

Company registration number 07842430 (England and Wales)

THE TOLKIEN ESTATE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

THE TOLKIEN ESTATE LIMITED

COMPANY INFORMATION

Directors	B J Tolkien M G R Tolkien S M R Tolkien Mr S A Maier
Secretary	C Blackburn
Company number	07842430
Registered office	Prama House 267 Banbury Road Oxford OX2 7HT
Auditor	Critchleys Audit LLP Beaver House 23-38 Hythe Bridge Street Oxford OX1 2EP

THE TOLKIEN ESTATE LIMITED

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THE TOLKIEN ESTATE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Review of the business

The Company has had a very good year, with increased income across the key areas of its activities, including book publishing, film and video games. Overall, its income was somewhat higher than in 2021, reflecting certain one-off receipts and the fact that some income flows into the Company at intervals greater than one year. Administrative expenses were slightly lower than in 2021 but within the range of fluctuation which generally occurs from year to year. In general, the benefit to the Company from the increased demand for home entertainment during the period of the pandemic appears to have receded though income from these sources continues to be robust.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Company arise from its ownership of copyright assets. It is necessary from time to time to engage in defensive action to protect these assets or to ensure that the Company receives appropriate value from them, which can increase the Company's operating costs. The income earned from these assets may also fluctuate from year to year, often to a significant extent. At present, however, interest in Tolkien's works and their various adaptations remains high as we look forward to the fiftieth anniversary of the death of the author in 2023.

On behalf of the board

M G R Tolkien
Director

7 September 2023

THE TOLKIEN ESTATE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE TOLKIEN ESTATE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the company continued to be that of the active management and exploitation of the copyrights and other intellectual property of the late J R R Tolkien, including the publishing of new works and new editions of works in conjunction with publishers worldwide, the development and protection of the Tolkien brand and the management and protection of Tolkien as author and artist.

Results and dividends

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £11,880,000. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

B J Tolkien

M G R Tolkien

S M R Tolkien

Mr S A Maier

P M A R Tolkien

(Deceased 28 February 2022)

Financial instruments

The company manages its cash in order to ensure the company has sufficient liquid resources to meet the operating needs of the business.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

M G R Tolkien

Director

7 September 2023

THE TOLKIEN ESTATE LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE TOLKIEN ESTATE LIMITED

Opinion

We have audited the financial statements of The Tolkien Estate Limited (the 'company') for the year ended 31 December 2022 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

THE TOLKIEN ESTATE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE TOLKIEN ESTATE LIMITED

Matters on which we are required to report by exception

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.

We have nothing to report in respect of the following matters in relation to which 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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our knowledge and experience;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence where applicable; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

THE TOLKIEN ESTATE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF THE TOLKIEN ESTATE LIMITED

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;
- reviewing relevant correspondence.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

Robert Kirtland
Senior Statutory Auditor
For and on behalf of Critchleys Audit LLP

8 September 2023

Chartered Accountants
Statutory Auditor

Beaver House
23-38 Hythe Bridge Street
Oxford
OX1 2EP

THE TOLKIEN ESTATE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Turnover	3	15,870,312	10,344,627
Cost of sales		(736,280)	(494,190)
Gross profit		15,134,032	9,850,437
Administrative expenses		(841,165)	(887,721)
Operating profit	4	14,292,867	8,962,716
Interest receivable and similar income	6	2,490	9,584
Interest payable and similar expenses		(12,016)	(1,207)
Profit before taxation		14,283,341	8,971,093
Tax on profit	7	(2,757,180)	(1,751,528)
Profit for the financial year		11,526,161	7,219,565

The profit and loss account has been prepared on the basis that all operations are continuing operations.

THE TOLKIEN ESTATE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
Profit for the year	11,526,161	7,219,585
Other comprehensive income	-	-
Total comprehensive income for the year	<u>11,526,161</u>	<u>7,219,585</u>

THE TOLKIEN ESTATE LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2022

		2022		2021	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	9		-		226,683
Investments	10		360		360
			<u>360</u>		<u>227,043</u>
Current assets					
Debtors	12	7,470,111		8,928,398	
Cash at bank and in hand		8,968,677		4,646,034	
		<u>16,438,788</u>		<u>13,574,432</u>	
Creditors: amounts falling due within one year	13	(5,021,280)		(2,029,768)	
Net current assets			<u>11,417,508</u>		<u>11,544,664</u>
Net assets			<u><u>11,417,868</u></u>		<u><u>11,771,707</u></u>
Capital and reserves					
Called up share capital	14		270,000		270,000
Profit and loss reserves			<u>11,147,868</u>		<u>11,501,707</u>
Total equity			<u><u>11,417,868</u></u>		<u><u>11,771,707</u></u>

The financial statements were approved by the board of directors and authorised for issue on 7 September 2023 and are signed on its behalf by:

M G R Tolkien
Director

Company Registration No. 07842430

THE TOLKIEN ESTATE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash generated from operations	17	16,167,286		4,791,112	
Interest paid		(12,016)		(1,207)	
Income taxes paid		(2,790,117)		(1,547,650)	
Net cash inflow from operating activities		13,365,153		3,242,255	
Investing activities					
Interest received		2,490		9,584	
Net cash generated from investing activities		2,490		9,584	
Financing activities					
Dividends paid		(9,045,000)		(10,260,000)	
Net cash used in financing activities		(9,045,000)		(10,260,000)	
Net increase/(decrease) in cash and cash equivalents		4,322,643		(7,008,161)	
Cash and cash equivalents at beginning of year		4,646,034		11,654,195	
Cash and cash equivalents at end of year		8,968,677		4,646,034	

THE TOLKIEN ESTATE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2021		270,000	8,443,270	6,098,872	14,812,142
Year ended 31 December 2021:					
Profit and total comprehensive income for the year		-	-	7,219,565	7,219,565
Dividends	8	-	-	(10,260,000)	(10,260,000)
Other movements		-	(8,443,270)	8,443,270	-
Balance at 31 December 2021		270,000	-	11,501,707	11,771,707
Year ended 31 December 2022:					
Profit and total comprehensive income for the year		-	-	11,526,161	11,526,161
Dividends	8	-	-	(11,880,000)	(11,880,000)
Balance at 31 December 2022		270,000	-	11,147,868	11,417,868

The share premium reserve was converted to a distributable reserve by resolution of the members in July 2021.

THE TOLKIEN ESTATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

The Tolkien Estate Limited is a private company limited by shares incorporated in England and Wales. The registered office is Prama House, 267 Banbury Road, Oxford, OX2 7HT.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company has not prepared group accounts as its only subsidiary is dormant and immaterial.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for royalties and other trading income, and is shown net of VAT and other sales related taxes. This includes an estimate of the amount earned up until the balance sheet date which is included in debtors.

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Copyrights	over 10 years
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1.5 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

THE TOLKIEN ESTATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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 or 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.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

THE TOLKIEN ESTATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, are initially recognised at transaction price.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors are recognised initially at transaction price.

Other financial liabilities

Derivatives, including interest rate swaps and 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 hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.9 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1.10 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

THE TOLKIEN ESTATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Amortisation

Amortisation period for copyrights

3 Turnover and other revenue

	2022	2021
	£	£
Turnover analysed by class of business		
Income from copyrights and intellectual property	15,870,312	10,344,627
	<u> </u>	<u> </u>
	2022	2021
	£	£
Other revenue		
Interest income	2,490	9,584
	<u> </u>	<u> </u>

4 Operating profit

	2022	2021
	£	£
Operating profit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	10,785	8,305
Amortisation of intangible assets	226,683	247,292
	<u> </u>	<u> </u>

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022	2021
	Number	Number
Total	-	-
	<u> </u>	<u> </u>

THE TOLKIEN ESTATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

6 Interest receivable and similar income

	2022	2021
	£	£
Interest income		
Interest on bank deposits	2,490	9,584

	2022	2021
	£	£
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	2,490	9,584

7 Taxation

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	2,756,905	1,751,493
Adjustments in respect of prior periods	275	35
Total current tax	2,757,180	1,751,528

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022	2021
	£	£
Profit before taxation	14,283,341	8,971,093
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	2,713,835	1,704,508
Tax effect of expenses that are not deductible in determining taxable profit	43,070	46,985
Under/(over) provided in prior years	275	35
Taxation charge for the year	2,757,180	1,751,528

8 Dividends

	2022	2021
	£	£
Interim paid	11,880,000	10,260,000

THE TOLKIEN ESTATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Intangible fixed assets

	Copyrights £
Cost	
At 1 January 2022 and 31 December 2022	2,472,925
Amortisation and impairment	
At 1 January 2022	2,246,242
Amortisation charged for the year	226,683
At 31 December 2022	2,472,925
Carrying amount	
At 31 December 2022	-
At 31 December 2021	226,683

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.

10 Fixed asset investments

	Notes	2022 £	2021 £
Investments in subsidiaries	11	360	360

11 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
The J R R Tolkien Estate Limited	England and Wales	Dormant	Ordinary	100.00

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Capital and Reserves £	Profit/(Loss) £
The J R R Tolkien Estate Limited	360	-

THE TOLKIEN ESTATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Debtors

	2022	2021
	£	£
Amounts falling due within one year:		
Other debtors	25,938	22,385
Prepayments and accrued income	7,444,173	8,906,013
	<u>7,470,111</u>	<u>8,928,398</u>

13 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	-	704
Amounts owed to group undertakings	360	360
Corporation tax	1,331,906	1,364,843
Dividends payable	2,835,000	-
Other creditors	-	7,920
Accruals and deferred income	854,014	655,941
	<u>5,021,280</u>	<u>2,029,768</u>

14 Share capital

	2022	2021	2022	2021
	Number	Number	£	£
Ordinary share capital Issued and fully paid				
Ordinary of £1 each	<u>270,000</u>	<u>270,000</u>	<u>270,000</u>	<u>270,000</u>

15 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Legal and professional services		Royalties payable	
	2022	2021	2022	2021
	£	£	£	£
Entities jointly controlled by a director	423,483	447,984	-	-
Key management personnel	-	-	83,788	67,539
Other related parties	-	-	364,690	247,905
	<u></u>	<u></u>	<u></u>	<u></u>
Amounts due to related parties			2022	2021
			£	£
Entities jointly controlled by a director			80,212	115,334
Key management personnel			747,938	67,539
Other related parties			364,690	247,905
			<u></u>	<u></u>

THE TOLKIEN ESTATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

16 Directors' transactions

Dividends totalling £3,712,500 (2021 - £4,488,750) were paid in the year in respect of shares held by the company's directors.

17 Cash generated from operations

	2022 £	2021 £
Profit for the year after tax	11,526,161	7,219,565
Adjustments for:		
Taxation charged	2,757,180	1,751,528
Finance costs	12,016	1,207
Investment income	(2,490)	(9,584)
Amortisation and impairment of intangible assets	226,683	247,292
Movements in working capital:		
Decrease/(increase) in debtors	1,458,287	(4,080,849)
Increase/(decrease) in creditors	189,449	(338,047)
Cash generated from operations	16,167,286	4,791,112

18 Analysis of changes in net funds

	1 January 2022 £	Cash flows £	31 December 2022 £
Cash at bank and in hand	4,646,034	4,322,643	8,968,677

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.