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G E Fabbri Limited

Report and Financial Statements

31 December 2008

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COMPANIES HOUSE

Registered No. 2226335

Directors
P L Edwards
E C P Glaze
G Lattanzi
A Gerli (resigned 12/06/2008)
M Giani (appointed 20/10/2008)

Secretary
P A Costick

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

Bankers
NatWest Bank PLC
34 Henrietta Street
London WC2E 8NN

Solicitors
Penningtons
Bucklersbury House
83 Cannon Street
London EC4N 8PE

Registered Office
The Communications Building
7th Floor
48 Leicester Square
London WC2H 7LT

Directors' report

The directors present their report and group financial statements for the year ended 31 December 2008.

Results and dividends

The profit for the year, after taxation, amounted to £905k (2007 – profit of £5,633k). The directors have not paid a dividend during the year (2007 - £2,500k) and have not declared a final dividend (2007 - £3,000k).

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 £86.3m in 2007 to £89.6m in 2008 (an increase of 4%). This was due almost entirely to the group's expansion into overseas markets.

Total Operating profit has decreased from £8.7m in 2007 to £3.8m in 2008 (a decrease of 56%). This decrease reflects the investment made into our international markets.

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 2008 production for 2009 launches) the ratio of current assets as a % of current liabilities remains at a reasonable level: 139% compared with 140% in 2007.

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 the company during the year are as listed on page 1.

Principal risks and uncertainties

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.

Financial instruments

Given the nature of the international trade in which the company partakes there is 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.

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

Directors' statement as to disclosure of information to auditors

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 group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Appointment of auditors

A resolution is to be proposed for appointment of KPMG as auditor of the company.

On behalf of the Board

Director

Date 30th October 2009

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 the company 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 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 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 2008 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 auditor's 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 2008 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: 06 November 2009

Group profit and loss account

for the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Turnover: group and share of joint venture's turnover	2	89,647	86,307
Less: share of joint venture's turnover		(139)	(106)
Group turnover		89,508	86,201
Cost of sales		(76,669)	(70,170)
Gross Profit		12,839	16,031
Administrative expenses		(8,738)	(7,157)
Group operating Profit	3	4,101	8,874
Share of operating loss in joint venture		(287)	(146)
Total operating Profit: group and share of joint venture		3,814	8,728
Net bank interest receivable/(payable)	6	(487)	39
Joint venture interest receivable		3	19
Dividends received		109	59
Profit on ordinary activities before taxation		3,439	8,845
Tax on profit on ordinary activities*	7	(2,534)	(3,212)
Profit on ordinary activities after taxation		905	5,633
Minority interests (equity)		-	–
Retained Profit for the group and its share of joint venture	16	905	5,633

* All tax relates to the group.

All activities are continuing.

Group statement of total recognised gains and losses

for the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Retained profit for the year excluding share of loss of joint venture		1,194	5,756
Share of joint venture's net loss for the year		(289)	(123)
Total retained profit for the year attributable to members of the parent company		905	5,633
Exchange difference on retranslation of subsidiary undertakings	16	(145)	(108)
Total recognised gains relating to the year		760	5,525

Group balance sheet

at 31 December 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Intangible assets	8	1	1
Tangible assets	9	783	801
Investments	10	233	233
		1,017	1,035
Current assets			
Stocks	11	17,581	11,562
Debtors	12	29,503	26,486
Cash at bank and in hand		2,340	5,440
		49,424	43,488
Creditors: amounts falling due within one year	13	(36,012)	(31,183)
Net current assets		13,412	12,305
Total assets less current liabilities		14,429	13,340
Provision for joint venture deficit			
Share of gross assets	10	1,797	849
Share of gross liabilities	10	(3,166)	(1,926)
		(1,369)	(1,077)
Net assets		13,060	12,263
Capital and reserves			
Called up share capital	15	685	685
Capital reserve	16	113	113
Profit and loss account	16	12,262	11,502
Shareholders' funds:	16	13,060	12,300
Minority interests (equity)		-	(37)
		13,060	12,263

Approved by the Board on 30th October 2009
and signed on its behalf by

Director

Company balance sheet

at 31 December 2008

	Notes	*2008* *£000*	*2007* *£000*
Fixed assets			
Tangible assets	9	779	797
Investments	10	352	353
		1,131	1,150
Current assets			
Stocks	11	5,974	7,512
Debtors	12	36,530	29,554
Cash at bank and in hand		1,900	3,580
		44,404	40,646
Creditors: amounts falling due within one year	13	(30,406)	(27,710)
Net current assets		13,998	12,936
Net Assets		15,129	14,086
Capital and reserves			
Called up share capital	15,16	685	685
Profit and loss account	16	14,444	13,401
Shareholders' funds	16	15,129	14,086

Approved by the Board on 30th October 2009
and signed on its behalf by

Director

Group statement of cash flows

for the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Net cash (outflow)/inflow from operating activities	19 (a)	(1,070)	4,219
Returns on investments and servicing of finance			
Interest paid		(695)	(191)
Interest received		211	249
		(484)	58
Dividend from associate		109	59
Taxation			
Taxation paid		(1,133)	(2,568)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(277)	(728)
Net increase in investments		-	(5)
		(277)	(733)
Equity dividends paid		-	(2,500)
Financing			
Increase/(decrease) in short term borrowings		(245)	873
Decrease cash in the year		(3,100)	(592)

Reconciliation of net cash flow to movement in net funds

	Notes	2008 £000	2007 £000
Decrease in cash in the year		(3,100)	(592)
Cash (outflow)/inflow from (increase)/decrease in debt		245	(873)
Change in net funds arising from cash flows	19(b)	(2,855)	(1,465)
Movement in the year		(2,855)	(1,465)
Net funds at beginning of the year	19(b)	4,341	5,806
Net funds at end of the year	19(b)	1,486	4,341

Notes to the financial statements

at 31 December 2008

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 2008. No profit and loss account is presented for G E Fabbri Limited as permitted by section 230 of the Companies Act 1985. The profit of the company for the year is disclosed in note 16.

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

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

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 when 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 when events or changes in circumstances indicate that the carrying value may not be recoverable.

Notes to the financial statements

at 31 December 2008

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 transaction. 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 when periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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 2008

2. Turnover

An analysis of turnover by geographical market is given below:

	2008	2007
By Destination:	*£000*	*£000*
United Kingdom	26,815	40,049
Other Europe	52,096	36,921
Australia	7,304	6,766
Other	3,432	2,571
	89,647	86,307

By Origin:	*£000*	*£000*
United Kingdom	37,094	49,597
Other Europe	51,621	36,877
Australia	-	-
Other	932	(167)
	89,647	86,307

3. Operating profit

This is stated after charging/(crediting):

	2008	2007
	£000	*£000*
Depreciation - owned assets	296	156
Amortisation of intangible assets	-	-
Auditors' remuneration – audit services UK	111	128
– audit services overseas	69	52
– non audit fees	-	-
Exchange differences	(821)	(148)
Operating lease rentals - land and buildings	626	147

4. Directors' emoluments

The directors received no emoluments during the year (2007 – £nil). The amounts that are charged for the employees includes Directors salaries.

5. Staff costs

	2008	2007
	£000	*£000*
Wages and salaries	440	664
Social security costs	55	45
Other pension costs	56	23
	551	732

Notes to the financial statements

at 31 December 2008

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

5. Staff costs (continued)

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

	2008	*2007*
	No.	*No.*
Production	1	1
Sales	1	1
Administration	4	7
	6	9

6. Interest

	2008	*2007*
	£000	*£000*
Interest received	208	230
Interest paid	(695)	(191)
Net interest (paid)/received	(487)	39

7. Tax

(a) Analysis of tax charge in the year

	2008	*2007*
	£000	*£000*
Current tax:		
UK corporation tax on profits of the year	1,259	3,441
Overseas tax relieved	(768)	–
Overseas tax suffered	2,497	328
Adjustment in respect of previous years	(85)	(50)
Total current tax (note 7(b))	2,903	3,719
Deferred tax:		
Current year deferred tax	(369)	(507)
Total deferred tax (note 14)	(369)	
Tax on profit on ordinary activities	2,534	3,212

Notes to the financial statements

at 31 December 2008

7. Tax (continued)

(b) Factors affecting current tax charge for the year

	2008 £000	2007 £000
Profit on ordinary activities before tax	3,439	8,845
Profit on ordinary activities multiplied by standard rate of UK corporation tax of 28.5% (2007 – 30%)	980	2,653
Effects of:		
Expenses not deductible for tax purposes	26	381
Capital allowances in the year in arrears of depreciation	11	5
Adjustments in respect of previous years	(85)	(50)
Other timing differences – difference between Uk & Russian GAAP	1,970	730
Current tax charge for the year	2,902	3,719

8. Intangible fixed assets

Group	*Goodwill £000*
Cost:	
At 1 January 2008	229
Additions during the year	-
At 31 December 2008	229
Amortisation:	
At 1 January 2008	228
Provided during the year	-
At 31 December 2008	228
Net book value:	
At 31 December 2008	1
At 1 January 2008	1

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

The company has no intangible fixed assets.

Notes to the financial statements

at 31 December 2008

9. Tangible fixed assets

Group

	Leasehold improvements £000	*Fixtures and fittings £000*	*Office equipment £000*	*Motor vehicles £000*	*Total £000*
Cost:					
At 1 January 2008	362	56	751	26	1,195
Additions	4	4	270	-	278
At 31 December 2008	366	60	1,021	26	1,473
Depreciation:					
At 1 January 2008	22	4	348	20	394
Provided during the year	92	14	184	6	296
At 31 December 2008	114	18	532	26	690
Net book value:					
At 31 December 2008	252	42	489	-	783
At 1 January 2008	340	52	403	6	801

Company

	Leasehold improvements £000	*Fixtures and fittings £000*	*Office equipment £000*	*Motor vehicles £000*	*Total £000*
Cost:					
At 1 January 2008	362	56	747	26	1,191
Additions	6	4	264	-	274
At 31 December 2008	368	60	1,011	26	1,465
Depreciation:					
At 1 January 2008	22	4	348	20	394
Provided during the year	92	14	180	6	292
At 31 December 2008	114	18	528	26	686
Net book value:					
At 31 December 2008	254	42	483	-	779
At 1 January 2008	340	52	399	6	797

Notes to the financial statements

at 31 December 2008

10. Investments

Group

	£000
Cost:	
At 1 January 2008	233
Exchange adjustment	-
At 31 December 2008	233
Provision:	
At 1 January 2008 and 31 December 2008	-
Net book value:	
At 31 December 2008	233
At 1 January 2008	233

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:

	2008 £000	2007 £000
Fixed assets		–
Current assets	1,797	849
Share of gross assets	1,797	849
Liabilities due within one year	(3,166)	(1,926)
Share of gross liabilities	(3,166)	(1,926)
Share of net liabilities	(1,369)	(1,077)

	2008 £000	2007 £000
Turnover	139	106
Loss before tax	(284)	(125)
Taxation	(5)	2
Loss after tax	(289)	(123)

Notes to the financial statements

at 31 December 2008

10. Investments (continued)

The joint venture was formed on 29 March 2005 and its year-end is now 31st December. Audited information for this period is not available at the date of signing these financial statements 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 2008	119	1	233	353
Exchange adjustment	(1)	-	-	(1)
Additions	-	-	-	-
At 31 December 2008	118	1	233	352
Amounts provided:				
At 1 January 2008 and 31 December 2008	-	-	-	-
Net book value:				
At 31 December 2008	118	1	233	352
At 1 January 2008	119	1	233	353

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% Ordinary	Publisher of partworks and magazines	Great Britain
G E Fabbri Phoenix Sp.z.o.o	100% Ordinary	Publisher of partworks	Poland
GE Fabbri Editions	100% Ordinary	Publisher of partworks	Ukraine
GE Fabbri Editions	100% Ordinary	Publisher of partworks	Russia
GE Fabbri Editions E.O.O.D.	100% Ordinary	Publisher of partworks	Bulgaria

Notes to the financial statements

at 31 December 2008

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% Ordinary	Fulfilment	France
Data Base Factory Limited	20% Ordinary	Fulfilment	UK
Data Base Factory SAS	20% Ordinary	Fulfilment	France
Mail Order Factory	20% Ordinary	Fulfilment	France
Joint Venture			
GE Eaglemoss Limited	50% Ordinary	Publisher of partworks	Great Britain
GE Eaglemoss IP Ltd	50% Ordinary	Provider of Intellectual Property	Great Britain

11. Stocks

		Group		*Company*
	2008	*2007*	*2008*	*2007*
	£000	*£000*	*£000*	*£000*
Work in progress	10,382	6,959	5,794	6,738
Finished goods	7,199	4,603	180	774
	17,581	11,562	5,974	7,512

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*
	2008	*2007*	*2008*	*2007*
	£000	*£000*	*£000*	*£000*
Trade debtors	13,551	11,083	6,394	4,779
Amounts owed by parent undertaking	50	28	50	28
Amounts owed by subsidiary undertakings	-	–	18,428	11,901
Amounts owed by related undertakings	1,419	100	1,419	100
Amounts owed by joint venture	1,561	1,722	194	1,722
Other debtors	9,054	8,918	8,690	8,249
Corporation tax recoverable	-	205	85	56
Deferred tax asset (note 14)	1,519	1,150	194	417
Prepayments and accrued income	2,349	3,280	1,076	2,302
	29,503	26,486	36,530	29,554

Notes to the financial statements

at 31 December 2008

13. Creditors: amounts falling due within one year

		Group		Company
	2008	*2007*	*2008*	*2007*
	£000	*£000*	*£000*	*£000*
Bank loan	853	1,099	853	853
Trade creditors	18,333	13,281	11,791	12,453
Amounts due to parent undertaking	3,328	294	3,328	294
Amounts due to subsidiary undertaking	-	–	-	–
Amounts owed to related undertaking (note 21)	1,240	283	1,240	283
Other creditors	3,786	7,863	6,415	5,892
Taxation and social security	20	35	20	35
Corporation tax	3,712	2,146	2,326	2,025
Proposed dividend	3,000	3,000	3,000	3,000
Accruals and deferred income	1,740	3,182	1,433	2,875
	36,012	31,183	30,406	27,710

14. Deferred taxation

	£000
At 1 January 2008	(1,150)
Charged during the year (note 7(a))	(369)
At 31 December 2008	(1,519)

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

Group	*Recognised in the accounts 2008*	*Recognised in the accounts 2007*
	£000	*£000*
Decelerated capital allowances	(23)	(10)
Losses carried forward	(1,325)	(733)
Provisions	(171)	(407)
	(1,519)	(1,150)

There are no unprovided deferred tax balances

Company	*2008*	*2007*
	£000	*£000*
Decelerated capital allowances	(23)	(10)
Provisions	(171)	(407)
	(194)	(417)

There are no unprovided deferred tax balances.

Notes to the financial statements

at 31 December 2008

15. Authorised and issued share capital

Authorised, allotted, called up and fully paid	*2008 £000*	*2007 £000*	*2008 £000*	*2007 £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 2006	685	113	11,477	12,275
Profit for the year	–	–	5,633	5,633
Dividends paid in the year-	-	-	(2,500)	(2,500)
Dividends declared in the year	–	–	(3,000)	(3,000)
Exchange difference	–	–	(108)	(108)
At 31 December 2007	685	113	11,502	12,300
Profit for the year	-	-	905	905
Dividends paid/declared	-	-	-	-
Exchange difference	-	-	(145)	(145)
At 31 December 2008	685	113	12,262	13,060

Notes to the financial statements

at 31 December 2008

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 2006	685	10,855	11,540
Profit for the year	–	8,090	8,090
Dividends paid in the year	-	(2,500)	(2,500)
Dividends declared in the year	–	(3,000)	(3,000)
Exchange difference	–	(44)	(44)
At 31 December 2007	685	13,401	14,086
Profit for the year	-	1,183	1,183
Exchange difference	-	(140)	(140)
At 31 December 2008	685	14,444	15,129

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 £2,581k (2007 – profit of £8,090k). The exchange difference is a result of a foreign exchange re-translation of the Hungarian branch.

17. Dividends

Declared during the year:

	2008 £000	*2007 £000*
Equity dividends on ordinary shares	-	5,500

Paid during the year:

	2008 £000	*2007 £000*
Equity dividends on ordinary shares	-	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 £56k (2007 – £23k) represents contributions payable by the company to the fund.

Notes to the financial statements

at 31 December 2008

19. Notes to the statement of cash flows

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

	2008	*2007*
	£000	*£000*
Operating profit	4,102	8,874
Depreciation of tangible fixed assets	296	156
Amortisation of intangible fixed assets	-	–
(Increase)/decrease in stocks	(6,018)	(4,637)
Increase in debtors	(5,473)	(4,691)
Increase/(decrease) in creditors	6,132	4,625
Other	36	-
Exchange movements	(145)	(108)
Net cash (outflow)/inflow from operating activities	(1,070)	4,219

(b) Analysis of changes in net funds:

	Opening balance	*Cash flow*	*Closing balance*
	£000	*£000*	*£000*
Cash at bank and in hand	5,440	(3,100)	2,340
Debt due within one year	(1,099)	245	(854)
	4,341	(2,855)	1,486

20. Operating lease commitments

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

	2008	*2007*
	£000	*£000*
For leases expiring:		
Within one year	502	442
Between two and five years	437	437
After five years	437	437
	1,376	1,316

The company has forward currency contracts outstanding at the year end to the extent of £nil (2007 –£nil).

Notes to the financial statements
at 31 December 2008

21. Related party transactions

(a) During the year, the company undertook net transactions of £1,025k (£1,042k purchases and £17k sales) with its parent undertakings. The company purchases paper stocks from parent undertakings.

At the year end, a net amount of £3,328k (2007 – £266k) 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 £2,487k (£2,591k purchases and £104k 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 £1,419k (2007 – £283k) 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 £1,414k (£1,451k purchases and £37k sales) 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 £1,240k was owed to G E Magazines Limited (2007 – £99k).

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.