

**Guinness World Records Limited**

**Directors' Report and Financial Statements**

**For the Year Ended 31 July 2005**

**Registered number: 541295**



**Guinness World Records Limited**

**Directors' report and financial statements**

**For the year ended 31 July 2005**

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# **Guinness World Records Limited**

## **Directors' report for the year ended 31 July 2005**

The directors submit their annual report and the audited financial statements of Guinness World Records Limited ('the Company') for the year ended 31 July 2005.

### **Principal activity and future developments**

The Company is engaged in the publication and licensing of intellectual property. These activities relate primarily to the publishing, merchandising and television licensing of the main brand, the "Guinness World Records" book.

### **Review of the business**

The profit for the year was £4,307,000 (2004: £2,626,000). The directors do not recommend the payment of a dividend (2004: nil).

On 24 May 2005, Sunshine Acquisition Limited took control of HIT Entertainment Limited, the ultimate parent undertaking of the company at the time, and acquired the whole of the issued and to be issued share capital of HIT Entertainment Limited for approximately £489.4m. The consideration for the acquisition was £3 per ordinary share of HIT Entertainment Limited, structured as a Scheme of Arrangement.

### **Future developments**

The Company will continue to engage in the publication and licensing of intellectual property.

### **Directors**

The directors of the Company during the year and to the date of this report were as follows:

B Steinberg (appointed 28 November 2005)  
J Weight (appointed 22 August 2005)  
C Burdick (appointed 26 May 2005; resigned 30 June 2005)  
N Birrell (resigned 30 November 2005)  
C Caminada (resigned 22 August 2005)  
R Lawes (resigned 21 October 2004)

### **Directors' interests**

None of the directors who held office at the end of the year had any disclosable interest in the shares of the Company or any other group company.

# **Guinness World Records Limited**

## **Directors' report for the year ended 31 July 2005**

### **Statement of directors' responsibilities**

Company law requires the directors to prepare accounts for each period which 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 those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking steps for the prevention and detection of fraud and other irregularities.

### **Auditors**

In accordance with Section 386 of the Companies Act 1985, an elective resolution has been passed to dispense with the requirement to reappoint auditors on an annual basis.

By order of the Board

N J Boxall  
Secretary



19 December 2006

Maple House  
149 Tottenham Court Road  
London  
W1T 7NF

# **Guinness World Records Limited**

## **Independent auditors' report to the members of Guinness World Records Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

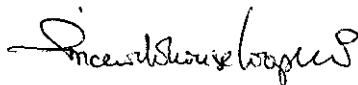
### **Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 July 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

1 Embankment Place

London WC2N 6RH

19 December 2006

# Guinness World Records Limited

## Profit and loss account for the year ended 31 July 2005

	Note	2005 £000	2004 £000
<b>Turnover</b>	2	13,782	13,585
Cost of sales		(5,525)	(5,846)
<b>Gross profit</b>		8,257	7,739
Selling, marketing and distribution costs		(943)	(845)
Administrative expenses		(2,962)	(2,913)
<b>Operating profit</b>		4,352	3,981
Interest receivable and similar income	3	32	2
Interest payable and similar charges	4	-	(1)
<b>Profit on ordinary activities before taxation</b>	5	4,384	3,982
Tax on profit on ordinary activities	8	(77)	(1,356)
<b>Retained profit for the year</b>	17,18	4,307	2,626

There are no recognised gains or losses other than the profit for the year and therefore no separate statement of total recognised gains or losses has been presented.

There is no difference between the profit on ordinary activities and the retained profit for the year stated above and their historical cost equivalents.

All amounts relate to continuing operations.

# Guinness World Records Limited

## Balance sheet at 31 July 2005

	Note	2005 £000	2004 £000
<b>Fixed assets</b>			
Tangible assets	9	74	18
<b>Current assets</b>			
Stocks	10	2,917	3,155
Debtors	11	19,415	14,408
Cash at bank and in hand		434	1,067
		<u>22,766</u>	<u>18,630</u>
<b>Creditors – Amounts falling due within one year</b>	12	<u>(7,961)</u>	<u>(8,182)</u>
<b>Net current assets</b>		<u>14,804</u>	<u>10,448</u>
<b>Total assets less current liabilities</b>		<u>14,878</u>	<u>10,466</u>
Provisions	15	(217)	(112)
<b>Net Assets</b>		<u>14,661</u>	<u>10,354</u>
<b>Capital and reserves</b>			
Called-up share capital	16	-	-
Profit and loss account	17	<u>14,661</u>	<u>10,354</u>
<b>Equity shareholders' funds</b>	18	<u>14,661</u>	<u>10,354</u>

The financial statements on pages 4 to 13 were approved by the Board of Directors on 19 December 2006 and were signed on its behalf by:



J Weight  
Director

# **Guinness World Records Limited**

## **Notes to the financial statements – 31 July 2005**

### **1. Principal accounting policies**

*The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards.*

The financial statements are prepared on a going concern basis.

A summary of the significant accounting policies which have been applied is set out below.

#### **Turnover**

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers. Revenue from the sale of publications is recognised as goods are shipped to customers. Royalties from licences granting publication and other rights and net fees from exhibitions are recognised on a receivable basis.

#### **Provision for returns**

The provision for returns represents management's estimates for future returns of publications and merchandise sold under sale or return contracts. Provision is made for returns of products based on historical return rates and current market conditions.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost on a straight line basis over the expected useful economic life of two years.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value and valued on a first in, first out basis. Cost includes raw materials, direct labour and directly attributable expenses.

Expenditure on books not yet published is included as work in progress and reclassified as cost of finished goods on publication.

#### **Leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

#### **Pensions**

Pension costs are in respect of a defined contribution (money purchase) pension scheme and are charged to the profit and loss account on the basis of contributions payable during the year.

#### **Deferred taxation**

Provision is made in full for deferred tax that arises from timing differences that have originated but not reversed by the balance sheet date on transactions or events that result in an obligation to pay more tax in the future. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that there will be taxable profits from which the underlying differences can be deducted. Deferred tax assets and liabilities are not discounted.



# Guinness World Records Limited

## Notes to the financial statements – 31 July 2005 (continued)

### 1. Principal accounting policies (continued)

#### Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the exchange rates at the date of transactions. All other gains and losses are dealt with in the profit and loss account.

Assets and liabilities denominated in foreign currencies are translated into sterling at rates prevailing at the year-end.

### 2. Turnover

Turnover represents income from the "Guinness World Records" brand through net sales of publications, net royalties and fees receivable from licences granting intellectual property rights to overseas publications, television productions in the UK and overseas, other third parties and from franchised exhibitions.

	2005 £000	2004 £000
Turnover by destination:		
United Kingdom	5,130	4,824
United States	3,050	4,377
Rest of Europe	3,090	2,770
Rest of World	2,512	1,614
	<u>13,782</u>	<u>13,585</u>

	2005 £000	2004 £000
By class of business:		
Publishing	12,342	12,200
Television	865	894
Consumer products	575	491
	<u>13,782</u>	<u>13,585</u>

### 3. Interest receivable and similar income

	2005 £000	2004 £000
Bank interest received	5	2
Intercompany interest	27	-
	<u>32</u>	<u>2</u>

# Guinness World Records Limited

## Notes to the financial statements – 31 July 2005 (continued)

### 4. Interest payable and similar charges

	2005 £000	2004 £000
Other interest payable	-	1

### 5. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging/(crediting):

	2005 £000	2004 £000
Depreciation of owned tangible fixed assets	24	20
Redundancy costs	69	31
Operating lease rentals	317	292
Foreign exchange loss	56	2

Auditors' remuneration has been borne by a fellow group company, HIT Entertainment Limited.

### 6. Employee information

The average number of people employed by the Company during the year including directors was:

	2005 No.	2004 No.
Publishing	33	35

Staff costs were as follows:

	2005 £000	2004 £000
Wages and salaries	1,206	1,243
Employer's social security costs	132	145
Other pension costs	48	65
	1,386	1,453

# Guinness World Records Limited

## Notes to the financial statements – 31 July 2005 (continued)

### 7. Directors' emoluments

None of the directors received any remuneration in respect of their services to the company in the current year or prior period.

Retirement benefits are accruing to two directors (2004: three directors) under a defined contribution (money purchase) pension scheme by the ultimate parent company.

### 8. Tax on profit on ordinary activities

The tax charge for the year is as follows:

	2005 £000	2004 £000
Current tax		
- Foreign tax in the year	25	44
- Amount payable to parent company in respect of tax saved by group relief for prior years	-	1,234
Total current tax	25	1,278
Deferred tax		
- Timing differences, origination and reversal	52	64
- Adjustments in respect of prior periods	-	14
Total deferred tax charge	52	78
Tax charge on profit on ordinary activities	77	1,356
The current year tax charge can be reconciled as follows:		
Profit on ordinary activities before taxation	4,384	3,982
Corporation tax at UK standard rate of 30% (2004: 30%)	1,315	1,195
Charge for prior year's group relief	-	1,234
Expenses not deductible for tax purposes	19	4
Capital allowances in excess of depreciation	(52)	(64)
Group relief received from group companies for nil consideration	(1,257)	(1,091)
Current tax charge for the year	25	1,278

# Guinness World Records Limited

## Notes to the financial statements – 31 July 2005 (continued)

### 9. Tangible fixed assets

Cost	Plant and Machinery £000	Fixtures and Fittings £000	Total £000
At 1 August 2004	819	419	1,238
Additions	-	58	58
Transfers in	-	22	22
Disposals	(819)	(23)	(842)
At 31 July 2005	-	476	476
<b>Depreciation</b>			
At 1 August 2004	819	401	1,220
Charge for the year	-	24	24
Disposals	(819)	(23)	(842)
At 31 July 2005	-	402	402
<b>Net book value</b>			
At 31 July 2005	-	74	74
At 31 July 2004	-	18	18

### 10. Stocks

	2005 £000	2004 £000
Work in progress	2,146	2,589
Finished goods and goods for resale	771	566
	<b>2,917</b>	<b>3,155</b>

### 11. Debtors

	2005 £000	2004 £000
Trade debtors	1,174	1,685
Amounts owed by group undertakings	15,948	11,468
Deferred tax (Note 14)	247	299
Other debtors	107	168
Prepayments and accrued income	1,939	788
	<b>19,415</b>	<b>14,408</b>

During the year, the Company loaned cash of £2,835,000 to its intermediate parent company, Sunshine Acquisition Limited in exchange for a note receivable bearing interest at LIBOR plus 2.5%.

# Guinness World Records Limited

## Notes to the financial statements – 31 July 2005 (continued)

### 12. Creditors – amounts falling due within one year

	2005 £000	2004 £000
Trade creditors	676	1,471
Amounts owed to group undertakings	766	420
Other tax and social security payable	-	43
Accruals and deferred income	6,519	6,248
	<u>7,961</u>	<u>8,182</u>

### 13. Bank loans and overdrafts

The Company is one of the guarantors on the Sunshine Acquisitions Limited group borrowing facilities. These facilities are secured by a fixed and floating charge on the assets of the Company.

### 14. Deferred tax asset

	Deferred tax £000
Balance at 1 August 2004	299
Charge to profit and loss account	<u>(52)</u>
Balance at 31 July 2005	<u>247</u>

The analysis of the deferred taxation balance is as follows:

	2005 £000	2004 £000
Accelerated capital allowances	157	209
Short term timing differences	<u>90</u>	<u>90</u>
	<u>247</u>	<u>299</u>

### 15. Provisions

	Provisions for returns £000
Balance at 1 August 2004	112
Utilised during the year	<u>(88)</u>
Charge to profit and loss account	<u>193</u>
Balance at 31 July 2005	<u>217</u>

# Guinness World Records Limited

## Notes to the financial statements – 31 July 2005 (continued)

### 16. Share capital

Ordinary Shares of £1 each

	No	2005 £	No	2004 £
Authorised	100	100	100	100
Allotted, called-up and fully paid	100	100	100	100

### 17. Reserves

	Profit and loss account £000
Balance at 1 August 2004	10,354
Profit for the year	4,307
Balance at 31 July 2005	14,661

### 18. Reconciliation of movements in equity shareholders' funds

	2005 £000	2004 £000
Opening shareholders' funds	10,354	7,728
Profit for the year	4,307	2,626
Closing shareholders' funds	14,661	10,354

### 19. Financial commitments

At 31 July 2005, the Company had annual commitments under non-cancellable operating leases, expiring as follows:

	2005		2004	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Within one year	317	-	-	7
Between one and five years	-	6	317	-
After five years	-	-	-	-

### 20. Immediate and ultimate parent undertakings

On 31 May 2005, Gullane Entertainment Limited, the intermediate parent of the Company and at that time a wholly owned subsidiary of HIT Entertainment Limited, issued shares to a related party, Sunshine Holdings 3 Limited.

The smallest and largest group into which the Company is consolidated is headed by Gullane Entertainment Limited, which is registered in England and Wales. The directors consider Gullane Entertainment Limited to be the immediate controlling company, and Apax Partners Limited to be the ultimate controlling company on behalf of funds under its control. The financial statements of Gullane Entertainment Limited are available at 149 Tottenham Court Road, London, W1T 7NF.

## **Guinness World Records Limited**

### **Notes to the financial statements – 31 July 2005 (continued)**

#### **21. Cash flow statement**

The financial statements of Gullane Entertainment Limited for the year ended 31 July 2005 contain a consolidated cash flow statement. Consequently, the Company has taken advantage of exemption 5(a) granted by Financial Reporting Standard 1 (Revised 1996) and has not published a cash flow statement.

#### **22. Related party transactions**

The Company has taken advantage of the exemption provided by paragraph 3(c) of Financial Reporting Standard 8 not to disclose transactions with entities that are part of the Gullane Entertainment Limited group.

The Company had transactions during the year with related parties outside the Gullane Entertainment Limited group. During the year, HIT Entertainment Limited paid expenses on behalf of the Company totalling £1,870,000 (2004: £3,701,000). The Company also loaned cash of £2,835,000 (2004: nil) to Sunshine Acquisition Limited in exchange for a note receivable, as discussed in note 11, and recognised £27,000 in interest income on this note. In the prior year, the Company transferred £4,600,000 cash to HIT Entertainment Limited, and paid £2,000 in expenses for HIT Entertainment GmbH.

At 31 July 2005, the Company had a receivable balance of £2,862,000 (2004: nil) with Sunshine Acquisition Limited, and a receivable balance of £2,000 (2004: nil) with HIT Entertainment GmbH. The Company had a payable balance of £5,000 (2004: receivable of £1,865,000) with HIT Entertainment Limited.