

Registered Number:

**Frederick Warne & Co Limited**  
00155455

Annual Report and Financial Statements  
For the year ended:

31 December 2014 .



**Frederick Warne & Co Limited**  
**For the year ended 31 December 2014**

**STRATEGIC REPORT**

The directors present their Strategic Report of Frederick Warne & Co Limited ("the Company") for the year ended 31 December 2014.

**Principal activities**

The principal activities of the Company are book publishing and the exploitation of intellectual property through the granting of licences for the manufacture and sale of books and merchandise.

The Company continues to sell the television, video and promotional rights of its television series based upon the original characters of Beatrix Potter.

**Business review**

The Company will continue to produce high quality books and operate a merchandising programme with the support of the Penguin Random House Limited group.

The results and financial position of the Company are set out in the attached financial statements. Turnover for Frederick Warne & Co Limited reduced on the prior year, with the success in 2013 of a Peter Rabbit boxset sale not repeated in the current year. Other operating income grew in 2014, boosted by sales of Peter Rabbit TV series and associated licensing and merchandising revenue streams. Administrative expenses increased on the prior year due to additional amortisation charges relating to series 1 and 2 of Peter Rabbit TV series. As a result the Company had a loss before taxation of £330,000 in 2014 versus a profit before taxation in 2013 of £478,000.

**Key performance indicators ("KPIs")**

The Company monitors progress and performance during the year and historical trend data is set out in the following key performance indicators:

Turnover was £5,653,000 (2013: £7,057,000); and  
Gross margin percentage for the year was 29% (2013: 38%).

**Principal Risks and Uncertainties**

The principal risks and uncertainties of the Company are reported in the Directors' Report on page 2.

By Order of the Board



Mark Gardiner  
Director

2015  
October 2015

**Frederick Warne & Co Limited**  
**For the year ended 31 December 2014**

**DIRECTORS' REPORT**

The directors present their report and the audited financial statements of Frederick Warne & Co Limited ("the Company") for the year ended 31 December 2014. The Company has met the criteria per section 382 of the Companies Act 2006 to qualify as a small company.

**Principal risks and uncertainties**

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 the Penguin Random House Limited board on a regular basis. The changing book market, particularly the transition to digital and the shift to the agency model, is creating both challenges and opportunities for the Company, notably in terms of pricing structures. 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.

**Financial risk management**

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 and liquidity risk.

**Future development**

With the support of the Penguin Random House Limited group, the Company will continue to produce high quality book publishing and the exploitation of intellectual property through the granting of licences for the manufacture and sale of books and merchandise.

**Results and dividends**

An interim dividend of £1,500,000 was paid in 2014 (2013: £nil). The directors recommend that no final dividend be paid (2013: £nil) and the loss for the financial year of £347,000 (2013: profit of £365,000) be transferred to reserves.

**Directors**

The directors who held office during the year and up to the date of signing the financial statements are given below:

Suzanne Brennan (resigned 1 April 2014)  
Thomas Weldon  
Francesca Dow  
Mark Gardiner (appointed 31 March 2014)

**DIRECTORS' REPORT (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 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business (see Note 1 for further details).

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


The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Disclosure of information to auditors**

In accordance with Section 418, Directors' Reports shall include a statement, in the case of each director in office at the date the Directors' Report is approved, that:

- (a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board



Mark Gardiner  
Director

October 2015



**Frederick Warne & Co Limited**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FREDERICK WARNE & CO LIMITED**

**Report on the financial statements**

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**Our opinion**

In our opinion, Frederick Warne & Co Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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.
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**What we have audited**

Frederick Warne & Co Limited's financial statements comprise:

- the Balance Sheet as at 31 December 2014;
- the Profit and Loss Account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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**Opinion on other matter prescribed by the Companies Act 2006**

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In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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**Other matters on which we are required to report by exception**

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**Adequacy of accounting records and information and explanations received**

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, 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.

We have no exceptions to report arising from this responsibility.

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**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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**Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to prepare financial statements in accordance with the small companies regime. We have no exceptions to report arising from this responsibility.

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

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**Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

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**What an audit of financial statements involves**

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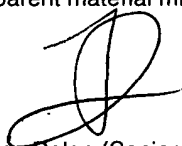
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.



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

28 October 2015

**Frederick Warne & Co Limited**

**PROFIT AND LOSS ACCOUNT**

**For the year ended:**

**31 December 2014**

		<b>2014</b>	<b>2013</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
<b>Turnover</b>	<b>3</b>	<b>5,653</b>	<b>7,057</b>
<b>Cost of sales</b>		<b>(4,039)</b>	<b>(4,368)</b>
Gross profit		1,614	2,689
Distribution costs		(174)	(206)
Administrative expenses		(4,505)	(4,187)
Other operating income		2,735	2,182
<b>Operating (loss)/profit</b>	<b>4</b>	<b>(330)</b>	<b>478</b>
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(330)</b>	<b>478</b>
Tax on (loss)/profit on ordinary activities	<b>5</b>	<b>(17)</b>	<b>(113)</b>
<b>(Loss)/profit for the financial year</b>	<b>12</b>	<b>(347)</b>	<b>365</b>

The results above are all derived from continuing activities.

There are no material differences between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the financial year stated above and their historical cost equivalents.

The Company has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of recognised gains and losses has been presented.

The notes on pages 8 to 13 form part of these financial statements.

**Frederick Warne & Co Limited**

**BALANCE SHEET**

**As at:**  
**31 December 2014**

Company registered number:  
00155455

		2014	2013
	Note	£'000	£'000
<b>Current assets</b>			
Stocks	7	1,588	2,436
Debtors	8	71	368
		1,659	2,804
<b>Creditors - amounts falling due within one year</b>	9	(776)	(74)
<b>Net current assets</b>		<b>883</b>	<b>2,730</b>
<b>Total assets less current liabilities</b>		<b>883</b>	<b>2,730</b>
<b>Net assets</b>		<b>883</b>	<b>2,730</b>
<b>Capital and reserves</b>			
Called up share capital	10	840	840
Profit and loss account	11	43	1,890
<b>Total shareholders' funds</b>	12	<b>883</b>	<b>2,730</b>

The financial statements on pages 6 to 13 were approved by the board of directors on 21<sup>st</sup> October 2015 and were signed on its behalf by :



Mark Gardiner  
Director

## **Frederick Warne & Co Limited**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended:**

**31 December 2014**

#### **1**

#### **Accounting policies**

##### **Basis of accounting**

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently, are set out below.

The Company has met the criteria per section 382 of the Companies Act 2006 to qualify as a small company. As a result, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 "Cash flow statements" (Revised 1996).

##### *Going concern*

The financial statements have been prepared on a going concern basis in view of the fact the Company is dependant for its working capital on funds provided to it by Penguin Random House Limited. Penguin Random House Limited has indicated that it will provide sufficient funding to the Company to enable it to meet its liabilities as they fall due for at least the next twelve months from the date of approval of these financial statements. The directors have no reason to believe that the parent company will not be in a position to provide this support and accordingly, they have prepared these financial statements on a going concern basis.

##### **Turnover**

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and services net of value-added tax and other sales taxes, 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.

##### **Other Operating Income**

Other operating income consists of sub-rights income, merchandise income, TV/film income and remainder income. Sub-rights income is recognised when key stages stipulated in individual contracts have been met. Subsequent sub-rights income from on-going sales of titles is recognised upon receipt. Merchandise income and TV/film income is recognised on an invoice basis if the brand is managed in house, if the brand is managed by an external agent the income is recognised monthly based upon reports from external agents.

##### **Foreign currencies**

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date.

##### **Stocks**

Finished goods, work-in-progress and materials have been valued at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost comprises direct costs including related production overheads, which, in the case of first impressions of books, includes initial publishing expenditure. Provision is made for obsolete and slow moving stocks.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended:**

**31 December 2014**

**1**

**Accounting policies (continued)**

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is deemed recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

**2**

**Cash flow statement and Related Party transactions**

The Company has met the criteria per section 382 of the Companies Act 2006 to qualify as a small company. As a result, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 "Cash flow statements" (Revised 1996).

The Company is a wholly owned subsidiary of Penguin Books Limited as such has taken exemption under FRS 8 "Related party disclosures" from disclosing related party transactions with Penguin Books Limited and its subsidiaries.

**3**

**Turnover**

The Company has met the criteria per section 382 of the Companies Act 2006 to qualify as a small company. As a result, the Company has taken advantage of the exemption from presenting segmental disclosure as permitted by SSAP 25

**4**

**Operating (loss)/profit**

Auditors' remuneration for the statutory audit of the Company was borne by Penguin Books Limited and amounted to £7,000 (2013: £7,000). No other services were provided by the Company's auditors.

Auditors' remuneration was borne by Penguin Books Limited in 2014 and 2013 and recharged to Frederick Warne & Co Limited as part of a management recharge. No staff were employed by the Company (2013: none). The directors received no emoluments in respect of their services to the Company in 2014 and 2013.

Frederick Warne & Co Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2014

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Tax on (loss)/profit on ordinary activities

	2014	2013
	£'000	£'000
Current tax :		
UK corporation tax (credit)/charge on (loss)/profit for the year	(71)	74
Adjustments in respect of prior years	-	(35)
	(71)	39
Overseas taxation	88	-
<b>Total current tax</b>	<b>17</b>	<b>39</b>
Deferred tax :		
Origination and reversal of timing differences	-	46
Adjustments in respect of prior years	-	28
<b>Total deferred tax</b>	<b>-</b>	<b>74</b>
<b>Tax charge on (loss)/profit on ordinary activities</b>	<b>17</b>	<b>113</b>
<b>UK standard effective rate of corporation tax (%)</b>	<b>21.50</b>	<b>23.25</b>

The tax assessed for the year is equal to (2013:differs from) the standard effective rate of corporation tax in the UK as explained below :

	2014	2013
	£'000	£'000
<b>(Loss)/profit on ordinary activities before taxation</b>	<b>(330)</b>	<b>478</b>
(Loss)/profit on ordinary activities before taxation multiplied by UK standard effective rate	(71)	111
Effects of :		
Other expenses not deductible for tax purposes	-	4
Other timing differences	-	(41)
Adjustments in respect of prior years	-	(35)
Overseas withholding tax suffered	88	-
<b>Current tax charge for the year</b>	<b>17</b>	<b>39</b>

The standard rate of corporation tax in the United Kingdom changed from 23% to 21% with effect from 1 April 2014. Accordingly, the Company's losses are taxed at an effective rate of 21.5%. During the year changes to the UK main corporation tax rate were enacted. The tax rate has fallen to 20% with effect from 1 April 2015.

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Dividends

	2014	2013	2014	2013
	pence	pence	£'000	£'000
<b>Equity – Ordinary</b>				
Dividends paid in the year	180.29	-	1,500	-

**Frederick Warne & Co Limited**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended:

31 December 2014

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**Stocks**

	2014	2013
	£'000	£'000
Prepublication costs	1,588	2,144
Finished goods and goods for resale	-	292
	<b>1,588</b>	<b>2,436</b>

**8**

**Debtors**

	2014	2013
	£'000	£'000
<b>Amounts falling due within one year :</b>		
Amounts owed by group undertakings	-	368
Group tax relief receivable	71	-
	<b>71</b>	<b>368</b>

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**Creditors**

	2014	2013
	£'000	£'000
<b>Amounts falling due within one year :</b>		
Amounts owed to group undertakings	(776)	-
Corporation tax	-	(74)
	<b>(776)</b>	<b>(74)</b>

The Company continues to trade with the support of its parent company Penguin Books Limited and the amounts owed to group undertakings relate mainly to Penguin Books Limited. Penguin Books Limited is responsible for the administration of the Company's accounts receivable and payable. Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

**Frederick Warne & Co Limited**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended:**

**31 December 2014**

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**Called up share capital**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Total share capital	<b>840</b>	<b>840</b>

	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>No '000s</b>	<b>No '000s</b>	<b>£'000</b>	<b>£'000</b>
<b>Deferred share £1 each</b>				
Allotted and fully paid	<b>832</b>	<b>832</b>	<b>832</b>	<b>832</b>

	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>No '000s</b>	<b>No '000s</b>	<b>£'000</b>	<b>£'000</b>
<b>Ordinary share £0.01 each</b>				
Allotted and fully paid	<b>832</b>	<b>832</b>	<b>8</b>	<b>8</b>

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**Reserves**

	<b>Profit and loss account</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January 2014	1,890	1,890
Loss for the financial year	(347)	(347)
Dividend paid	(1,500)	(1,500)
<b>At 31 December 2014</b>	<b>43</b>	<b>43</b>

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**Reconciliation of movements in shareholders' funds**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
(Loss)/profit for the financial year	(347)	365
Dividend paid	(1,500)	-
	(1,847)	365
<b>Opening shareholders' funds</b>	<b>2,730</b>	<b>2,365</b>
<b>Closing shareholders' funds</b>	<b>883</b>	<b>2,730</b>

**Frederick Warne & Co Limited**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended:**

**31 December 2014**

**13**

**Ultimate parent undertaking**

The immediate parent undertaking is Penguin Books Limited.

Penguin Books Limited is a wholly owned subsidiary of Penguin Random House Limited ("PRHL"). PRHL is owned by Bertelsmann UK Limited 53% and Pearson PRH Limited 47%. The Company's ultimate parent undertaking and controlling party is Bertelsmann SE & Co KGaA, which is incorporated in Germany, copies of whose 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  
Postfach 111  
D-33311 Gütersloh  
Germany