

De Agostini UK Limited

Report and Financial Statements

31 December 2017



TUESDAY



JNI \*J7HOF3EZ\* #10  
30/10/2018  
COMPANIES HOUSE

# De Agostini UK Limited

---

**Directors**

P Boroli

N Drago

**Secretary**

Southampton Row Secretaries Limited

**Auditor**

Ernst & Young LLP

Bedford House

16 Bedford Street

Belfast BT2 7DT

**Registered Office**

Battersea Studios 2

82 Silverthorne Road

London SW8 3HE

## Contents

**Strategic Report**

**Directors' report**

**Statement of directors' responsibilities**

**Independent auditor's report**

**Profit & Loss Account**

**Statement of Comprehensive Income**

**Balance Sheet**

**Statement of changes in Equity**

**Notes to the financial statements**

Registered No. 00966900

## Strategic report

The directors present their strategic report for the year ended 31 December 2017.

### 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:

	2017 £000	2016 £000	Change %
Turnover	29,766	26,404	+12.7%
Operating Loss	(12,309)	(8,984)	+37.0%
Loss for the Financial Year	(22,036)	(9,667)	+128.0%
Shareholders' funds	(18,711)	(10,063)	+85.9%

The 2017 result was negative due a non-positive performance of some products, despite the revenues increase, and the impairment of investment in the subsidiary undertaking, De Agostini Deutschland for an amount of 8.8 million GBP.

### 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.

Partworks 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.

#### *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.

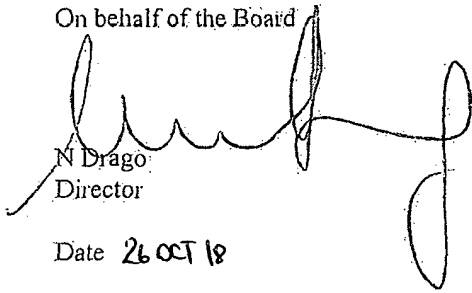
The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the return.

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

N Drago  
Director

Date 26 OCT 18



Registered No. 00966900

## Directors' report

The directors present their report for the year ended 31 December 2017.

### 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

V. Murry resigned in July 21, 2017

### Dividends

The directors do not recommend a final dividend (2016 – £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 2018. The company will continue to evolve the marketing of their products.

### Going concern

The financial statements have been prepared on a going concern basis. The company made a loss in 2017 as a result of a non-positive performance of some products and the depreciation of the investment in De Agostini Deutschland. Investment in new products will continue in 2018.

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 2018 and into 2019. 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 2018.

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 29<sup>th</sup>, 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). This swap allows the company to increase the Net Equity, reduce the amount of payable financial interests and improve its net financial position.

### 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 purchases forward foreign currency contracts to hedge currency exposure on budgeted future commitments (forward contracts totalling 8,230,000 EURO and 3,450,000 USD at the balance sheet date).

#### **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.

On behalf of the Board

  
Nicola Diago  
Director

Date October 26, 2018

## 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 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.



# 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 2017 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 2017 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 directors' responsibilities statement set out on page 7, the directors are responsible for the preparation 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*

Ruth Logan (Senior statutory auditor)

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

Belfast

Date:

*26th of October 2016*

## Profit and Loss Account

for the year ended 31 December 2017

	Notes	2017 £	2016 £
<b>Turnover</b>	2	29,765,833	26,404,121
Cost of sales		(22,397,543)	(17,486,556)
<b>Gross profit</b>		7,368,290	8,917,565
Distribution costs		(15,402,856)	(14,812,044)
Administrative expenses		(3,915,274)	(3,198,573)
Exchange differences		(606,472)	(24,291)
Other operating income		247,435	133,006
<b>Operating loss</b>	3	(12,308,877)	(8,984,337)
Interest receivable and similar income	6	48,737	45,975
Interest payable and similar charges	7	(1,024,397)	(719,328)
Loss on impairment of investment	10	(8,800,000)	-
<b>Loss on ordinary activities before taxation</b>		(22,084,537)	(9,657,690)
Tax on loss on ordinary activities	8	48,294	(9,432)
<b>Loss for the financial year</b>	15	(22,036,243)	(9,667,122)

All amounts relate to continuing activities.

## Statement of Comprehensive Income

for the year ended 31 December 2017

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £22,036,243 for the year ended 31 December 2017 (2016 – loss of £9,667,122).

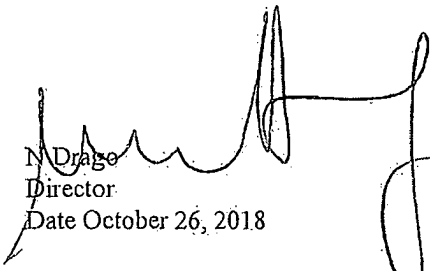


## Balance sheet

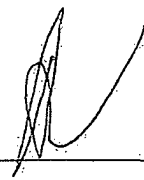

at 31 December 2017

	Notes	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	9	118,555	237,800
Investments	10	4,728,828	115,828
		<u>4,847,383</u>	<u>353,628</u>
<b>Current assets</b>			
Stocks	11	2,787,532	6,944,324
Debtors	12	6,595,227	7,286,405
Cash at bank and in hand		<u>1,891,636</u>	<u>690,754</u>
		11,274,395	14,921,483
<b>Creditors: amounts falling due within one year</b>	13	<u>(34,832,548)</u>	<u>(25,338,380)</u>
<b>Net current liabilities</b>		(23,558,153)	(10,416,897)
<b>Net liabilities</b>		<u>(18,710,770)</u>	<u>(10,063,269)</u>
<b>Capital and reserves</b>			
Called up share capital	14	42,193,000	28,780,000
Profit and loss account	15	<u>(60,903,770)</u>	<u>(38,843,269)</u>
<b>Shareholders' deficit</b>	15	<u>(18,710,770)</u>	<u>(10,063,269)</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  
Date October 26, 2018

Company Registration Number: 00966900

   
12

## Statement of changes in Equity

at 31 December 2017

	<i>Share capital</i>	<i>Other Reserves</i>	<i>Profit and loss account</i>	<i>Total share-holders' deficit</i>
	£	£	£	£
At 1 January 2016	28,780,000	-	(29,176,147)	(396,147)
Loss for the year	-	-	(9,667,122)	(9,667,122)
At 1 January 2017	28,780,000	-	(38,843,269)	(10,063,269)
Capital injection	13,413,000	(24,258)	-	13,388,742
Loss for the year	-	-	(22,036,243)	(22,036,243)
At 31 December 2017	42,193,000	(24,258)	(60,879,512)	(18,710,770)

**Share Capital**

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

**Other reserves**

Other reserves are composed of exchange rate differences on forward purchases of foreign currencies (USD and EUR);

**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 2017

### 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 2017.

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).

#### *Going concern*

The financial statements have been prepared on a going concern basis. The company made a loss in 2017 as a result of a non-positive performance of some products and the depreciation of the investment in De Agostini Deutschland. Investment in new products will continue in 2018.

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 2018 and into 2019. 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 2018.

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 29<sup>th</sup>, 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). This swap allows the company to increase the Net Equity, reduce the amount of payable financial interests and improve its net financial position.

#### *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.

#### *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.

## 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. 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.

## 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.

## 2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity.

An analysis of turnover by geographical market by destination is given below:

	2017 £	2016 £
United Kingdom	23,117,280	20,132,970
Rest of Europe	3,029,034	1,681,416
Australia and New Zealand	2,658,247	2,763,864
Asia	211,579	553,865
North America	120,085	288,156
South Africa	629,608	981,424
Rest of World	-	2,426
	<u>29,765,833</u>	<u>26,404,121</u>

### 3. Operating loss

This is stated after charging:

		2017	2016
		£	£
Auditor's remuneration:			
–	audit services	40,000	40,000
–	tax compliance services	20,500	13,895
		<u>60,500</u>	<u>53,895</u>
Depreciation of owned fixed assets		143,857	257,157
Operating lease rentals	– land and buildings	267,500	131,768
Foreign exchange gain		<u>67,142</u>	<u>24,291</u>

### 4. Directors' remuneration

	2017	2016
	£	£
Remuneration	<u>139,252</u>	<u>94,421</u>

All directors have the same role in other Group companies. 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.

No directors (2016 – none) were members of defined contribution scheme and no (2016 – nil) company contributions were paid to defined contribution pension schemes.

**5. Staff costs**

	2017 £	2016 £
Wages and salaries	1,246,808	1,277,846
Social security costs	132,925	135,565
Other pension costs	78,064	64,055
	<u>1,457,797</u>	<u>1,477,466</u>

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

	No.	No.
Production	2	3
Marketing and distribution	10	11
Editorial	4	5
Administration	5	5
	<u>21</u>	<u>24</u>

**6. Interest receivable and similar income**

	2017 £	2016 £
Bank interest receivable	15,809	12,083
Interest receivable from group undertakings	32,928	33,892
	<u>48,737</u>	<u>45,975</u>

**7. Interest payable and similar charges**

	2017 £	2016 £
Bank interest payable	158,562	146,565
Interest payable on group loans	865,835	572,763
	<u>1,024,397</u>	<u>719,328</u>

**8. Tax****(a) Tax on loss on ordinary activities**

The tax charge is made up as follows:

	2017	2016
	£	£
<b>Current tax:</b>		
UK corporation tax on the loss for the year	-	-
Foreign tax	48,294	(9,432)
<b>Total current tax (note 8(b))</b>	<b>48,294</b>	<b>(9,432)</b>

**(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% (2016 – 20%). The differences are explained below:

	2017	2016
	£	£
Loss on ordinary activities before tax	(22,084,537)	(9,657,690)
Tax on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2016 – 20%)	(4,196,062)	(1,931,538)
<b>Effects of:</b>		
Expenses not deductible	1,651,116	3,930
Income not taxable	(2,024)	(1,886)
Deferred tax not provided	2,546,970	1,929,494
Effects of overseas tax rates	48,294	(9,432)
<b>Total tax for the year (note 8(a))</b>	<b>48,294</b>	<b>(9,432)</b>

**(c) Deferred tax**

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

	2017	2016
	£	£
Depreciation in advance of capital allowances	559,573	540,772
Short term timing differences	22,133	2,550
Tax losses available	7,016,648	4,821,109
	<b>7,598,354</b>	<b>5,364,431</b>

The company has available tax losses of £41,274,399 (2016 – £28,359,466). 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**

	<i>Fixtures and fittings</i>	<i>Computers</i>	<i>Software</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 1 January 2017	187,760	44,381	671,129	903,270
Additions	-	5,492	19,120	24,612
At 31 December 2017	187,760	49,873	690,249	927,882
Depreciation:				
At 1 January 2017	139,544	21,118	504,808	665,470
Provided during the year	19,150	11,827	112,880	143,857
At 31 December 2017	158,694	32,945	617,688	809,327
Net book value:				
At 31 December 2017	29,066	16,928	72,561	118,555
At 1 January 2017	48,216	23,263	166,321	237,800

**10. Investments**

	<i>Subsidiary undertakings</i>
	£
Cost:	
At 1 January 2017	10,851,687
Additions	13,413,000
At 31 December 2017	24,264,687
Amounts provided:	
At 1 January 2017	10,735,859
Impairment	8,800,000
At 31 December 2017	19,535,859
Net book value:	
At 31 December 2017	4,728,828
At 1 January 2017	115,828

The investment in De Agostini Deutschland has undergone an impairment of £8,800,000. The recoverable amount of the investment has been derived from the net financial position of the investee as at August 2018, and from the cash-flow projections over the last four months of 2018 and the entire year 2019, based on management's most recent business forecast. Considering the short forecast period, related cash-flows have not been discounted.

<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**

	2017	2016
	£	£
Stock	581,266	-
Work in Progress	2,206,266	6,944,324
	<u>2,787,532</u>	<u>6,944,324</u>

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

The stock as at December 31<sup>st</sup>, 2017 amounts £581,266, net of a depreciation of £643,034 resulting from the impairment test done on Model Space stock at year end.

**12. Debtors**

	2017	2016
	£	£
Trade debtors	2,479,902	2,845,158
Amounts owed by group undertakings	3,229,642	2,177,568
Other debtors	240,053	123,875
VAT	538,292	528,284
Prepayments and accrued income	107,338	1,611,520
	<u>6,595,227</u>	<u>7,286,405</u>

Amounts owed by group undertakings are trading balances in the normal course of business, this figure includes an intercompany loan of £740,192 given to a group company. This is a rolling loan repayable on demand and is guaranteed by the parent company, in case of default.

Trade debtors amount to £2,479,902 and include a write-down, for the current year, equal to £681,411, mainly related to Subscription business receivables. All receivables are current.

**13. Creditors: amounts falling due within one year**

	2017 £	2016 £
Bank loans	3,950,000	3,000,000
Trade creditors	3,073,546	4,956,376
Amounts due to group undertakings	2,452,553	3,312,091
Loans from group undertakings	25,057,211	13,535,104
Corporation tax	-	48,294
Other taxation and social security costs	35,256	87,806
Other creditors	92,590	48,322
Accruals and deferred income	171,392	350,387
	<u>34,832,548</u>	<u>25,338,380</u>

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%.

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%.

**14. Issued share capital**

<i>Allotted, called up and fully paid</i>	<i>No.</i>	2017 £	<i>No.</i>	2016 £
Ordinary shares of £1 each	18,060,000	18,060,000	18,060,000	18,060,000
Ordinary 'B' shares of €1 each	27,000,000	24,133,000	12,000,000	10,720,000
		<u>42,193,000</u>		<u>28,780,000</u>

**15. Reconciliation of shareholders' funds and movements on reserves**

	<i>Share capital</i> £	<i>Other Reserves</i> £	<i>Profit and loss account</i> £	<i>Total share-holders' deficit</i> £
At 1 January 2016	28,780,000	-	(29,176,147)	(396,147)
Loss for the year	-	-	(9,667,122)	(9,667,122)
At 1 January 2017	28,780,000	-	(38,843,269)	(10,063,269)
Capital injection	13,413,000	(24,258)	-	13,388,742
Loss for the year	-	-	(22,036,243)	(22,036,243)
At 31 December 2017	<u>42,193,000</u>	<u>(24,258)</u>	<u>(60,879,512)</u>	<u>(18,710,770)</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 8,230,000 EURO and 3,450,000 USD at the balance sheet date (2016 – 3,225,000 EURO and 6,100,000 USD)



## 17. Pensions

The pension cost for the year under the defined contribution scheme was £78,064 (2016 – £64,055). Contributions due at 31 December 2017 were £10,194 (2016 – £0).

## 18. Other financial commitments

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	<i>Land and buildings</i>	
	2017	2016
	£	£
Not later than 1 year	267,500	212,487
Later than 1 year and not later than 5 years	312,083	623,000
Total	<u>579,583</u>	<u>835,487</u>

## 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

Due to the merger of De Agostini Partworks Holding B.V. into De Agostini Publishing Italia S.p.A., on January 1<sup>st</sup>, 2018, the Company is now wholly owned by De Agostini Publishing Italia S.p.A.

On June 29<sup>th</sup>, 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). This swap allows the company to increase the Net Equity, reduce the amount of payable financial interests and improve its net financial position.

## 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 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.