De Agostini UK Limited

Report and Financial Statements

31 December 2018

Directors

P Boroli

N Drago

Secretary

Southampton Row Secretaries Limited

Auditor

Ernst & Young LLP

Bedford House

16 Bedford Street

Belfast

BT2 7DT

Registered Office

C/O Royds Withy King LLP

69 Cartel Lane

London

EC4V 5EQ

Summary

Registered No. 00966900

Strategic report

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

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

	2018	*2017*	*Change*
	£ 000	*£ 000*	*%*
Turnover	21,750	29,766	-26.93%
Operating loss	(6,637)	(12,309)	-46.08%
Loss for the financial year	(7,287)	(22,036)	-66.93%
Shareholders' deficit	(1,301)	(18,711)	-93.05%

The 2018 result was negative due a non-positive performance of some products but with a sizeable improvement versus last year.

Principal risks and uncertainties

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company manages its liquidity risk by monitoring its operating requirements. 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. The Company has support from the Group and therefore reduced risk in the current uncertain economic environment.

Credit Risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Company deals with creditworthy counterparties to mitigate the risk of financial loss from defaults and has procedures aimed at ensuring that sales and services are made to reliable customers, taking account of their financial situation, track record and other factors.

Market Risk (Currencies, Prices & Interests)

Market risk is the risk that changes in market prices, as a result of changes in foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximising the return.

In order to manage the risk of currency, principally for invoices in US Dollar and Euro, the Company negotiated Forward contracts.

On behalf of the Board

Nicola Drago
Director

Date September 23rd, 2019

Registered No. 00966900

Directors' report

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

Directors

The directors who served the company during the year and up to the date of signing the financial statement were as follows:

P Boroli
N Drago

Dividends

The directors do not recommend a final dividend (2017 – £nil).

Future developments

The directors expect to progress into the recovery path that has been undertaken in 2018 continuing to invest into new products and implementing actions for optimize the corporate cost structure.

Going concern

The financial statements have been prepared on going concern basis. The company made a loss in 2018 as a result of a non-positive performance of some products.

The company has net liabilities and net current liabilities. The directors believe that the company has adequate facilities in place for planned investments and launches for the rest of 2019 and into 2020. They review forecast and launch plans for the foreseeable future and 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 S.p.A., which is being used to fund the investment in growing the business during 2019 and 2020.

The company and the wider De Agostini group have considerable financial resources and long-term contracts with suppliers across different geographical areas and industries. Consequently, 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.

On June 29th, 2018, the Company converted the two loans payable to the parent company De Agostini Publishing Italia S.p.A. (respectively 20,000,000 GBP and 5,300,000 EUR) into equity (total amount of 24,672,480 GBP).

On May 7th, 2019 the Company converted the loan payable to the parent company De Agostini Publishing Italia S.p.A of 4,900,000 EUR into equity for an amount of 4,205,670 GBP

This allowed the company to increase the Net Equity, reduce the amount of payable financial interests and improve its net financial position.

During 2019 the Company is working on its corporate structures in order to reduce its operating expenses.

Financial risk management

The Company's business is exposed to various forms of risk: market risk (including exchange rate, interest rate and price risks), credit risk and liquidity risk. Its risk management strategy focuses on the unpredictability of markets and aims to minimise the potentially negative impact on the results.

The company's 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.

Certain types of risk are mitigated using derivatives. The Company has purchased a forward foreign currency contract to hedge the currency exposure on loan with De Agostini Publishing Italia for an amount of 5,900,000 Euros.

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.

Subsequent events

On May 7th, 2019 the Company converted the loan payable to De Agostini Publishing Italia S.p.A of 4,900,000 EUR into equity for an amount of 4,205,670 GBP.

During 2019 the Company is working on its corporate structures in order to reduce its operating expenses.

On behalf of the Board

Nicola Drago
Director

Date September 23rd, 2019

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 been elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 judgements 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.

Independent auditor's report

to the members of De Agostini UK Limited

We have audited the financial statements of De Agostini UK Limited for the year ended 31 December 2018 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance sheet, Statement of Changes in Equity and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

Independent auditor's report (continued)

to the members of De Agostini UK Limited

We have nothing to report in this regard.

Opinions on other matters 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; and

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of director's responsibilities set out on page 7, the directors are responsible for the statement of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but it's not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report (continued)

to the members of De Agostini UK Limited

Use of our report

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

Ernst + Young LLP

Neil Warnock (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Belfast

Date: 25th September 2019

Profit and Loss Account

for the year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	2	21,750,310	29,765,833
Cost of sales		(15,082,705)	(22,397,543)
Gross profit		6,667,605	7,368,290
Distribution cost		(10,265,949)	(15,402,856)
Administrative expenses		(3,868,167)	(3,915,274)
Exchange differences		(87,940)	(606,471)
Other operating income		917,080	247,435
Operating loss	3	(6,637,371)	(12,308,877)
Interest receivable and similar income	6	33,163	48,737
Interest payable and similar charge	7	(682,551)	(1,024,397)
Loss on impairment of investment		-	(8,800,000)
Loss on ordinary activities before taxation		(7,286,759)	(22,084,537)
Tax on loss on ordinary activities	8	-	48,294
Loss for the financial year	15	(7,286,759)	(22,036,243)

All amounts relate to continuing activities.

Statement of Comprehensive Income

for the year ended 31 December 2018

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £7,286,759 for the year ended 31 December 2018 (2017 – loss of £22,036,243).

Balance sheet
at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	9	60,323	118,555
Investments	10	4,728,828	4,728,828
		4,789,152	4,847,383
Current assets			
Stocks	11	1,732,588	2,787,532
Debtors	12	5,773,047	6,595,227
Cash at bank and in hand		1,761,822	1,891,636
		9,267,457	11,274,395
Creditors: amount falling due within one year	13	(15,357,398)	(34,832,548)
Net current liabilities		(6,089,942)	(23,558,153)
Net liabilities		(1,300,790)	(18,710,770)
Capital and reserves			
Called up share capital	14	66,865,480	42,193,000
Profit and loss account	15	(68,166,270)	(60,903,770)
Shareholders' deficit	15	(1,300,790)	(18,710,770)

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

Nicola Drago
Director

Date September 23rd, 2019

Company Registration Number: 00966900

Statement of changes in Equity

at 31 December 2018

	Called up Share Capital	*Other Reserves*	*Profit & Loss Account*	*Share-holders' deficit*
	£	*£*	*£*	*£*
At 1 January 2017	28,780,000	-	(38,843,269)	(10,063,269)
Capital injection	13,413,000	-	-	13,413,000
Hedging reserve	-	(24,258)	-	(24,258)
Loss for the year	-	-	(22,036,243)	(22,036,243)
At 1 January 2018	42,193,000	(24,258)	(60,879,512)	(18,710,770)
Hedging reserve	-	24,258	-	24,258
Capital injection	24,672,480	-	-	24,672,480
Loss for the year	-	-	(7,286,759)	(7,286,759)
At 31 December 2018	66,865,480	-	(68,166,270)	(1,300,790)

Called up Share Capital

Share capital represents the issued and fully paid up equity share capital of the company.

Other reserves

Other reserves are composed of the net equity effect of exchange rate differences on forward purchases of foreign currencies (USD and Euro).

Profit and loss account

Profit and loss account includes all current and prior period profit and losses.

Notes to the financial statements

at 31 December 2018

1. Accounting policies

Company information

De Agostini UK Limited is a company limited by shares and incorporated and domiciliated in England and Wales. The registered office is C/O Royds Withy King LLP, 69 Cartel Lane, London EC4V 5EQ.

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 2018.

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.

Financial reporting standard 102 – reduced disclosure exemptions

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of the following disclosures:

- Cash flow statement and related notes
- The disclosure required by FRS 102.33.1A Related Party disclosures.

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

Going concern

The financial statements have been prepared on a going concern basis. The company made a loss in 2018 as a result of a non-positive performance of some products.

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 2019 and into 2020. 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 S.p.A, which is being used to fund the investment in growing the business during 2019.

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

The directors, after the operation described below, 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.

On June 29th, 2018, the Company converted the two loans payable to De Agostini Publishing Italia S.p.A. (respectively 20,000,000 GBP and 5,300,000 EUR) into equity (total amount of 24,672,480 GBP).

On May 7th, 2019 the Company converted the loan payable to De Agostini Publishing Italia S.p.A of 4,900,000 EUR into equity for an amount of 4,205,670 GBP

This allowed the company to increase the Net Equity, reduce the amount of payable financial interests and improve its net financial position.

During 2019 the Company is working on its corporate structures in order to reduce its operating expenses.

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 S.p.A, 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.

1. Accounting policies (continued)

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.

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 & Computers	–	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. The Company evaluates its inventory every year to ensure that it is carried at the lower of cost or net realisable value. Provision is made against slow moving, obsolete and damaged inventories. Damaged inventories are identified and written down through the inventory counting procedures.

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.

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.

Financial Instruments

Financial instruments are recognized in the balance sheet when the Company becomes a party to the contractual provision of the instruments.

Loans Payables and Receivables are non-derivative financial liabilities and assets, respectively, with fixed or determinable payment that are not quoted in an active market. Such liabilities and assets are carried at amortised cost using the effective interest rate method, unless effects of the amortised cost method are not relevant.

In case any impairment indicator is identified, the carrying amount adjusted accordingly and an impairment loss is recognised in the Profit or Loss statement.

1. Accounting policies (continued)

Cash and cash equivalent

Cash and cash equivalent include cash in hand and money held in the bank account.

Share Capital

Ordinary shares are classified as equity.

Interest receivable and Interest payable

Interest receivable and interest payable arise from loan and are recognise in the profit & loss account when it occurred.

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 Company 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.

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:

	2018	*2017*
	£	*£*
United Kingdom	16,360,156	23,117,280
Rest of Europe	2,301,611	3,029,035
Australia and New Zealand	2,201,099	2,658,247
Asia	251,787	211,579
North America	113,253	120,085
South Africa	522,404	629,608
	21,750,310	29,765,833

3. Operating loss

This is stated after charging:

			2018	2017
			£	£
Auditor's remuneration	–	audit services	50,747	40,000
	–	tax compliance services	12,275	20,500
			63,022	60,500
Depreciation of owned fixed assets			84,839	143,857
Operating lease rentals	–	land and buildings	280,110	267,500
Foreign exchange gain			373,880	67,142

4. Directors' remuneration

	2018	2017
	£	£
Remuneration	-	*139,252*

All directors have the same role in other Group companies. They are remunerated by other group companies and are not considered to have qualifying services in respect of the UK company.

5. Staff costs

	2018	2017
	£	£
Wages and salaries	1,138,156	1,246,808
Social security costs	130,581	132,925
Other pension costs	69,997	78,064
	1,338,635	1,457,797

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

	No.	No.
Production	1	2
Marketing and distribution	7	10
Editorial	-	4
Administration	4	5
	12	21

6. Interest receivable and similar income

	2018	2017
	£	£
Bank interest receivable	658	15,809
Interest receivable from group undertakings	32,505	32,928
	33,163	48,737

7. Interest payable and similar charges

	2018	2017
	£	£
Bank interest payable	201,313	158,562
Interest payable on group loans	481,239	865,835
	682,551	1,024,397

8. Tax on loss on ordinary activities

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2018	2017
	£	£
Current tax:		
UK corporation tax on the loss for the year	-	-
Foreign tax	-	48,294
Total current tax (note 8(b))	-	48,294

(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 19% (2017 – 19%). The differences are explained below:

	2018	2017
	£	£
Loss on ordinary activities before tax	(7,286,759)	(22,084,537)
Tax on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 – 19%)	(1,384,484)	(4,196,062)
Effects of:		
Expenses not deductible	791	1,651,116
Income not taxable	-	(2,024)
Deferred tax not provided	1,383,693	2,546,970
Effects of overseas tax rates	-	48,294
Total tax for the year (note 8(a))	-	48,294

8. Tax on loss on ordinary activities (Continued)

(c) Deferred tax

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

	2018	*2017*
	£	*£*
Depreciation in advance of capital allowances	568,764	559,573
Short term timing differences	89,460	22,133
Tax losses available	8,202,420	7,016,648
	8,860,644	7,598,354

The company has available tax losses of £48,249,529 (2017 – £41,274,399). 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 asset.

(d) Factors that may affect future tax charges

The standard rate of Corporation Tax in the UK reduced from 20% to 19% with effect from 1 April 2017. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 19%. The standard rate will fall further 17% with effect from 1 April 2020. The reduction to 17% was enacted during the current period and any deferred tax balances have been stated at a rate of 17%.

9. Fixed assets

	Fixtures and fittings	*Computers*	*Software*	*Total*
	£	*£*	*£*	*£*
Cost:				
At 1 January 2018	187,760	49,873	690,249	927,882
Additions	-	-	26,607	26,607
At 31 December 2018	187,760	49,873	716,856	954,489
Accumulated depreciation:				
At 1 January 2018	158,694	32,945	617,688	809,.327
Provided during the year	11,971	10,544	62,324	84,839
At 31 December 2018	170,665	43,489	680,012	894,166
Net book value:				
At 31 December 2018	17,095	6,384	36,844	60,323
At 1 January 2018	29,066	16,928	72,561	118,555

10. Investments

	Subsidiary undertakings	*Other investments*	*Total*
	£	*£*	*£*
Cost:			
At 1 January 2018	24,264,687	–	24,264,687
Additions	-	–	-
At 31 December 2018	24,264,687	–	24,264,687
Amounts provided:			
At 1 January 2018	19,535,859	–	19,535,859
Additions	–	–	–
Impairment	-	–	-
At 31 December 2018	19;535,859	–	19,535,859
Net book value:			
At 31 December 2018	4,728,828	–	4,728,828
At 1 January 2018	4,728,828	–	4,728,828

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

Addresses:
De Agostini Deutschland GmbH: Baumwall 7, 20459 Hamburg –DE;
De Agostini LLC (Russia): 3rd Floor, Bld.3, Aleksandra Lukiyanova Str., 105066 Moscow, Russian Federation;
De Agostini Ukraine: 119 Saksahanskogo str., 01032 Kyiev, Ukraine.

11. Stocks

	2018	*2017*
	£	*£*
Stock	812,269	581,266
Work in Progress	920,319	2,206,266
	1,732,588	2,787,532

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

The stock as at December 31st, 2018 amounts £812,269 (£581,266 as at December 31st, 2017), net of a depreciation of £1,160,965 (£643,034 as at December 31st, 2017) resulting from the impairment test done on Model Space stock at year end.

12. Debtors

	2018	2017
	£	£
Trade debtors	2,107,699	2,479,902
Amounts owed by group undertakings	2,883,183	3,229,642
Other debtors	230,093	240,053
VAT	313,193	538,292
Prepayments and accrued income	238,873	107,338
	5,773,047	6,595,227

Amounts owed by group undertakings are trading balances in the normal course of business, this figure includes an intercompany loan of £783,147 given to a group company. This intercompany loan was reimbursed on 25th April 2019.

Trade debtors amount to £2,107,699 (£2,479,902 as at December 31st, 2017) and include a write-down, for the current year, equal to £1,321,000 (£681,411 as at December 31st, 2017) mainly related to Subscription business receivables. All receivables are current.

13. Creditors: amounts falling due within one year

	2018	2017
	£	£
Bank loans	3,900,000	3,950,000
Trade creditors	3,465,312	3,073,546
Amounts due to group undertakings	1,065,334	2,452,553
Loans from group undertakings	6,172,257	25,057,211
Other taxation and social security costs	96,472	35,256
Other creditors	143,154	92,590
Accruals and deferred income	514,870	171,392
	15,357,398	34,832,548

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%. The loan is with Intesa bank and foresees an automatic annual renewal.

Amounts due to group undertakings are non-interest bearing trading balances in the normal course of business and current, interest free, unsecured and have no fixed repayment terms.

Loans from group undertakings are on an annual rolling basis. The loan with De Agostini Publishing Italia S.p.A., for an amount of 4,383,197 GBP (equal to 4,900,000 Euros), bear interest linked to 3 months' EURIBOR rate plus 2.75% and the loan with De Agostini Deutschland, for an amount of 1,789,060 GBP (equal to 2,000,000 Euros), bear interest linked to 3 months' EURIBOR rate plus 2.50%

14. Issued share capital

Allotted, called up and fully paid	*No.*	*2018* £	*No.*	*2017* £
Ordinary shares of £1 each	38,060,000	38,060,000	18,060,000	18,060,000
Ordinary 'B' shares of €1 each	32,300,000	28,805,480	27,000,000	24,133,000
		66,865,480		42,193,000

On June 29th, 2018, the Company converted the two loans payable to De Agostini Publishing Italia S.p.A. (respectively 20,000,000 GBP and 5,300,000 EUR) into equity (respectively 20,000,000 GBP in Ordinary Share and 4,672,480 GBP in Ordinary "B" shares).

15. Reconciliation of shareholders' funds and movements on reserves

	Called up Share Capital £	*Other Reserves* £	*Profit & Loss Account* £	*Share-holders' deficit* £
At 1 January 2017	28,780,000	-	(38,843,269)	(10,063,269)
Capital injection	13,413,000	-	-	13,413,000
Hedging reserve	-	(24,258)	-	(24,258)
Loss for the year	-	-	(22,036,243)	(22,036,243)
At 1 January 2018	42,193,000	(24,258)	(60,879,512)	(18,710,770)
Hedging reserve	-	24,258	-	24,258
Capital injection	24,672,480	-	-	24,672,480
Loss for the year	-	-	(7,286,759)	(7,286,759)
At 31 December 2018	66,865,480	-	(68,166,270)	(1,300,790)

16. Forward contracts

The Company had open forward contracts totalling of 5,900,000 EUR at the balance sheet date to hedge exposure on loans. (2017 – 8,230,000 EURO and 3,450,000 USD).

17. Pensions

The pension cost for the year under the defined contribution scheme was £69,997 (2017 – £78,064). Contributions due at 31 December 2018 were £6,234 (2017 – £10,194).

18. Other financial commitments

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings *2018* £	*2017* £
Not later than 1 year	267,500	267,500
Later than 1 year and not later than 5 years	44,583	312,083
Total	312,083	579,583

19. Related party transactions

As a subsidiary of De Agostini S.p.A., 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 S.p.A..

20. Subsequent events

On May 7th, 2019 the Company converted the loan payable to De Agostini Publishing Italia S.p.A of 4,900,000 EUR into equity for an amount of 4,205,670 GBP.

During 2019 the Company is working on its corporate structures in order to reduce its operating expenses.

21. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is De Agostini Publishing Italia S.p.A., incorporated in Italy. De Agostini S.p.A., 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 Royds Withy King LLP, 69 Cartel Lane, London EC4V 5EQ.

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