De Agostini UK Limited

Report and Financial Statements

31 December 2020

Directors

P Boroli

N Drago

Secretary

Southampton Row Secretaries Limited

Auditor

Belluzzo Audit Limited

Chartered Accountants and Statutory Auditors

38 Craven Street

London

WC2N 5NG

Registered Office

C/O Royds Withy King LLP

69 Carter Lane

London

EC4V 5EQ

REGISTERED NUMBER: 00966900 (England and Wales)

Summary

Registered No. 00966900

Strategic report

The directors present their strategic report for the year ended 31 December 2020.

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

	2020	*2019*	*Change*
	£ 000	*£ 000*	*%*
Turnover	4.365	9.648	-54,76%
Operating loss	(1.285)	(2.022)	-36,48%
(Loss)/profit for the financial year	(1.389)	(2.319)	-40,07%
Shareholders' fund	1.768	3.158	-44,00%

The 2020 result is still negative even if in contraction compared to the previous year. The result of the year is still affected by the negative performance of some products, in particular on the retail channel. The company will continue to develop its subscriber channel and optimize its cost structure in 2021.

Principal risks and uncertainties

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to fulfil 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.

Brexit impacts

The company has identified the implications due to Brexit and has integrated its Information Technology and Production processes to adapt to Brexit, this includes also a new Eori Number. At present there have been no issues or delays neither in the goods purchase processes nor in sales to final customers.

On behalf of the Board

N Drago
Director

Date

Registered No. 00966900

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2020.

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 (2019 – £nil).

Future developments

The directors expect to progress into the recovery path that has been undertaken in 2021 continuing to invest into new products and implementing actions for optimise the corporate cost structure. In 2021 the Company has planned to launch 12 new titles.

Going concern

The financial statements have been prepared on going concern basis, which the directors believe to be appropriate for the following reasons.

Financial resources of the company are managed at group level by the group treasury department, and banking agreements are backed by the parent company.

Furthermore, the parent company, De Agostini Publishing S.pA., provided a letter of support that it will continue to provide financial support until at least twelve months from the Company's directors signing and approval of these statements.

The directors, having assessed the responses of the directors of the company's parent, De Agostini Publishing S.pA, to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the De Agostini Publishing S.pA to continue as a going concern. After making these detailed enquiries, the directors are confident that De Agostini Publishing S.pA has sufficient resources to enable it to provide financial support.

On the basis of their assessment of the company's financial position and the letter of support provided as set out above, the company's directors have reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Confirming the intent of the De Agostini Group to keep the Company operating, on July 2021 the Company has received an amount of 1,500,000 EUR (1,277,820 GBP) as distribution capital reserve from De Agostini Deutschland GmbH, which provided further financial resources improving the net financial position.

Directors' report (continued)

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.

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

Belluzzo Audit Limited were appointed auditors on 6 April 2021 and were the auditors for the year A resolution to reappoint Belluzzo Audit Limited as auditor will be put to the members at the Annual General Meeting.

Subsequent events

Covid-19 impacts

Starting in January 2020, the spread in China and subsequently in the rest of the world of the new coronavirus called COVID-19, has had an impact on production and commercial activities due to restrictions on the transport of goods and people. The company's activities continue in compliance with the regulations and prescriptions issued by the national and European health authorities to prevent contagion. The company has also implemented mitigation actions to protect employees who have implemented increased sanitary and hygienic procedures and have promoted the functioning of the work remotely. Therefore, no business interruption has been recorded so far and the decrease in revenues is mainly due to a revision of the products' portfolio, rather than interruption in the regular course of business. The General Manager evaluate the situation, taking the necessary measures in relation to its evolution. In particular, there are not any changes in the entity's organisational structure, ownership and governance attributable to the Coronavirus outbreak. There were no changes in segregation of duties of management and financial personnel both at the entity oversight level and at the process level due to the Coronavirus outbreak, and the company does not see an increase in the opportunity for fraud because of their employees are working remotely. There were no vulnerabilities in the entities supply chain because of the coronavirus outbreak, therefore the company has not had the necessity to identify alternative suppliers. There are no financial difficulties, the net financial position at 30 June 2021 is negative for £1.1 million. The company does not see any additional credit risks, higher than usual bad debts and potential impairments and write-offs because of the Coronavirus outbreak.

Most importantly, the company is focusing more and more on the B2C business, with direct sales to customers managed through online sales, which do not require the physical access to kiosks (potentially subject to limitation in case of lockdowns).

Lastly, there were no changes in accounting policies that were implemented by the entity in 2020 which relate to the Coronavirus outbreak (revenue recognition, method of depreciation, etc.).

Income from fixed asset investment

On July 2021 the Company received an amount of 1,500,000 EUR (1,277,820 GBP) as distribution capital reserve from De Agostini Deutschland GmbH.

On behalf of the Board

N Drago
Director
Date 16/09/2021

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

Opinion

We have audited the financial statements of De Agostini UK Limited for the year ended 31 December 2020 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance sheet, Statement of Changes in Equity and Notes to the Financial Statements, 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 2020 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 Auditors' responsibilities for the audit of the financial statements section of our report. 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report (continued)

to the members of De Agostini UK Limited

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 set out on page 8, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates and considered the risk of acts by the company that were contrary to applicable laws and regulations, including fraud. We focussed on laws and regulations which could give rise to a material misstatement in the financial statements, including, but not limited to, the FRS standards, Companies Act 2006 and UK tax legislation.

Independent auditor's report (continued)

to the members of De Agostini UK Limited

We designed audit procedures to respond to the risk, recognising that, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, forgery or intentional misrepresentations, or through collusion. Our audit procedure included several sample-based tests for debtors and creditors who are susceptible to misstatement, agreed the financial statement disclosures to underlying supporting documentation in compliance with the laws and regulations, and made enquiries with management and reviewed board meeting minutes. As in all our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures as described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud during the audit.

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.

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.

A. Castagnetti

Tony Castagnetti (Senior Statutory Auditor)
for and on behalf of Belluzzo Audit Limited
Chartered Accountants and
Statutory Auditors
38 Craven Street
London
WC2N 5NG

Date: 16/09/2021

Profit and Loss Account

for the year ended 31 December 2020

	Notes	*2020* £	*2019* £
Turnover	2	4.364.647	9.647.944
Cost of sales		(2.061.113)	(4.501.174)
Gross profit		2.303.534	5.146.770
Distribution cost		(2.690.432)	(4.366.015)
Administrative expenses		(1.121.454)	(2.700.238)
Exchange differences		6.638	(96.736)
Restructuring cost	5	0	(202.321)
Other operating income		217.092	196.199
Operating loss	3	(1.284.623)	(2.022.341)
Interest receivable and similar income	6	95	9.944
Interest payable and similar charge	7	(104.862)	(306.109)
Loss on ordinary activities before taxation		(1.389.390)	(2.318.505)
Tax on loss on ordinary activities	8	0	0
Loss for the financial year	15	(1.389.390)	(2.318.505)

All amounts relate to continuing activities.

Statement of Comprehensive Income

for the year ended 31 December 2020

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £1,389,390 for the year ended 31 December 2020 (2019 – loss of £2,318,505).

Balance sheet

at 31 December 2020

	Notes	2020 £	2019 £
Fixed assets			
Tangible assets	9	27.653	33.270
Investments	10	1.318.351	4.728.828
		1.346.004	4.762.098
Current assets			
Stocks	11	764.567	1.238.470
Debtors	12	822.846	2.756.595
Cash at bank and in hand		1.365.019	1.837.311
		2.952.432	5.832.376
Creditors: amount falling due within one year	13	(2.530.211)	(7.436.859)
Net current assets /(liabilities)		422.221	(1.604.483)
Net liabilities		1.768.225	3.157.615
Capital and reserves			
Called up share capital	14	73.642.390	73.642.390
Profit and loss account	15	(71.874.165)	(70.484.775)
Shareholders' funds	15	1.768.225	3.157.615

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: 16/09/2021

Company Registration Number: 00966900

Statement of changes in Equity

at 31 December 2020

	Called up Share Capital	*Profit & Loss Account*	*Total Share-holders' funds/(deficit)*
	£	*£*	*£*
At 1 January 2019	66.865.480	(68.166.270)	(1.300.790)
Capital injection	6.776.910	0	6.776.910
Loss for the year	0	(2.318.505)	(2.318.505)
At 1 January 2020	73.642.390	(70.484.775)	3.157.615
Loss for the year	0	(1.389.930)	(1.389.930)
At 31 December 2020	73.642.390	(71.874.165)	1.768.225

Called up Share Capital

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

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 2020

1. Accounting policies

Company information

De Agostini UK Limited is a company limited by shares and incorporated and domiciled in England and Wales. The registered office is C/O Royds Withy King LLP, 69 Carter 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 2020.

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 non-disclosure of key management personnel compensation in total by FRS 102 para 33.7; and
- Certain financial instrument disclosures by FRS 102 paras 11.39 – 11.48A, 12.26 – 12.29.

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 going concern basis, which the directors believe to be appropriate for the following reasons.

Financial resources of the company are managed at group level by the group treasury department, and banking agreements are backed by the parent company.

Furthermore, the parent company, De Agostini Publishing S.pA., provided a letter of support that it will continue to provide financial support until at least twelve months from the Company's directors signing and approval of these statements.

The directors, having assessed the responses of the directors of the company's parent, De Agostini Publishing S.pA, to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the De Agostini Publishing S.pA to continue as a going concern. After making these detailed enquiries, the directors are confident that De Agostini Publishing S.pA has sufficient resources to enable it to provide financial support.

On the basis of their assessment of the company's financial position and the letter of support provided as set out above, the company's directors have reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

On July 2021 the Company has received an amount of 1,500,000 EUR (1,277,820 GBP) as distribution capital reserve from De Agostini Deutschland GmbH, which provided further financial resources improving the net financial position.

During the year the Company has worked on its corporate structures in order to reduce its operating expenses.

1. Accounting policies (continued)

Covid-19 impacts

Starting in January 2020, the spread in China and subsequently in the rest of the world of the new coronavirus called COVID-19, has had an impact on production and commercial activities due to restrictions on the transport of goods and people. The company's activities continue in compliance with the regulations and prescriptions issued by the national and European health authorities to prevent contagion. The company has also implemented mitigation actions to protect employees who have implemented increased sanitary and hygienic procedures and have promoted the functioning of the work remotely. Therefore, no business interruption has been recorded so far and the decrease in revenues is mainly due to a revision of the products' portfolio, rather than interruption in the regular course of business. The General Manager evaluate the situation, taking the necessary measures in relation to its evolution. In particular, there aren't any changes in the entity's organisational structure, ownership and governance attributable to the Coronavirus outbreak. There were no changes in segregation of duties of management and financial personnel both at the entity oversight level and at the process level due to the Coronavirus outbreak, and the company doesn't see an increase in the opportunity for fraud because of their employees are working remotely. There were no vulnerabilities in the entities supply chain because of the coronavirus outbreak, therefore the company has not had the necessity to identify alternative suppliers. There are no financial difficulties, the net financial position at 30 June 2021 is negative for £1.1 million. The company doesn't see an additional credit risks, higher than usual bad debts and potential impairments and write-offs because of the Coronavirus outbreak. Most importantly, the company is focusing more and more on the B2C business, with direct sales to customers managed through online sales, which do not require the physical access to kiosks (potentially subject to limitation in case of lockdowns).

Lastly, there were no changes in accounting policies that were implemented by the entity in 2020 which relate to the Coronavirus outbreak (revenue recognition, method of depreciation, etc.).

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.

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.

1. Accounting policies (continued)

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.

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.

1. Accounting policies (continued)

Cash and cash equivalent

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

Called up 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.

Exceptional items

The company presents as exceptional items those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

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:

	2020	2019
United Kingdom	2.345.704	5.579.649
Rest of Europe	1.334.235	2.121.949
Australia and New Zealand	501.697	1.346.309
Asia	24.630	247.028
North America	133.185	181.979
South Africa	25.197	171.030
	4.364.647	9.647.944

3. Operating loss

This is stated after charging:

			2020 £	2019 £
Auditor's remuneration	–	audit services	39,909	56,800
	–	tax compliance services	74.080	79,697
			113,989	136,497
Depreciation of owned fixed assets			33,242	45,844
Operating lease rentals	–	land and buildings	1,611	307,500
Foreign exchange gain			139,771	463,550
Foreign exchange loss			(133,134)	(560,286)

4. Directors' remuneration

	2020 £	2019 £
Remuneration	-	-

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

	2020	2019
	£	£
Wages and salaries	154,909	381,153
Restructuring cost	-	202,321
Social security costs	15,513	69,602
Other pension costs	14,012	32,278
Other costs	24,000	
	206,434	685,354

The amount of £202,321 was relating to severance costs following the company significantly reduced the number of employees in 2019.

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

	No.	No.
Production	-	-
Marketing and distribution	2	2
Editorial	-	-
Administration	-	-
	2	2

6. Interest receivable and similar income

	2020	2019
	£	£
Bank interest receivable	95	270
Interest receivable from group undertakings	-	9,674
	95	9,944

7. Interest payable and similar charges

	2020	2019
	£	£
Bank interest payable	104,862	227,206
Interest payable on group loans	-	78,903
	104,862	306,109

8. Tax on loss on ordinary activities

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2020	*2019*
	£	*£*
Current tax:		
UK corporation tax on the loss for the year	-	-
Foreign tax	-	-
Total current tax (note 8(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% (2019 – 19%). The differences are explained below:

	2020	*2019*
	£	*£*
Loss on ordinary activities before tax	(1,389,388)	(2,318,505)
Tax on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 – 19%)	(263,984)	(440,516)
Effects of:		
Expenses not deductible	2,250	326
Deferred tax not provided	261,734	440,190
Total tax for the year (note 8(a))	-	-

(c) Deferred tax

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

	2020	*2019*
	£	*£*
Depreciation in advance of capital allowances	641,430	573,072
Short term timing differences	80,137	146,802
Tax losses available	9,883,019	8,534,256
	10,604,586	9,254,130

The company has available tax losses of £52,015,890 (2019 – £50,201,507). 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.

The main rate of corporation tax for the year was 19% (2019: 19%). The UK corporation tax rate was scheduled to reduce to 17% from 1 April 2020 however this was subsequently reversed and the rate of 19% maintained. The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end.

9. Fixed assets

	Fixtures and fittings	*Computers*	*Software*	*Total*
	£	*£*	*£*	*£*
Cost:				
At 1 January 2020	187.760	49.873	735.647	973.280
Additions			27.626	27.626
At 31 December 2020	187.760	49.873	763.274	1.000.907
Depreciation:				
At 1 January 2020	182.267	49.123	708.621	940.011
Provided during the year	5.493	749	27.000	33.242
At 31 December 2020	187.760	49.873	735.621	973.253
Net book value:				
At 31 December 2020	0	0	27.653	27.653
At 1 January 2020	5.493	750	27.027	33.270

10. Investments

	Subsidiary undertakings	*Total*
	£	*£*
Cost:		
At 1 January 2020	24,264,687	24,264,687
Capital distribution	(3,435,627)	(3,410,477)
Additions	25,150	
At 31 December 2020	20,854,210	20,854,210
Amounts provided:		
At 1 January 2029	19,535,859	19,535,859
Additions	-	-
Imperment	-	-
At 31 December 2020	19,535,859	19,535,859
Net book value:		
At 31 December 2019	1,318,351	1,318,351
At 1 January 2019	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

<u>*Addresses:*</u>
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

	2020	2019
	£	£
Stock	458,348	744,466
Work in Progress	306,219	494,004
	764,567	1,238,470

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

The stock as at 31 December 2020 amounts £458,348 (£744,466 as at 31 December 2019), net of a depreciation of £8,420,932 (£8,955,493 as at 31 December 2019) resulting from the impairment test done at year end.

There is also a work in progress of £306,219 (£494,004 as at 31 December 2019), net of a depreciation of £3,740,292 (£3,779,051 as at 31 December 2019).

12. Debtors

	2020	2019
	£	£
Trade debtors	201,354	1,144,522
Amounts owed by group undertakings	400,657	1,347,768
Other debtors	0	227,192
VAT	57,535	-
Prepayments and accrued income	163,300	37,113
	822,846	2,756,595

Amounts owed by group undertakings are unsecured, interest free, repayable on demand and in the normal course of business.

Trade debtors amount to £201,354 (£1,144,522 as at December 31st, 2019) include a write-down, for the current year, equal to £1,523,719 (£1,531,915 as at December 31st, 2019) mainly related to Subscription business receivables. All receivables are current.

13. Creditors: amounts falling due within one year

	2020	2019
	£	£
Bank loans	500,000	3,000,000
Trade creditors	835,875	2,121,999
Amounts due to group undertakings	558,349	1,121,111
Other taxation and social security costs	28,671	38,509
VAT	-	35,849
Other creditors	187,136	234,411
Accruals and deferred income	420,180	884,980
	2,530,211	7,436,859

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.

14. Called up share capital

		2020		2019
Allotted, called up and fully paid	*No.*	*£*	*No.*	*£*
Ordinary shares of £1 each	38,060,000	38,060,000	38,060,000	38,060,000
Ordinary 'B' shares of €1 each	40,200,000	35,582,390	32,300,000	35,582,390
		73,642,390		73,642,390

15. Reconciliation of shareholders' funds and movements on reserves

	Called up Share Capital	*Profit & Loss Account*	*Total Share-holders' funds/(deficit)*
	£	£	£
At 1 January 2019	66.865.480	(68.166.270)	(1.300.790)
Capital injection	6.776.910	0	6.776.910
Loss for the year	0	(2.318.505)	(2.318.505)
At 1 January 2020	73.642.390	(70.484.775)	3.157.615
Loss for the year	0	(1.389.390)	(1.389.390)
At 31 December 2020	73.642.390	(71.874.165)	1.768.225

16. Pensions

The pension cost for the year under the defined contribution scheme was £14,012 (2019 – £32,278). Contributions due at 31 December 2020 were £1,772 (2019 – £3,544).

17. Other commitment

National Westminster Bank PLC holds five floating charges over credit balances of the company

18. Other financial commitments

At 31 December 2020 the Company don't have future minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	2020	*2019*
	£	*£*
Not later than 1 year	-	44,583
Later than 1 year and not later than 5 years	-	-
Total	-	44,583

During the year 2020 the Company proceeded with the closing of the business place in Battersea. The offices were completely closed in February 2020. At the beginning 2020 the Company paid a dilapidation amount of £109,260. This amount was already posted in a provision risk fund.

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

Also in 2021, the company's activities continue in compliance with the regulations and prescriptions issued by the national and European health authorities to prevent contagion from COVID-19. The company has continued to implement the mitigation actions to protect employees who have implemented increased sanitary and hygienic procedures and have promoted the functioning of the work remotely. Therefore, no business interruption has been recorded so far and the decrease in revenues is mainly due to a revision of the products' portfolio, rather than interruption in the regular course of business. The General Manager evaluate the situation, taking the necessary measures in relation to its evolution. In particular, there aren't any changes in the entity's organisational structure, ownership and governance attributable to the Coronavirus outbreak. There were no changes in segregation of duties of management and financial personnel both at the entity oversight level and at the process level due to the Coronavirus outbreak, and the company doesn't see an increase in the opportunity for fraud because of their employees are working remotely. There were no vulnerabilities in the entities supply chain because of the coronavirus outbreak, therefore the company has not had the necessity to identify alternative suppliers. There are no financial difficulties, the net financial position at 30 June 2021 is negative for £1.1 million. The company doesn't see an additional credit risks, higher than usual bad debts and potential impairments and write-offs because of the Coronavirus outbreak

On July 2021 the Company received an amount of 1,500,000 EUR (1,277,820 GBP) as distribution capital reserve from De Agostini Deutschland GmbH.

21. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is De Agostini Publishing S.p.A (previously named 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 Carter Lane, London EC4V 5EQ.

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