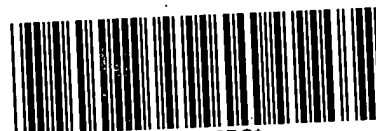


Company Registration No. 06979090 (England and Wales)

POTTERMORE LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2015

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COMPANIES HOUSE

POTTERMORE LIMITED

COMPANY INFORMATION

Directors

N. Blair
E. Senat
A. Spiers

Secretary

A Spiers

Company number

06979090

Registered office

Devonshire House
1 Devonshire Street
London
W1W 5DR

Auditors

Citroen Wells
Chartered Accountants
Devonshire House
1 Devonshire Street
London
W1W 5DR

POTTERMORE LIMITED

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Detailed profit and loss statement	17 - 18

POTTERMORE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2015

The directors present their strategic report for the year ended 31 March 2015.

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 worldwide.

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 decreased turnover by 351.6% compared with 2014, from £31.8m to £7.0m and the net profit/loss before tax has also therefore decreased significantly from a profit of £14.9m to a loss of £6.0m. The decrease is primarily the result of an affiliate agreement terminating in the previous year under which the company was guaranteed a minimum level of royalties. As such royalties received under the agreement during the previous year amounted to £24.5m. The balance received in the current year is nil.

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

The average monthly number of staff (excluding directors) has decreased from 40 to 30. The company confirms that it is however continuing a planned recruitment drive, with the focus of creating an in house team and reducing reliance on third party suppliers. This allows the creation of 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 2015

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.

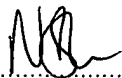
Liquidity and cash flow risk

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

03/12/15

POTTERMORE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2015

The directors present their report and financial statements for the year ended 31 March 2015.

Results and dividends

The results for the year are set out on page 6.

No dividends were declared during the year.

Directors

The following directors have held office since 1 April 2014:

N. Blair
E. Senat
A. Spiers

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 Strategic Report, 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.

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

03/12/15

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 2015 set out on pages 6 to 16. 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 page 3, 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 2015 and of its loss 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.

Citroen Wells

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

11/12/15

Chartered Accountants
Statutory Auditor

Devonshire House
1 Devonshire Street
London
W1W 5DR

POTTERMORE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 £	2014 £
Turnover	2	7,034,590	31,768,162
Cost of sales		(7,127,512)	(11,470,059)
Gross (loss)/profit		(92,922)	20,298,103
Administrative expenses		(6,002,501)	(5,370,254)
Operating (loss)/profit	3	(6,095,423)	14,927,849
Other interest receivable and similar income	4	70,408	13,692
(Loss)/profit on ordinary activities before taxation		(6,025,015)	14,941,541
Tax on (loss)/profit on ordinary activities	5	1,296,760	(2,996,176)
(Loss)/profit for the year	12	(4,728,255)	11,945,365

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.

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POTTERMORE LIMITED

BALANCE SHEET

AS AT 31 MARCH 2015

	Notes	2015 £	£	2014 £	£
Fixed assets					
Tangible assets	6		971,709		1,862,468
Current assets					
Debtors	7	1,963,778		539,829	
Cash at bank and in hand		14,201,393		22,045,821	
		16,165,171		22,585,650	
Creditors: amounts falling due within one year	8	(3,863,280)		(6,446,263)	
Net current assets			12,301,891		16,139,387
Total assets less current liabilities			13,273,600		18,001,855
Creditors: amounts falling due after more than one year	9		(7,740,471)		(7,740,471)
			5,533,129		10,261,384
Capital and reserves					
Called up share capital	11		1		1
Profit and loss account	12		5,533,128		10,261,383
Shareholders' funds	13		5,533,129		10,261,384

Approved by the Board and authorised for issue on 03/12/15



N. Blair
Director

Company Registration No. 06979090

POTTERMORE LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2015

	£	2015 £	£	2014 £
Net cash (outflow)/inflow from operating activities		(6,242,465)		18,410,890
Returns on investments and servicing of finance				
Interest received	70,408		13,692	
	<hr/>		<hr/>	
Net cash inflow for returns on investments and servicing of finance		70,408		13,692
Taxation		(1,672,176)		-
Payments to acquire tangible assets	-		(28,046)	
	<hr/>		<hr/>	
Net cash outflow for capital expenditure		-		(28,046)
		<hr/>		<hr/>
Net cash (outflow)/inflow before management of liquid resources and financing		(7,844,233)		18,396,536
		<hr/>		<hr/>
(Decrease)/increase in cash in the year		(7,844,233)		18,396,536
		<hr/> <hr/>		<hr/> <hr/>

POTTERMORE LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2015

1	Reconciliation of operating (loss)/profit to net cash inflow/(outflow) from operating activities	2015	2014		
		£	£		
	Operating (loss)/profit	(6,095,423)	14,927,849		
	Depreciation of tangible assets	890,759	903,579		
	(Increase)/decrease in debtors	(127,189)	732,578		
	(Decrease)/increase in creditors within one year	(910,612)	1,846,884		
	Net cash (outflow)/inflow from operating activities	(6,242,465)	18,410,890		
2	Analysis of net funds	1 April 2014	Cash flow	Other non-cash changes	31 March 2015
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	22,045,821	(7,844,428)	-	14,201,393
	Bank overdrafts	(287)	195	-	(92)
		<u>22,045,534</u>	<u>(7,844,233)</u>	<u>-</u>	<u>14,201,301</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 funds	14,305,063	(7,844,233)	-	6,460,830
3	Reconciliation of net cash flow to movement in net funds	2015	2014		
		£	£		
	(Decrease)/increase in cash in the year	(7,844,233)	18,396,536		
	Movement in net funds in the year	(7,844,233)	18,396,536		
	Opening net funds/(debt)	14,305,063	(4,091,473)		
	Closing net funds	6,460,830	14,305,063		

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future based on the strong net asset base of the company which includes highly liquid funds. They therefore continue to adopt the going concern basis of accounting in preparing these financial statements.

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. Royalties and other fees are recognised as earned, when and to the extent that, the company obtains the right to consideration in exchange for its performance under contracts.

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
Fixtures, fittings 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. The benefits of rent free periods in respect of land and buildings are spread on a straight line basis over the period of inception of the lease to the first rent review.

1.6 Pensions

The company operates a defined contribution scheme and also pays into personal schemes for the benefit of certain 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 2015

2 Turnover on ordinary activities before taxation

	Turnover 2015 £	2014 £
Class of business		
Online sales	3,904,912	4,789,426
Royalties and other fees	3,129,678	26,978,736
	<u>7,034,590</u>	<u>31,768,162</u>

Geographical market

	Turnover 2015 £	2014 £
United Kingdom	574,348	652,449
European Union	393,313	392,522
Rest of the World	6,066,929	30,723,191
	<u>7,034,590</u>	<u>31,768,162</u>

3 Operating (loss)/profit

	2015 £	2014 £
Operating (loss)/profit is stated after charging:		
Depreciation of tangible assets	890,759	903,579
Loss on foreign exchange transactions	-	123,112
Operating lease rentals		
- Plant and machinery	-	9,408
and after crediting:		
Profit on foreign exchange transactions	(63,753)	-
	<u>(63,753)</u>	<u>-</u>

Auditors' remuneration

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

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

4	Investment income	2015 £	2014 £
	Bank interest	70,408	13,692
		<u>70,408</u>	<u>13,692</u>
5	Taxation	2015 £	2014 £
	Domestic current year tax		
	U.K. corporation tax	-	1,672,176
	Adjustment for prior years	(1,296,760)	-
	Total current tax	<u>(1,296,760)</u>	<u>1,672,176</u>
	Deferred tax		
	Origination and reversal of timing differences	-	1,324,000
		<u>(1,296,760)</u>	<u>2,996,176</u>
	Factors affecting the tax charge for the year		
	(Loss)/profit on ordinary activities before taxation	<u>(6,025,015)</u>	<u>14,941,541</u>
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21.00% (2014 - 23.00%)	<u>(1,265,253)</u>	<u>3,436,554</u>
	Effects of:		
	Non deductible expenses	926	2,290
	Depreciation add back	187,059	21,654
	Capital allowances	(106,730)	(39,300)
	Tax losses utilised	1,183,998	(1,740,719)
	Adjustments to previous periods	(1,296,760)	-
	Other tax adjustments	-	(8,303)
		<u>(31,507)</u>	<u>(1,764,378)</u>
	Current tax charge for the year	<u>(1,296,760)</u>	<u>1,672,176</u>

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

6 Tangible fixed assets

	Website development costs £	Fixtures, fittings and computer equipment £	Total £
Cost			
At 1 April 2014 & at 31 March 2015	4,047,169	1,391,523	5,438,692
Depreciation			
At 1 April 2014	2,428,301	1,147,923	3,576,224
Charge for the year	809,958	80,801	890,759
At 31 March 2015	3,238,259	1,228,724	4,466,983
Net book value			
At 31 March 2015	808,910	162,799	971,709
At 31 March 2014	1,618,868	243,600	1,862,468

7 Debtors

	2015 £	2014 £
Trade debtors	48,975	74,034
Corporation tax	1,296,760	-
Other debtors	365,363	264,176
Prepayments and accrued income	252,680	201,619
	1,963,778	539,829

8 Creditors: amounts falling due within one year

	2015 £	2014 £
Bank loans and overdrafts	92	287
Trade creditors	1,460,428	1,024,423
Corporation tax	-	1,672,176
Other taxes and social security costs	80,497	97,709
Other creditors	74,903	104,672
Accruals and deferred income	2,247,360	3,546,996
	3,863,280	6,446,263

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

9	Creditors: amounts falling due after more than one year	2015 £	2014 £
	Other loans	7,740,471	7,740,471
	Analysis of loans		
	Not wholly repayable within five years other than by instalments:	7,740,471	7,740,471
		7,740,471	7,740,471

As disclosed in note 17, the loan is unsecured, interest free and has no fixed date for repayment.

10	Retirement Benefits	2015 £	2014 £
	Contributions payable by the company for the year	77,249	72,376
11	Share capital	2015 £	2014 £
	Allotted, called up and fully paid		
	1 Ordinary Share of £1	1	1

12	Statement of movements on profit and loss account	Profit and loss account £
	Balance at 1 April 2014	10,261,383
	Loss for the year	(4,728,255)
	Balance at 31 March 2015	5,533,128

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

13	Reconciliation of movements in Shareholders' funds	2015	2014
		£	£
	(Loss)/Profit for the financial year	(4,728,255)	11,945,365
	Opening Shareholders' funds	10,261,384	(1,683,981)
	Closing Shareholders' funds	5,533,129	10,261,384
14	Directors' remuneration	2015	2014
		£	£
	Remuneration for qualifying services	35,000	16,250
15	Employees		
	Number of employees		
	The average monthly number of employees (including directors) during the year was:		
		2015	2014
		Number	Number
	Directors	3	3
	Other staff	30	40
		33	43
	Employment costs	2015	2014
		£	£
	Wages and salaries	2,965,425	2,926,119
	Social security costs	360,962	347,860
	Other pension costs	77,249	72,376
		3,403,636	3,346,355
16	Control		
	The ultimate controlling party is J.K. Rowling.		

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

17 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 £397,843 (2014: £301,454) were recharged for rent and office expenses. During the year, commission of £1,080,165 (2014: £4,958,034) was payable to The Blair Partnership. Included within creditors at the year end is an amount of £1,172,252 (2014: £2,653,951), owed to The Blair Partnership.

Create More Limited is a company under the common control of J.K. Rowling. During the year, expenses of £nil (2014: £38,834) were paid on behalf of Create More Limited. Furthermore an interest free loan in the amount of £nil (2014: £40,000) was advanced to Create More Limited during the year. Create More Limited charged the company a management fee of £nil (2014: £69,000) for services rendered during the year. At the year end, Create More Limited owed the company £17,784 (2014: £17,784).

At the year end, £7,740,471 (2014: £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 £16,155 (2014: £52,746) 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 £90,000 (2014: £108,750) during the year.