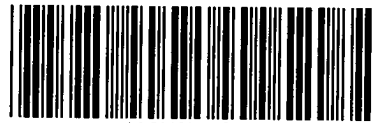


Company Registration No. 06979090 (England and Wales)

POTTERMORE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

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COMPANIES HOUSE

POTTERMORE LIMITED

COMPANY INFORMATION

Directors

N. Blair
E. Senat
A. Spiers (Appointed 5 August 2013)

Secretary

A. Spiers

Company number

06979090

Registered office

Devonshire House
1 Devonshire Street
London
W1W 5DR

Auditors

Citroen Wells
Devonshire House
1 Devonshire Street
London
W1W 5DR

POTTERMORE LIMITED

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POTTERMORE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2014

The directors present their strategic report for the year ended 31 March 2014.

Review of the business

The principal activity of the company is that of an online retailer and experience provider.

The company aims to attract new Harry Potter fans as users/customers as well as maintaining and engaging with its existing user/fan base.

The business environment in which we operate continues to be challenging and carries with it a number of risks and uncertainties. We face stringent online regulations that must be monitored and adhered to. Data protection, copyright and online transactions are areas of significant risk where appropriate safeguards have been implemented in order to reduce these risks. We are also subject to consumer spending patterns and consumers' overall level of disposable income within our economy.

Both financial and non-financial key performance indicators are used by the directors to manage the business and by the management team when focusing on relevant areas of the business, in particular income sources and cost control.

Financially the company has increased turnover by 73.8% compared with 2013, from £18.3m to £31.8m and the net profit before tax has also therefore increased significantly from £1.28m to £14.94m. The increase is primarily the result of an affiliate agreement terminating in the year under which the company was guaranteed a minimum level of royalties. As such royalties received under the agreement during the year amounted to £24.5m (2013: £10m).

Non financially, the company continues to engage its consumers and focus on both attracting new users/fans and retaining current users/fans. There has consistently been between 7,000 and 9,000 new users/fans signing up daily for the experience.

Additionally, the average monthly number of staff (excluding directors) has increased from 20 to 40. This is a result of a planned recruitment drive, with the focus of creating an in house team and reducing reliance on third party suppliers. This has created a strong foundation of skill sets and has provided a solid team to build on further in developing the business, streamlining processes and enhancing the site.

Research and development

Future activities are based around development of the site in order to provide enhancements that will create an even better experience for users.

Future developments

The directors are focused on continuing to grow the business going forward. This includes increasing the number of new users/fans to the experience and the time engaged on the site by each user/fan. The facility to support mobile devices for the experience is also planned.

Financial instruments

The company's operations expose it to a variety of financial risks that include the effects of changes in foreign currency risk and liquidity risk.

Management seek to adopt a low risk approach to all areas of the business.

Non financial risks include brand and intellectual property protection. These risks are managed by using highly regarded companies to assist with protection and implementing specialist watermarking technology. Community and online safety regulations are another area exposing the company to risk. Management ensure regulations are adhered to and comments are monitored, with escalation procedures in place to be followed where appropriate.

POTTERMORE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

Credit risk

Exposure to credit risk in relation to the online shop is low, as it does not offer credit to consumers. Consumers are generally individuals and as the goods sold are of a digital, downloadable, nature; they are paid for prior to consumption. In relation to other income sources, all third parties are subject to verification procedures carried out by management, to ensure agreements are made with reputable companies.

Foreign currency risk

Being a global business, foreign currency is a key risk. In order to manage risk, transaction currencies have currently been limited to GBP, USD, EUR and JPY. In addition, funds payable in respect of royalties, commissions and expenses, are maintained and paid for in the respective currencies, to minimise any exposure to potential exchange losses on conversion of funds.

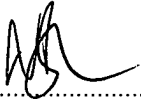
Liquidity and cash flow risk

The directors consider the company to have sufficient available funds for operations and planned development. Cash flow forecasts and cash requirements are monitored closely, to ensure the company has sufficient liquid resources to meet the operating needs of its business.

Price risk

Various options are available in relation to the services required for the company's operating needs. These are regularly reviewed and authorised by management, to ensure that goods and services are not obtained at a higher price than necessary.

On behalf of the board



N. Blair

Director

10/12/14

POTTERMORE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2014

The directors present their report and financial statements for the year ended 31 March 2014.

Results and dividends

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

No dividends were declared during the year.

Directors

The following directors have held office since 1 April 2013:

N. Blair

E. Senat

A. Spiers

(Appointed 5 August 2013)

Auditors

The auditors, Citroen Wells, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing 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 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.

POTTERMORE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors 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 auditors are aware of that information.

On behalf of the board



N. Blair

Director

10/12/14

POTTERMORE LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF POTTERMORE LIMITED

We have audited the financial statements of Pottermore Limited for the year ended 31 March 2014 set out on pages 7 to 19. 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).

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 auditors' 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 - 4, 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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 March 2014 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

POTTERMORE LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF POTTERMORE LIMITED

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.



Stephen Simou FCA (Senior Statutory Auditor)
for and on behalf of Citroen Wells

Chartered Accountants
Statutory Auditor

.....17/12/14

Devonshire House
1 Devonshire Street
London
W1W 5DR

POTTERMORE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 £	2013 £
Turnover	2	31,768,162	18,275,809
Cost of sales		(11,470,059)	(12,530,652)
Gross profit		20,298,103	5,745,157
Administrative expenses		(5,370,254)	(4,468,363)
Operating profit	3	14,927,849	1,276,794
Other interest receivable and similar income	4	13,692	10,052
Interest payable and similar charges	5	-	(1,864)
Profit on ordinary activities before taxation		14,941,541	1,284,982
Tax on profit on ordinary activities	6	(2,996,176)	1,324,000
Profit for the year	13	11,945,365	2,608,982

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

There are no recognised gains and losses other than those passing through the profit and loss account.

POTTERMORE LIMITED

BALANCE SHEET

AS AT 31 MARCH 2014

	Notes	2014 £	£	2013 £	£
Fixed assets					
Tangible assets	7	1,862,468		2,738,001	
Current assets					
Debtors	8	539,829		2,596,407	
Cash at bank and in hand		22,045,821		3,649,252	
		<u>22,585,650</u>		<u>6,245,659</u>	
Creditors: amounts falling due within one year	9	<u>(6,446,263)</u>		<u>(2,927,170)</u>	
Net current assets		<u>16,139,387</u>		<u>3,318,489</u>	
Total assets less current liabilities		<u>18,001,855</u>		<u>6,056,490</u>	
Creditors: amounts falling due after more than one year	10	<u>(7,740,471)</u>		<u>(7,740,471)</u>	
		<u>10,261,384</u>		<u>(1,683,981)</u>	
Capital and reserves					
Called up share capital	12	1		1	
Profit and loss account	13	<u>10,261,383</u>		<u>(1,683,982)</u>	
Shareholders' funds	14	<u>10,261,384</u>		<u>(1,683,981)</u>	

Approved by the Board and authorised for issue on 10/12/14



N. Blair
Director

Company Registration No. 06979090

POTTERMORE LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2014

	£	2014 £	£	2013 £
Net cash inflow/(outflow) from operating activities		18,410,890		(261,256)
Returns on investments and servicing of finance				
Interest received	13,692		10,052	
Interest paid	-		(1,864)	
Net cash inflow for returns on investments and servicing of finance		13,692		8,188
Capital expenditure				
Payments to acquire tangible assets	(28,046)		(361,192)	
Net cash outflow for capital expenditure		(28,046)		(361,192)
Net cash inflow/(outflow) before management of liquid resources and financing		18,396,536		(614,260)
Financing				
Capital element of hire purchase contracts	-		(606,399)	
Net cash outflow from financing		-		(606,399)
Increase/(decrease) in cash in the year		18,396,536		(1,220,659)

POTTERMORE LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2014

1	Reconciliation of operating profit to net cash inflow/(outflow) from operating activities	2014	2013
		£	£
	Operating profit	14,927,849	1,276,794
	Depreciation of tangible assets	903,579	962,971
	Decrease in debtors	732,578	683,011
	Increase/(decrease) in creditors within one year	1,846,884	(3,184,032)
	Net cash inflow/(outflow) from operating activities	18,410,890	(261,256)

2	Analysis of net funds/(debt)	1 April 2013	Cash flow	Other non-cash changes	31 March 2014
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	3,649,252	18,396,569	-	22,045,821
	Bank overdrafts	(254)	(33)	-	(287)
		<u>3,648,998</u>	<u>18,396,536</u>	<u>-</u>	<u>22,045,534</u>
	Debt:				
	Debts falling due after one year	(7,740,471)	-	-	(7,740,471)
		<u>(7,740,471)</u>	<u>-</u>	<u>-</u>	<u>(7,740,471)</u>
	Net (debt)/funds	(4,091,473)	18,396,536	-	14,305,063

3	Reconciliation of net cash flow to movement in net funds/(debt)	2014	2013
		£	£
	Increase/(decrease) in cash in the year	18,396,536	(1,220,659)
	Cash outflow from decrease in debt	-	606,399
	Movement in net funds/(debt) in the year	18,396,536	(614,260)
	Opening net debt	(4,091,473)	(3,477,213)
	Closing net funds/(debt)	14,305,063	(4,091,473)

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents royalties, other fees and online retail sales receivable stated net of VAT.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Website development costs	straight line over 5 years
Computer equipment	straight line over 5 years
Office and computer equipment	straight line over 5 years

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.7 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.9 Website development costs

Design and content development costs are only capitalised to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised.

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2014

2 Turnover

	2014 £	2013 £
Class of business		
Online sales	4,789,426	5,976,790
Royalties and other fees	26,978,736	12,299,019
	<u>31,768,162</u>	<u>18,275,809</u>

	2014 £	2013 £
Geographical market		
United Kingdom	652,449	984,869
European Union	392,522	433,720
Rest of the World	30,723,191	16,857,220
	<u>31,768,162</u>	<u>18,275,809</u>

3 Operating profit

	2014 £	2013 £
Operating profit is stated after charging:		
Depreciation of tangible assets	903,579	962,971
Loss on foreign exchange transactions	123,112	-
Operating lease rentals		
- Plant and machinery	9,408	12,073
and after crediting:		
Profit on foreign exchange transactions	-	(10,624)
	<u>-</u>	<u>(10,624)</u>

Auditors' remuneration

Fees payable to the company's auditor for the audit of the company's annual accounts	20,000	30,500
Fees payable for other services	2,400	9,944
	<u>22,400</u>	<u>40,444</u>

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2014

4	Investment income	2014	2013
		£	£
	Bank interest	13,692	10,052
		<u>13,692</u>	<u>10,052</u>
		<u><u>13,692</u></u>	<u><u>10,052</u></u>
5	Interest payable	2014	2013
		£	£
	Other interest	-	1,864
		<u>-</u>	<u>1,864</u>
		<u><u>-</u></u>	<u><u>1,864</u></u>

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

6	Taxation	2014 £	2013 £
	Domestic current year tax		
	U.K. corporation tax	1,672,176	-
	Total current tax	1,672,176	-
	Origination and reversal of timing differences	1,324,000	(1,324,000)
		<u>2,996,176</u>	<u>(1,324,000)</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	14,941,541	1,284,982
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23.00% (2013 - 24.00%)	<u>3,436,554</u>	<u>308,396</u>
	Effects of:		
	Non deductible expenses	2,290	6,589
	Depreciation add back	21,654	36,849
	Capital allowances	(39,300)	(55,982)
	Tax losses utilised	(1,740,719)	(295,852)
	Other tax adjustments	(8,303)	-
		<u>(1,764,378)</u>	<u>(308,396)</u>
	Current tax charge for the year	<u>1,672,176</u>	<u>-</u>

The company has estimated losses of £ nil (2013 - £ 7,941,000) available to be carried forward for relief against future trading profits.

In addition, the company is in the process of making research and development claims in respect of costs incurred in the development of its website.

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2014

7 Tangible fixed assets

	Website development costs £	Office and computer equipment £	Total £
Cost			
At 1 April 2013	4,047,169	1,363,477	5,410,646
Additions	-	28,046	28,046
	<u>4,047,169</u>	<u>1,391,523</u>	<u>5,438,692</u>
At 31 March 2014	4,047,169	1,391,523	5,438,692
Depreciation			
At 1 April 2013	1,618,868	1,053,777	2,672,645
Charge for the year	809,433	94,146	903,579
	<u>2,428,301</u>	<u>1,147,923</u>	<u>3,576,224</u>
At 31 March 2014	2,428,301	1,147,923	3,576,224
Net book value			
At 31 March 2014	<u>1,618,868</u>	<u>243,600</u>	<u>1,862,468</u>
At 31 March 2013	<u>2,428,301</u>	<u>309,700</u>	<u>2,738,001</u>

8 Debtors

	2014 £	2013 £
Trade debtors	74,034	561,205
Other debtors	264,176	437,849
Prepayments and accrued income	201,619	273,353
Deferred tax asset (see note 6)	-	1,324,000
	<u>539,829</u>	<u>2,596,407</u>

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2014

9	Creditors: amounts falling due within one year	2014	2013
		£	£
	Bank loans and overdrafts	287	254
	Trade creditors	1,024,423	1,548,699
	Corporation tax	1,672,176	-
	Other taxes and social security costs	97,709	90,249
	Other creditors	104,672	25,817
	Accruals and deferred income	3,546,996	1,262,151
		<u>6,446,263</u>	<u>2,927,170</u>
10	Creditors: amounts falling due after more than one year	2014	2013
		£	£
	Other loans	<u>7,740,471</u>	<u>7,740,471</u>
	Analysis of loans		
	Wholly repayable within five years	<u>7,740,471</u>	<u>7,740,471</u>
		<u>7,740,471</u>	<u>7,740,471</u>
11	Pension and other post-retirement benefit commitments		
	Defined contribution		
		2014	2013
		£	£
	Contributions payable by the company for the year	<u>72,376</u>	<u>46,869</u>
12	Share capital	2014	2013
		£	£
	Allotted, called up and fully paid		
	1 Ordinary Share of £1	<u>1</u>	<u>1</u>

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2014

13 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 April 2013	(1,683,982)
Profit for the year	11,945,365
	<u> </u>
Balance at 31 March 2014	<u>10,261,383</u>

14 Reconciliation of movements in shareholders' funds

	2014 £	2013 £
Profit for the financial year	11,945,365	2,608,982
Opening shareholders' funds	(1,683,981)	(4,292,963)
	<u> </u>	<u> </u>
Closing shareholders' funds	<u>10,261,384</u>	<u>(1,683,981)</u>

15 Financial commitments

At 31 March 2014 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2015:

	Other 2014 £	2013 £
Operating leases which expire:		
Between two and five years	-	11,448
	<u> </u>	<u> </u>

16 Directors' remuneration

	2014 £	2013 £
Remuneration for qualifying services	16,250	10,000
	<u> </u>	<u> </u>

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2014

17 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2014 Number	2013 Number
Directors	3	2
Other staff	40	20
	<u>43</u>	<u>22</u>

Employment costs

	2014 £	2013 £
Wages and salaries	2,926,119	2,214,621
Social security costs	347,860	279,577
Other pension costs	72,376	46,869
	<u>3,346,355</u>	<u>2,541,067</u>

18 Control

The ultimate controlling party is J.K. Rowling.

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2014

19 Related party relationships and transactions

N. Blair, E. Senat and A. Spiers, directors of the company, are also partners of The Blair Partnership.

During the year, The Blair Partnership sub-let its business premises to the company. Total costs of £301,454 (2013: £578,122) were recharged for rent and office expenses.

During the year, commission of £4,343,299 (2013: £2,051,730) was payable to The Blair Partnership.

Included within creditors at the year end is an amount of £2,653,951 (2013: £1,532,526), owed to The Blair Partnership.

Create More Limited is a company under the common control of J.K. Rowling. During the year, expenses of £38,834 (2013: £7,850) were paid on behalf of Create More Limited. Furthermore an interest free loan in the amount of £40,000 (2013: £nil) was advanced to Create More Limited during the year. Create More Limited charged the company a management fee of £69,000 (2013: £nil) for services rendered during the year. At the year end, Create More Limited owed the company £17,684 (2013: £7,850).

At the year end, £7,740,471 (2013: £7,740,471) was owed to J. K. Rowling, the company's controlling party. The amount is unsecured, interest free with no fixed date for repayment.

During the year, licence fees of £52,746 (2013: £15,367) were paid to the Lumos Foundation, an incorporated charity of which Mr N. Blair is a director and of which J. K. Rowling is the Founder and Chair.

Mr E. Senat is a partner of E H Senat and Partners which charged the company consultancy fees in the amount of £108,750 (2013: £115,000) during the year.