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COMPANY NUMBER 9555010

EAGLEMOSS CAPITAL LIMITED
(formerly Hamsard 3376)

**Annual Report and Financial Statements
for the period ended
31 December 2015**



EAGLEMOSS CAPITAL LIMITED

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EAGLEMOSS CAPITAL LIMITED

DIRECTORS AND ADVISERS

Directors

Joseph Georges Bensoussan
Robert Bensoussan
Olivier Beressi
John Dominic Weir Brown
Vincent Fahmy
Marcel Katz

Registered office

1st Floor Beaumont House
Avonmore Road
London
County of London
W14 8TS

Independent Auditor

Nexia Smith & Williamson
Chartered Accountants
25 Moorgate
London
EC2R 6AY

EAGLEMOSS CAPITAL LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2015

The company was incorporated on 22 April 2015 and these financial statements have been prepared from incorporation to 31 December 2015.

The directors present the group strategic report for Eaglemoss Capital Limited and its subsidiary companies for the period ended 31 December 2015.

Principal activities

The principal activity of Eaglemoss Capital Ltd is a holding company for the Eaglemoss publishing group, which was acquired on 30 June 2015. The principal activities of the group comprise of research, production and sale of partworks collections defined as high quality series of magazines and components (e.g. Figurines, Die-cast cars, Bakeware or cooking items, build-ups collectibles, DVDs), linked to a brand/character or a hobby and intended to be collected to form a complete work. The group sells its products across 27 countries with its major markets in the United Kingdom, Germany, France, the USA, Brazil and Russia. The group is selling to newsagents and other retailers selling newspapers and magazines directly to the public, stationary and convenience stores, mass market retailers, toy stores and increasingly through its Eshops and direct subscriptions.

Business review

Eaglemoss Capital Ltd was incorporated in 2015 with the purpose of establishing a holding company through which the new investors would acquire the Eaglemoss publishing group in June 2015 from Financière Aurenis SAS. As a result, 2015 has been a transformation year for all of publishing companies within the Eaglemoss group, both on the corporate side and on the business side.

Financière Aurenis SAS, the former parent company, was a French group under LBO created in 2010 and operating in two main businesses: the publishing and the call-centre activities. Over the past years, the publishing strategy of expanding Eaglemoss presence in emerging markets (Russia/Ukraine, Brazil and Japan) led the group to impose itself as a global market leader. However the conflict in Ukraine erupting in spring 2014 had the Group quickly stop its activity in an area that accounted for 30% of its sales in the Russian-speaking territories. International sanctions taken against Russia, rapid and significant devaluation of the rouble, fall of oil prices towards the end of the year and high inflation led to a decline in the Group's sales volumes. The impact of Russia in 2014 on the Publishing activity was such that Financière Aurenis's debt became a problem. Debt in Financière Aurenis was mainly due to Mezzanine lenders and a pool of 5 French Senior Banks.

On June 30, 2015, the Shareholders, Senior and Mezzanine Lenders of Financière Aurenis SAS officially completed the transaction. The business rationale behind the transaction was a strategic sale of the Call-centres business of which the proceeds would mainly benefit the Senior and Mezzanine Lenders of Financière Aurenis while key managers would focus on the core competency of the company, which is the Publishing business.

EAGLEMOSS CAPITAL LIMITED

STRATEGIC REPORT (continued) FOR THE PERIOD ENDED 31 DECEMBER 2015

Key outcomes of the June 30, 2015 transaction are:

1. The Eaglemoss group no longer has any Senior and Mezzanine debt. The call-centre companies were sold to CCA International to repay and settle the Senior and Mezzanine Lenders of Financiere Aurenis SAS.
2. New investors injected €7 million into Eaglemoss Limited as a pure investment to ensure business continuity and development through its parent company, Eaglemoss Capital Limited, a private equity funded acquisition vehicle which acquired all of the Eaglemoss publishing companies.
3. Eaglemoss Capital Limited shareholders include the original founders, key Eaglemoss senior managers and private investors.

In addition to the restructuring of its debt, the group has initiated:

- a simplification of its group structure. Eaglemoss Capital Ltd is consolidating the operations into a single UK operating entity (Eaglemoss Limited) and most of the dormant foreign companies have been liquidated. Eaglemoss Limited acquired the assets and liabilities of Eaglemoss Publications, Eaglemoss Consumer Publications, GE Publishing Ltd and Eaglemoss Publishing Group Ltd in December 2015 as part of this group consolidation.
- a massive streamlining of its operating costs structure, reducing 20% of its headcount, implementing a cost-cutting plan on overheads towards full centralization in London (whereas the strategy of the former parent company was to develop local Business Units).

On the business side, the Eaglemoss group has extensively refocused on European partworks markets to offset the activity decrease from Russia which added to the recent difficulties in Brazil (50% devaluation of Brazilian Real from 2014) and confirmed weakening of the Japanese market which followed the 35% devaluation of the Yen occurred in 2013. In addition to its traditional business stream, the Eaglemoss group has successfully developed new business streams:

- Ecommerce: selling its collections around the world, for both existing partworks products and standalone products only available in its Eshops
- Direct Marketing: targeting the American market in the first place and more recently in Europe

The Group's key financial performance indicators during the period was a £20,924,000 gross profit, representing a 49% margin.

The results reflect exceptional costs relating to restructuring costs incurred in relation to the reorganisation following the acquisition of the Publishing companies in June 2015, along with additional provisions for tax risks in foreign countries and intercompany debtor provisions. There were also significant stock write offs incurred as a result of the change in Group and re-alignment with the new Group stock valuation policy.

The group profit for the period was £873,000. The company loss was £851,000.

**STRATEGIC REPORT (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2015**

PRINCIPAL RISKS AND UNCERTAINTIES

The directors consider that the principal risks and uncertainties facing the publishing group and company include the following:

- Foreign exchange risk resulting from international trade, although the risk has considerably reduced with the decrease of activity in volatile countries such as Russia, Ukraine, Japan and Brazil. Where possible, the risk is reduced through the use of natural hedging whereby revenue is used to settle expenditure in the same currency as well as through FX hedging financial instruments such as forwards contracts and currency options.
- Significant investment in development and promotion of new products, which will only be recovered when sales of new titles are established. In order to mitigate this risk, extensive research and testing is undertaken to gauge consumer responses to products prior to any launch.

FINANCIAL RISK MANAGEMENT

Financial risk is managed on a group wide basis. Group working capital requirements are met by use of bank loans and retained profits. The areas of financial risk management for the company are as follows:

Credit risk

Credit risk is the risk that a customer, subscriber or joint arrangement partner fails to meet an obligation resulting in financial loss. Credit risk arises primarily from trade and subscription receivables. Such losses are minimised through evaluating the payment history and credit worthiness of companies.

Liquidity

Liquidity risk is managed to ensure that the company is able to meet future payment obligations as they fall due. Cash flow forecasting is maintained to ensure that sufficient headroom is available to meet operational requirements. The group and company have access to a revolving credit facility.

Price risk


Price risk is managed by negotiating the price of materials to produce a new product prior to the project launch. These negotiations would cover all issues over the life of the series (which is on average 1 to 3 years).

Cash flow risk

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments on a variable rate debt or payment for purchases. The group manages this risk, where significant, by use of derivatives as explained above and close management of its cash flow forecasts.

Details of the group's financial instruments and its policies with regard to financial risk management are given in note 1 to the financial statements.

**Approved by the board of directors
and signed on behalf of the board**


G Bensoussan
26 April 2016

EAGLEMOSS CAPITAL LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2015

The company was incorporated on 22 April 2015 and these financial statements have been prepared from incorporation to 31 December 2015.

The directors present their report and the financial statements for the period ended 31 December 2015.

PRINCIPAL PLACE OF BUSINESS

Eagleboss Capital Limited is a company incorporated and domiciled in England and Wales and has its registered office and principal place of business at 1st Floor Beaumont House, Avonmore Road, London, W14 8TS.

RESULTS FOR THE PERIOD AND DIVIDENDS

The profit for the period after taxation was £873,000. The directors do not recommend a dividend.

DIRECTORS

The directors of the company who served during the period are:

Joseph Georges Bensoussan	(appointed 22 April 2015)
Robert Bensoussan	(appointed 30 June 2015)
Olivier Beressi	(appointed 22 April 2015)
John Dominic Weir Brown	(appointed 30 June 2015)
Vincent Fahmy	(appointed 30 June 2015)
Marcel Katz	(appointed 30 June 2015)

GOING CONCERN

The group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to risks are described in the strategic report.

After making enquiries, the directors have a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the group and the company since the year end.

FUTURE DEVELOPMENTS

The directors will continue to develop new partworks products and market them in the traditional newsagents channel as well as the direct sales channels. The directors are not aware, at the date of this report, of any likely changes in the group's activities in the forthcoming year.

EAGLEMOSS CAPITAL LIMITED

**DIRECTORS' REPORT (continued)
FOR THE PERIOD ENDED 31 DECEMBER 2015**

DISCLOSURE OF INFORMATION TO THE AUDITORS

In the case of each person who was a director at the time this report was approved:

- so far as that director was aware there was no relevant audit information of which the company's auditors were unaware; and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors were aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITORS

A resolution to re-appoint the auditors, Nexia Smith & Williamson, will be proposed at the next Annual General Meeting.

**Approved by the board of directors
and signed on behalf of the board**



G Bensoussan
26 April 2016

Registered number 9555010 England and Wales

DIRECTORS' RESPONSIBILITIES STATEMENT

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 elected to prepare the group and parent company financial statements in accordance with 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". 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 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 accounting 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 EAGLEMOSS
CAPITAL LIMITED**

We have audited the financial statements of Eaglemoss Capital Limited for the period ended 31 December 2015 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Statements of Cash Flows, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 28. 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".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the period 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAGLEMOSS
CAPITAL LIMITED (continued)**

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Stephen Drew
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY
26 April 2016

EAGLEMOSS CAPITAL LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2015

	Note	2015 Total £'000
Turnover	3	42,309
Cost of sales		<u>(21,385)</u>
Gross profit		20,924
Administrative expenses		(23,709)
Exceptional items	5	(962)
Other operating income		41
Joint arrangement partners share of profits		(408)
Group operating loss	4	<u>(4,114)</u>
Release of negative goodwill arising on acquisition	13	5,003
Gain on financial assets at fair value through profit and loss account		201
Interest receivable and similar income	8	537
Interest payable and similar charges	8	(438)
Profit before taxation		1,189
Taxation	9	(316)
Profit for the financial period		<u>873</u>
Other comprehensive income for the period		
Exchange differences on retranslation of subsidiary undertakings		1,495
Total comprehensive income for the financial period		<u><u>2,368</u></u>

Profit and total comprehensive income for the financial period is attributable to the owners of the parent.

The notes on pages 16 to 38 form part of these financial statements.

EAGLEMOSS CAPITAL LIMITED

CONSOLIDATED BALANCE SHEET as at 31 December 2015

	Notes	2015 £'000
Fixed assets		
Intangible assets	10	7
Tangible assets	11	515
		<hr/> 522 <hr/>
Current assets		
Stocks	15	3,810
Debtors	16	18,269
Cash at bank and in hand		10,295
		<hr/> 32,374 <hr/>
Creditors: amounts falling due in less than one year	17	(22,681)
		<hr/> 9,693 <hr/>
Net current assets		<hr/> 9,693 <hr/>
Total assets less current liabilities		<hr/> 10,215 <hr/>
Creditors: amounts falling due in more than one year	18	(6,018)
Provisions for liabilities	20	(1,741)
Net assets		<hr/> 2,456 <hr/>
Capital and reserves		
Share capital	21	1
Share premium account	22	72
Transactions with Owners reserve	22	15
Retained earnings	22	2,368
Total equity		<hr/> 2,456 <hr/>

The financial statements were approved and authorised for issue by the board of directors on 26 April 2016 and were signed on its behalf by:


G Bensoussan
Director

Registered company number 9555010

The notes on pages 16 to 38 form part of these financial statements.

EAGLEMOSS CAPITAL LIMITED

COMPANY BALANCE SHEET as at 31 December 2015

	Notes	2015 £'000
Fixed assets		
Investments	12	<u>389</u>
Current assets		
Debtors	16	5,130
Cash at bank and in hand		18
		<u>5,148</u>
Creditors: amounts falling due in less than one year	17	<u>(282)</u>
Net current assets		4,866
Total assets less current liabilities		<u>5,255</u>
Creditors: amounts falling due in more than one year	18	<u>(6,018)</u>
Net liabilities		<u>(763)</u>
Capital and reserves		
Called up share capital	21	1
Share premium account	22	72
Transactions with Owners	22	15
Profit and loss account	22	<u>(851)</u>
Total equity		<u>(763)</u>

The financial statements were approved and authorised for issue by the board of directors on 26 April 2016 and were signed on its behalf by:


G Bensoussan
Director

Registered number 9555010

The notes on pages 16 to 38 form part of these financial statements.

EAGLEMOSS CAPITAL LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the period ended 31 December 2015

	Share capital £'000	Share premium £'000	Transaction with Owners reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 22 April 2015	-	-	-	-	-
Profit for the year				873	873
Other comprehensive income	-	-	-	1,495	1,495
Total comprehensive income for the year	-	-	-	2,368	2,368
Transactions with owners:					
Issue of equity share capital	1	72	-	-	73
Share based payments	-	-	15	-	15
Balance at 31 December 2015	<u>1</u>	<u>72</u>	<u>15</u>	<u>2,368</u>	<u>2,456</u>

The notes on pages 16 to 38 form part of these financial statements.

EAGLEMOSS CAPITAL LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY for the period ended 31 December 2015

	Share capital £'000	Share premium £'000	Transactions with Owners reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 22 April 2015	-	-	-	-	-
Profit and total comprehensive income for the period	-	-	-	(851)	(851)
Transactions with owners:					
• Share based payments	-	-	15	-	15
• Issue of equity share capital	1	72	-	-	73
Balance at 31 December 2015	<u>1</u>	<u>72</u>	<u>15</u>	<u>(851)</u>	<u>(763)</u>

The notes on pages 16 to 38 form part of these financial statements.

EAGLEMOSS CAPITAL LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
for the period ended 31 December 2015

	Notes	2015 £'000
Net cash outflow from operating activities	23	(948)
Investing activities		
Acquisition of subsidiary, net of cash acquired	13	5,750
Payments to acquire tangible assets		(117)
Net cash flow generated from investing activities		<hr/> 5,633 <hr/>
Financing activities		
Issue of ordinary share capital		73
Repayment of loans		(65)
New shareholder loan notes		5,811
Net proceeds from finance leases		17
Interest paid		(92)
Net cash flow generated from financing activities		<hr/> 5,744 <hr/>
Net increase in cash and cash equivalents		10,429
Effect of exchange rates on cash & cash equivalents		(134)
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of period		<hr/> <u>10,295</u> <hr/>

The notes on pages 16 to 38 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

1 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation

Eagleboss Capital Limited is a private limited company incorporated in England and Wales on 22 April 2015. The address of the registered office is 1st Floor Beaumont House, Avonmore Road, London, County of London, W14 8TS.

These financial statements are the first annual financial statements of the company and the group prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". In accordance with FRS 102 the company has:

- applied the same accounting policies throughout the period presented;
- retrospectively applied FRS 102 as required; and
- applied certain optional exemptions and mandatory exceptions as applicable for first time adopters of FRS 102.

The transition to FRS 102 in the subsidiaries has resulted in no material changes in accounting policies or material adjustments to the profit and loss or equity of the subsidiary company as previously reported.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets in accordance with the company's accounting policies.

Exemptions

Eagleboss Capital Limited is a qualifying entity as defined by FRS 102 and has taken advantage of the following disclosure exemptions that are available in accordance with para 1.12:

- The requirement to prepare a statement of cash flows (Section 7 of FRS 102 and para 3.17 (d))
- The non-disclosure of key management personnel compensation (FRS 102 para 33.7)
- Certain financial instruments disclosures, providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated (FRS 102 paras 11.39 – 11.48A, 12.26 – 12.29)
- Certain disclosure requirements of Section 26 in respect of share based payments, providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated (FRS 102 paras 26.18(b), 26.19 – 26.21, 26.23)

Details regarding the consolidated financial statements of the group in which the entity is consolidated are provided on page 10.

Basis of consolidation

The group financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) prepared to 31 December each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

1 Accounting policies (continued)

Basis of consolidation (continued)

The consolidated income statement consist of the Company results for the period from incorporation on 22 April 2015 to 31 December 2015 plus the subsidiary results from the date of acquisition, 30 June 2015 to 31 December 2015.

The results of subsidiaries acquired or disposed of during the period are included in the profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All intra-group transactions and balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

The company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual statement of comprehensive income and related notes.

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

The Group made an operating loss of £4,114,000 made of an underlying operating profit of £1,447,000 but £3,200,000 of foreign exchange losses, £962,000 of Exceptional Items and £1,399,000 write down of unsold stock of finished goods.

The Company reported a loss of £851,000 in the period to 31 December 2015 made of £101,000 administrative expenses, £295,000 non-recurring items due to the June 30, 2015 restructuring of the Group, £209,000 foreign exchange losses and £246,000 interest payables net of interests receivables. The Company had net liabilities of £763,000 as at 31 December 2015, with Eaglemoss Capital shareholders being the actual main creditors through loan notes and committed to ensure the loan is ensuring business continuity of the Group. Included within debtors due within one year within the Company is £5,130,000 that relates to amounts due from group undertakings that will require sufficient levels of future trading activity to enable settlement.

The directors have prepared financial forecasts that take account of the change in strategy as noted in the Strategic Report and which assume the continued support of the Group's bankers. After making inquiries, the directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Further details regarding the adoption of the going concern basis can be found in the Directors' Report.

1 Accounting policies (continued)

Going concern (continued)

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group.

The cost of a business combination is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group in exchange for control and the costs directly attributable to the business combination. The consideration transferred includes the estimate of any asset or liability resulting from a contingent consideration arrangement where the transfer of further consideration is probable and can be measured reliably. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date. Contingent liabilities are only recognised where the fair value can be measured reliably.

The group measures goodwill at the acquisition date as the excess of the cost of the business combination over the acquirer's interest in the net amount of the identifiable assets, liabilities and contingent liabilities recognised. Subsequently goodwill is amortised on a straight line basis over its useful life.

When the excess is negative, the negative goodwill arising is recognised separately on the face of the balance sheet and released up to the fair value of the non-monetary assets as the non-monetary assets are recovered and otherwise in the periods expected to be benefited.

Group Reconstructions

During the year, the Company has undertaken a group reconstruction to reorganise the group and reduce the number of legal entities where multiple companies exist performing the same operations. The assets and liabilities of the companies being closed are sold to another member of the Group under a legal sale agreement and are accounted for using the acquisition accounting method. The fair value of acquired assets and assumed liabilities is deemed to be equal to the net book value, due to there being no additional value created as a result of the sale.

Revenue recognition

Revenue is derived from the company's principal activity being research, production and sale of partworks. Revenue is measured at the fair value of consideration received or receivable and represents the amount receivable for goods supplied and services rendered, net of returns, discounts, rebates, value added tax and other sales taxes.

The company bases its estimate of returns on historical results, taking into consideration the specifics of each customer, transaction and arrangement.

1 Accounting policies (continued)

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- The company has transferred the significant risks and rewards of ownership to the buyer;
- The company 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 measure reliably;
- It is probable that the Company will receive the consideration due under the transaction; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Foreign currency

Functional and presentation currency

The Group financial statements are presented in pound sterling and rounded to thousands. The Company's functional and presentation currency is the pound sterling.

Transactions and balances

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange gains and losses on foreign currency borrowings and deposits are presented within the profit and loss account within net interest receivable and similar income. Differences on all other transactions are presented in the profit and loss account within administrative expenses. The assets and liabilities of foreign branches are translated into sterling at the rate of exchange ruling at reporting date and their income statement is translated at average rate for the period. Exchange differences arising are dealt with in the statement of total recognised gains and losses.

Translation

The trading results of Group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income'.

Share-based payments

The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of shares is recognised as an employee benefit expense in profit or loss. Shares issued to directors employed by a subsidiary entity, who are also shareholders of Eaglemoss Capital, are treated as a capital contribution to the subsidiary in the profit and loss account and booked to the 'transactions with owners' reserve.

1 Accounting policies (continued)

Employee benefits

Short term employee benefits including holiday pay and annual bonuses are accrued as services are rendered. Contributions to defined contribution pension schemes are charged to profit or loss as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and those actually paid are shown as either accruals or prepayments in the balance sheet.

Joint arrangements

Joint arrangements are arrangements with partner companies for the production of a particular partworks series, with each partner's contribution and share of profits agreed at the outset. The operations are either fully managed by one of the Eaglemoss group entities, including all assets and liabilities, or by the partner. No assets or liabilities are shared. Cash advances may be received from or provided to the partner company to help fund the initial operations and are included within creditors until repaid. The income statement reflects 100% of the turnover and cost of goods sold in relation to these arrangements that are operated by the Eaglemoss group companies. The partner companies' share of net profit/loss is then shown in the statement of comprehensive income. Where the partner manages the operations, the Eaglemoss group includes their share of losses or gains in the statement of comprehensive income. Amounts owed by joint arrangement partners is presented as part of debtors and amounts owed to joint arrangement partners is presented as part of creditors.

Exceptional Items

The group is disclosing every significant uncommon transaction so as to separate normal business operations from unusual ones. 2015 has been a year of transformation for the Eaglemoss group, and the group incurred exceptional items in relation to restructuring of its debt, staff redundancies, overheads costs and alignment to a new parent company with its own accounting policy.

Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined, the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

1 Accounting policies (continued)

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Interest Payable and Similar Charges

Finance costs are charged to the Profit and Loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account. Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

1 Accounting policies (continued)

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method to allocate the depreciable amounts of the assets and their residual values over their useful lives, as follows:

- Software: 3 to 5 years

Amortisation is charged to Administrative expenses in Profit and Loss.

Tangible assets

Tangible assets comprise leasehold improvements, fixtures and fittings and computer equipment and are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets to their residual values, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements	-	Lower of 10 years or remaining life of the lease
Fixtures and fittings	-	Over 5 – 10 years
Computer equipment	-	Over 3 years

The Group tangible assets also include £318,000 of costs relating to a new purchase order software package implemented during the year, which is being amortised over three years and has been classified as a tangible asset as permitted under FRS102.

Impairment of non-financial assets

At each balance sheet date, tangible assets and intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment.

Stock

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is based on the cost of purchase. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

1 Accounting policies (continued)

Stock (continued)

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit and loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derivatives, including options on forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

1 Accounting policies (continued)

(iii) Financial liabilities (continued)

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Loan notes

Shareholder loan notes issued in the year attract interest of 12% p.a. but the terms of the loan note agreement provide for 7% of interest to be capitalised annually while the remainder is to be paid. The interest capitalised is included within the loan balance reported in creditors due after more than one year. The remainder is recognised within the profit and loss account within interest payable.

2 Key sources of estimation uncertainty and judgements

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of judgement and estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below.

Goodwill and intangible assets

For the negative goodwill that arose in 2015 in relation to the acquisition of the publishing group, the directors have determined that the negative goodwill balance arising should be fully reflected within the period given the balance relates to working capital items utilised in the period.

Tax provisions

The provisions balance recorded in the Group's balance sheet includes a provision for a potential tax liability which might arise in the future as a result of a foreign tax audit. Whilst every attempt is made to ensure that the provisions are as accurate as possible, there remains a risk that the provisions do not match the final payments which might be paid.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

2 Key sources of estimation uncertainty and judgements (continued)*Inventory provisions*

The group inventory balance is net of provisions booked to write down the finished goods stock in relation to excess issues that have been returned. The group have estimated that the value of excess issues returned has either zero or nominal net realisable value to the business, depending on the collection involved, and is written down accordingly.

3 Turnover **2015**
£'000

An analysis of the group's turnover is as follows:

United Kingdom	11,895
Continental Europe	19,797
Rest of World	10,617
	<u>42,309</u>

Turnover by activity has not been separately disclosed as all revenues relate to the sale of partworks.

4 Operating loss for the period is stated after charging: **2015**
£'000

Exceptional items	962
Net foreign exchange losses	3,203
Depreciation	114
Amortisation of intangible assets	7
Impairment of trade debtors	337
Cost of stock recognised as an expense	21,385
Auditors' remuneration:	96
- Fees payable to the Company's auditor for the audit of the Group (£16,000 relating to the Company)	74
- Fees payable to the associates of the Company's auditor for the audit of the Group	22
- Fees payable to the company's auditor for other services to the Group:	
- Tax compliance	37
- Tax advisory	18
Operating lease rentals – land and buildings	537
Operating lease rentals – equipment	43

5 Exceptional items

Exceptional costs include restructuring costs (£540,000) incurred in relation to the reorganisation following the acquisition of the Publishing companies in June 2015, along with additional provisions for tax risks in foreign countries (£422,000) and other small charges.

EAGLEMOSS CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

6 Staff costs

The monthly average number of employees, including the directors, during the period was as follows:

	2015 Number
Administration	58
Editorial	32
Production	23
	<hr/> 113 <hr/>

	£'000
Staff costs for the above persons were:	
Wages and salaries	2,589
Social security costs	375
Pension costs	76
Share based compensation	15
	<hr/> 3,055 <hr/>

7 Directors' remuneration

	2015 £'000
Directors' remuneration comprised:	
Aggregate emoluments	236

Four directors received remuneration for their services to the group, paid by one of the subsidiary companies, Eaglemoss Ltd. No directors received any pension contributions.

	2015 £'000
Highest paid director's remuneration comprised:	
Aggregate emoluments	150

The highest paid director did not exercise any share options.

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the group, or in relation to the company. In the opinion of the board, the group and company's key management are the directors of Eaglemoss Capital Limited and directors of the subsidiary, Eaglemoss Ltd. Their total remuneration in the period was £558,000, including £18,000 of pension contributions to a defined contribution purchase scheme.

EAGLEMOSS CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

8	Interest receivable and payable and similar income	2015 £'000
	Bank interest receivable	64
	Foreign exchange gains on cash and borrowings	473
	Interest receivable and similar income	<u>537</u>
	Interest payable on bank loans	(85)
	Interest on shareholder loan notes	(353)
	Interest payable	<u>(438)</u>

9	Taxation	2015 £'000
	Corporation tax	
	In respect of the current period	316
	Total tax expense for the period	<u>316</u>

The tax payable above relates to Eaglemoss Editions Russia LLC.

Factors affecting tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax of 20.00%. The differences are explained below:

	2015 £'000
Profit before taxation	1,189
	<u> </u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 20%	238
Effects of:	
Negative goodwill recognised	(1,001)
Expenses not deductible for tax purposes	855
Unused tax losses and other deductible temporary differences	1,091
Differences in current tax rate of foreign countries	(412)
Utilisation of unused tax losses and other deductions	(452)
Tax credits	(3)
	<u> </u>
Total tax expense for the period	<u>316</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

9 Taxation (continued)

Subject to the applicable tax authority's agreement, the group has tax losses of approximately £22,700,000 available for carry forward and offset against future non-trading profits. The group has a potential deferred tax asset on these losses of £4,500,000, which has not been recognised.

Subject to the UK tax authority's agreement, the company has tax losses of approximately £556,000 available for carry forward and offset against future non-trading profits. The company has a potential deferred tax asset on these losses of £100,000, which has not been recognised.

Factors that may affect future tax charges

On 8 July 2015 the UK Government announced its intention to propose to Parliament a reduction in the corporation tax to 19% for the tax years from 2017 to 2020 and 18% for the tax year 2020.

Finance (No. 2) Bill 2015 provides that the rate of corporation tax for the 2017 financial year (commencing the 1st of April 2017) will be 19% and that the rate from the 1st of April 2020 would be 18%. This bill became substantively enacted on 26th October 2015.

10 Intangible assets - group**Software****£'000****Cost**

At 22 April 2015	-
Acquired with subsidiary	16
Exchange adjustment	(2)
At 31 December 2015	<u>14</u>

Amortisation

At 22 April 2015	-
Charge for the period	7
At 31 December 2015	<u>7</u>

Net book value

At 31 December 2015	<u>7</u>
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EAGLEMOSS CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

11 Tangible assets - group	Leasehold improvements	Fixtures and fittings & computer equipment	Total
	£'000	£'000	£'000
Cost			
At 22 April 2015	-	-	-
Acquired with subsidiary	113	482	595
Additions	7	54	61
Disposals		(46)	(46)
Exchange adjustment		(3)	(3)
	<hr/>	<hr/>	<hr/>
At 31 December 2015	120	487	607
Depreciation			
At 22 April 2015	-	-	-
Charge for the period	(30)	(84)	(114)
On disposals		22	22
	<hr/>	<hr/>	<hr/>
At 31 December 2015	(30)	(62)	(92)
Net book amount			
At 31 December 2015	90	425	515
	<hr/>	<hr/>	<hr/>

Tangible assets are pledged as security for the group's bank borrowings as disclosed in note 26.

12 Investments – company	Subsidiaries
	£'000
Cost or Valuation	
At 22 April 2015	-
Additions	389
	<hr/>
At 31 December 2015	389
	<hr/>

Additions during the year include the cost of the business combination effected during the year (£374,000) and the increase in investment in one of the subsidiaries (£15,000), as disclosed in note 26 (Transactions with Owners).

Details regarding the business combination in the year are disclosed in note 13 (Acquisition of subsidiaries).

EAGLEMOSS CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

12 Investments (continued)

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, either directly or via subsidiaries, and which are included within the group consolidation are as follows:

Name of company	Country of incorporation & registered office	Nature of business	% voting rights and shares held
Eaglemoss Holdings (UK) Ltd	UK Beaumont House Avonmore Road London W14 8TS	<i>Holding company</i>	100% of ordinary shares
Eaglemoss France	France 144 Avenue Charles de Gaulle 92200 Neuilly-sur-Seine France	<i>Production and sale of partworks</i>	100% of ordinary shares
Vadis International	Belgium Avenue des Gloires Nationales 3 Koelkelberg 1081 Bruxelles Belgium	<i>Production and sale of partworks</i>	100% of ordinary shares
Eaglemoss Espana s.r.l *	Spain 08 – 017 Barcelona, Avenida Diagonal, numero 640, 6a planta, Barcelona, Spain	<i>Sale of partworks; company now closed</i>	100% of ordinary shares
Editions de la Rose *	France 90 Boulevard National, 92250 La Garenne Colombes	<i>Sale of partworks; company now closed</i>	100% of ordinary shares
Eaglemoss Limited	UK 1st Floor, Beaumont House, Kensington Village, Avonmore Road, London, W14 8TS	<i>Production and sale of partworks</i>	100% of ordinary shares
Eaglemoss Publishing Group Ltd	UK 1st Floor, Beaumont House, Kensington Village, Avonmore Road, London, W14 8TS	<i>Holding company</i>	100% of ordinary shares
GE Eaglemoss Ltd	UK 1st Floor, Beaumont House, Kensington Village, Avonmore Road, London, W14 8TS	<i>Holding company</i>	100% of ordinary shares

EAGLEMOSS CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

12 Investments (continued)

Name of company	Country of incorporation & registered office	Nature of business	% voting rights and shares held
Eaglemoss Publications Ltd	UK 1 st Floor, Beaumont House, Kensington Village, Avonmore Road, London, W14 8TS	<i>Production and sale of partworks</i>	100% of ordinary shares
Eaglemoss Consumer Publications Ltd	UK 1 st Floor, Beaumont House, Kensington Village, Avonmore Road, London, W14 8TS	<i>Production and sale of diaries</i>	100% of ordinary shares
GE Publishing Ltd	UK 1st Floor, Beaumont House, Kensington Village, Avonmore Road, London, W14 8TS	<i>Holding company</i>	100% of ordinary shares
GE Eaglemoss Beijing WFOE	China Room C09 11th Floor, Building A, Gateway Plaza No. 18 Xianguangli, North Road East, Third Ring, Chaoyang District, Beijing, China	<i>Dormant company</i>	100% of ordinary shares
Eaglemoss Polska sp. z.o.o	Poland ul. Broniewskiego 3, 01-785 Warszawa Akacjowy Park lok. 3.2b	<i>Sale of partworks and central warehouse</i>	100% of ordinary shares
Eaglemoss Editions Russia LLC	Russia 26, Nikoloyamskaya str., b. <u>1-1a</u> 109004 Moscow, Russia	<i>Sale of partworks</i>	100% of ordinary shares
Eaglemoss Russia LLC	Russia 71, Bakuninskaya St., bld 10, office 45, Moscow, 107082, Russia	<i>Sale of partworks</i>	100% of ordinary shares
Eaglemoss Editions Ukraine LLC	Ukraine 38 Turgenivska Str., Kyiv, 01054 Ukraine	<i>Sale of partworks</i>	100% of ordinary shares
Eaglemoss Japan Co Ltd	Japan 6 – 19 – 19 Shimbashi, Minato-ku, Tokyo 105-004 Japan	<i>Sale of partworks</i>	100% of ordinary shares
Eaglemoss Do Brazil Participacoes Ltda	Brazil Barueri, State of São Paulo, Alameda Araguaia, 2044, Tower I, 5th floor Room 505, part, Zip Code 06455-906,	<i>Sale of partworks</i>	100% of ordinary shares
Eaglemoss Inc	USA 1017 Putnam Blvd, Wallingford PA 19086-6754, USA	<i>Sale of partworks</i>	100% of ordinary shares

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

12 Investments (continued)

The entities marked * are not considered to be material to the Group and as such, are excluded from the consolidated financial statements. These entities are all in the process of being, or have been, closed, as part of the group simplification project.

13 Acquisition of subsidiary

On 30 June 2015, the Company obtained control of the Eaglemoss Publishing Group, through acquiring 100% of the share capital in five subsidiary entities listed in the tables above, along with their subsidiaries, for consideration of £4. Acquisition costs of £373,000 were incurred and capitalised as part of the investment cost. The investment has been included in the company's balance sheet at its fair value at the date of acquisition.

Analysis of the acquisition:

	Amounts recognised at acquisition date £'000
Net assets acquired:	
Intangible assets – software	16
Tangible assets	595
Stock	5,543
Trade and other debtors	22,593
Cash at bank and in hand	6,123
Trade and other creditors	(28,474)
Provisions for liabilities	(1,020)
Net assets	<hr/> 5,376
Negative goodwill arising on acquisition	(5,003)
Total consideration	<hr/> 373
Satisfied by:	
Cash	<hr/> 373
Net cash inflow arising on acquisition:	
Cash consideration	(373)
Cash and cash equivalents	<hr/> 6,123
	<hr/> 5,750

The net book value of the assets acquired at 30 June 2015 are considered to be equivalent to fair value due to the nature of the assets acquired.

The publishing group acquired in the year contributed £42,300,000 to the group's revenue and £1,724,000 to the group's profit after tax for the period from the date of acquisition to the balance sheet date.

Negative goodwill arising on the purchase of the subsidiaries has been released during the year due to the underlying nature of the assets acquired being mainly working capital and as such, the directors consider that these assets will have been utilised in the business during the period since acquisition.

EAGLEMOSS CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

14 Group Reconstructions

On 31 December 2015, as part of a group reconstruction, Eaglemoss Limited acquired the assets and liabilities of Eaglemoss Publications, Eaglemoss Consumer Publications, Eaglemoss Publishing Group and GE Publishing in December 2015. The transaction was accounted for using the acquisition accounting method. The fair value of acquired assets and assumed liabilities is deemed to be equal to the net book value, due to there being no additional value created as a result of the sale.

15 Stock – group	2015
	£'000
Raw materials and consumables	89
Work-in-progress	3,107
Finished goods	<u>614</u>
	<u>3,810</u>

16 Debtors	The group	The company
	2015	2015
	£'000	£'000
Trade debtors	10,610	-
Prepayments	3,508	-
Other debtors	3,646	-
Financial asset – forward foreign exchange contracts	505	-
Amounts owed by group undertakings	<u>-</u>	<u>5,130</u>
	<u>18,269</u>	<u>5,130</u>

Amounts owed by group undertakings are unsecured, repayable on demand and attract interest of EURIBOR + 3.75% p.a.

17 Creditors: amounts falling due within one year – group and company

	Note	The group	The company
		2015	2015
		£'000	£'000
Bank loan	19	6,264	-
Trade creditors		5,955	32
Other taxes and social security costs		224	-
Accruals and deferred income		7,281	250
Other creditors		2,914	-
Amounts owed by joint arrangement partners		<u>43</u>	<u>-</u>
		<u>22,681</u>	<u>282</u>

EAGLEMOSS CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

18 Creditors: amounts falling due after more than one year – group and company

**2015
£'000**

Shareholder loan notes	6,018
------------------------	-------

19 Borrowings

**2015
£'000**

Falling due within one year - group

Revolving credit facility - drawdown	6,264
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Falling due after more than one year – group and company

Shareholder loan notes	6,018
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Interest is payable on the balance drawn down under the revolving bank credit facility at a variable rate of EURIBOR + 3.75%, updated every six months.

The €8,500,000 drawdown under the bank credit facility is secured by way of a fixed and floating charge over the assets of the company and subsidiaries.

The loan notes are repayable in 2023 and attract interest of 12%, of which 5% is repayable each year while the remainder is added to the loan note balance to be settled in 2023.

20 Provisions for liabilities and charges - group

**2015
£'000**

Provisions	1,741
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The group has booked a provision for a potential foreign tax liability following a tax audit assessment. The final payment is contingent on the final outcome of the tax audit assessment, which is currently being challenged by the group. The directors expect the authorities to reach a conclusion within the next two years.

There are no provisions for liabilities and charges within the company.

EAGLEMOSS CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

21 Called up share capital

	Number	£'000
Issued and fully paid 'A' ordinary shares		
At 22 April 2015	-	-
Issued in the period:		
A ordinary share of €1.00	1	-
A ordinary shares of €0.0001 each	3,204,561	-
Conversion of original 'A' ordinary €1 share to €0.0001 shares:		
A ordinary share of €1.00	(1)	-
A ordinary share of €0.0001 each	10,000	-
At 31 December 2015		
A ordinary share of €1.00	-	-
A ordinary shares of €0.0001 each	3,214,561	-
Issued 'B' ordinary shares		
At 22 April 2015	-	-
Issued on 30 June 2015:		
'B1' ordinary shares of €0.0001 each	111,180	-
'B2' ordinary shares of €0.0001 each	166,770	-
'B3' ordinary shares of €0.0001 each	166,770	-
'B4' ordinary shares of €0.0001 each	111,180	-
'B5' ordinary shares of €0.0001 each	111,180	-
'B6' ordinary shares of €0.0001 each	111,180	-
At 31 December 2015	778,260	-
Issued and fully paid 'C' ordinary shares		
At 22 April 2015	-	-
Issued on 30 June 2015:		
'C' ordinary shares of €0.0001 each	6,902,820	1
At 31 December 2015	6,902,820	1

On 22 April 2015, when the company was incorporated, 1 ordinary subscriber 'A' share with aggregate nominal value of €1, was issued at par. On 30 June 2015, the single 'A' share was converted into 10,000 ordinary 'A' shares with a nominal value of €0.0001.

On 30 June 2015, 3,204,561 ordinary 'A' shares with aggregate nominal value of €321 were issued for cash at €0.01194 per share.

EAGLEMOSS CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

21 Called up share capital (continued)

On 30 June 2015, 6,902,820 ordinary 'C' shares with aggregate nominal value of €690 were issued for cash at €0.00919 per share.

The shares rank equally in terms of voting rights. The A, B and C Shares rank equally if the business is sold unless the A Shareholders achieve a 10% IRR on their investment. In this instance, 20% of the proceeds in excess of the 10% IRR are to be reallocated to the holders of the A Shares and the B Shares.

22 Reserves

A description of each reserve is set out below.

Share premium

The share premium account is used to record the aggregate amount or value of premiums paid when the company's shares are issued at an amount in excess of nominal value.

Transactions with Owners reserve

This reserve relates to the fair value of the shares granted in the parent to employees of the subsidiaries (please see note 1 on share based payments).

Retained earnings

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

23 Net cash used in operating activities – group

	2015 £'000
Profit after tax	873
Tax charge	316
Depreciation charge	114
Amortisation charge	7
Loss on disposal of fixed assets	88
Share based payment	15
Current derivatives purchase	(201)
Release of goodwill	(5,003)
Net finance costs	233
Decrease in stock	1,622
Increase in debtors	3,343
Decrease in creditors	(6,255)
Decrease in provisions	716
Loss on foreign exchange	3,203
	<hr/>
Cash used in continuing operations	(929)
Tax payment	<hr/> (19)
Net cash flows from operations	<hr/> (948) <hr/>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

24 Obligations under leases and hire purchase contracts – group

The group has one hire purchase contract for IT equipment. At the balance sheet date the group has operating lease agreements in respect of properties and equipment for an average of three years with fixed rentals over the lease.

The future minimum lease payments under non-cancellable operating leases are as follows:

	2015
Due:	£'000
Within one year	1,004
Within two to five years	1,831
After five years	<u>1</u>
	<u>2,836</u>

The future minimum lease payments under non-cancellable hire purchase agreements are as follows:

	2015
Due:	£'000
Within one year	17
Within two to five years	<u>9</u>
	<u>26</u>

25 Related party transactions and ultimate controlling party

The company has taken advantage of the exemption in FRS102 Related Party Disclosures from disclosing transactions with its wholly owned subsidiaries.

During the current period, the group traded with various companies that were controlled by shareholders or directors.

The group incurred royalty fees of £10,000 in relation to Calmels Design and Construction Ltd, a company controlled by the husband of a director of Eaglemoss Holdings (UK) Ltd and shareholder of Eaglemoss Capital Ltd. At the year end, £4,400 was outstanding to be paid.

The group accrued for professional fees of £14,700 from Verdoso S.A.S, a company controlled by a director and shareholder and £5,500 to Cesar Capital, a company controlled by a director and shareholder. The full £20,200 was outstanding to be paid at 31 December 2015.

Shareholders have made a loan to the group of €7,886,000, in the form of loan notes. The loan notes are repayable in 2023 and attract interest of 12%, of which 5% is repayable each year while the remainder is added to the loan note balance to be settled in 2023.

The ultimate controlling party of the group is Verdoso S.A., a company registered in Luxembourg, holding 25% of the issued share capital of the company. The remaining shares are owned by private shareholders and companies, none of whom own more than 20% of the issued share capital of the company.

EAGLEMOSS CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

26 Transactions with Directors and Owners

The group made £270,000 of loans to four directors of the subsidiary entities during the year in relation to the settlement of loans (€307,000) initially provided by LCL Banque et Assurance, in relation to the former parent company, and €73,000 to acquire shares in Eaglemoss Capital. The loans have an interest rate of 3% p.a. and £249,000 was outstanding at the end of 2015, included within other debtors.

During the year, six directors of the subsidiary entities were granted 555,900 B preference shares in Eaglemoss Capital Ltd in exchange for nil consideration. The fair value of these shares at grant date is £15,000 and is recorded within Administrative Expenses with a corresponding credit in Transactions with Owners reserve.

27 Financial instruments – group

2015
£'000

Financial assets at fair value through profit or loss	505
Financial assets measured at amortised cost	
Cash	10,295
Trade & other receivables	17,764
	28,059
Financial liabilities measured at amortised cost	28,699

The group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency transactions. The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for EUR:USD, GBP:EUR. The fair value of the forward foreign currency contracts is disclosed above.

28 Contingent liabilities

Under the terms of the sale on 30 June 2015 of the Eaglemoss publishing group to Eaglemoss Capital Limited, there was a deferred consideration clause included. Deferred consideration will have to be paid to the former senior and the mezzanine lenders of Financière Aurenis if the shareholders of the Company generate an internal rate of return equal to or in excess of 15% from any future sale. If this situation arises, then the first €2,900,000 of the excess will be payable to the former senior and mezzanine lenders along with 2% of any remaining amount. There is no expiration date but the directors consider this liability to be remote and have therefore not included any provision for any payment within the financial statements. The potential liability would also be impossible to quantify at this time.