

Registration number: 07842430

The Tolkien Estate Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2016

Critchleys Audit LLP
Statutory Auditor
Beaver House
23-38 Hythe Bridge Street
Oxford
OX1 2EP

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COMPANIES HOUSE

The Tolkien Estate Limited
(Registration number: 07842430)
Balance Sheet as at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	4	1,463,146	1,710,439
Tangible assets	5	1,254	1,672
Investments		<u>10,724,000</u>	<u>10,724,000</u>
		<u>12,188,400</u>	<u>12,436,111</u>
Current assets			
Debtors	7	2,152,323	4,049,751
Cash at bank and in hand		<u>21,030,312</u>	<u>21,369,083</u>
		23,182,635	25,418,834
Creditors: Amounts falling due within one year	8	<u>(11,359,006)</u>	<u>(12,290,413)</u>
Net current assets		<u>11,823,629</u>	<u>13,128,421</u>
Net assets		<u>24,012,029</u>	<u>25,564,532</u>
Capital and reserves			
Called up share capital		270,000	1,470,000
Share premium reserve		14,106,983	14,106,983
Profit and loss account		<u>9,635,046</u>	<u>9,987,549</u>
Total equity		<u>24,012,029</u>	<u>25,564,532</u>

These financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

These financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime and the option not to file the Profit and Loss Account has been taken.

Approved and authorised for issue by the Board on 12/02/17 and signed on its behalf by:

Priscilla Tolkien

P M A R Tolkien

Director

The Tolkien Estate Limited

Statement of Changes in Equity for the Year Ended 31 December 2016

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 January 2016	1,470,000	14,106,983	9,987,549	25,564,532
Profit for the year	-	-	1,672,497	1,672,497
Total comprehensive income	-	-	1,672,497	1,672,497
Dividends	-	-	(2,025,000)	(2,025,000)
Redemption of preference shares	(1,200,000)	-	-	(1,200,000)
At 31 December 2016	270,000	14,106,983	9,635,046	24,012,029
	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 January 2015	3,470,000	14,106,983	8,642,108	26,219,091
Profit for the year	-	-	2,695,441	2,695,441
Total comprehensive income	-	-	2,695,441	2,695,441
Dividends	-	-	(1,350,000)	(1,350,000)
Redemption of preference shares	(2,000,000)	-	-	(2,000,000)
At 31 December 2015	1,470,000	14,106,983	9,987,549	25,564,532

The Tolkien Estate Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

1 General information

The company is a private company limited by share capital incorporated in England & Wales.

The address of its registered office is:

Prima House
267 Banbury Road
Oxford
OX2 7HT

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 102 Section 1A - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Group accounts not prepared

The company is part of a small group. The company has taken advantage of the exemption and has not prepared group financial statements..

Audit report

The Independent Auditors' Report was unqualified. The name of the Senior Statutory Auditor who signed the audit report on was Robert Kirtland, who signed for and on behalf of Critchleys Audit LLP.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and Machinery	25% Reducing Balance Method

The Tolkien Estate Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Intangible assets

Separately acquired copyrights are shown at historical cost.

Copyrights have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Copyrights	over 10 years

Investments

Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Debtors

Debtors include amounts due for royalties and other income due at the year-end. Debtors are recognised initially at the transaction price.

Creditors

Creditors include obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at the transaction price.

Share capital

Ordinary and preference shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

3 Staff numbers

The company had no employees in either year.

The Tolkien Estate Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

4 Intangible assets

	Copyrights £	Total £
Cost or valuation		
At 1 January 2016	<u>2,472,925</u>	<u>2,472,925</u>
At 31 December 2016	<u>2,472,925</u>	<u>2,472,925</u>
Amortisation		
At 1 January 2016	762,486	762,486
Amortisation charge	<u>247,293</u>	<u>247,293</u>
At 31 December 2016	<u>1,009,779</u>	<u>1,009,779</u>
Carrying amount		
At 31 December 2016	<u>1,463,146</u>	<u>1,463,146</u>
At 31 December 2015	<u>1,710,439</u>	<u>1,710,439</u>

These consist of the copyrights to certain titles by J R R Tolkien. The cost above is the purchase consideration attributed to copyrights when the assets of The J R R Tolkien Estate Limited were sold to this company.

The Tolkien Estate Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

5 Tangible assets

	Other property, plant and equipment £	Total £
Cost or valuation		
At 1 January 2016	3,963	3,963
At 31 December 2016	3,963	3,963
Depreciation		
At 1 January 2016	2,291	2,291
Charge for the year	418	418
At 31 December 2016	2,709	2,709
Carrying amount		
At 31 December 2016	1,254	1,254
At 31 December 2015	1,672	1,672

6 Investments

	2016 £	2015 £
Investments in subsidiaries	10,724,000	10,724,000
Subsidiaries		£
Cost or valuation		
At 1 January 2016		10,724,000
Provision		
Carrying amount		
At 31 December 2016		10,724,000
At 31 December 2015		10,724,000

The Tolkien Estate Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

7 Debtors

	2016 £	2015 £
Other debtors	2,152,323	4,049,751
Total current trade and other debtors	<u>2,152,323</u>	<u>4,049,751</u>

8 Creditors

	2016 £	2015 £
Due within one year		
Amounts owed to group undertakings	10,724,000	10,724,000
Other creditors	635,006	1,566,413
	<u>11,359,006</u>	<u>12,290,413</u>

9 Dividends

	2016 £	2015 £
Interim dividend paid of £7.50 (2015 - £5.00) per ordinary share	<u>2,025,000</u>	<u>1,350,000</u>

10 Financial commitments, guarantees and contingencies

The assets and liabilities of The J R R Tolkien 1967 Discretionary Settlement were transferred to this company on 30 November 2011. HMRC are enquiring into whether a substantial receipt by The J R R Tolkien 1967 Discretionary Settlement in 2009/2010 should have been taxed as income rather than capital (which could involve a substantial additional tax liability of up to £5.5m). The Settlement was advised by Leading Tax Counsel at the time that the receipt was capital in nature. The directors therefore maintain that the receipt was correctly returned and believe that no additional tax liability is due.

The legal action commenced by the company and other entities in the USA in November 2012 against defendants Warner Bros and The Saul Zaentz Company was settled in June 2017.

11 Transition to FRS 102

There were no adjustments on transition to FRS 102.