2226335

G E Fabbri Limited

Report and Financial Statements

31 December 2007

Registered No 2226335

Directors
P L Edwards
E C P Glaze
G Lattanzi
A Gerli

Secretary
P A Costick

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers
NatWest Bank PLC
34 Henrietta Street
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Solicitors
Penningtons
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Directors' report

The directors present their report and group financial statements for the year ended 31 December 2007

Results and dividends

The profit for the year, after taxation, amounted to £5,633k (2006 – £5,694k) The directors have paid an ordinary dividend during the year of £2,500k (2006 – £2,500k) and have declared a further dividend of £3,000k (2006 – £nil)

Principal activity, review of the business and future developments

The principal activity of the group is the research, production and sale of partworks which are high quality magazines often including a collectible element (for example DVDs, CD Roms, make up, clothing for dolls, etc) and often linked to a character or brand

The company's major markets are the UK and other English speaking countries but the company has expanded into other countries in recent years Future plans are to further increase the company's activities outside the English speaking markets

The group's key financial performance indicators during the year were as follows

Group Turnover has increased from £73 7m in 2006 to £86 3m in 2007 (an increase of 17%) This was due almost entirely to the group's expansion into overseas markets

Total Operating profit has increased from £8 5m in 2006 to £8 7m in 2007 (an increase of 2%) This improvement reflects the increase in turnover

The group continues to trade on a sound financial footing keeping working capital to a minimum Despite the increased stock holding (due in the main to 2007 production for 2008 launches) the ratio of current assets as a % of current liabilities remains at a reasonable level 140% compared with 159% in 2006

The company's future plans are to further increase the activities outside the English speaking markets and to build on the many fruitful relationships that have been formed with licensor and film studios

Directors

The directors who served during the year ended 31 December 2007 were as follows

P L Edwards
E C P Glaze
A Gerli
G Lattanzi

Financial instruments

The company conducts regular reviews of its foreign currency holdings and attempts to reduce any foreign exchange exposure by monitoring the foreign exchange markets and disposing of any surplus currencies when the exchange rates are considered favourable

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation Group policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures Details of the group's debtors are shown in Note 12 to the financial statements

Directors' report

Principal risks and uncertainties

The directors consider that the principal risks and uncertainties facing the company include future interest rate levels affecting consumer confidence

Given the nature of the international trade in which the company partakes there is also an element of uncertainty in the currency markets Where possible a natural hedge is established whereby overseas revenue is used to settle expenditure in the same currency

A prerequisite of partwork publishing is that significant investment is made for the promotion of new titles Despite an extensive programme of research and market testing there remains an element of risk attached to this investment until the actual sales of the new title are established

Auditors

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

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1 Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

On behalf of the Board

Director
Date 4/11/08

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group 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 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report

to the members of G E Fabbri Limited

We have audited the group and parent company financial statements (the "financial statements") of G E Fabbri Limited for the year ended 31 December 2007 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Statement of Cash Flows, and the related notes 1 to 22 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Independent auditors' report

to the members of G E Fabbri Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2007 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London
Date 5/11/2008

Group profit and loss account

for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Turnover group and share of joint venture's turnover	2	86,307	73,689
Less share of joint venture's turnover		(106)	(247)
Group turnover		86,201	73,442
Cost of sales		(70,170)	(57,417)
Gross profit		16,031	16,025
Administrative expenses		(7,157)	(7,185)
Group operating profit	3	8,874	8,840
Share of operating loss in joint venture		(146)	(353)
Total operating profit group and share of joint venture		8,728	8,487
Net bank interest receivable/(payable)	6	39	49
Joint venture interest receivable		19	19
Dividends received		59	20
Profit on ordinary activities before taxation		8,845	8,575
Tax on profit on ordinary activities*	7	(3,212)	(2,883)
Profit on ordinary activities after taxation		5,633	5,692
Minority interests (equity)		–	2
Retained profit for the group and its share of joint venture	16	5,633	5,694

* All tax relates to the group

All activities are continuing

Group statement of total recognised gains and losses
for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Retained profit for the year excluding share of loss of joint venture		5,756	6,047
Share of joint venture's net loss for the year		(123)	(344)
Total retained profit for the year attributable to members of the parent company		5,633	5,703
Exchange difference on retranslation of subsidiary undertaking	16	(108)	(203)
Total recognised gains relating to the year		5,525	5,500

Group balance sheet

at 31 December 2007

	Notes	2007 £000	2006 £000
Fixed assets			
Intangible assets	8	1	–
Tangible assets	9	801	229
Investments	10	233	228
		1,035	457
Current assets			
Stocks	11	11,562	6,925
Debtors	12	26,486	21,258
Cash at bank and in hand		5,440	6,032
		43,488	34,215
Creditors amounts falling due within one year	13	(31,183)	(21,484)
Net current assets		12,305	12,731
Total assets less current liabilities		13,340	13,188
Provision for joint venture deficit			
Share of gross assets	10	849	819
Share of gross liabilities	10	(1,926)	(1,772)
		(1,077)	(953)
Net assets		12,263	12,235
Capital and reserves			
Called up share capital	15	685	685
Capital reserve	16	113	113
Profit and loss account	16	11,502	11,477
Shareholders' funds	16	12,300	12,275
Minority interests (equity)		(37)	(40)
		12,263	12,235

Approved by the Board on 5/11/2008
and signed on its behalf by

Director

Company balance sheet

at 31 December 2007

	Notes	2007 £000	2006 £000
Fixed assets			
Tangible assets	9	797	229
Investments	10	353	338
		1,150	567
Current assets			
Stocks	11	7,512	3,542
Debtors	12	29,554	21,451
Cash at bank and in hand		3,580	5,365
		40,646	30,358
Creditors amounts falling due within one year	13	(27,710)	(19,385)
Net current assets		12,936	10,973
Total assets less current liabilities		14,086	11,540
Capital and reserves			
Called up share capital	15,16	685	685
Profit and loss account	16	13,401	10,855
Shareholders' funds	16	14,086	11,540

Approved by the Board on 5/11/2008
and signed on its behalf by

Director

Group statement of cash flows

for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Net cash inflow from operating activities	19 (a)	4,219	5,977
Returns on investments and servicing of finance			
Interest paid		(191)	(41)
Interest received		249	109
		58	68
Dividend from associate		59	20
Taxation			
Taxation paid		(2,568)	(2,947)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(728)	(124)
Net increase in investments		(5)	(33)
		(733)	(157)
Equity dividends paid		(2,500)	(2,500)
Financing			
Increase/(decrease) in short term borrowings		873	(948)
Decrease cash in the year		(592)	(487)

Reconciliation of net cash flow to movement in net funds

	Notes	2007 £000	2006 £000
Decrease in cash in the year		(592)	(487)
Cash (inflow)/outflow from(increase)/decrease in debt		(873)	948
Change in net funds arising from cash flows	19(b)	(1,465)	461
Movement in the year		(1,465)	461
Net funds at beginning of the year	19(b)	5,806	5,345
Net funds at end of the year	19(b)	4,341	5,806

Notes to the financial statements

at 31 December 2007

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom generally accepted accounting principles

Basis of consolidation

The group financial statements consolidate financial statements of G E Fabbri Limited and all its subsidiary undertakings drawn up to 31 December 2007 No profit and loss account is presented for G E Fabbri Limited as permitted by section 230 of the Companies Act 1985

Entities in which the group holds an interest on a long-term basis and are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures In the group financial statements, joint ventures are accounted for using the gross equity method

Revenue

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty The following criteria must also be met before revenue is recognised

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods

Interest income

Revenue is recognised as interest accrues issuing the effective interest method

Dividends

Revenue is recognised when the Group's right to receive payment is established

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets over their expected useful lives It is calculated at the following annual rates

Fixtures and fittings	–	25% straight line
Office equipment	–	25% straight line
Motor vehicles	–	25% straight line
Leasehold improvements	--	25% straight line

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

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Notes to the financial statements

at 31 December 2007

1. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value Cost is based on the cost of purchase on a first-in, first-out basis Net realisable value is based on estimated selling price less additional costs of disposal

Work in progress represents recoverable editorial and production costs on future partwork issues

Research and development

Research and development expenditure is written off as incurred

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date All differences are taken to the profit and loss account

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date Exchange differences which arise from translation of opening net investment in foreign subsidiary undertakings are taken to reserves

Investments - Company

Investments in subsidiary undertakings associates and the joint venture are stated at cost The carrying values of investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be receivable

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 a right to pay less or to receive more, tax with the following exceptions

- provision is made for deferred tax that would arise on remittance of the retained earnings of associates, subsidiaries and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable, and

- 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 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

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable

Leases

Rental costs under operating leases are charged to the profit and loss account on a straight-line basis over the lease term

Notes to the financial statements

at 31 December 2007

2. Turnover

Turnover and profit before taxation is wholly attributable to the group's principal continuing activity, the research, production and sale of partwork magazines primarily in the UK An analysis of turnover by geographical market is given below

	2007	*2006*
	£000	*£000*
United Kingdom	40,049	30,968
Other Europe	36,921	33,704
Australia	6,766	5,244
Other	2,571	3,773
	86,307	73,689

3. Operating profit

This is stated after charging/(crediting)

		2007	*2006*
		£000	*£000*
Depreciation - owned assets		156	94
Amortisation of intangible assets		--	76
Auditors' remuneration	– audit services UK	128	90
	– audit services overseas	52	45
	– non audit fees	–	–
Exchange differences		(148)	873
Operating lease rentals		147	--

4. Directors' emoluments

The directors received no emoluments during the year (2006 – £nil)

5. Staff costs

	2007	*2006*
	£000	*£000*
Wages and salaries	664	535
Social security costs	45	43
Other pension costs	23	18
	732	596

Staff costs incurred by G E Publishing Limited are recharged to the company (see note 21)

Notes to the financial statements

at 31 December 2007

5. Staff costs (continued)

The monthly average number of employees, excluding directors, during the year was as follows

	2007	*2006*
	No	*No*
Production	1	1
Sales	1	1
Administration	7	5
	9	7

6. Interest

	2007	*2006*
	£000	*£000*
Interest received	230	90
Interest paid	(191)	(41)
Net interest received	39	49

7. Tax

(a) Analysis of tax charge in the year

	2007	*2006*
	£000	*£000*
Current tax		
UK corporation tax on profits of the year	3,441	3,067
Overseas tax relieved	--	(52)
Overseas tax suffered	328	52
Adjustment in respect of previous years	(50)	(277)
Total current tax (note 7(b))	3,719	2,790
Deferred tax		
Current year deferred tax	(507)	93
Total deferred tax (note 14)	(507)	93
Tax on profit on ordinary activities	3,212	2,883

Notes to the financial statements
at 31 December 2007

7. Tax (continued)

(b) Factors affecting current tax charge for the year

	2007	*2006*
	£000	*£000*
Profit on ordinary activities before tax	8,845	8,575
Profit on ordinary activities multiplied by standard rate of UK corporation tax of 30% (2006 – 30%)	2,653	2,573
Effects of		
Expenses not deductible for tax purposes	381	30
Capital allowances in the year in arrears of depreciation	5	4
Transfer pricing adjustment	-	16
Other timing differences	524	303
Adjustments in respect of previous years	(50)	(277)
Other	206	141
Current tax charge for the year	3,719	2,790

8. Intangible fixed assets

Group	*Goodwill*
	£000
Cost	
At 1 January 2007	228
Additions during the year	1
At 31 December 2007	229
Amortisation	
At 1 January 2007	228
Provided during the year	-
At 31 December 2007	228
Net book value	
At 31 December 2007	1
At 1 January 2007	-

Goodwill is being written off in equal annual instalments over its estimated economic life of three years

Notes to the financial statements
at 31 December 2007

9. Tangible fixed assets

Group

	Leasehold improvements £000	*Fixtures and fittings £000*	*Office equipment £000*	*Motor vehicles £000*	*Total £000*
Cost					
At 1 January 2007	–	23	437	26	486
Additions	362	53	315	–	730
Disposals	–	(20)	(1)	–	(21)
At 31 December 2007	362	56	751	26	1,195
Depreciation					
At 1 January 2007	–	15	229	13	257
Provided during the year	22	7	120	7	156
Disposals	–	(18)	(1)	–	(19)
At 31 December 2007	22	4	348	20	394
Net book value					
At 31 December 2007	340	52	403	6	801
At 1 January 2007	-	8	208	13	229

Company

	Leasehold improvements £000	*Fixtures and fittings £000*	*Office equipment £000*	*Motor vehicles £000*	*Total £000*
Cost					
At 1 January 2007	–	23	437	26	486
Additions	362	53	311	–	726
Disposals	–	(20)	(1)	–	(21)
At 31 December 2007	362	56	747	26	1,191
Depreciation					
At 1 January 2007	–	15	229	13	257
Provided during the year	22	7	120	7	156
Disposals	–	(18)	(1)	–	(19)
At 31 December 2007	22	4	348	20	394
Net book value					
At 31 December 2007	340	52	399	6	797
At 1 January 2007	–	8	208	13	229

Notes to the financial statements

at 31 December 2007

10. Investments

Group

	Trade investments *£000*
Cost	
At 1 January 2007	228
Exchange adjustment	5
At 31 December 2007	233
Provision	
At 1 January 2007 and 31 December 2007	–
Net book value	
At 31 December 2007	233
At 1 January 2007	228

All investments are unlisted

Additional disclosures are given in respect of GE Eaglemoss Limited, which exceeds certain thresholds under FRS 9 'Associates and Joint Ventures', as follows

	2007 *£000*	*2006* *£000*
Fixed assets	–	–
Current assets	849	819
Share of gross assets	849	819
Liabilities due within one year	(1,926)	(1,772)
Share of gross liabilities	(1,926)	(1,772)
Share of net liabilities	(1,077)	(953)

	2007 *£000*	*2006* *£000*
Turnover	106	247
Loss before tax	(125)	(334)
Taxation	2	(10)
Loss after tax	(123)	(344)

Notes to the financial statements

at 31 December 2007

10. Investments (continued)

The joint venture was formed on 29 March 2005 and its year-end is 30 June Management accounts for the period 1 June to 31 December 2007 which are unaudited have been used for the purposes of these financial statements Audited information for this period is not available at the date of signing these accounts and the directors' believe that the management accounts are materially correct and appropriate for inclusion within the Group financial statements

Investments

Company

	Subsidiary undertakings	*Joint ventures and associates*	*investments*	*Total*
	£000	*£000*	*£000*	*£000*
Cost				
At 1 January 2007	111	1	226	338
Exchange adjustment	8	–	7	15
Additions	–	–	–	
At 31 December 2007	119	1	233	353
Amounts provided				
At 1 January 2007 and 31 December 2007	–	–	–	–
Net book value				
At 31 December 2007	119	1	233	353
At 1 January 2007	111	1	226	338

Details of the investments in which the group and the company hold 20% or more of the nominal value of any class of share capital are as follows

Subsidiary undertakings	*Proportion of nominal value and class of shares held*	*Nature of business*	*Country of incorporation*
Fabbri Publishing Limited	100%	Publisher of partworks and magazines	Great Britain
G E Fabbri Phoenix Sp z o o	67%	Publisher of partworks	Poland
GE Fabbri Editions	100%	Publisher of partworks	Ukraine
GE Fabbri Editions	100%	Publisher of partworks	Russia
GE Fabbri Editions E O O D	100%	Publisher of partworks	Bulgaria

Notes to the financial statements

at 31 December 2007

10. Investments (continued)

Associates	*Proportion of nominal value and class of shares held*	*Nature of business*	*Country of incorporation*
Investments with 20% holding			
Call Centre Factory	*20%*	*Fulfilment*	*France*
Data Base Factory Limited	20%	Fulfilment	UK
Data Base Factory SAS	20%	Fulfilment	France
Mail Order Factory	20%	Fulfilment	France
Joint Venture			
GE Eaglemoss Limited	50%	Publisher of partworks	Great Britain

11. Stocks

		Group		*Company*
	2007	*2006*	*2007*	*2006*
	£000	*£000*	*£000*	*£000*
Work in progress	6,959	3,205	6,738	2,934
Finished goods	4,603	3,720	774	608
	11,562	6,925	7,512	3,542

In the opinion of the directors, there is no material difference between the replacement cost of stock and its book value

12. Debtors: amounts falling due within one year

		Group		*Company*
	2007	*2006*	*2007*	*2006*
	£000	*£000*	*£000*	*£000*
Trade debtors	11,083	11,687	4,779	10,084
Amounts owed by parent undertaking	28	70	28	70
Amounts owed by subsidiary undertakings	-	–	11,901	3,734
Amounts owed by related undertakings	100	86	100	86
Amounts owed by joint venture	1,722	1,712	1,722	1,712
Other debtors	8,918	4,036	8,249	3,097
Corporation tax recoverable	205	159	56	80
Deferred tax asset (note 14)	1,150	643	417	553
Prepayments and accrued income	3,280	2,865	2,302	2,035
	26,486	21,258	29,554	21,451

Notes to the financial statements

at 31 December 2007

13. Creditors: amounts falling due within one year

		Group		*Company*
	2007	*2006*	*2007*	*2006*
	£000	*£000*	*£000*	*£000*
Trade creditors	13,281	10,151	12,453	8,769
Amounts due to parent undertaking	294	495	294	495
Amounts due to subsidiary undertaking	-	-	-	-
Amounts owed to related undertaking	283	254	283	254
Other creditors	7,863	5,932	5,892	5,736
Bank loan	1,099	226	853	-
Taxation and social security	35	62	35	62
Corporation Tax	2,146	948	2,025	871
Proposed dividend	3,000	-	3,000	-
Accruals and deferred income	3,182	3,416	2,875	3,198
	31,183	21,484	27,710	19,385

14. Deferred taxation

	£000
At 1 January 2007	(643)
Charged during the year (note 7(a))	(507)
At 31 December 2007	(1,150)

This asset is not disclosed separately on the balance sheet It appears in "debtors", see note 12

Group	*Recognised in the accounts 2007 £000*	*Recognised in the accounts 2006 £000*
Decelerated capital allowances	(10)	(7)
Losses	(733)	(89)
Provisions	(407)	(547)
	(1,150)	(643)

Company	*2007 £000*	*2006 £000*
Decelerated capital allowances	(10)	(6)
Provisions	(407)	(547)
	(417)	(553)

There are no unprovided deferred tax balances

Notes to the financial statements

at 31 December 2007

15. Authorised and issued share capital

Authorised, allotted, called up and fully paid	*2007* *£000*	*2006* *£000*	*2007* *£000*	*2006* *£000*
100 'A' preference shares of £1 each	–	–	–	–
1 'B' preference share of £1	–	–	–	–
684,932 ordinary shares of £1 each	685	685	685	685
	685	685	685	685

The holders of the 'A' and 'B' preference shares have no voting rights

On a winding-up of the company, the priority of payments of capital is firstly to pay the 'B' preference shareholder and secondly to pay the 'A' preference shareholder This includes the subscription price per share together with any arrears of dividends The balance of capital is payable to the ordinary shareholders

16. Reconciliation of movement in shareholders' funds

Group

	Share capital *£000*	*Capital reserve* *£000*	*Profit and loss account* *£000*	*Total share-holders' funds* *£000*
At 31 December 2005	685	113	8,486	9,284
Profit for the year	–	–	5,694	5,694
Dividends paid in the year	–	–	(2,500)	(2,500)
Exchange difference	–	–	(203)	(203)
At 31 December 2006	685	113	11,477	12,275
Profit for the year	–	–	5,633	5,633
Dividends paid/declared	–	–	(5,500)	(5,500)
Exchange difference	–	–	(108)	(108)
At 31 December 2007	685	113	11,502	12,300

Notes to the financial statements

at 31 December 2007

16. Reconciliation of movement in shareholders' funds (continued)

Company

	Share capital £000	*Profit and loss account £000*	*Total share-holders' funds £000*
At 31 December 2005	685	8,385	9,070
Profit for the year	–	4,973	4,973
Dividends paid in the year	–	(2,500)	(2,500)
Exchange difference	–	(3)	(3)
At 31 December 2006	685	10,855	11,540
Profit for the year	–	8,090	8,090
Dividends paid/declared in the year	–	(5,500)	(5,500)
Exchange difference	–	(44)	(44)
At 31 December 2007	685	13,401	14,086

The company has taken advantage of the exemption conferred by section 230(3) of the Companies Act 1985 not to present its own profit and loss account The amount of company profit dealt with in the financial statements of the parent undertaking is a profit of £ 8,090 (2006 - profit of £4,973k)

17. Dividends

Declared during the year

	2007 £000	*2006 £000*
Equity dividends on ordinary shares	5,500	2,500

Paid during the year

	2007 £000	*2006 £000*
Equity dividends on ordinary shares	2,500	2,500

18. Pensions

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The pension cost charge of £ 23k (2006 - £18k) represents contributions payable by the company to the fund

Notes to the financial statements

at 31 December 2007

19. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2007	*2006*
	£000	*£000*
Operating profit	8,874	8,840
Depreciation of tangible fixed assets	156	94
Amortisation of intangible fixed assets	-	76
(Increase)/decrease in stocks	(4,637)	(4,291)
Increase in debtors	(4,691)	(5,070)
Increase/(decrease) in creditors	4,625	6,538
Exchange movements	(108)	(210)
Net cash inflow from operating activities	4,219	5,977

(b) Analysis of changes in net funds

	Opening balance	*Cash flow*	*Closing balance*
	£000	*£000*	*£000*
Cash at bank and in hand	6,032	(592)	5,440
Debt due within one year	(226)	(873)	(1,099)
	5,806	(1,465)	4,341

20. Operating lease commitments

As at 31 December, the company had annual commitments under operating leases for land and buildings as follows

	2007	*2006*
	£000	*£000*
For leases expiring		
Within one year	442	1
Between two and five years	1,748	-
After five years	1,960	-
	4,150	1

The company has forward currency contracts outstanding at the year end to the extent of nil (2006 – £1,546k)

Notes to the financial statements

at 31 December 2007

21. Related party transactions

(a) During the year, the company undertook net transactions of £ 308k (£ 334k purchases and £ 26k sales) with its parent undertakings The company purchases paper stocks from parent undertakings

At the year end, a net amount of £266k (2006 – £425k) was owed by the company to the parent company

(b) G E Publishing Limited, a company incorporated in England, owns 48 9% of the company

During the year, the company undertook net transactions of £1,273k (£ 1,394k purchases and £ 121k sales) with G E Publishing Limited G E Publishing Limited recharges the monthly salary cost of editorial staff directly responsible for the output on specific projects on company's behalf

At the year end, a net amount of £283k (2006 – £15k) was owed to the company by G E Publishing Limited

(c) G E Magazines Limited, a company incorporated in England, is owned 100% by G E Publishing Limited (see (b) above)

During the year, the company undertook net transactions of £2,623k (£ 2,623k purchases) with G E Magazines Limited GEM charges a monthly fee to cover general salary/office costs absorbed by GEM for work performed on company's behalf

At the year end, a net amount of £99k was owed by G E Magazines Limited (2006 – £nil)

22. Ultimate parent undertaking and controlling party

The immediate parent undertaking is RCS International Books B V , a company incorporated in Holland It has included the company in its group financial statements, copies of which are available from its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, Holland

In the opinion of the directors, the company's ultimate parent undertaking and controlling party which is the largest group for which financial statements are drawn up is RCS Mediagroup S p A , a company incorporated in Italy It has included the company in its group financial statements, copies of which are available from its registered office Via Rizzoli 2, Milan, Italy