

Ladybird Books Limited

Registered Number :

00200130

Annual Report and Financial Statements

For the Year Ended :

31 December 2013

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Ladybird Books Limited
For the year ended 31 December 2013

STRATEGIC REPORT

The directors present their Strategic Report of Ladybird Books Limited ("the Company") for the year ended 31 December 2013.

Principal activities

The principal activity of the Company continues to be the publishing of children's books and associated products, in association with its parent undertaking, Penguin Books Limited.

Business review

On 1 July 2013, having received all the necessary clearances, Bertelsmann SE & Co KGaA and Pearson plc combined their respective book publishing businesses, Random House Limited and Penguin Books Limited, under the name Penguin Random House Limited. Bertelsmann SE & Co KGaA owns 53% and Pearson plc 47%. The Company continues to produce high quality travel guides with the support of the Penguin Random House group.

Ladybird turnover grew on 2012, with Peppa Pig once again the biggest brand, whilst the newly acquired 'In The Night Garden' and the re-launch of the 'Read It Yourself' series proving popular. Two key brands saw sharp decline in the year (Moshi Monsters and Skylanders), leading to an increase in cost of sales as higher levels of stock had to be written off. During the year Ladybird co-funded the production of a Topsy & Tim TV series, which aired on CBeebies in November. Operating profit for the year was £3,501,000.

Key Performance Indicators ("KPI's")

The directors of Pearson plc and Bertelsmann SE & Co KGaA manage each respective group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators of the entity for the Company is not appropriate for an understanding of the development, performance or position of the business of Ladybird Books Limited.

Ladybird Books Limited monitors instead progress and performance during the year and historical trend data is set out in the following key performance indicators:

Turnover was £21,651,000 (2012: £20,715,000)

Gross margin for the year was 48% (2012: 49%).

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

28 November 2014

Ladybird Books Limited
For the year ended 31 December 2013

DIRECTORS' REPORT

The directors present their report and the audited financial statements of Ladybird Books Limited ("the Company") for the year ended 31 December 2013.

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 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 Group, the Company will continue to produce high quality books.

Results and dividends

The turnover for the year ended 31 December 2013 was £21,651,000 (2012: £20,715,000). The profit on ordinary activities before taxation was £3,501,000 (2012: profit of £5,046,000). The retained profit carried to reserves was £2,642,000 (2012: profit of £3,808,000). The directors do not recommend a payment of a dividend for the year ended 31 December 2013 (2012: £nil).

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 William Gardiner (appointed 31 March 2014)

Ladybird Books Limited
For the year ended 31 December 2013
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).

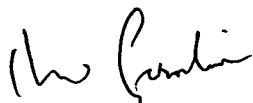
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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.

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

By Order of the Board



Mark Gardiner
Director

28 November 2014

Independent auditors' report to the members of Ladybird Books Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit and cash flows 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Ladybird Books Limited, comprise:

- the Balance Sheet as at 31 December 2013;
- the Profit and Loss Account for the year then ended;
- the Cash Flow Statement 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 their preparation 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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements 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 other matter prescribed by the Companies Act 2006

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.

Other matters on which we are required to report by exception

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.

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

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.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities, 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 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.



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

25 November 2014

Ladybird Books Limited

PROFIT AND LOSS ACCOUNT

For the year ended :

31 December 2013

		2013	2012
	Note	£'000	£'000
Turnover	2	21,651	20,715
Cost of sales		(11,249)	(10,511)
Gross profit		10,402	10,204
Distribution costs		(1,187)	(1,091)
Administrative expenses		(5,854)	(4,456)
Other operating income		140	389
Operating profit	3	3,501	5,046
Profit on ordinary activities before taxation		3,501	5,046
Tax charge on profit on ordinary activities	4	(859)	(1,238)
Profit for the financial year	10	2,642	3,808

The results above are all derived from continuing activities.

There are no material differences between the profit on ordinary activities before taxation and the 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 total recognised gains and losses has been presented.

The notes on pages 9 to 21 form part of these financial statements.

Ladybird Books LimitedCompany registered number :
00200130**BALANCE SHEET**As at :
31 December 2013

		2013	2012
	Note	£'000	£'000
Current assets			
Stocks	5	1,185	953
Debtors	6	6,111	4,098
Net current assets		7,296	5,051
Creditors - amounts falling due within one year	7	(839)	(1,236)
Total assets less current liabilities		6,457	3,815
Net assets		6,457	3,815
Capital and reserves			
Called up share capital	9	2,000	2,000
Profit and loss account	10	4,457	1,815
Total shareholders' funds	11	6,457	3,815

The financial statements on pages 6 to 21 were approved by the board of directors on 28 November 2014 and were signed on its behalf by :

Mark Gardiner
Director

Ladybird Books Limited

CASH FLOW STATEMENT

For the year ended :

31 December 2013

All amounts due to and from the Company are settled on its behalf by Penguin Books Limited, an intermediary parent company. Hence all of the transactions recorded are non-cash transactions.

Ladybird Books Limited

NOTES TO THE FINANCIAL STATEMENTS

**For the year ended :
31 December 2013**

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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.

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.

Basis of consolidation

The Company is a wholly-owned subsidiary of Penguin Books Limited and is included in the consolidated financial statements of Bertelsmann SE & Co KGaA which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Turnover

Turnover represents the value of publications supplied net of discounts, returns and sales taxes, where appropriate.

Other Operating Income

Other operating income consists of sub-rights income, merchandise income, remainder income and profit share cost. Sub rights income and remainder 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 is recognised on an invoice basis if the brand is managed in house, if the brand is managed by a external agent the other operating income is recognised monthly based upon reports from the external agent.

Foreign currencies

Fixed asset investments are stated at cost less any provision for permanent diminution in value.

Stocks

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Intercompany debtors

Intercompany debtors are stated at fair value after anticipated future sales returns. Balances owed by group undertakings are unsecured, interest free and repayable on demand.

Ladybird Books Limited

NOTES TO THE FINANCIAL STATEMENTS continued

**For the year ended :
31 December 2013**

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Turnover

	2013	2012
	£'000	£'000
Segment reporting - geographical markets supplied by origin		
United Kingdom	14,491	15,551
Rest of Europe	1,502	1,490
Americas	888	321
Asia	1,693	1,153
Africa and Middle East	435	410
Australia and New Zealand	2,642	1,790
	21,651	20,715

Geographical analysis is based on the country in which the order is received. It would not be materially different if based on the country in which the customer is located.

The Company's activities consist of one class of business namely publishing children's books and associated products.

Ladybird Books Limited

NOTES TO THE FINANCIAL STATEMENTS continued

**For the year ended :
31 December 2013**

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Operating profit

Auditors' remuneration for the statutory audit of the Company was borne by Penguin Books Limited and amounted to £29,000 (2012: £4,000). No other services were provided by the Company's auditors.

Auditors' remuneration was borne by Penguin Books Limited in 2013 and 2012 and recharged to Ladybird Books Limited as part of a management charge. No staff were employed by the Company (2012: none). The directors received no emoluments in respect of their services to the Company in 2013 and 2012.

Ladybird Books Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2013

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Tax on profit on ordinary activities

	2013	2012
	£'000	£'000
Current tax :		
UK corporation tax on profits for the year	839	1,234
Adjustments in respect of prior years	18	2
Total current tax	857	1,236
Deferred tax :		
Origination and reversal of timing differences	2	2
Total deferred tax	2	2
Tax charge on profit on ordinary activities	859	1,238
UK standard effective rate of corporation tax (%)	23.25	24.5

The tax assessed for the year differs from the standard effective rate of corporation tax in the UK as explained below :

	2013	2012
	£'000	£'000
Profit on ordinary activities before taxation	3,501	5,046
Profit on ordinary activities before taxation multiplied by UK standard effective rate	814	1,236
Effects of :		
Excess of capital allowances over depreciation for the year	(1)	(2)
Other expenses not deductible for tax purposes	26	-
Adjustments in respect of prior years	18	2
Current tax charge for the year	857	1,236

The standard rate of corporation tax in the United Kingdom changed from 24% to 23% with effect from 1 April 2013. Accordingly the Company's losses are taxed at an effective rate of 23.25%. As a result of changes to the UK main corporation tax rate that were enacted during the year, the relevant deferred tax balances have been re-measured. The tax rate has fallen to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015.

Ladybird Books Limited

NOTES TO THE FINANCIAL STATEMENTS continued

**For the year ended :
31 December 2013**

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Stocks

	2013	2012
	£'000	£'000
Finished goods and goods for resale	1,185	953

Ladybird Books Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2013

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Debtors

	2013	2012
	£'000	£'000
Amounts falling due within one year :		
Amounts owed by group undertakings	6,107	4,092
Deferred taxation	4	6
	6,111	4,098

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

Ladybird Books Limited

NOTES TO THE FINANCIAL STATEMENTS continued

**For the year ended :
31 December 2013**

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Creditors

	2013	2012
Amounts falling due within one year :	£'000	£'000
Corporation tax	(839)	(1,236)

Ladybird Books Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2013

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Deferred taxation

	Excess Capital Allowances	Total
Asset	£'000	£'000
At 1 January 2013	6	6
Amounts charged to the profit and loss	(2)	(2)
At 31 December 2013	4	4

Ladybird Books Limited

NOTES TO THE FINANCIAL STATEMENTS continued

**For the year ended :
31 December 2013**

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Called up share capital

	2013	2012
	£'000	£'000
Total share capital	2,000	2,000

	2013	2012	2013	2012
	No '000s	No '000s	£'000	£'000
Ordinary share £1 each				
Allotted and fully paid	2,000	2,000	2,000	2,000

Ladybird Books Limited

NOTES TO THE FINANCIAL STATEMENTS continued

**For the year ended :
31 December 2013**

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Reserves**

	Profit and loss	Total
	£'000	£'000
At 1 January 2013	1,815	1,815
Profit for the financial year	2,642	2,642
At 31 December 2013	4,457	4,457

Ladybird Books Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2013

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Reconciliation of movements in shareholders' funds

	2013	2012
	£'000	£'000
Profit for the financial year	2,642	3,808
Opening shareholders' funds	3,815	7
Closing shareholders' funds	6,457	3,815

Ladybird Books Limited

NOTES TO THE FINANCIAL STATEMENTS continued

**For the year ended :
31 December 2013**

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Related party disclosure

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.

The Company does not trade with any Random House group companies.

Ladybird Books Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2013

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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 SE & Co KGaA 53% and Pearson plc 47%. The Company's ultimate parent company 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