 31 December 2003

	<i>Note</i>	2003 £000	2002 £000
Turnover	2	26,004	27,357
Cost of sales		<u>(14,095)</u>	<u>(16,354)</u>
Gross Profit		11,909	11,003
Distribution costs		(7,669)	(6,911)
Administrative costs		(4,385)	(3,780)
Other operating income		<u>369</u>	<u>627</u>
		<u>(11,685)</u>	<u>(10,064)</u>
Operating Profit		224	939
Interest payable and similar charges	6	<u>(84)</u>	<u>(59)</u>
Profit on ordinary activities before taxation	3	140	880
Tax on profit on ordinary activities	7	<u>315</u>	<u>(80)</u>
Profit on ordinary activities after taxation		455	800
Dividends proposed		<u>(900)</u>	<u>-</u>
Retained (Loss) / Profit for the year	13	(445)	800

There were no acquisitions or discontinued operations in either 2003 or 2002.

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.

A reconciliation of movements in equity shareholders' funds is given in note 14.

Balance sheet

at 31 December 2003

	Note	2003 £000	2002 £000	£000
Fixed assets				
Tangible assets	8	36		205
Current assets				
Stocks	9	3,416	4,185	
Debtors	10	14,795	11,692	
Cash at bank and in hand		222	2,876	
		<u>18,433</u>	<u>18,753</u>	
Creditors: amounts falling due within one year	11	<u>(13,575)</u>	<u>(13,619)</u>	
Net current assets :				
Due within one year	10	4,658	5,134	
Due after more than one year	10	<u>200</u>	<u>-</u>	
			<u>4,858</u>	5,134
Net assets			<u>4,894</u>	<u>5,339</u>
Capital and reserves				
Share capital	12	79	79	
Share premium	13	1,837	1,837	
Profit and loss account	13	<u>2,978</u>	<u>3,423</u>	
Shareholders' funds equity interests	14	<u>4,894</u>	<u>5,339</u>	

These financial statements were approved by the Board of Directors on 9th March 2004 and signed on its behalf by:

M F Main
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 Company's financial statements.

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 18.

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 19.

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.

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.

Notes (contd)

1 Accounting policies (continued)

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

	2003	2002
		£'000
<i>Sales were made to the following markets:</i>		
United Kingdom	19,669	22,537
North America & Rest of World	1,207	1,206
Europe	2,002	1,320
Australasia	3,126	2,294
	<hr/> 26,004	<hr/> 27,357

3 Profit on ordinary activities before taxation

	2003	2002
	£'000	£'000
<i>Profit on ordinary activities is stated after charging:</i>		
Auditors' remuneration:		
Audit	45	15
Other	-	-
Depreciation	158	243
Rentals payable under operating leases	679	602

4 Directors' emoluments

	2003	2002
	£'000	£'000
Directors' emoluments	<hr/> 449	<hr/> 530
Company contributions to group personal pension schemes	43	37

Notes (contd)

4 Directors' emoluments (cont'd)

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £112,041 (2002: £135,467), and company pension contributions of £9,295 (2002: £10,500) were made to a group personal scheme on their behalf.

	Number of directors	
	2003	2002
Retirement benefits are accruing to the following number of directors under:		
Group personal pension schemes	6	6

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 :

	2003	2002
	No. of employees	
Management and administration	9	10
Production, distribution and sales	96	98
	<u>105</u>	<u>108</u>

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£'000	£'000
Wages and salaries	3,456	2,765
Social security costs	348	305
Other pension costs	239	216
	<u>4,043</u>	<u>3,286</u>

6 Interest payable and similar charges

	2003	2002
	£'000	£'000
Differences on exchange	85	46
Bank interest (receivable) / payable	(1)	13
	<u>84</u>	<u>59</u>

Notes (contd)

7 Taxation

Analysis of charge in period

	2003 £000	£000	2002 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	80		80	
Adjustments in respect of prior periods	(95)		-	
		(15)		80
<i>Deferred taxation</i>				
Credit for the period	(300)		-	
Adjustments in respect of prior periods	-		-	
		(300)		-
Tax on profit on ordinary activities		(315)		80

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2002:lower) than the standard rate of corporation tax in the UK 30%, (2002:30%). The differences are explained below.

	2003 £000	2002 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	140	880
Current tax at 30% (2002:30%)	42	264
<i>Effects of:</i>		
Expenses not deductible for tax purposes	67	19
Depreciation for the year in excess of capital allowances	(14)	1
Utilisation of tax losses	-	(204)
Adjustments in respect of prior period	(95)	-
Total current tax charge (see above)	(15)	80

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 further deferred tax asset of £2,185,000 (2002: £2,847,000) has not been recognised as it is not felt that the timing differences will reverse in the near future.

Notes (contd)

8 Tangible assets

Furniture & Equipment £'000

Cost

Balance at 1 January 2003	1,635
Additions	10
Disposals	<u>(26)</u>

Balance at 31 December 2003	<u>1,619</u>
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Depreciation

Balance at 1 January 2003	1,430
Charge for the period	158
Disposals	<u>(5)</u>

Balance at 31 December 2003	<u>1,583</u>
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Net book value

At 1 January 2003	<u>205</u>
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At 31 December 2003	<u>36</u>
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9 Stocks

	2003 £'000	2002 £'000
Raw materials	20	21
Work in progress	314	267
Finished goods	<u>3,082</u>	<u>3,897</u>
	<u>3,416</u>	<u>4,185</u>

Notes (contd)

10 Debtors

	2003 £'000	2002 £'000
<i>Due within one year:</i>		
Trade debtors	8,821	5,628
Amounts due from parent and fellow subsidiary undertakings	5,169	4,879
Other debtors	63	938
Deferred tax	100	-
Prepayments and accrued income	442	247
	<u>14,595</u>	<u>11,692</u>
<i>Due after more than one year:</i>		
Deferred taxation	<u>200</u>	<u>-</u>
Total debtors	<u><u>14,795</u></u>	<u><u>11,692</u></u>

11 Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Trade creditors	5,050	5,690
Amount due to parent and fellow subsidiary undertakings	6,408	7,254
Taxation	80	95
Social Security costs	90	83
Accruals and deferred income	411	204
Dividend payable	900	-
Provision for returns	636	293
	<u>13,575</u>	<u>13,619</u>

12 Share Capital

	Authorised Shares	£000's	Issued and fully paid Shares	£000's
Ordinary shares of £1 each				
At 31 December 2002	<u>208,000</u>	<u>208</u>	<u>79,000</u>	<u>79</u>
At 31 December 2003	<u>208,000</u>	<u>208</u>	<u>79,000</u>	<u>79</u>

Notes (contd)

13 Reserves

	Share Premium £'000	Profit and loss account £'000
Balance at 1 January 2003	1,837	3,423
Profit for the financial year	-	(445)
Balance at 31 December 2003	<u>1,837</u>	<u>2,978</u>

14 Reconciliation of movement in shareholders' funds

	2003 £'000	2002 £'000
Profit for the financial year	(445)	800
Opening shareholders' funds	<u>5,339</u>	<u>4,539</u>
Closing shareholders' funds	<u>4,894</u>	<u>5,339</u>

15 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 £216,024 (2002: £215,429).

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

16 Contingent liabilities and capital commitments

There are composite guarantees in place between Egmont Books Limited and the following group companies:-

Egmont International Holdings A/S

Egmont Holding Limited

Egmont Magazines Limited

Nordisk Film Post Production Sales (UK) Limited (formerly Egmont Imagination UK Limited)

17 Operating lease commitments

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	2003		2002	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	-	37	-	77
In the second to fifth years inclusive	3	18	3	46
Over five years	415	-	460	-

Notes (contd)

18 Ultimate parent undertaking and parent undertaking

The company is a subsidiary undertaking of Egmont Holding 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.

19 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 2003 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.