

Company no: 05332629

**WOODLANDS BOOKS LIMITED**

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017



**WOODLANDS BOOKS LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors present their Strategic Report for the Company for the year ended 31 December 2017.

**Principal Activities**

The Company is a joint venture between The Random House Group Limited and BBC Worldwide Limited ("BBCW"). As The Random House Group Limited owns 85% of the joint venture, thus the Company is treated as its subsidiary. The Company is UK domiciled and registered in England and Wales. The principal activity of the Company continues to be book publishing.

**Review of the business**

The results and financial position of the Company are set out in the attached financial statements.

There was a 2% increase in turnover and the Company made an operating profit of £0.8m (2016: £1.6m), a decrease of 50.7% compared to the prior financial year due to higher other operating costs.

The balance sheet on page 9 of the financial statements shows the Company's financial position at the end of the year.

**Key Performance Indicators ('KPI's')**

The Company monitors progress and performance during the year and historical trend data is set out in the following KPI's:

- Turnover was £12.4m (2016: £12.1m).

**Principal Risks and Uncertainties**

The Company is subject to risk management procedures and an annual risk assessment implemented by the ultimate parent Company, Bertelsmann SE & Co KGaA. The Company has procedures in place to make the directors aware of the various risks to the Company's business. The risks are monitored and reported to management. The changing book market and particularly the transition to digital is creating both challenges and opportunities for the Company, notably regarding the latter in terms of new markets and sales channels. The Company is facing increased pressure on margins. Other risks arise from the entry of non-traditional publishers into the market, the decline in retail space in high street bookshops and economic uncertainty.

**General**

The Company is presenting the financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).

On behalf of the Board



M GARDINER  
Secretary

19 September 2018

**WOODLANDS BOOKS LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors present their annual report and audited financial statements of the Company for the year ended 31 December 2017.

**Going concern**

The financial statements are prepared on a going concern basis which the directors believe to be appropriate in light of the Company's current trading performance. This has been considered for at least the next twelve months from the date of approval of these financial statements.

**Future developments**

Looking ahead, the Company has a strong schedule of titles for publication in 2018 and will continue to seek suitable publishing opportunities to ensure growth. The directors do not anticipate any significant changes in the activities of the Company.

**Financial instruments**

It is the Company's policy to implement financial risk management objectives and policies, for each major type of forecasted transaction. The directors consider the entity's exposure to price risk, credit risk, liquidity risk and cash flow risk as not significant.

**Dividends**

A dividend of £0.6m was paid during the year (2016: £nil). The company paid a dividend of £0.7m in April 2018.

**Directors**

The directors who held office during the year and up to the date of signing this report were as follows:

M Arthur	
M Gardiner ..	
J Noakes	(resigned 27 June 2017)
R Smart	
TD Weldon	
A Moultrie	(appointed 30 November 2017)

**Post balance sheet events**

In the opinion of the directors, there are no post balance sheet events to disclose.

**Employees**

The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests.

Employee involvement in the Company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Company plays a major role in maintaining its prosperity. The Company encourages the involvement of employees by means of regular meetings with staff and staff representatives to keep them informed of the Company's progress. The Company operates a defined contribution pension scheme for which all employees are eligible.

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or sexual orientation. The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

**WOODLANDS BOOKS LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
(continued)

**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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; 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 adequate accounting records that are sufficient to present 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.

**Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's auditors are unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board



M GARDINER  
Secretary

20 Vauxhall Bridge Road  
LONDON  
SW1V 2SA

19 September 2018

## WOODLANDS BOOKS LIMITED

# ***Independent auditors' report to the members of Woodlands Books Limited***

## **Report on the audit of the financial statements**

---

### **Opinion**

In our opinion, Woodlands Books Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2017; the Income Statement and Statement of Comprehensive Income for the year then ended and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

---

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

---

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

---

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

## WOODLANDS BOOKS LIMITED

# ***Independent auditors' report to the members of Woodlands Books Limited (continued)***

---

### **Reporting on other information (continued)**

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of the directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

#### *Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

**WOODLANDS BOOKS LIMITED**

***Independent auditors' report to the members of  
Woodlands Books Limited (continued)***

---

**Other required reporting**

---

**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Philip Stokes (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

19 September 2018

# WOODLANDS BOOKS LIMITED

## INCOME STATEMENT for the year ended 31 December 2017

	Note	2017 £	2016 £
Turnover	5	12,384,602	12,142,023
Cost of sales		(4,689,085)	(4,358,291)
Gross profit		7,695,517	7,783,732
Other operating charges		(6,649,634)	(5,942,994)
Personnel costs	6	(265,661)	(258,598)
Operating profit before interest and taxation	6	780,222	1,582,140
Interest receivable and similar income	8	18,474	34,015
Profit on ordinary activities before taxation		798,696	1,616,155
Tax on profit on ordinary activities	9	(141,785)	(362,549)
Profit for the financial year		656,911	1,253,606

The notes on pages 10 to 19 are an integral part of these financial statements.



# WOODLANDS BOOKS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2017

	2017 £	2016 £
Profit for the financial year	656,911	1,253,606
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>656,911</b>	<b>1,253,606</b>

**WOODLANDS BOOKS LIMITED****BALANCE SHEET**  
**As at 31 December 2017**

	Note	2017 £	Restated * 2016 £
<b>Current assets</b>			
Inventories	10	964,441	805,158
Advance royalties	11	1,046,088	957,770 *
Receivables	12	11,690,813	10,449,066
Cash and cash equivalents		15,458	14,580
		<u>13,716,800</u>	<u>12,226,574</u>
Creditors: amounts falling due within one year	13	(5,646,518)	(4,454,275) *
<b>Net current assets</b>		<u>8,070,282</u>	<u>7,772,299</u>
<b>Total assets less current liabilities</b>		<u>8,070,282</u>	<u>7,772,299</u>
Provisions for liabilities	14	(899,236)	(658,164) *
<b>Net assets</b>		<u>7,171,046</u>	<u>7,114,135</u>
<b>Capital and reserves</b>			
Called up share capital	15	1,000	1,000
Share premium account		5,147,527	5,147,527
Retained earnings		2,022,519	1,965,608
<b>Total equity</b>		<u>7,171,046</u>	<u>7,114,135</u>

\*Prior year balances have been restated to present them in conformity with the current year treatment. See notes 13 and 14 for the impact of the restatements.

These financial statements on pages 6 to 19 were authorised for issue by the board of directors on 19 September 2018 and were signed on its behalf by



M GARDINER  
Director  
Woodlands Books Limited  
Company no: 05332629

# WOODLANDS BOOKS LIMITED

## STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2017

	Called up share capital £	Share premium account £	Retained earnings £	Total equity £
<b>Balance as at 1 January 2016</b>	1,000	5,147,527	712,002	5,860,529
Profit for the financial year	-	-	1,253,606	1,253,606
<b>Balance as at 31 December 2016</b>	<u>1,000</u>	<u>5,147,527</u>	<u>1,965,608</u>	<u>7,114,135</u>
Dividends	-	-	(600,000)	(600,000)
Profit for the financial year	-	-	656,911	656,911
<b>Balance as at 31 December 2017</b>	<u>1,000</u>	<u>5,147,527</u>	<u>2,022,519</u>	<u>7,171,046</u>

The notes on pages 10 to 19 are an integral part of these financial statements.

**WOODLANDS BOOKS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2017**

**1 GENERAL INFORMATION**

Woodlands Books Limited is a book publisher. The Company sells its books globally with the majority of the sales in the UK. The Company is a joint venture between The Random House Group Limited and BBC Worldwide Limited ("BBCW"). The Random House Group Limited owns 85% of the joint venture, and the Company is treated as its subsidiary. The Company is UK domiciled and registered in England and Wales. The address of its registered office is 20 Vauxhall Bridge Road, London, SW1V 2SA.

**2 STATEMENT OF COMPLIANCE**

The individual financial statements of Woodlands Books Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation of financial statements**

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial instruments: disclosures'
- Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- The following paragraphs of IAS1 'Presentation of financial statements':
  - 10(d) (statement of cash flows)
  - 38A (requirement for minimum of two primary statements, including cash flow statements)
  - 38B-D (additional comparative information)
  - 111 (cash flow statement information)
  - 134-136 (capital management disclosures)

**Going concern**

The financial statements are prepared on a going concern basis which the directors believe to be appropriate in light of the Company's current trading performance. This has been considered for at least the next twelve months from the date of approval of these financial statements.

**New standards, amendments and IFRIC interpretations**

No new accounting standards or amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2017 have had a material impact on the Company.

**WOODLANDS BOOKS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2017**  
(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency translation

*Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in sterling, which is also the functional currency of the Company.

*Transactions and balances*

Transactions in a currency other than the functional currency ('foreign currency') are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the income statement.

Turnover

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and services net of value-added tax, rebates, trade marketing costs and discounts. Turnover from the sale of books is recognised when title passes. A provision for anticipated returns is made based primarily on historical return rates. If these estimates do not reflect actual returns in future periods then turnover could be understated or overstated for a particular period. On certain contracts, where the Company acts as agent, only commissions and fees receivable for services rendered are recognised as turnover. Any third party costs incurred on behalf of the principal that are rechargeable under the contractual arrangement are not included in turnover.

Income from sub rights

Fees charged for the use of rights granted by the agreement and related services are recognised as turnover as the rights are used and the right to receive payment is established.

Taxation

The tax expense for the year comprises current tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Inventories

Inventories comprise finished goods and work in progress in respect of books, and are stated at the lower of cost and net realisable value. Cost is determined using FIFO method. Cost includes the costs of paper, printing and binding incurred on a title by title basis. Plant costs, which do not vary with the number of copies printed (for example typesetting, origination and illustration), are charged to the income statement in full on publication. Provision is made for obsolete and slow moving stocks. Net realisable value is estimated selling price in the ordinary course of business less applicable variable selling expenses.

**WOODLANDS BOOKS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2017**  
(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Royalty advances

Advances of royalties to authors are recognised once a contract is approved within the royalty system, less any provision required to adjust the advance to its net realisable value. For unpublished titles, the contracts are assessed at twice a year, to determine whether the value of a title is diminished from its original acquisition value. These titles are reassessed each year until publication occurs. For published titles, the Company assesses the difference between the advance paid and the royalty earnings and sub rights income at the point of review. All titles are reassessed at various times throughout the years following publication. The royalty advance is expensed at the contracted or effective royalty rate as the related turnover is earned.

Financial Assets

The Company classifies its financial assets as loans and receivables. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred subsequently all risks and rewards of ownership.

Trade debtors and amounts owed by group undertakings

Trade debtors and amounts owed by group undertakings are stated at amortised cost after provision for bad and doubtful debts and anticipated future sales returns. Provisions are made specifically where there is objective evidence of a dispute or an inability to pay. An additional provision is made based on an analysis of balances by age, previous losses experienced and general economic conditions.

Trade creditors and amounts owed to group undertakings

Trade creditors and amounts owed to group undertakings are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**WOODLANDS BOOKS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2017  
 (continued)

**4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY**

In the application of the company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, underlying assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and relevant under the circumstances.

Key accounting estimates and assumptions

*(i) Advances*

Advances of royalties to authors are recognised once a contract is approved within the royalty system, less any provision required to adjust the advance to its net realisable value for unpublished titles. The realisable value of royalty advances relies on a degree of management judgement in determining the profitability of individual author contracts. If the estimated realisable value of author contracts is overstated then this will have an adverse effect on operating profits as these excess amounts will be written off. The recoverability of royalty advances is assessed twice a year and is based upon a detailed management review of the age of the advance, the future sales projections for new authors and prior sales history of repeat authors. The royalty advance is expensed at the contracted or effective royalty rate as the related turnover is earned.

*(ii) Impairment of trade and other receivables*

The Company makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the debtor, the ageing profile of receivables and historical experience.

*(iii) Inventories Provisioning*

The Company publishes books and is subject to changing customer demands. As a result it is necessary to consider the recoverability of the cost of inventories. When calculating the inventories provision, management considers the ageing of the inventories as well as predicted future sales based on historical sales data by publishing imprint.

*(iv) Returns Provisioning*

The Company has agreements in place to allow customers to return books. As a result the Company makes an estimate of future returns based on historic data, the ageing of sales and business experience.

	2017 £	2016 £
<b>5 TURNOVER</b>		
Analysis of turnover by geography:		
UK and The Republic of Ireland	11,267,176	10,598,588
Rest of the World	1,117,426	1,543,435
	<u>12,384,602</u>	<u>12,142,023</u>

Turnover includes supplies made to geographical locations worldwide. The products sold, means of selling and commercial terms are similar across the various markets and, in the opinion of the directors, the geographical markets supplied are not substantially different from each other.

**WOODLANDS BOOKS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2017  
(continued)

**6 OPERATING PROFIT**

Operating profit is stated after charging:

	2017	2016
	£	£
<b>Personnel costs:</b>		
Wages and salaries	229,443	221,285
Social security costs	24,692	24,888
Random House pension scheme costs	11,526	12,425
	<u>265,661</u>	<u>258,598</u>
	2017	2016
	£	£
Impairment reversal of trade receivables	<u>(9,249)</u>	<u>(74,676)</u>

The audit fee for the Company has been borne by its immediate parent Company, The Random House Group Ltd. Audit fees borne on the Company's behalf amount to £9,351 (2016: £9,351).

**7 EMPLOYEES AND DIRECTORS**

Employees

The monthly average number of persons employed by the Company during the year was:

	2017	2016
	Number	Number
Editorial	5	5
	<u>5</u>	<u>5</u>

Directors' remuneration:

	2017	2016
	£	£
Aggregate emoluments	145,175	139,380
Amounts receivable under long term incentives	2,230	7,226
Company pension contributions to money purchase schemes	12,995	10,788
	<u>160,400</u>	<u>157,394</u>

Administration expenses include the above remuneration to directors of the Company in respect of their services to the Company.

	2017	2016
	£	£
<b>Highest paid director for services to this Company:</b>		
Emoluments	98,196	88,084
Defined benefit pension scheme accrued at the end of the year	<u>9,811</u>	<u>8,285</u>

Although 3 of the directors of the Company have service contracts with Penguin Books Limited and the Random House Group, the proportion of their time and efforts relating to Woodlands Books Limited and therefore their emoluments have been included in these financial statements.



**WOODLANDS BOOKS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2017  
(continued)

7 EMPLOYEES AND DIRECTORS (Continued)

One director was paid by Penguin Books Limited and the other two directors are paid by the Random House Group:

Director	Paid by
T Weldon	Penguin Books Limited
M Gardiner	The Random House Group Limited
R Smart	The Random House Group Limited

Recharge of directors' emoluments to the respective companies started in 2016.

The emoluments of two of the directors are paid direct by BBC with no recharge to Woodlands Books Limited. Accordingly, the schedule above includes no emoluments in respect of these two directors.

8	INTEREST RECEIVABLE AND SIMILAR INCOME	2017 £	2016 £
	Interest receivable on cash pooling	18,474	34,015

9	TAX ON PROFIT ON ORDINARY ACTIVITIES:	2017 £	2016 £
---	---------------------------------------	-----------	-----------

(a) Analysis of tax expense for the year

Amount payable for group relief and

UK corporation tax

-current year	153,749	333,231
-overseas tax	14,900	5,111
-double tax relief	(14,900)	-
-adjustments in respect of prior years	(11,964)	24,207
	141,785	362,549

The tax assessment for the year is lower (2016: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2017 of 19.25% (2016: 20.00%). The differences are explained below:

	2017 £	2016 £
(b) Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	798,696	1,616,155
Corporation tax at standard rate of 19.25% (2016: 20.00%)	153,749	323,231
Effects of:		
Expenses not deductible for tax purposes	-	10,000
Overseas Tax	-	5,111
Adjustments to tax charge in respect of prior years	(11,964)	24,207
	141,785	362,549

**WOODLANDS BOOKS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2017  
(continued)

9 TAX ON PROFIT ON ORDINARY ACTIVITIES (Continued)

*Current tax*

The standard rate of corporation tax in the United Kingdom changed from 20% to 19% with effect from 1 April 2017. Accordingly the Company's profits are taxed at an effective rate of 19.25% (2016: 20.00%).

During 2016 changes to the UK main corporation tax rate were enacted. The tax rate will reduce to 17% with effect from 1 April 2020. Accordingly deferred tax has been provided at 17%.

	2017	2016
	£	£
10 INVENTORIES		
Work in progress	451,356	265,589
Finished books	513,085	539,569
	<u>964,441</u>	<u>805,158</u>

Inventories are stated after provision for impairment of £286,270 (2016: £414,889)

11 ADVANCE ROYALTIES

Included in advance royalties is £229,409 (2016: £381,333) relating to manuscripts which will not be published for over a year, and staged advances which are date linked over several years rather than to specific titles.

	2017	2016
	£	£
12 RECEIVABLES		
Trade receivables	34,373	30,956
Amounts owed by group undertakings	11,606,479	10,388,412
Other receivables	48,239	29,698
Prepayments and accrued income	1,722	-
	<u>11,690,813</u>	<u>10,449,066</u>

Amounts owed by group undertakings are unsecured and repayable on demand. The balances are interest free, except of £6.9m (2016: £6.6m) in respect to the cash pooling agreement with the Company's immediate parent Company, The Random House Group Limited. Interest is charged on these amounts on a monthly basis; the average interest rate for the year was 0.21% (2016: 0.40%).

Receivables are stated after provision for impairment, returns and incentive discounts collectively of £1,920,485 (2016: £1,752,753).

**WOODLANDS BOOKS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2017  
(continued)

	2017	Restated * 2016
	£	£
13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade payables	3,401,019	3,055,239
Amounts owed to group undertakings	1,194,891	518,709
Taxation and social security	138,849	333,231
Other payables	51,084	140,394
Accruals and deferred income	860,675	406,702
	<u>5,646,518</u>	<u>4,454,275</u>

\* Certain prior year balances have been restated to present them in conformity with the current year treatment, including reclassifying 2016 provision for onerous contracts from current liabilities to provisions. The impact of the restatements is to increase provisions by £658,164, increase advance royalties by £174,105 and reduce creditors falling due within one year by £484,059.

Amounts owed to group undertakings are unsecured, repayable on demand and interest free.

14 PROVISIONS FOR LIABILITIES

The company had the following provisions during the year:

	Onerous contracts provision £
At 1 January 2017 (restated)	658,164
Additions to the income statement	552,862
Amount utilised during the year	(311,790)
At 31 December 2017	<u>899,236</u>

\* Certain prior year balances have been restated to present them in conformity with the current year treatment, including reclassifying 2016 provision for onerous contracts from current liabilities to provisions. The impact of the restatements is to increase provisions by £658,164, increase advance royalties by £174,105 and reduce creditors falling due within one year by £484,059.

	2017	2016
	£	£
15 CALLED UP SHARE CAPITAL		
Authorised, allotted, called up and fully paid:		
1,000 (2016: 1,000) Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

16 COMMITMENTS

There were commitments to authors for the payment of royalty advances amounting to £0.7m at 31 December 2017 (2016: £0.7m).

**WOODLANDS BOOKS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2017  
(continued)

17 RELATED PARTIES

The Company is a joint venture between The Random House Group Limited ("RHG") and BBC Worldwide Limited ("BBCW"). As RHG owns 85% of the joint venture, the Company is treated as its subsidiary. RHG is a wholly owned subsidiary of Penguin Random House Ltd ("PRHL"). At the balance sheet date PRHL was owned by Bertelsmann UK Limited (75%) and Pearson PRH Holdings Limited (25%). The Company's ultimate parent company is Bertelsmann SE & Co KGaA, which is incorporated in Germany. Copies of Bertelsmann SE & Co KGaA's consolidated financial statements (the smallest and largest financial statements in which the company is consolidated) can be obtained from:

Bertelsmann SE & Co KGaA  
Corporate Communications  
Carl Bertelsmann Strasse 270  
33311 Gütersloh  
Germany

During the year the Company entered into the following material transactions with related parties:

	2017	2016
	£	£
<b>Sales:</b>		
Random House Australia Pty Limited	225,902	188,856
Random House of Canada Limited	32,250	19,190
Random House Publishers India Private Limited	14,019	7,034
Penguin Random House South Africa (Pty) Limited	13,753	10,643
<b>Distribution expenses:</b>		
The Book Service Limited	625,002	669,333
<b>Group Recharge Expenses:</b>		
The Random House Group Limited	3,075,383	2,205,553
Penguin Books Limited	90,312	109,002
<b>Interest Income:</b>		
The Random House Group Limited	18,474	34,015
<b>Dividends paid:</b>		
The Random House Group Limited	510,000	-
BBC Worldwide Limited	90,000	-
<b>Debtors:</b>		
The Random House Group Limited	6,947,999	6,599,724
The Book Service Limited	4,624,808	3,788,270
Virgin Books Limited	33,226	-
<b>Creditors:</b>		
The Random House Group Limited	1,194,455	517,857