

De Agostini UK Limited

Report and Financial Statements

31 December 2016

MONDAY



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COMPANIES HOUSE

Directors

P Boroli

N Drago

Secretary

Southampton Row Secretaries Limited

Auditor

Ernst & Young LLP

1 More London Place

London SE1 2AF

Registered Office

Battersea Studios 2

82 Silverthorne Road

London SW8 3HE

Registered No. 00966900

Strategic report

The directors present their strategic report for the year ended 31 December 2016.

Review of the business

The principal activity of the company continues to be that of multi-media publishing with sales in the UK, Republic of Ireland, Australia, New Zealand, South Africa and Malta. The company's key financial and other performance indicators during the year were as follows:

| | 2016 £000 | 2015 £000 | Change % |
|-----------------------------|--------------|--------------|-------------|
| Turnover | 26,404 | 25,247 | +4,6% |
| Operating Loss | (8,984) | (4,484) | +100,4% |
| Loss for the financial year | (9,667) | (4,678) | +106,7% |
| Shareholders' funds | (10,063) | (396) | +2.441,2% |

The 2016 results were below expectations and, despite the revenues increase, we still had a negative result due to bad performances of some products and higher bad debt provision. This negative trend will probably impact 2017 result due to the lower contribution of running titles. The company will also continue in 2017 the activity of new product development.

Principal risks and uncertainties

Partwork publishing carries a significant upfront investment in research and the testing of new products. There is always a risk that new titles will not be as successful as expected.

A proportion of the business is carried out in foreign currency with the risk of currency fluctuations. Forward contracts are in place to reduce this risk.

As part of the multinational De Agostini Group, the company has tight controls on liquidity, maximising interest income and ensuring there are sufficient liquid resources to meet the operating needs of the business and has support from the Group and therefore reduced risk in the current uncertain economic environment.

On behalf of the Board

N Drago
Director

Date

26 OCT 2017

Registered No. 00966900

Directors' report

The directors present their report for the year ended 31 December 2016.

Directors

The directors who served the company during the year were as follows:

P Boroli

N Drago appointed in October 27, 2016

A. Belloni resigned in September 30, 2016

V. Murry resigned in July 21, 2017

Dividends

The directors do not recommend a final dividend (2015 – £nil).

Future developments

The directors expect to maintain the general level of activity in the coming year with investment into new products and routes to market during 2017. The company will continue to evolve the marketing of their products and plan to build profitable brands. The directors forecast an investment year in 2017, based on a promising pipeline of international products.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to price, credit, liquidity and cash flow risk are described here in the Strategic report.

The company and the wider De Agostini group have considerable financial resources and long term contracts with suppliers across different geographical areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

In August 2017, 15,0 million ordinary shares, with aggregate nominal value of 15,0 million of Euro, were issued to the parent company De Agostini Partworks Holding BV (13,3 million GBP) and as a consequence the company has recapitalized its subsidiary undertaking De Agostini Deutschland GmbH for an amount of 15,0 millions of Euro.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

Statement of directors' responsibilities

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 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), including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 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 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.

On behalf of the Board

N Drago
Director

Date

26 OCT 2017

Independent auditor's report

to the members of De Agostini UK Limited

We have audited the financial statements of De Agostini UK Limited (the "Company") for the year ended 31 December 2016 which comprise profit and loss account, statement of recognised gains and losses, balance sheet and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 4, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the 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 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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, based on the work undertaken in the course of the audit:

- 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.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Independent auditor's report (continued)

to the members of De Agostini UK Limited

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.

Ernst & Young LLP

Gordon Cullen (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
London
Date

26/10/17

Profit and Loss Account

for the year ended 31 December 2016

| | Notes | 2016 £ | 2015 £ |
|---|-------|--------------|--------------|
| Turnover | 2 | 26,404,121 | 25,246,677 |
| Cost of sales | | (17,486,556) | (14,408,832) |
| Gross profit | | 8,917,565 | 10,837,845 |
| Distribution costs | | (14,812,044) | (12,375,803) |
| Administrative expenses | | (3,222,864) | (3,053,095) |
| Other operating income | | 133,006 | 107,233 |
| Operating (loss)/profit | 3 | (8,984,337) | (4,483,820) |
| Interest receivable and similar income | 6 | 45,975 | 121,278 |
| Interest payable and similar charges | 7 | (719,328) | (453,181) |
| (Loss)/profit on ordinary activities before taxation | | (9,657,690) | (4,815,723) |
| Tax on (loss)/profit on ordinary activities | 8 | (9,432) | 137,697 |
| (Loss) for the financial year | 15 | (9,667,122) | (4,678,026) |

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 December 2016

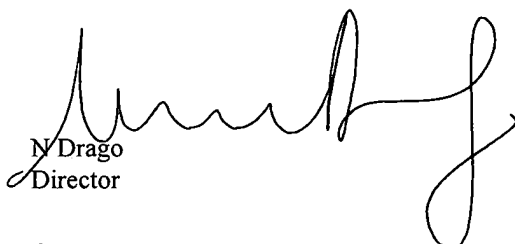
There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £9,667,122 in the year ended 31 December 2016 (2015 – loss of £4,678,026).

Balance sheet

at 31 December 2016

| | Notes | 2016 £ | 2015 £ |
|---|-------|---------------------|---------------------|
| Fixed assets | | | |
| Tangible assets | 9 | 237,800 | 382,760 |
| Investments | 10 | 115,828 | 5,047 |
| | | <u>353,628</u> | <u>387,807</u> |
| Current assets | | | |
| Stocks | 11 | 6,944,324 | 10,542,865 |
| Debtors | 12 | 7,286,405 | 9,964,849 |
| Cash at bank and in hand | | 690,754 | 1,847,056 |
| | | <u>14,921,483</u> | <u>22,354,770</u> |
| Creditors: amounts falling due within one year | 13 | <u>(25,338,380)</u> | <u>(23,138,721)</u> |
| Net current liabilities | | <u>(10,416,897)</u> | <u>(783,951)</u> |
| Net liabilities | | <u>(10,063,269)</u> | <u>(396,144)</u> |
| Capital and reserves | | | |
| Called up share capital | 14 | 28,780,000 | 28,780,000 |
| Profit and loss account | 15 | (38,843,269) | (29,176,146) |
| Shareholders' funds | 15 | <u>(10,063,269)</u> | <u>(396,144)</u> |

The financial statements were approved by the board of directors and authorised for issue and are signed on its behalf by:


N. Drago
Director

Company Registration Number: 966900

26 OCT 2017



Notes to the financial statements

at 31 December 2016

1. Accounting policies

Company information

De Agostini UK Limited is a company limited by shares and incorporated in England. The registered office is Battersea Studios 2, 82 Silverthorne Road, London, SW8 3HE.

Accounting convention

The Company's financial statements have been prepared in compliance with FRS102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as it applies to the financial statements for the year ended 31 December 2016.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest '£'.

The financial statements have been prepared on the historical cost convention.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it relating to cash flow and related party transactions (see note 20).

Going concern

The financial statements have been prepared on a going concern basis. The company made a loss in 2016 as a result of a bad performance of some products. Investment in a number of new products will continue in 2017.

The company has a negative net assets and net current assets. The directors believe that the company has adequate facilities in place for planned investments and launches for the rest of 2017 and into 2018. They review forecasts and launch plans for the foreseeable future on a regular basis. The company also has access to an allocation of a line of credit made available to the company's intermediate parent undertaking, De Agostini Editore SpA, which is being used to fund the investment in growing the business during 2017.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

In August 2017, 15,0 million ordinary shares with aggregate nominal value of 15,0 million of Euro, were issued to the parent company De Agostini Partworks Holding BV (13,3 million GBP) and as a consequence the company has recapitalized its subsidiary undertaking De Agostini Deutschland GmbH for an amount of 15,0 millions of Euro.

Group financial statements

The company has taken advantage of the exemption from preparing group financial statements afforded by section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of De Agostini SpA, incorporated in the EU, in which its results are grouped and whose financial statements are publicly available (note 21). These financial statements therefore reflect the company as an individual entity and not the group as a whole.

Statement of cash flows

The directors have taken advantage of the exemption in FRS 102 1.12 (b) from including a statement of cash flows in the financial statements on the grounds that the company is wholly owned and its parent publishes group financial statements that include the company.

Notes to the financial statements

at 31 December 2016

1. Accounting policies (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

The following criteria must also be met before revenue is recognised:

- The entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

| | | |
|-----------------------|---|---------|
| Fixtures and fittings | – | 4 years |
| Software | – | 3 years |

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Fixed asset investments are shown at cost less any provision for impairment.

The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. Work in progress represents recoverable editorial and production costs on future partwork issues.

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of total comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Notes to the financial statements

at 31 December 2016

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward foreign currency rate.

All differences are taken to the profit and loss account.

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Deferred advertising

Advertising costs incurred in promotion of partworks are deferred until the launch of the related partwork, at which point they are expensed in full. A provision is made to reflect any uncertainty surrounding the recoverability of such expenditure.

Test costs

Media test costs are expensed as incurred.

Forward foreign currency contracts

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The criteria for forward foreign currency contracts are:

- The instrument must be related to a firm foreign currency commitment,
- It must involve the same currency as the hedged item, and
- It must reduce the risk of foreign currency exchange movements on the company's operations.

Notes to the financial statements

at 31 December 2016

1. Accounting policies (continued)

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Taxation

The Group establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 8.

Notes to the financial statements

at 31 December 2016

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity, as stated in the directors' report.

An analysis of turnover by geographical market is given below:

| | 2016 £ | 2015 £ |
|---------------------------|-------------------|-------------------|
| United Kingdom | 20,132,970 | 18,151,148 |
| Rest of Europe | 1,681,416 | 1,797,326 |
| Australia and New Zealand | 2,763,864 | 3,003,310 |
| Asia | 553,865 | 725,714 |
| North America | 288,156 | 378,772 |
| South Africa | 981,424 | 1,189,026 |
| Rest of World | 2,426 | 1,381 |
| | <u>26,404,121</u> | <u>25,246,677</u> |

3. Operating loss

This is stated after charging:

| | 2016 £ | 2015 £ |
|--|---------------|----------------|
| Auditor's remuneration | | |
| – audit services | 40,000 | 36,500 |
| – tax compliance services | 13,895 | 7,100 |
| – tax advisory services | 0 | 41,330 |
| | <u>53,895</u> | <u>84,930</u> |
| Depreciation of owned fixed assets | 257,157 | 180,100 |
| Operating lease rentals – land and buildings | 131,768 | 142,184 |
| Foreign exchange gain | <u>24,291</u> | <u>464,986</u> |

4. Directors' remuneration

| | 2016 £ | 2015 £ |
|--|---------------|----------------|
| Remuneration | <u>94,421</u> | <u>123,515</u> |
| Company contributions paid to defined contribution pension schemes | <u>–</u> | <u>–</u> |
| | <i>No.</i> | <i>No.</i> |
| Members of defined contribution pension schemes | <u>–</u> | <u>–</u> |

Notes to the financial statements

at 31 December 2016

4. Directors' remuneration (continued)

All of the directors are directors for other companies in the group. The remuneration disclosed above is in respect of qualifying services to the UK company, based on management fees recharged. The remaining directors are remunerated by other group companies and are not considered to have qualifying services in respect of the UK company.

5. Staff costs

| | 2016 £ | 2015 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 1,277,846 | 1,633,296 |
| Social security costs | 135,565 | 149,005 |
| Other pension costs | 64,055 | 78,146 |
| | <u>1,477,466</u> | <u>1,860,447</u> |

The average monthly number of employees during the year was made up as follows:

| | No. | No. |
|----------------------------|-----------|-----------|
| Production | 3 | 4 |
| Marketing and distribution | 11 | 8 |
| Editorial | 5 | 5 |
| Administration | 5 | 6 |
| | <u>24</u> | <u>23</u> |

6. Interest receivable and similar income

| | 2016 £ | 2015 £ |
|---|---------------|----------------|
| Bank interest receivable | 12,083 | 5,287 |
| Interest receivable from group undertakings | 33,892 | 115,991 |
| | <u>45,975</u> | <u>121,278</u> |

7. Interest payable and similar charges

| | 2016 £ | 2015 £ |
|---------------------------------|----------------|----------------|
| Bank interest payable | 146,565 | 138,872 |
| Interest payable on group loans | 572,763 | 314,309 |
| | <u>719,328</u> | <u>453,181</u> |

Notes to the financial statements

at 31 December 2016

8. Tax

(a) Tax on (loss)/profit on ordinary activities

The tax charge is made up as follows:

| | 2016 | 2015 |
|--|----------------|----------------|
| | £ | £ |
| Current tax: | | |
| UK corporation tax on the (loss)/profit for the year | - | - |
| Foreign tax | (9,432) | 137,697 |
| Total current tax (note 8(b)) | <u>(9,432)</u> | <u>137,697</u> |

2015 saw a repayment of foreign tax deducted between 2013-2014.

(b) Factors affecting the current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20% (2015 – 20.25%). The differences are explained below:

| | 2016 | 2015 |
|--|--------------------|--------------------|
| | £ | £ |
| Loss on ordinary activities before tax | <u>(9,657,690)</u> | <u>(4,815,723)</u> |
| Tax on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 – 20.25%) | (1,931,538) | (975,184) |
| <i>Effects of:</i> | | |
| Disallowed expenditure | 3,930 | 766 |
| Capital allowances in advance of depreciation | 32,148 | 4,456 |
| Other timing differences | (7,089) | (405) |
| Higher tax rates on overseas earnings | 7,546 | (109,813) |
| Tax losses carried forward | 1,904,435 | 942,483 |
| Total tax for the year (note 8(a)) | <u>1,940,970</u> | <u>(137,697)</u> |

Notes to the financial statements

at 31 December 2016

8. Tax (continued)

(c) Deferred tax

The deferred taxation assets not recognised in the financial statements is as follows:

| | 2016 £ | 2015 £ |
|---|------------------|------------------|
| Depreciation in advance of capital allowances | 540,772 | 539,507 |
| Short term timing differences | 2,550 | 540 |
| Tax losses available | 4,821,109 | 3,388,137 |
| | <u>5,364,431</u> | <u>3,928,184</u> |

The company has available tax losses of £28,359,466 (2015 – £19,098,377). Based on expected results and current uncertain market conditions, the directors consider there is insufficient certainty to enable the company to recognise a deferred tax assets.

(d) Factors that may affect future tax charges

The UK government announced reductions in the main rate of UK Corporation Tax, which falls to 19% with effect from 1 April 2017 and 17% from 1 April 2020, and these were enacted on 18 November 2015 and 15 September 2016 respectively. The unrecognised deferred tax assets stated above have been calculated at 17%.

9. Tangible fixed assets

| | <i>Fixtures and fittings</i> £ | <i>Computers</i> £ | <i>Software</i> £ | <i>Total</i> £ |
|--------------------------|---------------------------------------|-----------------------|----------------------|-------------------|
| Cost: | | | | |
| At 1 January 2016 | 147,251 | 22,364 | 621,457 | 791,072 |
| Additions | 40,509 | 22,017 | 49,672 | 112,198 |
| At 31 December 2016 | <u>187,760</u> | <u>44,381</u> | <u>671,129</u> | <u>903,270</u> |
| Depreciation: | | | | |
| At 1 January 2016 | 105,090 | 10,128 | 293,094 | 408,312 |
| Provided during the year | 34,454 | 10,990 | 211,714 | 257,158 |
| At 31 December 2016 | <u>139,544</u> | <u>21,118</u> | <u>504,808</u> | <u>665,470</u> |
| Net book value: | | | | |
| At 31 December 2016 | <u>48,216</u> | <u>23,263</u> | <u>166,321</u> | <u>237,800</u> |
| At 1 January 2016 | <u>42,161</u> | <u>12,236</u> | <u>328,363</u> | <u>382,760</u> |

Notes to the financial statements

at 31 December 2016

10. Investments

| | <i>Subsidiary undertakings</i> | <i>Other investments</i> | <i>Total</i> |
|--------------------------|------------------------------------|------------------------------|--------------|
| | £ | £ | £ |
| <i>Cost:</i> | | | |
| At 1 January 2016 | 10,740,906 | – | 10,740,906 |
| Additions | 110,781 | – | 110,781 |
| At 31 December 2016 | 10,851,687 | – | 10,851,687 |
| <i>Amounts provided:</i> | | | |
| At 1 January 2016 | 10,735,859 | – | 10,735,859 |
| Additions | – | – | – |
| At 31 December 2016 | 10,735,859 | – | 10,735,859 |
| <i>Net book value:</i> | | | |
| At 1 January 2016 | 5,047 | – | 5,047 |
| At 31 December 2016 | 115,828 | – | 115,828 |

| <i>Name of company</i> | <i>Description of shares held</i> | <i>Country of incorporation or registration</i> | <i>Proportion of nominal value of ordinary shares held</i> | <i>Nature of business</i> |
|------------------------------|---|---|--|-------------------------------|
| De Agostini Deutschland GmbH | Ordinary | Germany | 100% | Publishing |
| De Agostini LLC (Russia) | Ordinary | Russia | 1% | Publishing |
| De Agostini Ukraine | Ordinary | Ukraine | 1% | Publishing |

11. Stocks

| | 2016 | 2015 |
|------------------|-----------|------------|
| | £ | £ |
| Work in progress | 6,944,324 | 10,542,865 |

There is no material difference between the balance sheet value of stocks and their replacement cost.

12. Debtors

| | 2016 | 2015 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Trade debtors | 2,845,158 | 4,608,492 |
| Amounts owed by group undertakings | 2,177,568 | 2,190,000 |
| Other debtors | 123,875 | 110,494 |
| VAT | 528,284 | 1,126,606 |
| Prepayments and accrued income | 1,611,520 | 1,929,257 |
| | <u>7,286,405</u> | <u>9,964,849</u> |

Amounts owed by group undertakings are trading balances in the normal course of business, this figure includes an intercompany loan of £812,282 given to a group company. This is a rolling loan repayable on demand and is guaranteed by the parent company, in case of default.

Notes to the financial statements

at 31 December 2016

13. Creditors: amounts falling due within one year

| | 2016 £ | 2015 £ |
|--|-------------------|-------------------|
| Bank loans | 3,000,000 | 3,000,000 |
| Trade creditors | 4,956,376 | 7,575,339 |
| Amounts due to group undertakings | 3,312,091 | 2,077,000 |
| Loans from group undertakings | 13,535,104 | 9,291,000 |
| Corporation tax | 48,294 | 48,294 |
| Other taxation and social security costs | 87,806 | 59,971 |
| Other creditors | 48,322 | 201,688 |
| Accruals and deferred income | 350,387 | 885,429 |
| | <u>25,338,380</u> | <u>23,138,721</u> |

Amounts due to group undertakings are non-interest bearing trading balances in the normal course of business.

Loans from group undertakings are on an annual rolling basis. The loans bear interest linked to 3 months' LIBOR rate plus 3.80%.

Loans from the bank are on a rolling basis of no longer than 180 days and are unsecured. The loans bear interest linked to current banking rates of approximately 4.0%.

14. Issued share capital

| | No. | 2016 £ | No. | 2015 £ |
|---|------------|-------------------|------------|-------------------|
| <i>Allotted, called up and fully paid</i> | | | | |
| Ordinary shares of £1 each | 18,060,000 | 18,060,000 | 18,060,000 | 18,060,000 |
| Ordinary 'B' shares of €1 each | 12,000,000 | 10,720,000 | 12,000,000 | 10,720,000 |
| | | <u>28,780,000</u> | | <u>28,780,000</u> |

15. Reconciliation of shareholders' funds and movements on reserves

| | Share capital £ | Profit and loss account £ | Total share-holders' funds £ |
|---------------------|--------------------|---------------------------------|---------------------------------------|
| At 1 January 2015 | 28,780,000 | (24,498,121) | 4,281,879 |
| Loss for the year | - | (4,678,026) | (4,678,026) |
| At 1 January 2016 | 28,780,000 | (29,176,147) | (396,147) |
| Loss for the year | - | (9,667,122) | (9,667,122) |
| At 31 December 2016 | <u>28,780,000</u> | <u>(38,843,269)</u> | <u>(10,063,269)</u> |

16. Forward contracts

The company purchases forward foreign currency contracts to hedge currency exposure on budgeted future commitments. The company had open forward contracts totalling of 3,225,000EURO and 6,100,000USD at the balance sheet date (2015 – £5,984,403).

Notes to the financial statements

at 31 December 2016

17. Pensions

The pension cost for the year under the defined contribution scheme was £64,055 (2015 – £78,146). Contributions due at 31 December 2016 were £0 (2015 – £9,322).

18. Other financial commitments

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | <i>Land and buildings</i> | |
|--|---------------------------|----------------|
| | <i>2016</i> | <i>2015</i> |
| | £ | £ |
| Not later than 1 year | 212,487 | 137,950 |
| Later than 1 year and not later than 5 years | 623,000 | - |
| Total | <u>835,487</u> | <u>137,950</u> |

19. Related party transactions

As a subsidiary of De Agostini SpA, the company has taken advantage of the exemption in FRS 102 33.1A "Related Party Disclosures "Related Party Transactions" not to disclose transactions with other members of the group headed by De Agostini SpA.

20. Subsequent event

In August 2017, 15,0 million ordinary shares with aggregate nominal value of 15,0 million of Euro, were issued to the parent company De Agostini Partworks Holding BV (13,3 million GBP) and has recapitalized its subsidiary undertaking De Agostini Deutschland GmbH for an amount of 15,0 millions of Euro.

21. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is De Agostini Partworks Holding BV, incorporated in the Netherlands. De Agostini SpA, incorporated in Italy, is the parent undertaking of the largest and smallest group of which the company is a member and for which group financial statements are drawn up. Copies of these financial statements are filed and publicly available via <http://www.deagostinigroup.com>. Copies can also be obtained from Battersea Studios 2, 82 Silverthorne Road London SW8 3HE.

B & D Holding di Marco Drago e C S a p a, incorporated in Italy, is the ultimate parent undertaking and controlling party.