

Registration number: 07842430

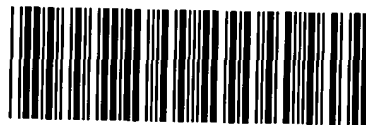
# The Tolkien Estate Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

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

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## **The Tolkien Estate Limited**

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**The Tolkien Estate Limited**

**(Registration number: 07842430)**  
**Balance Sheet as at 31 December 2017**

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Intangible assets	4	1,215,854	1,463,146
Tangible assets	5	940	1,254
Investments	6	360	10,724,000
		<u>1,217,154</u>	<u>12,188,400</u>
<b>Current assets</b>			
Debtors	7	3,371,541	2,152,323
Cash at bank and in hand		19,740,000	21,030,312
		23,111,541	23,182,635
<b>Creditors: Amounts falling due within one year</b>	8	<u>(2,590,254)</u>	<u>(11,359,006)</u>
<b>Net current assets</b>		<u>20,521,287</u>	<u>11,823,629</u>
<b>Net assets</b>		<u>21,738,441</u>	<u>24,012,029</u>
<b>Capital and reserves</b>			
Called up share capital		270,000	270,000
Share premium reserve		14,106,983	14,106,983
Profit and loss account		<u>7,361,458</u>	<u>9,635,046</u>
<b>Total equity</b>		<u>21,738,441</u>	<u>24,012,029</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 20-9-18 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 2017

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 January 2017	270,000	14,106,983	9,635,046	24,012,029
Profit for the year	-	-	3,801,412	3,801,412
Total comprehensive income	-	-	3,801,412	3,801,412
Dividends	-	-	(6,075,000)	(6,075,000)
At 31 December 2017	270,000	14,106,983	7,361,458	21,738,441
	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

The notes on pages 3 to 7 form an integral part of these financial statements.

## **The Tolkien Estate Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017**

#### **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.

##### **Revenue recognition**

Turnover represents royalties and other trading income receivable in the year excluding value added tax. This includes an estimate of the amount earned up until the balance sheet date which is included in debtors.

##### **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.

##### **Tax**

The tax expense for the period comprises current tax. Tax is recognised in profit or loss.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

##### **Tangible assets**

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

## **The Tolkien Estate Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017**

#### **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:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Plant and Machinery	25% Reducing Balance Method

#### **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:

<b>Asset class</b>	<b>Amortisation method and rate</b>
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.

## The Tolkien Estate Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017

#### 3 Staff numbers

The company had no employees in either year.

#### 4 Intangible assets

	Copyrights £	Total £
<b>Cost or valuation</b>		
At 1 January 2017	<u>2,472,925</u>	<u>2,472,925</u>
At 31 December 2017	<u>2,472,925</u>	<u>2,472,925</u>
<b>Amortisation</b>		
At 1 January 2017	1,009,779	1,009,779
Amortisation charge	<u>247,292</u>	<u>247,292</u>
At 31 December 2017	<u>1,257,071</u>	<u>1,257,071</u>
<b>Carrying amount</b>		
At 31 December 2017	<u>1,215,854</u>	<u>1,215,854</u>
At 31 December 2016	<u>1,463,146</u>	<u>1,463,146</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 2017

### 5 Tangible assets

	Plant and machinery £	Total £
<b>Cost or valuation</b>		
At 1 January 2017	3,963	3,963
At 31 December 2017	3,963	3,963
<b>Depreciation</b>		
At 1 January 2017	2,709	2,709
Charge for the year	314	314
At 31 December 2017	3,023	3,023
<b>Carrying amount</b>		
At 31 December 2017	940	940
At 31 December 2016	1,254	1,254

### 6 Investments

	2017 £	2016 £
Investments in subsidiaries	360	10,724,000
<b>Subsidiaries</b>		£
<b>Cost or valuation</b>		
At 1 January 2017		10,724,000
Reserves transferred to parent by dividend		(10,723,640)
At 31 December 2017		360
<b>Carrying amount</b>		
At 31 December 2017		360
At 31 December 2016		10,724,000



# **The Tolkien Estate Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2017**

### **7 Debtors**

	2017 £	2016 £
Other debtors	3,371,541	2,152,323
	<u>3,371,541</u>	<u>2,152,323</u>

### **8 Creditors**

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

	2017 £	2016 £
<b>Due within one year</b>		
Amounts owed to group undertakings	360	10,724,000
Other creditors	2,589,894	635,006
	<u>2,590,254</u>	<u>11,359,006</u>

### **9 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.