USBORNE PUBLISHING LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended

31 JANUARY 2016

CONTENTS

CONTENTS	Pages
Strategic report	3
Directors' report	5
Statement of directors' responsibilities	6
Independent auditor's report	7
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	14

USBORNE PUBLISHING LIMITED

DIRECTORS AND ADVISERS

DIRECTORS	T.P. Usborne R.M. Robinson
SECRETARY	A. Parsons
REGISTERED OFFICE	Usborne House 83-85 Saffron Hill London EC1N 8RT
BANKERS	National Westminster Bank plc 1 Princes Street London EC2R 8PA
AUDITORS	Nexia Smith & Williamson Chartered Accountants 25 Moorgate London EC2R 6AY
ACCOUNTANTS AND TAX ADVISERS	Smith & Williamson LLP Chartered Accountants 25 Moorgate London EC2R 6AY
SOLICITORS	Davenport Lyons 1 Old Burlington Street London W1X 1LA
COMPANY'S REGISTERED NUMBER	1124359

STRATEGIC REPORT

The directors present the strategic report for Usborne Publishing Limited for the year ended 31 January 2016.

Activities

The principal activity of the company continued to be publishing.

Review of business and future developments

The company had a satisfactory year and, in the opinion of the directors, the state of the company's affairs and its future prospects are satisfactory.

The principal risks and uncertainties facing the company are considered to be:

a) Demographic - falls in birth rates may affect the overall size of the markets in which the company operates.

b) The company has to replace a certain proportion of its product list each year and, in a very competitive market, the new product may not be successful.

c) A significant proportion of the company's product is sourced and sold overseas and costs and revenues are therefore at risk from adverse currency exchange movements.

d) Books are a mature leisure market and have to compete with an ever-increasing electronic leisure sector, so publishing may attract a lower share of leisure expenditure.

e) The major physical raw material is paper which can be subject to cyclical variation in availability and competing requirements from sectors other than book publishing.

The company reviews the following key performance indicators to aid assessment of the performance of the business:

Financial:

a) Year on year turnover growth is 15.35% in 2016 against 2.86% in 2015

b) Gross profit margin is 40% in 2016 against 41.1% in 2015

c) Return on capital is 17.4% in 2016 against 17.5% in 2015

d) Sales per employee are £259,607 in 2016 against £240,688 in 2015

e) Average salary per employee is £39,347 in 2016 against £40,650 in 2015

f) Current ratio of assets to liabilities is 5.05 in 2016 against 6.13 in 2015

g) Debtor collection period (in days) is 102 in 2016 against 95 in 2015

h) Stock turnover period (in months) is 6.96 in 2016 against 7.1 in 2015

Review of business and future developments (continued)

Non-financial

a) New titles added to the list in the year are 422 in 2016

b) Recycling of paper increased to 286,000 litres in 2016 from 201,666 in 2015

c) Recycling of packaging decreased in 2016 to 295 tons from 297 tons in 2015

d) Hazardous waste (IT equipment) of 686kg compared with 344kg in 2015 was recycled

Financial risk management

Details of the company's financial instruments and its policies with regard to financial risk management are given in note 23 to the financial statements.

Approved by the Board of Directors
and signed on their behalf

A Parsons
Secretary

USBORNE PUBLISHING LIMITED

DIRECTORS' REPORT

The directors present their report and the financial statements of the company for the year ended 31 January 2016.

Results for the year and dividends

The profit for the year after taxation was £6,435,075 (2015: £5,857,451). On 23 April 2015, the company declared and paid a dividend of £2,500,000 (2015: £2,260,000), of which £1,843,750 (2015: £1,666,750) was in respect of the 'A' ordinary shares and the balance of £656,250 (2015: £593,250) was in respect of the 'B' ordinary shares.

Directors

The directors of the company at 31 January 2016, both of whom served throughout the year were:

T.P. Usborne
R.M. Robinson

Charitable donations

During the year the company made donations for charitable purposes amounting to £81,764 (2015: £72,418)

The company also donates books which are not considered saleable to charities in Africa.

Disclosure of information to the auditors

In the case of each person who was 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 confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

Auditors

A resolution for the re-appointment of Nexia Smith & Williamson will be proposed at the next Annual General Meeting.

Approved by the Board of Directors
and signed on their behalf

A Parsons
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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 profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- 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 statemernts 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.

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF USBORNE PUBLISHING LIMITED

We have audited the financial statements of Usborne Publishing Limited for the year ended 31 January 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 24. 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 6, 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 Councils (FRC's) Ethical Standards for Auditors.

Scope of the audit of the accounts
A description of the scope of an audit of financial statements is provided on the FRC's website at 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 company's affairs as at 31 January 2016 and of its 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.

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 year 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF USBORNE PUBLISHING LIMITED (continued)

Nexia Smith & Williamson

Keith Jackman
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

13 October 2016

25 Moorgate
London
EC2R 6AY

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 JANUARY 2016

	Notes	2016	2015
		£	£
Turnover	3	59,969,182	51,988,543
Cost of sales		(35,938,886)	(30,610,922)
Gross profit		24,030,296	21,377,621
Distribution costs		(2,566,268)	(2,226,559)
Administrative expenses		(13,427,487)	(11,735,932)
Other operating income	4	4,575	4,007
Operating profit	7	8,041,116	7,419,137
Interest receivable		68,888	69,683
Interest payable	8	(788)	(5,101)
Profit before taxation		8,109,216	7,483,719
Taxation	9	(1,674,141)	(1,626,268)
Profit and total comprehensive income for the financial year		6,435,075	5,857,451

Profit and total comprehensive income is attributable to the shareholders.

USBORNE PUBLISHING LIMITED — Registered number 1124359

BALANCE SHEET as at 31 JANUARY 2016

	Notes	2016	2015
		£	£
Fixed assets			
Tangible	11	392,904	341,237
Investments	12	15	15
		392,919	341,252
Current assets			
Stocks	13	21,031,743	18,210,049
Debtors	14	17,651,538	14,610,740
Investments	15	9,905	9,905
Cash at bank and in hand		19,486,378	18,271,526
		58,179,564	51,102,220
Creditors: amounts falling due within one year	16	(11,521,134)	(8,327,198)
Net current assets		46,658,430	42,775,022
Total assets less current liabilities		47,051,349	43,116,274
Provisions for liabilities	17	(364,674)	(364,674)
Net assets		46,686,675	42,751,600
Capital and reserves			
Share capital	18	10,000	10,000
Share premium		2,448,469	2,448,469
Capital reserve		1,000	1,000
Capital redemption reserve		9,950	9,950
Retained earnings		44,217,256	40,282,181
		46,686,675	42,751,600

The accounts were approved and authorized for issue by the Board of Directors on 13/10/2016 and were signed on its behalf by:

T.P. Usborne
Director

USBORNE PUBLISHING LIMITED

STATEMENT OF CHANGES IN EQUITY for the year ended 31 January 2016

	Share capital	Share premium	Capital reserve	Capital redemption and reserve	Retained earning	**Total equity**
	£	£	£	£'	£	£
Balance at 1 February 2014	10,000	2,448,469	1,000	9,950	36,684,730	39,154,149
Profit and total comprehensive income for the year	-	-	-	-	5,857,451	5,857,451
Transactions with owners: Dividends	-	-	-	-	(2,260,000)	(2,260,000)
Balance at 31 January 2015	10,000	2,448,469	1,000	9,950	40,282,181	42,751,600
Profit and total comprehensive income for the year	-	-	-	-	6,435,075	6,435,075
Transactions with owners: Dividends	-	-	-	-	(2,500,000)	(2,500,000)
Balance at 31 January 2016	10,000	2,448,469	1,000	9,950	44,217,256	46,686,675

USBORNE PUBLISHING LIMITED

STATEMENT OF CASH FLOWS for the year ended 31 JANUARY 2016

	Notes	2016 £	2015 £
Net cash generated from operating acitivities	(a)	3,845,572	6,722,454
Investing activities			
Interest received		68,888	69,683
Purchases of tangible assets		(198,820)	(221,378)
Net cash generated (used in) investing activities		(129,932)	(151,695)
Financing activities			
Interest paid		(788)	(5,101)
Dividends paid		(2,500,000)	(2,260,000)
Net cash generated (used in) financing activities		(2,500,788)	(2,265,101)
Net increase in cash and cash equivalents		1,214,852	4,305,658
Cash and cash equivalents at beginning of the year		18,271,526	13,965,868
Cash and cash equivalents at end of end of year		19,486,378	18,271,526

USBORNE PUBLISHING LIMITED

NOTES TO STATEMENT OF CASH FLOWS for the year ended 31 JANUARY 2016

a) **Net cash generated from operating activities**

	2016 £	2015 £
Operating profit	8,041,116	7,419,137
Depreciation	147,153	138,861
Loss on sale of tangible fixed assets	-	23,628
(Increase) in stocks	(2,821,694)	(549,159)
(Increase)/decrease in debtors	(3,040,798)	1,227,561
Increase in creditors	3,377,842	167,214
(Decrease) in provisions for liabilities	-	(17,089)
Cash generated from continuing operations	5,703,619	8,410,153
Tax paid	(1,858,047)	(1,687,699)
	3,845,572	6,722,454

1 Accounting policies

The principal accounting policies are summarised below.

Basis of preparation

Usborne Publishing Limited is a private limited company incorporated in England and Wales. The address of the registered office is Usborne House, 83-85 Saffron Hill, London, EC1N 8RT.

These financial statements are the first annual financial statements of the company prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The first date at which FRS 102 was applied was 1 February 2014. In accordance with FRS 102 the company has:

- provided comparative information;
- applied the same accounting policies throughout all periods presented; and
- retrospectively applied FRS 102 as required.

Further information about the transition can be found in note 24.

The accounts have been prepared under the historical cost convention.

Going concern

The directors have reviewed the company's forecasts and have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors therefore consider it appropriate to prepare the financial statements on the going concern basis.

Revenue recognition

Sales of good are recognised when goods are delivered and title has passed.

Investments

Investments held as fixed assets are stated at cost less provisions for any impairment in value. Those held as current assets are stated at the lower of cost and net realisable value.

Stocks and work in progress

Stocks and work in progress have been valued at the lower of cost and net realisable value. Cost is defined as direct publication costs, together with a proportion of relevant overheads. Assets held by suppliers but which are deemed in substance to be assets of the company have been included in stocks.

Depreciation

Depreciation is calculated to write off the cost of fixed assets in equal annual instalments on the following bases:-

Furniture and fittings	20 to 33.3%
Computer equipment	25%

Motor vehicles are assumed to have a life of four years when purchased new; when purchased, at one year old, they are depreciated at 20% per annum for disposal after four years.

1 **Accounting policies (continued)**

Impairment of non-financial assets

At each balance sheet date, tangible 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 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.

Foreign currency

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the date of the transaction.

Assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date unless covered by forward purchases of currency where the forward rate is used. Any profit or loss arising is taken to the profit and loss account.

At the each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Exchange gains and losses are included within net interest payable. Exchange differences on all other transactions are taken to operating profit.

Taxation

The tax expense represents the sum of tax currently payable and any deferred tax.

The current tax charge is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is recognised in respect of all timing differences between taxable profits and total comprehensive income that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the company become a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank.

1 Accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments issued by the company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

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 the year 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.

2 Key sources of estimation uncertainty and judgements

The preparation of accounts 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.

Judgements

Financial instruments classification

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

Key sources of estimation uncertainty

Bad debt provision

Trade debtors balances of £16,388,409 are recorded in the company's balance sheet. A full line by line review of trade debtors is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

Stocks and work in progress provision

Provision is made against the carrying value of stocks and work in progress based upon the age and the amount of stock held. Whilst every attempt is made to ensure that stocks and work in progress is valued at the lower of cost and net realisable value, there remains a risk that it may be valued at more than the lower of cost and net realisable value.

3 Turnover

Turnover represents the value of goods and services delivered to customers during the period, less returns, and is stated net of value added tax.

Geographical analysis of turnover:

	2016 £	2015 £
U.K	21,301,654	22,560,021
Overseas	38,964,402	29,428,522
	60,266,056	51,988,543

4 Other operating income

	2016 £	2015 £
Dividends receivable	4,575	4,007

5 Employees

The average weekly number of employees, excluding directors, of the company during the year and their aggregate remuneration were as follows:-

	Number	Wages and salaries £	Social security £	Pension costs £	Total £
Year ended 31 January, 2016	231	9,089,220	941,321	934,400	10,964,941
Year ended 31 January, 2015	216	8,780,407	921,700	856,423	10,558,530

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

	2016 No.	2015 No.
Administration	28	26
Editorial and production	127	118
Sales	76	72
	231	216

6 Directors' emoluments

	£	£
Aggregate emoluments	173,618	168,780

7 Operating profit

is stated after charging/(crediting):

	£	£
Operating lease rentals		
- Hire of plant and machinery	25,054	99,209
- Other	665,142	458,617
Auditors' remuneration - audit	61,750	59,230
- taxation services (paid to related company of the auditors)	18,890	32,040
Foreign exchange (profit)/ loss	(318,208)	255,119

		2016	2015
8	**Interest payable**	**£**	**£**
	Bank interest	788	5,101

9	**Taxation**	**£**	**£**
	UK corporation tax based on the profit for the year at 20.16% (2015: 21.32%)	1,661,700	1,570,989
	Adjustment in respect of prior years	245	30,037
	Total current tax charge	1,661,945	1,601,026
	Deferred tax (see note 21)	12,196	25,242
	Tax on profit on ordinary activities	1,674,141	1,626,268
	Tax reconciliation		
	Profit on ordinary activities before tax	8,109,216	7,483,719
	Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.16% (2015: 21.32%)	1,634,818	1,595,529
	Tax effects of:		
	Capital allowances for period in excess of depreciation	-	(21,597)
	Expenses not deductible for tax purposes	4,955	1,449
	Other short term timing differences	20,975	(5,315)
	Fixed asset differences	3,559	1,777
	Income not taxable for tax purposes	(922)	(854)
	Adjust rate of closing deferred tax	(1,685)	-
	Adjustment in respect of prior years	245	30,037
	Total current tax charge	1,661,945	1,601,026

10 Dividends paid

	2016 £	2015 £
£226 dividend per 'A' ordinary share	1,843,750	1,666,750
£226 dividend per 'B' ordinary share	656,250	593,250
	2,500,000	2,260,000

11 Tangible fixed assets

	Computer equipment £	Furniture and fittings £	Motor vehicles £	Total £
Cost				
At 1 February 2015	994,143	308,983	122,073	1,425,199
Additions	66,210	132,610	-	198,820
Disposals	(15,012)	-	-	(15,012)
At 31 January 2016	1,045,341	441,593	122,073	1,609,007
Depreciation				
At 1 February 2015	769,588	248,689	65,685	1,083,962
Charge for year	102,001	26,152	19,000	147,153
Disposals	(15,012)	-	-	(15,012)
At 31 January 2016	856,577	274,841	84,685	1,216,103
Net book value				
At 31 January 2016	188,764	166,752	37,388	392,904
At 31 January 2015	224,555	60,294	56,388	341,237

12 Investments held as fixed assets

	Shares in group undertakings - subsidiaries £
At 31 January 2015 and 31 January 2016	15

At 31 January 2016 the company had the following subsidiary undertakings:

Company	Country of incorporation	Activity	Proportion of ordinary shares held	Aggregate amount of share capital and reserves	Profit for the year
Usborne Publishing Inc	U.S.A	Non-trading	100%	See below	See below
Usborne Books at Home Limited	England	Dormant	100%	£2	£nil
Usborne Music Publishing Limited	England	Dormant	100%	£2	£nil
Usborne Reference Publishing Limited	England	Dormant	100%	£2	£nil
Usborne Education Limited	England	Dormant	100%	£2	£nil

Usborne Books at Home Limited, Usborne Music Publishing Limited, Usborne Reference Publishing Limited and Usborne Education Limited have not traded.

Usborne Publishing Inc has been omitted from group accounts since in the opinion of the Directors, its inclusion is not material for the purpose of giving a true and fair view. Usborne Publishing Inc has ceased trading.

12 Investments held as fixed assets (continued)

Additional information in respect of Usborne Publishing Inc.	£
Share of undistributed post incorporation losses at 1 February 2015	(56,632)
Loss retained in the year	(7,026)
Balance at 31 January 2016	(63,658)

13 Stocks

	2016	2015
	£	£
Work in progress	298,677	861,529
Finished goods	20,733,066	17,348,520
	21,031,743	18,210,049

14 Debtors

	£	£
Trade debtors	16,709,048	13,557,640
Other debtors	616,737	682,518
Prepayments and accrued income	325,753	370,582
	17,651,538	14,610,740

15 Investments

	£	£
Listed investments - at cost (Market value 2016: £189,312, 2015: £67,171)	9,905	9,905

16 **Creditors:** amounts falling due within one year

	£	£
Trade creditors	8,536,529	5,775,796
Corporation tax	343,385	539,487
Other creditors	667,354	571,802
Accruals and deferred income	1,959,835	1,438,278
Deferred tax (note 21)	14,031	1,835
	11,521,134	8,327,198

17 Provisions for liabilities

	2016 £	2015 £
Dilapidations provision		
At 1 February 2015	364,674	381,763
(Decrease) in provision	-	(17,089)
At 31 January 2016	364,674	364,674

18 Called up share capital

	£	£
Allotted and fully paid		
7,375 'A' Ordinary shares of £1 each	7,375	7,375
2,625 'B' Ordinary shares of £1 each	2,625	2,625
	10,000	10,000

The 'A' shares and 'B' shares rank pari passu in all respects.

19 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.

Capital reserve

The capital reserve is a non-distributable reserve.

Capital redemption reserve

The capital redemption reserve represents the nominal value of the shares which were cancelled and redeemed out of distributable profits.

Retained earnings

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

20 Operating lease commitments

At the balance sheet date the company had total lease payments under non-cancellable leases as follows:

	2016	2015
	£	£
Due:		
Within one year	513,422	307,216
Within two to five years	2,496,134	1,937,254
After five years	5,159,330	4,397,341
	8,168,886	6,641,811

21 Deferred taxation

The amount of recognised deferred tax liability is as follows:

	£	£
Accelerated capital allowances	(19,251)	(11,835)
Other timing differences	5,220	10,000
	(14,031)	(1,835)

Movement in deferred taxation

At 1 February 2015	(1,835)
Profit and loss account (note 9)	(12,196)
At 31 January 2016 (note 16)	(14,031)

22 Related party transactions

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the company. In the opinion of the board the company's key management are the directors.

	2016	2015
	£	£
Total compensation to key management personnel	173,618	168,780

	£	£
Dividends paid to key management personnel	1,843,750	1,666,750

At 31 January 2016 the ultimate controlling party was T.P. Usborne, a shareholder and director of the company.

23 Financial instruments

The company's financial instruments comprise cash and items such as trade creditors and trade debtors which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the company's operations.

The company's operations expose it to a variety of financial risks including credit risk, liquidity risk and foreign currency exchange rate risk.

Credit risk

The company's credit risk is primarily attributable to its trade debtors. The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is regularly considered by the board.

The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk

The company maintains sufficient funds for its operations.

The company's financial liabilities comprise trade creditors. They are measured at amortised cost.

Foreign currency exchange rate risk

The company is exposed to foreign exchange rate risk as a result of trade debtors and trade creditors which will be settled in foreign currencies. The company has no material financial exposure to foreign exchange gains and losses on financial assets and liabilities at the year end and does not hedge any of its trading activities.

24 Transition to FRS 102

These financial statements are Usborne Publishing Limited's first financial statements that comply with FRS 102. The date of transition to FRS 102 was 1 February 2014.

The transition to FRS 102 has resulted in no change in accounting policies compared to those used previously.