

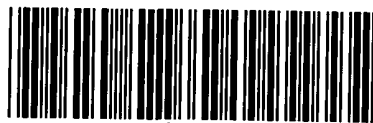
Company no: 453161

THE BOOK SERVICE LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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THE BOOK SERVICE LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors present their Strategic Report for the year ended 31 December 2015.

Principal Activities

The company is a subsidiary of The Random House Group Limited, a company registered in England and Wales. The company is UK domiciled and registered in England and Wales. The principal activity of the company continues to be book warehousing and distribution.

Review of the business

The results and financial position of the company are set out in the attached financial statements. The company made a profit in the year of £400,952 (2014: £150,416).

The directors report that turnover fell by 1.1% in 2015 compared with 2014 and operating profits decreased as a result of the lower fee income. This is result of the general fall in sales of physical books.

Contract renewals continue to create tough renegotiation challenges with the backdrop of excess capacity in the book industry supply chain.

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 £26,867,636 (2014: £27,174,358)
- Gross margin percentage for the year was 39% (2014: 36%)

Future developments

The directors do not anticipate any significant changes in the activities of the company and the company will continue to seek new clients and opportunities for cost efficiencies.

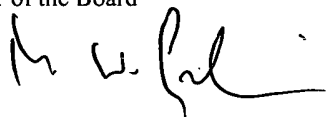
Principal Risks and Uncertainties

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 now presenting the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The transition from old UK GAAP has not had any effect on the company's financial position or financial performance.

By order of the Board



M GARDINER
Director

20 September 2016

THE BOOK SERVICE LIMITED
DIRECTORS REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their annual report and audited financial statements for the year ended 31 December 2015.

Dividends

No interim dividend (2014: nil) was paid in the 2015 financial year and no final dividend is proposed (2014: nil).

Financial instruments

It is the company's policy to implement financial risk management objectives and policies, for each major type of forecasted transaction for which hedge accounting is used. The directors consider the entity's exposure to price risk, credit risk, liquidity risk and cash flow risk.

Directors

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

BJ Davis	Resigned September 2015
M Gardiner	Chairman
T Weldon	

Post balance sheet events

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

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 group 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 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 material status. 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 group. 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.

THE BOOK SERVICE LIMITED
DIRECTORS REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Report of the Directors 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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 of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

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

By order of the Board



M GARDINER
Director

20 Vauxhall Bridge Road
LONDON
SW1V 2SA

30 September 2016

THE BOOK SERVICE LIMITED
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

Independent auditors' report to the members of The Book Service Limited

Report on the financial statements

Our opinion

In our opinion, The Book Service 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 2015 and of its profit 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.
-

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Balance Sheet as at 31 December 2015;
- the Profit and Loss for the year then ended;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (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.

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.

THE BOOK SERVICE LIMITED

INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

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 Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("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.

What an audit of financial statements involves

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

30 September 2016

THE BOOK SERVICE LIMITED

PROFIT AND LOSS for the year ended 31 December 2015

	Note	2015 £	2014 £
Turnover	5	26,867,636	27,174,358
Cost of sales		(16,486,309)	(17,372,331)
Gross profit		10,381,326	9,802,027
Administrative expense	6	(10,044,110)	(9,754,507)
Operating profit		337,217	47,520
Interest receivable and similar income		156,966	150,808
Profit on ordinary activities before taxation		494,182	198,328
Tax on profit on ordinary activities	8	(93,230)	(47,912)
Profit for the financial year		400,952	150,416

The notes on pages 10 to 23 are an integrated part of these financial statements.

THE BOOK SERVICE LIMITED

STATEMENT OF COMPREHENSIVE INCOME **for the year ended 31 December 2015**

	2015 £	2014 £
Profit for the financial year	20,260,320	19,417,744
Other comprehensive income	-	-
Total comprehensive income for the year	20,260,320	19,417,744

The notes on pages 10 to 23 are an integrated part of these financial statements.

THE BOOK SERVICE LIMITED

Company no: 453161

BALANCE SHEET As at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Tangible assets	9	737,966	844,092
Investments	10	100	100
		<u>738,066</u>	<u>844,192</u>
Current assets			
Debtors	12	132,822,148	128,772,415
Cash at bank and in hand		2,529,275	3,965,155
		<u>135,351,423</u>	<u>132,737,570</u>
Creditors: amounts falling due within one year	13	(134,089,836)	(131,983,061)
		<u>1,261,587</u>	<u>754,509</u>
Net current assets			
		<u>1,999,653</u>	<u>1,598,701</u>
Total assets less current liabilities			
		<u>41,126,349</u>	<u>20,866,029</u>
Equity capital and reserves			
Called up share capital	14	200,000	200,000
Profit and loss account		40,926,349	20,666,029
		<u>41,126,349</u>	<u>20,866,029</u>
Total equity			
		<u>41,126,349</u>	<u>20,866,029</u>

These financial statements on pages 6 to 23 were authorised for issue by the board of directors on 30 September 2016 and were signed on its behalf by



M GARDINER
Director

THE BOOK SERVICE LIMITED

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2015

	Called up share capital £	Profit and loss account £	Total equity £
Balance as at 1 January 2014	200,000	1,248,285	1,448,285
Changes in equity			
Profit for the financial year	-	19,417,744	19,417,744
Balance as at 31 December 2014	200,000	20,666,029	20,866,029
Changes in equity			
Profit for the financial year	-	20,260,320	20,260,320
Balance as at 31 December 2015	200,000	40,926,349	41,126,349

The notes on pages 10 to 23 are an integrated part of these financial statements.

THE BOOK SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

1 GENERAL INFORMATION

The Book Service Limited (the “company”) principle activity is book warehousing and distribution. The company warehouses and distributes its books entirely in the UK. The company is a subsidiary of The Random House Group Limited, a company registered in England and Wales. 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 The Book Service 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

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention.

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

- IAS 7, ‘Statement of cash flows’
- The requirements in IAS 24, ‘Related party disclosures’ to disclose related party transactions entered into between two or more members of a group.
- 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)
- Paragraph 38 of IAS 1, ‘Presentation of financial statements’ comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1
 - 40A-D (requirements for a third statement of financial position)
- IFRS 1 ‘Opening balances’ – exemption from the requirements of IFRS 1 to present an opening balance sheet on adopting FRS 101 for the first time.

The company is exempt, by virtue of s400 of the Companies Act 2006, from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about the group.

Going concern basis

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 and financial position. This has been considered for at least the next twelve months from the date of approval of these financial statements.

Changes in accounting policy and disclosures

The following standards have been adopted by the company for the first time for the financial year beginning on or after 1 January 2014 and have an impact on the company:

Amendment to IAS 1, ‘Financial statement presentation’ regarding other comprehensive income. The main change resulting from these amendments is a requirement for the company to classify items presented in ‘other comprehensive income’ (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

THE BOOK SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (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 financial statements are presented in sterling, which is 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. Currency translation differences 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 profit and loss statement.

Turnover recognition

Turnover comprises the sale of distribution and warehousing services, net of Value Added Tax (VAT).

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income 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.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tangible Assets

Tangible assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost of the fixed assets over their estimated useful lives on a straight line basis. The principal annual rates used for this purpose are as follows:

Leasehold buildings	Over the term of the lease
Plant and machinery	Over a period of between 5 and 15 years
Motor vehicles	Over 4 years

THE BOOK SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets

Leases that do not transfer all the risks and rewards of ownership are classified in the financial statements as operating leases. Payments under operating leases are charged to the profit and loss statement as incurred.

Trade debtors

Trade debtors are stated at fair value 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.

Employee benefits

As explained in note 16, the costs of the company's contributions to The Random House Group Limited scheme are charged to the profit and loss account in the period in which they arise.

4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Estimates 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 under circumstances.

Key accounting estimates and assumptions

(i) Provisions

Other provisions include provisions arising in the ordinary course of business, such as provisions relating to deferred compensation and legal matters. These provisions are expected to be utilised within 5 years.

5 TURNOVER

The Company's turnover arises from its principal activity of book warehousing and distribution and arises entirely within the United Kingdom.

6 PROFIT BEFORE TAX

The profit on ordinary activities before tax has been arrived at after charging:

	2015	2014
	£	£
Administrative expenses:		
Personnel costs:		
Wages and salaries	8,409,132	8,274,294
Social security costs	723,579	669,701
Other pension costs	796,973	689,669
	<hr/>	<hr/>
Amortisation, depreciation and impairment losses	114,426	120,843
	<hr/>	<hr/>

The audit fee for the company has been borne by its immediate parent company, The Random House Group Limited. Audit fees borne on the company's behalf amount to £4,378 (2014: £4,292).

THE BOOK SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

7 EMPLOYEES AND DIRECTORS

Directors

The emoluments of the directors are paid by the parent company. Directors' services to this company and to a number of fellow subsidiaries are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the parent company. Accordingly, the schedule above includes no emoluments in respect of the directors.

Employees

The monthly average number of persons, including executive directors, employed by the company during the year was:

	2015 Number	2014 Number
Administration	130	93
Selling and distribution	249	291
	<hr/> 379	<hr/> 384

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2015 £	2014 £
(a) Analysis of tax charge for the year		
Amount payable for group relief and UK corporation tax		
-current year	73,974	(11,704)
-adjustments in respect of prior years	11,704	13,576
Deferred tax, origination and reversal of timing differences		
-current year	40,325	58,553
-adjustments in respect of prior years	(32,773)	(12,513)
Total taxation charge on ordinary activities	<hr/> 93,230	<hr/> 47,912

The current year tax charge represents amounts payable to fellow UK subsidiaries of the Penguin Random House group in respect of current year tax losses surrendered in the United Kingdom.

THE BOOK SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

8 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The tax assessment for the year is lower (2014: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2015 of 20.25% (2014:21.50%). The differences are explained below:

	2015 £	2014 £
(b) Factors affecting the taxation charge for the year:		
Profit on ordinary activities before taxation	494,182	198,328
Corporation tax at standard rate of 20.25% (2014: 21.50%)	100,072	42,641
Effects of:		
Expenses not deductible for tax purposes	8,100	8,600
Difference between capital allowances for year and depreciation		
Total tax under provided in prior years	(32,773)	1,063
Adjustments in respect of prior years	17,831	(4,392)
Deferred tax rate differences		
Total tax charge for year	93,230	47,912

Current tax

The standard rate of corporation tax in the United Kingdom changed from 21% to 20% with effect from 1 April 2015. Accordingly the company's profits are taxed at an effective rate of 20.25% (2014: 21.5%).

Deferred tax

During 2015 changes to the UK main corporation tax rate were enacted. The tax rate has fallen to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. The temporary differences that give rise to deferred tax are expected to reverse after 1 April 2017 but before 1 April 2020 and therefore have been provided for at 19%.

THE BOOK SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

(continued)

9 TANGIBLE ASSETS

	Leasehold buildings £	Plant and machinery £	Motor vehicle £	Assets under construction £	TOTAL £
Cost:					
at 1 January 2015	253,179	3,591,263	4,195	205,847	4,054,484
Additions	-	-	-	8,300	8,300
Transfers	-	8,865	-	(8,865)	-
at 31 December 2015	253,179	3,600,128	4,195	205,282	4,062,784
Accumulated depreciation:					
at 1 January 2015	113,033	3,093,164	4,195	-	3,210,392
Charge for the year	14,733	99,693	-	-	114,426
at 31 December 2015	127,766	3,192,857	4,195	-	3,324,818
Net Book Amounts:					
at 31 December 2015	125,413	407,271	-	205,282	737,966
at 31 December 2014	140,146	498,099	-	205,847	844,092

There were no contracted capital commitments outstanding at the year end (2014: nil). Assets under construction during the year related to plant and machinery.

THE BOOK SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

(continued)

10 INVESTMENTS

	Shares in subsidiaries £	Unlisted equity investments £	Total £
Shares, at cost:			
at 1 January 2015 and at 31 December 2015	100	150,000	150,100
Provision for diminution in value:			
at 1 January 2015	-	150,000	150,000
Charge for year	-	-	0
at 31 December 2015	-	150,000	150,000
Net book amounts:			
at 31 December 2015	100	-	100
at 31 December 2014	100	-	100

The investment in subsidiary comprises the entire share capital of the dormant entity, Grantham Book Services Limited. The shares are classed as ordinary shares. The registered office of Grantham Book Services Limited is 20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA.

The unlisted equity investment comprises 30% of the ordinary shares of Bounce! Sales & Marketing Limited. The directors do not consider this investment to be a participating investment as they do not exercise a significant influence over the affairs of this company. The registered office of Bounce! Sales & Marketing Limited is Hathaway House, Popes Drive, London, N3 1QF and its principal activity is book sales and marketing.

THE BOOK SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

(continued)

11	DEFERRED TAX ASSET	£	
	At 1 January 2015	98,960	
	Decrease in the year	(7,552)	
	at 31 December 2015	91,408	
		2015	2014
		£	£
	The deferred tax asset comprises:		
	Difference between capital allowances for year and depreciation	46,993	48,744
	Other short term timing differences	44,415	50,216
		91,408	98,960
		2015	2014
		£	£
12	DEBTORS		
	Trade debtors	86,351,915	80,965,306
	Amounts owed by group undertakings	45,743,449	47,100,820
	Deferred tax (see note 11)	91,408	98,960
	Current tax debtor	-	11,704
	Prepayments and accrued income	635,376	595,625
		132,822,148	128,772,415

Amounts owed by group undertakings are unsecured and repayable on demand. Included within this is £69.7m in respect to the cash pooling agreement with Penguin Random House Limited. Penguin Random House Limited is the parent entity of Random House Group Limited. This amount incurs interest on a monthly basis. Interest has been charged at an average rate of 0.46%.

THE BOOK SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

	2015 £	2014 £
13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Amounts owed to third party publishers	56,290,468	51,760,560
Amounts owed to group publishers	60,580,446	60,704,817
Amounts owed to group undertakings	13,398,184	15,722,902
Current tax creditor	73,978	-
Other creditors	296,368	300,090
Accruals	3,450,393	3,494,692
	<u>134,089,836</u>	<u>131,983,061</u>

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

14 CALLED UP SHARE CAPITAL	2015 £	2014 £
Authorised, allotted, called up and fully paid:		
200,000 Ordinary shares of £1 each (2014: 200,000)	<u>200,000</u>	<u>200,000</u>

15 COMMITMENTS

The company has commitments under operating leases to pay rentals during the forthcoming year as follows:

	2015 £	2014 £
Land and buildings:		
expiring within one year	22,956	-
expiring between one and five years	-	86,279
expiring in more than five years	1,060,819	1,073,150
	<u>1,083,775</u>	<u>1,159,429</u>
Plant and machinery:		
expiring within one year	19,253	4,478
expiring between one and five years	15,975	20,857
	<u>35,228</u>	<u>25,335</u>

THE BOOK SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

(continued)

16 PENSION FUND

The company is a member of The Random House Group Limited group pension scheme. This scheme is of the defined benefit type. The assets of the scheme are for the scheme as a whole and are not allocated to the employees, or ex-employees, of a particular company. Employees can move freely between the sponsoring companies and so it is not considered practicable to attempt to split the liabilities between the companies. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis as permitted by IAS 19 "Employee benefits" the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme. The assets of the scheme are invested by the trustees acting on the advice of independent investment advisors. The pension costs have been assessed in accordance with the advice of a qualified actuary. Contributions to the scheme are based on pension costs across the group as a whole. The scheme was closed to new members from 30 June 2002. Particulars of the actuarial valuation of the scheme are contained in the financial statements of The Random House Group Limited.

For new employees, from 1 July 2002, the company, together with its parent, The Random House Group Limited, operates a defined contribution pension scheme.

Following the valuation of the scheme at 1 January 2014 the company contributions were confirmed to remain the same as 2013 at a rate of 24.8% of pensionable earnings. The contributions to the scheme in 2015 remained unchanged.

17 RELATED PARTIES

The Company's immediate parent Company is The Random House Group Limited ("RHG"). RHG is a wholly owned subsidiary of Penguin Random House Limited ("PRHL"). PRHL is owned by Bertelsmann UK Limited 53% and Pearson PRH Holdings Limited 47%. 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

As the company is a wholly owned subsidiary of Penguin Random House Limited, the company is exempt from the requirement, under International Reporting Standard 24, to disclose transactions with entities that are wholly owned by this company. The company has taken advantage of this exemption.

THE BOOK SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

(continued)

17 RELATED PARTIES (continued)

During the year the Company entered into the following transactions with related parties not wholly owned by the company:

Sales fees charged to:

Prestel Publishing Ltd	333,945	301,979
Woodlands Books Ltd	724,644	905,274

Debtors:

Penguin Books, S.A.	220,760	-
Penguin Random House Canada Limited	369,634	-
Random House Australia Pty Limited	5,252,137	4,217,698
Random House Publishers India Private Limited	1,317,378	-
Random House Stuik (Proprietary) Ltd	322,814	379,146

Creditors

Prestel Publishing Ltd	921,865	1,047,304
Woodlands Books Ltd	3,267,380	4,904,822

THE BOOK SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

(continued)

18 TRANSITION TO FRS 101

This is the first year that the company has presented its results under FRS 101. The last financial statements prepared under the previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 101 was 1 January 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 101.

Reconciliation of Equity 1 January 2014 (Date of Transition to FRS 101)	UK GAAP £	Effect of transition to FRS 101 £	FRS 101 £
Fixed Assets			
Tangible assets	759,088	-	759,088
Investments	100	-	100
	759,188	-	759,188
Current assets			
Debtors	171,927,449	(34,490,792) A	137,436,657
Cash at bank and in hand	3,920,572	-	3,920,572
	175,848,021	(34,490,792)	141,357,229
Creditors: amounts falling due within one year	(175,158,924)	34,490,792 A	(140,668,132)
Net current assets	689,097	-	689,097
Total assets less current liabilities	1,448,285	-	1,448,285
Equity capital and reserves			
Called up share capital	200,000	-	200,000
Profit and loss account	1,248,285	-	1,248,285
Total equity	1,448,285	-	1,448,285

THE BOOK SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

(continued)

18 TRANSITION TO FRS 101 - continued

Reconciliation of Equity - continued

31 December 2014

	UK GAAP £	Effect of transition to FRS 101 £	FRS 101 £
Fixed Assets			
Tangible assets	844,092	-	844,092
Investments	100	-	100
	844,192	-	844,192
Current assets			
Debtors	160,184,753	(31,412,338) A	128,772,415
Cash at bank and in hand	3,965,155	-	3,965,155
	164,149,908	(31,412,338)	132,737,570
Creditors: amounts falling due within one year	(163,395,399)	31,412,338 A	(131,983,061)
Net current assets	754,509	-	754,509
Total assets less current liabilities	1,598,701	-	1,598,701
Equity capital and reserves			
Called up share capital	200,000	-	200,000
Profit and loss account	1,398,701	-	1,398,701
Total equity	1,598,701	-	1,598,701

THE BOOK SERVICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

(continued)

18 TRANSITION TO FRS 101 - continued

Reconciliation of Profit 31 December 2014	UK GAAP £	Effect of transition to FRS 101 £	FRS 101 £
Turnover	27,174,358	-	27,174,358
Cost of Sales	(17,372,331)	-	(17,372,331)
Gross Profit	9,802,027	-	9,802,027
Administrative expense	(9,754,507)	-	(9,754,507)
Operating profit	47,520	-	47,520
Interest receivable and similar income	150,808	-	150,808
Profit on ordinary activities before taxation	198,328	-	198,328
Tax on profit on ordinary activities	(47,912)	-	(47,912)
Profit for the financial year	150,416	-	150,416

A - Presentation of bad debt provision, returns provision and incentive discounts in The Book Service Limited net of debtors.