

COMPANY NUMBER 9555010

## **EAGLEMOSS CAPITAL LIMITED**

**Annual Report and Financial Statements  
for the year ended  
31 December 2016**



## **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**

1<sup>st</sup> Floor Beaumont House  
Avonmore Road  
London  
County of London  
W14 8TS

### **Auditors**

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

## EAGLEMOSS CAPITAL LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present the group strategic report for Eaglemoss Capital Limited and its subsidiary companies for the year ended 31 December 2016.

#### PRINCIPAL ACTIVITIES

The principal activity of Eaglemoss Capital is to be the holding company of the Eaglemoss Capital group, whose activities 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, Brazil, USA and Russia.

Eaglemoss is a well-established independent global publisher which has successfully become a multi-channel group, selling across:

- Retail (newsagents, other retailers selling newspapers and magazines directly to the public, stationary and convenience stores, mass market retailers, toy and comics stores)
- Subscriptions (through direct marketing to consumers or derived from retail customers converted to subscribers)
- Wholly-owned Eshops

#### BUSINESS REVIEW

Since the creation of the Eaglemoss Capital group (dated June 30, 2015), the strategy is based on:

- A centralized London structure primarily focused on the European markets and strategic commercial partnerships in Brazil, Japan and Latin America
- International developments of Eshops and Direct Marketing

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

- Turnover was £82.9M compared £42.3M in previous 6 month period
- Gross Profit was £31.6M compared to £20.9M in previous 6 month period
- Group Operating Income was £8.0M compared to a loss of £(3.9)M in previous 6 month period
- In 2016, the **group profit was £2,221,000** against £873,000 compared to previous 6 month period. The company profit was £12,924,832 against a loss of £851,167 compared to previous 6 month period.

The successful strategy has led the group to outperform in Turnover (+25% to Budget), EBITDA (+71%) and Cashflow (+40%) and continue to grow and publish more products in 2017.

## **EAGLEMOSS CAPITAL LIMITED**

### **STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **BUSINESS REVIEW (continued)**

In order to develop the new digital and direct channels, the group recruited high-skilled talents including Digital Acquisition, Ecommerce, Data analyst, Digital Marketing, Customer Relationship Management, Digital Design, Web Development and Social Media individuals.

On the organization side, the group has pushed further the simplification of its group structure initially engaged in 2015, by removing a dormant holding company from the UK structure (Eaglemoss Holdings (UK) Limited). On December 31, 2016, Eaglemoss Holdings (UK) Limited transferred all its assets and liabilities to Eaglemoss Capital Limited.

#### **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 by 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 in place 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).

## **EAGLEMOSS CAPITAL LIMITED**

### **STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2016 FINANCIAL RISK MANAGEMENT (continued)**

#### *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 FX hedging financial instruments 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**  
13 April 2017

## **EAGLEMOSS CAPITAL LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors present their report and the financial statements for the year ended 31 December 2016.

#### **PRINCIPAL PLACE OF BUSINESS**

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

#### **RESULTS FOR THE PERIOD AND DIVIDENDS**

The profit for the year after taxation was £2,221,000 (2015 6 month period: £873,000). The directors do not recommend a dividend (2015 : nil).

#### **DIRECTORS**

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

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

#### **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.

As described in note 1 and after making enquires, the directors have a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future and that the revolving credit facility of £7,251,322 due for repayment in December 2017 can be renewed on commercial terms. 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 products and market them on a multi-channel basis. 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 YEAR ENDED 31 DECEMBER 2016**

#### **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**  
13 April 2017

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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

We have audited the financial statements of Eaglemoss Capital Limited for the year ended 31 December 2016 which comprise the Consolidated Income Statement, 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 30. 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/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**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 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**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, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

**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  
13 April 2017

# EAGLEMOSS CAPITAL LIMITED

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	12 months ended 31 December 2016 Total £'000	6 months ended 31 December 2015 Total £'000
Turnover	3	82,859	42,309
Cost of sales		<u>(51,248)</u>	<u>(21,385)</u>
<b>Gross profit</b>		<b>31,611</b>	<b>20,924</b>
Administrative expenses		(21,646)	(23,709)
Exceptional items	5	(1,572)	(962)
Other operating income		0	41
Joint arrangement partners share of profits		(994)	(408)
Gain on financial assets at fair value through profit and loss account		599	201
<b>Gross Operating income (loss)</b>	4	<u><b>7,998</b></u>	<u><b>(3,913)</b></u>
Release of negative arising on acquisition		0	5,003
Interest receivable and similar income	8	63	537
Interest payable and similar charges	8	<u>(4,876)</u>	<u>(438)</u>
<b>Profit before taxation</b>		<b>3,185</b>	<b>1,189</b>
Taxation	9	<u>(964)</u>	<u>(316)</u>
<b>Profit for the financial period</b>		<u><b>2,221</b></u>	<u><b>873</b></u>

The notes on pages 17 to 39 form part of these financial statements.

# EAGLEMOSS CAPITAL LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	12 months ended 31 December 2016 Total £'000	6 months ended 31 December 2015 Total £'000
<b>Profit for the financial period</b>		<b>2,221</b>	<b>873</b>
<b>Other comprehensive income/(loss) for the period</b>			
Exchange differences on retranslation of subsidiary undertakings		(3,482)	1,495
<b>Total comprehensive (loss)/income for the financial period</b>		<b>(1,261)</b>	<b>2,368</b>

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

The notes on pages 17 to 39 form part of these financial statements.

# EAGLEMOSS CAPITAL LIMITED

## CONSOLIDATED BALANCE SHEET as at 31 December 2016

	Notes	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Intangible Assets	10	6	7
Tangible assets	11	393	515
		<u>399</u>	<u>522</u>
<b>Current Assets</b>			
Stocks	13	11,928	3,810
Debtors	14	25,909	18,269
Cash at bank and in hand		11,428	10,295
		<u>49,265</u>	<u>32,374</u>
<b>Creditors: amounts falling due in less than one year</b>	16	(39,321)	(22,681)
<b>Net current assets</b>		<u>9,944</u>	<u>9,693</u>
<b>Total Assets less current liabilities</b>		<u>10,343</u>	<u>10,215</u>
<b>Creditors: amounts falling due in more than one year</b>	18	(7,454)	(6,018)
<b>Provisions for liabilities</b>	22	(1,694)	(1,741)
<b>Net assets</b>		<u>1,195</u>	<u>2,456</u>
<b>Capital and Reserves</b>			
Share capital	23	1	1
Share premium account	24	72	72
Transactions with Owners reserve	24	15	15
Retained earnings	24	1,107	2,368
<b>Total equity</b>		<u>1,195</u>	<u>2,456</u>

The financial statements were approved by the board of directors on 13 April 2017 and were signed on its behalf by:

**G Bensoussan**  
**Director**



Registered company number 9555010

The notes on pages 17 to 39 form part of these financial statements.

# EAGLEMOSS CAPITAL LIMITED

## COMPANY BALANCE SHEET as at 31 December 2016

	Notes	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Investments	12	<u>389</u>	<u>389</u>
<b>Current assets</b>			
Debtors	15	20,700	5,130
Cash at bank and in hand		12	18
		<u>20,712</u>	<u>5,148</u>
<b>Creditors: amounts falling due in less than one year</b>	17	<u>(1,486)</u>	<u>(282)</u>
<b>Net current assets</b>		19,226	4,866
<b>Total assets less current liabilities</b>		<u>19,615</u>	<u>5,255</u>
<b>Creditors: amounts falling due in more than one year</b>	19	<u>(7,454)</u>	<u>(6,018)</u>
<b>Net assets/(liabilities)</b>		<u>12,161</u>	<u>(763)</u>
<b>Capital and reserves</b>			
Called up share capital	23	1	1
Share premium account	24	72	72
Transactions with Owners	24	15	15
Profit and loss account	24	<u>12,073</u>	<u>(851)</u>
<b>Total equity</b>		<u>12,161</u>	<u>(763)</u>

The company's profit for the year ended 31 December 2016 was £12,924,832.

The financial statements were approved by the board of directors on 13 April 2017 and were signed on its behalf by:



**G Bensoussan**  
**Director**

Registered number 9555010

The notes on pages 17 to 39 form part of these financial statements.

**EAGLEMOSS CAPITAL LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Share capital £'000	Share premium £'000	Transaction with Owners reserve £'000	Retained earnings £'000	<b>Total equity £'000</b>
<b>Balance at 1 January 2016</b>	<b>1</b>	<b>72</b>	<b>15</b>	<b>2,368</b>	<b>2,456</b>
<b>Profit for the year</b>				<b>2,221</b>	<b>2,221</b>
Other comprehensive loss				(3,482)	(3,482)
Total comprehensive loss for the year				(1,261)	(1,261)
<b>Balance at 31 December 2016</b>	<b>1</b>	<b>72</b>	<b>15</b>	<b>1,107</b>	<b>1,195</b>

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

The notes on pages 17 to 39 form part of these financial statements.



# EAGLEMOSS CAPITAL LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital £'000	Share premium £'000	Transactions with Owners reserve £'000	Retained earnings £'000	<b>Total equity £'000</b>
<b>Balance at 1 January 2016</b>	1	72	15	(851)	(763)
<b>Profit and total comprehensive income for the year</b>	-	-	-	<b>12,924</b>	<b>12,924</b>
<b>Balance at 31 December 2016</b>	<b><u>1</u></b>	<b><u>72</u></b>	<b><u>15</u></b>	<b><u>12,073</u></b>	<b><u>12,161</u></b>
	Share capital £'000	Share premium £'000	Transactions with Owners reserve £'000	Retained earnings £'000	<b>Total equity £'000</b>
<b>Balance at 22 April 2015</b>	-	-	-	-	-
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
<b>Balance at 31 December 2015</b>	<b><u>1</u></b>	<b><u>72</u></b>	<b><u>15</u></b>	<b><u>(851)</u></b>	<b><u>(763)</u></b>

The notes on pages 17 to 39 form part of these financial statements.

**EAGLEMOSS CAPITAL LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	12 months ended 31 December 2016 £'000	6 Months ended 31 December 2015 £'000
<b>Net cash generated from / (used in) operating activities</b>	25	<b>1,167</b>	<b>(948)</b>
<b>Investing activities</b>			
Acquisition of subsidiary, net of cash acquired		-	5,750
Payments to acquire tangible assets		(145)	(117)
		<hr/>	<hr/>
<b>Net cash flow generated from investing activities</b>		<b>(145)</b>	<b>5,633</b>
		<hr/>	<hr/>
<b>Financing activities</b>			
Issue of ordinary share capital		-	73
Repayment of loans		-	(65)
New shareholder loan notes		-	5,811
Net proceeds from finance leases		-	17
Interest paid		(595)	(92)
		<hr/>	<hr/>
<b>Net cash flow generated from financing activities</b>		<b>(595)</b>	<b>5,744</b>
		<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>		<b>427</b>	<b>10,429</b>
Effect of exchange rates on cash & cash equivalents		706	(134)
<b>Cash and cash equivalents at beginning of the period</b>		10,295	-
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>		<b>11,428</b>	<b>10,295</b>
		<hr/>	<hr/>

The notes on pages 17 to 39 form part of these financial statements.

## **EAGLEMOSS CAPITAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **1 Accounting policies**

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

##### **Basis of preparation**

Eaglemoss Capital Limited is a private limited company, limited by shares incorporated in England and Wales. The address of the registered office is 1<sup>st</sup> Floor Beaumont House, Avonmore Road, London, County of London, W14 8TS.

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

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**

The parent company has taken advantage of the following exemptions available under FRS 102:

- the exemption from preparing a statement of cash flows;
- the exemption from disclosing key management personnel compensation; and
- reduced disclosures for share based payments (as equivalent disclosures have been given in the consolidated financial statements presented alongside the parent company's own financial statements).

##### **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.

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.

## **EAGLEMOSS CAPITAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **1 Accounting policies (continued)**

##### **Going concern**

The group has made a consolidated profit after tax of £2.2m (2015: £873k) and has net assets of £1,195k (2015: £2,456k). The group has a revolving credit facility of £7,251,322 which is due for repayment in December 2017. The directors have prepared financial forecasts which assume the continued support of the Group's funders on commercial terms.

After making enquiries, the directors have a reasonable expectation that company has adequate resources to continue in operation existence for the foreseeable future and that the revolving credit facility can be renewed on commercial terms. 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.

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 of 5 years.

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 and the prior period, 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.

## **EAGLEMOSS CAPITAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **1 Accounting policies (continued)**

##### **Group reconstructions (continued)**

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 NBV, 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.

##### **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 payable or net interest receivable. 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.

## **EAGLEMOSS CAPITAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **1 Accounting policies (continued) Foreign currency (continued) Transactions and balances (continued)**

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.

#### **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 company is disclosing every significant uncommon transaction so as to separate normal business operations from unusual ones in note 5.

## **EAGLEMOSS CAPITAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **1 Accounting policies (continued)**

##### **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.

##### **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.

## **EAGLEMOSS CAPITAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **1 Accounting policies (continued)**

##### ***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.

##### **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 freehold property, plant and equipment. Freehold property, plant and equipment 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

##### **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.



## **EAGLEMOSS CAPITAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **1 Accounting policies (continued)**

##### **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.

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

## **EAGLEMOSS CAPITAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **1 Accounting policies (continued)**

##### **Financial instruments (continued)**

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.

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., 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.

##### **Financial instruments**

The classification of financial instruments as "basic" or "other" requires judgement as to whether all applicable conditions for classification as basic are met. This requires consideration of the form of the instrument and its return.

## EAGLEMOSS CAPITAL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

#### 2 Key sources of estimation uncertainty and judgements (continued)

##### 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.

##### Bad debt provisions

For trade debtors balances of £12.1M recorded in the group balance sheet, a full line by line review of trade debtors is carried out at the end of the month. Whilst every attempt is made to ensure that the bad debt provision is as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

##### Tax provisions

The provision balance recorded in the Group's balance sheet includes a provision of £1.67M 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.

##### 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

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

	<b>12 months ended 31 December 2016 £'000</b>	<b>6 months ended 31 December 2015 £'000</b>
United Kingdom	21,656	11,895
Continental Europe	34,166	19,797
Rest of World	27,037	10,617
	<u>82,859</u>	<u>42,309</u>

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

# EAGLEMOSS CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

<b>4</b>	<b>Operating profit</b> for the period is stated after charging/(crediting):	<b>12 months ended 31 December 2016 £'000</b>	<b>6 months ended 31 December 2015 £'000</b>
	Impairment of stock	-	2,553
	Cost of stock recognised as an expense	51,248	21,385
	Exceptional items	1,572	962
	Depreciation	277	114
	Amortisation of intangible assets	5	7
	Impairment of trade debtors	67	337
	Net foreign exchange (gains) / losses	(6,769)	3,203
	Auditor's remuneration:		
	- Fees payable to the Company's auditor for the audit of the Group (£16,000 relating to the Company)	70	74
	- Fees payable to the associates of the Company's audit for the audit of the Group	24	22
	Operating lease rentals – land and buildings	1,032	537
	Operating lease rentals – equipment	94	43

## 5 Exceptional items

Exceptional costs for the year includes reorganisation and restructure cost of £111,000 (2015 6 months: £540,000) and prior period expenses along with additional provisions for tax risks in foreign countries of £1,461,000 (2015 6 months: £422,000).

# EAGLEMOSS CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

### 6 Staff costs – group and company

	<b>12 months ended 31 December 2016 Number</b>	<b>6 months ended 31 December 2015 Number</b>
The average number of persons in the group, including executive directors, was:		
Administration	40	58
Editorial	28	32
Production	46	23
	<b>114</b>	<b>113</b>
	<b>12 months ended 31 December 2016 £'000</b>	<b>6 months ended 31 December 2015 £'000</b>
Staff costs for the above persons were:		
Wages and salaries	5,193	2,589
Social security costs	649	375
Pension costs	163	76
Share based compensation	-	15
	<b>6,005</b>	<b>3,055</b>

The parent company has no employees (2015 : none).  
The parent company has £nil staff costs (2015 : £nil).

### 7 Directors' remuneration

	<b>12 months ended 31 December 2016 £'000</b>	<b>6 months ended 31 December 2015 £'000</b>
Directors' remuneration comprised:		
Aggregate emoluments	600	236

Three directors received remuneration for their services to the group, paid by the subsidiary company, Eaglemoss Limited. Two directors received pension contributions during the year of £1,745 (2015: £nil).

	<b>12 months ended 31 December 2016 £'000</b>	<b>6 months ended 31 December 2015 £'000</b>
Highest paid director's remuneration comprised:		
Aggregate emoluments	396	150

The highest paid director did not exercise any options (2015: £nil) during the year ended 31 December 2016.

# **EAGLEMOSS CAPITAL LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016**

### **7 Directors' remuneration (continued)**

The highest paid director received pension contributions during the year of £1,212 (2015: £nil).

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 £1,734,892, including £55,423 of pension contributions to a defined contribution purchase scheme.

<b>8 Interest receivable and payable</b>	<b>12 months ended 31 December 2016 £'000</b>	<b>6 months ended 31 December 2015 £'000</b>
Bank interest receivable	63	64
Foreign exchange gains on cash and borrowings	-	473
<b>Interest receivable and similar income</b>	<b>63</b>	<b>537</b>
Interest payable on bank loans	(290)	(85)
Interest on shareholder loan notes	(794)	(353)
Other interest payable and similar charges	(281)	-
Foreign exchange losses on cash and borrowings	(3,511)	-
<b>Interest payables and similar charges</b>	<b>(4,876)</b>	<b>(438)</b>
<b>9 Taxation</b>	<b>12 months ended 31 December 2016 £'000</b>	<b>6 months ended 31 December 2015 £'000</b>
<b>Corporation tax</b>		
In respect of the current period	(964)	(316)
<b>Total tax expense for the period</b>	<b>(964)</b>	<b>(316)</b>

The tax payable above relates mainly 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:

# EAGLEMOSS CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

### 9 Taxation (continued)

	12 months ended 31 December 2016 £'000	6 months ended 31 December 2015 £'000
Profit before taxation	3,185	1,189
Tax on profit on ordinary activities at standard UK corporation tax rate of 20%	637	238
Effects of:		
Negative goodwill recognised	-	(1,001)
Expenses not deductible for tax purposes	48	855
Unused tax losses and another deductible temporary differences	1,159	1,091
Difference in tax rate of foreign countries	606	(412)
Utilisation of unrecognised tax losses and other deductions	(983)	(452)
Other difference permanent	(497)	
Tax credits	(6)	(3)
Total tax expense for the period	964	316

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 £18,425,000 available for carry forward and offset against future non-trading profits. The company has a potential deferred tax asset on these losses of £3,500,000, 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 1<sup>st</sup> of April 2017) will be 19% and that the rate from the 1<sup>st</sup> of April 2020 would be 18%. This bill became substantively enacted on 26<sup>th</sup> October 2015.

**EAGLEMOSS CAPITAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

<b>10 Intangible assets – group</b>	<b>Software</b>	
	<b>£'000</b>	
<b>Cost</b>		
At 31 December 2015		14
Acquired with subsidiary		1
Exchange adjustment		9
At 31 December 2016		<u>24</u>
<b>Amortisation</b>		
At 31 December 2015		7
Charge for the period		5
Exchange adjustment		6
At 31 December 2016		<u>18</u>
<b>Net book value</b>		
At 31 December 2015		<u>7</u>
At 31 December 2016		<u>6</u>

  

<b>11 Tangible assets – group</b>	<b>Leasehold improvements</b>	<b>Fixtures and fitting &amp; computer equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
At 31 December 2015	120	487	607
Acquired with subsidiary	-	-	-
Additions	-	145	145
Disposals	-	(71)	(71)
Exchange adjustment	-	29	29
At 31 December 2016	<u>120</u>	<u>590</u>	<u>710</u>
<b>Depreciation</b>			
At 31 December 2015	(30)	(62)	(92)
Charge for the period	(40)	(237)	(277)
On disposals	-	71	71
Exchange adjustment	-	(19)	(19)
At 31 December 2016	<u>(70)</u>	<u>(247)</u>	<u>(317)</u>
<b>Net book amount</b>			
At 31 December 2015	<u>90</u>	<u>425</u>	<u>515</u>
At 31 December 2016	<u>50</u>	<u>343</u>	<u>393</u>



# EAGLEMOSS CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

### 11 Tangible assets – group (continued)

Tangible assets with a carrying value of £393K are pledged as security for the group's bank borrowings as disclosed in note 20.

### 12 Investments – company                      Subsidiaries £'000

#### Cost

At 31 December 2015 and at 31 December 2016	<u>389</u>
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Name of company	Country of incorporation		Nature of business	Registered office	% voting rights and shares held
<b>Subsidiaries:</b>					
Eagle Moss Holdings (UK) Ltd *	UK Beaumont House Avonmore Road London W14 8TS		<i>Holding company</i>	Beaumont House Avonmore Road London W14 8TS	100% of ordinary shares
Eagle Moss France	France		<i>Production and sale of partworks</i>	144 Avenue Charles de Gaulle 92200 Neuilly-sur-Seine France	100% of ordinary shares
Vadis International	Belgium		<i>Production and sale of partworks</i>	Avenue des Gloires Nationales 3 Koelkelberg 1081 Bruxelles Belgium	100% of ordinary shares
Eagle Moss Limited	UK		<i>Production and sale of partworks</i>	1 <sup>st</sup> Floor, Beaumont House, Kensington Village, Avonmore Road, London, W14 8TS	100% of ordinary shares
GE Eagle Moss Ltd	UK		<i>Holding company</i>	1 <sup>st</sup> Floor, Beaumont House, Kensington Village, Avonmore Road, London, W14 8TS	100% of ordinary shares
GE Eagle Moss Beijing WFOE*	China		<i>Dormant company</i>	Room C09 11th Floor, Building A, Gateway Plaza No. 18 Xianguangli, North Road East, Third Ring, Chaoyang District, Beijing, China	100% of ordinary shares

# EAGLEMOSS CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

### 12 Investments – company (continued)

Name of company	Country of incorporation		Nature of business	Registered office	% voting rights and shares held
<b>Subsidiaries:</b>					
Eagle Moss Polska sp. z.o.o	Poland		<i>Sale of partworks and central warehouse</i>	ul. Broniewskiego 3, 01-785 Warszawa Akacjowy Park lok. 3.2b	100% of ordinary shares
Eagle Moss Editions Russia LLC	Russia		<i>Sale of partworks</i>	26, Nikoloyamskaya str., b. 1-1a 109004 Moscow, Russia	100% of ordinary shares
Eagle Moss Russia LLC	Russia		<i>Sale of partworks</i>	71, Bakuninskaya St., bld 10, office 45, Moscow, 107082, Russia	100% of ordinary shares
Eagle Moss Editions Ukraine LLC	Ukraine		<i>Sale of partworks</i>	38 Turgenivska Str., Kyiv, 01054 Ukraine	100% of ordinary shares
Eagle Moss Japan Co Ltd	Japan		<i>Sale of partworks</i>	6 – 19 – 19 Shimbashi, Minato-ku, Tokyo 105-004 Japan	100% of ordinary shares
Eagle Moss Do Brazil Participacoes Ltda	Brazil		<i>Sale of partworks</i>	Barueri, State of São Paulo, Alameda Araguaia, 2044, Tower I, 5th floor Room 505, part, Zip Code 06455-906,	100% of ordinary shares
Eagle Moss Inc	USA		<i>Sale of partworks</i>	1017 Putnam Blvd, Wallingford PA 190 86-6754, USA	100% of ordinary shares

The entities marked \* are in the process of being, or have been, closed, as part of the group simplification project.

On December 31, 2016, Eagle Moss Holdings (UK) Limited transferred all its assets and liabilities to Eagle Moss Capital Limited as part of the group reorganisation.

# EAGLEMOSS CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

<b>13</b>	<b>Stock – group</b>	<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
	Raw materials and consumables	-	89
	Work-in-progress	9,243	3,107
	Finished goods	2,685	614
		<u>11,928</u>	<u>3,810</u>

<b>14</b>	<b>Debtors – group</b>	<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
	Trade debtors	12,111	10,610
	Prepayments	4,748	3,508
	Other debtors	7,856	3,646
	Financial asset – forward foreign exchange contracts	1,194	505
		<u>25,909</u>	<u>18,269</u>

<b>15</b>	<b>Debtors – company</b>	<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
	Amounts owed by group undertakings	20,557	5,130
	Other debtors	143	-
		<u>20,700</u>	<u>5,130</u>

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

### **16 Creditors: amounts falling due within one year – group**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Bank loan	7,251	6,264
Trade creditors	16,761	5,955
Other taxes and social security costs	18	224
Accruals and deferred income	5,921	7,281
Income tax payable	306	-
Other creditors	7,053	2,914
Amounts owed by joint arrangement partners	<u>2,011</u>	<u>43</u>
	<u>39,321</u>	<u>22,681</u>

# EAGLEMOSS CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

### 17 Creditors: amounts falling due within one year – company

	2016 £'000	2015 £'000
Trade creditors	64	32
Accruals & deferred income	345	250
Other creditors	716	-
Amount owed to group undertakings	361	-
	<hr/> 1,486	<hr/> 282

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

	2016 £'000	2015 £'000
Shareholders loan notes	7,454	6,018

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.

### 19 Creditors: amounts falling due after more than one year – company

	2016 £'000	2015 £'000
Shareholder loan notes	7,454	6,018

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 Borrowings - group

	2016 £'000	2015 £'000
<b>Falling due within one Year</b>		
Revolving credit facility - drawdown	7,251	6,264
	<hr/>	<hr/>
<b>Falling due after more than one year</b>		
Shareholder loan notes	7,454	6,018

# EAGLEMOSS CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

### 20 Borrowings – group (continued)

The €8,500,000 drawdown under the bank revolving credit facility is secured by way of a fixed and floating charge over the assets of the company and subsidiaries. Interest is payable on the balance drawdown under the revolving bank credit facility at a variable rate of EURIBOR +3.75% updated every 6 months.

21 Borrowings - company	2016 £'000	2015 £'000
<b>Falling due after more than one year</b>		
Shareholder loan notes	7,454	6,018

### 22 Provisions for liabilities and charges

	2016 £'000	2015 £'000
Provisions	1,694	1,741

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 audit, which is currently being challenged by the group. The directors expect the authorities to reach a conclusion within the next year.

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

### 23 Called up share capital – group and company

	Number	£'000
<b>Issued and fully paid 'A' ordinary shares</b>		
<b>At 31 December 2015 and at 31 December 2016</b>		
A ordinary shares of €0.0001 each	3,214,561	-

#### Issued 'B' ordinary shares

	Number	£'000
<b>At 31 December 2015 and at 31 December 2016</b>		
B ordinary shares of €0.0001 each	778,260	-

#### Issued and fully paid 'C' ordinary shares

	Number	£'000
<b>At 31 December 2015 and as at 31 December 2016</b>		
C ordinary shares of €0.0001 each	6,902,820	1

# EAGLEMOSS CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

### 23 Called up share capital – group and company (continued)

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.

### 24 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.

### 25 Net cash generated from / (used in) operating activities – group

	12 months ended 31 December 2016 £'000	6 months ended 31 December 2015 £'000
<b>Profit after tax</b>	<b>2,221</b>	<b>873</b>
Tax charge	964	316
Depreciation charge	275	114
Amortisation charge	-	7
Loss on disposal of fixed assets	6	88
Share based payment	-	15
Current derivatives purchase	(961)	(201)
Release of goodwill	-	(5,003)
Net finance costs	1,374	233
(Increase)/Decrease in stock	(7,688)	1,622
(Increase)/Decrease in debtors	(5,187)	3,343
Increase/(Decrease) in creditors	11,022	(6,255)
(Decrease)/Increase in provisions	(82)	716
(Gain)/Loss on foreign exchange	(391)	3,203
<b>Cash generated from / (used in) continuing operations</b>	<b>1,552</b>	<b>(929)</b>
Tax payment	(385)	(19)
<b>Net cash flows generated from / (used in) operations</b>	<b>1,167</b>	<b>(948)</b>

## EAGLEMOSS CAPITAL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

#### 26 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:

	<b>2016</b>	<b>2015</b>
<b>Due:</b>	<b>£'000</b>	<b>£'000</b>
Within one year	1,078	1,004
Within two to five years	954	1,831
After five years	-	1
	<hr/> 2,032	<hr/> 2,836

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

	<b>2016</b>	<b>2015</b>
<b>Due:</b>	<b>£'000</b>	<b>£'000</b>
Within one year	27	17
Within two to five years	31	9
	<hr/> 58	<hr/> 26

#### 27 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 year, the group traded with various companies that were controlled by shareholders or directors.

The group incurred royalty fees of £29,594 (2015:£10,000) in relation to Calmels Design and Construction Ltd, a company controlled by the spouse of a director of Eaglemoss Limited and shareholder of Eaglemoss Capital Ltd. At the year end, £nil (2015: £4,400) was outstanding to be paid.

The company paid consulting fees of £9,239 (2015: £35,000) to Financière Mistletoe Sprl, a company controlled by a director. As at 31 December 2016, there was £nil (2015: £10,554) owing to this company.

The group accrued for professional fees of £31,363 (2015:£14,700) from Verdoso S.A.S, a company controlled by a director and shareholder. At the year end, £31,363 (2015: £14,700) was outstanding to be paid.

# EAGLEMOSS CAPITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

### 27 Related party transactions and ultimate controlling party (continued)

The group accrued for professional fees of £12,253 (2015: £5,500) to Cesar Capital, a company controlled by a director and shareholder. At the year end, £12,253 (2015: £5,500) was outstanding to be paid.

On June 30, 2015 the shareholders 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.

### 28 Financial instruments – group

	2016 £'000	2015 £'000
Financial assets at fair value through profit or loss	<u>1,194</u>	<u>505</u>
Financial assets measured at amortised cost		
Cash	11,428	10,295
Trade & other receivables	<u>24,715</u>	<u>17,764</u>
	<u>36,143</u>	<u>28,059</u>
Financial liabilities measured at amortised cost	<u>46,451</u>	<u>28,475</u>

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.

### 29 Financial instruments – company

	2016 £'000	2015 £'000
Financial assets measured at amortised cost		
Cash	12	18
Trade & other receivables	<u>20,700</u>	<u>5,130</u>
	<u>20,712</u>	<u>5,148</u>
Financial liabilities measured at amortised cost	<u>8,940</u>	<u>6,300</u>



## **EAGLEMOSS CAPITAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **30 Contingent liabilities**

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 audit, which is currently being challenged by the group. The amount is included within provisions in the consolidated balance sheet.

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 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 the 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.