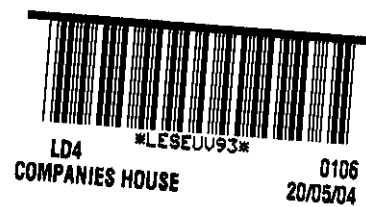


**Guinness World Records Limited**

**Directors' Report and Financial Statements**

**For the Eleven-Month Period Ended 31 July 2003**

**Registered number: 541295**



# **Guinness World Records Limited**

## **Directors' report and financial statements**

**For the eleven-month period ended 31 July 2003**

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# **Guinness World Records Limited**

## **Directors' report for the eleven-month period ended 31 July 2003**

The directors submit their annual report and the audited financial statements of Guinness World Records Limited ('the Company') for the eleven-month period ended 31 July 2003. Prior period comparatives are for the fourteen months ended 27 August 2002.

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

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

### **Review of the business**

During the period, the Company changed its accounting reporting date from 27 August to 31 July.

The profit for the 11-month period was £5,104,000 (14 months ended 27 August 2002 – profit £2,732,000). The directors do not recommend the payment of a dividend (14 months ended 27 August 2002- £nil).

On 14 February 2003, the ownership of the Company was transferred from Gullane Children's Books Limited to Gullane Entertainment Limited, the immediate parent company of Gullane Children's Books Limited.

### **Future developments**

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

### **Directors**

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

W S Harris	(resigned 3 September 2002)
C Falzon	(resigned 3 September 2002)
T W Ricketts	(resigned 3 September 2002)
N Birrell	(appointed 3 September 2002)
CJ Caminada	(appointed 3 September 2002)
RI Lawes	(appointed 3 September 2002)

### **Directors' interests**

None of the directors who held office at the end of the period had any disclosable interest in the shares of the Company. Messrs Birrell, Caminada and Lawes are also directors of the ultimate parent, HIT Entertainment PLC. The interests of Messrs Birrell, Caminada and Lawes in the share capital of HIT Entertainment PLC are disclosed in the annual report of that company.

### **Creditor payment policy**

The Company agrees terms and conditions for its transactions with suppliers. Payment is made in accordance with these terms, subject to the terms being met by the supplier. Trade creditor days of the Company as at 31 July 2003 were 45 days (27 August 2002 : 38 days).

# **Guinness World Records Limited**

## **Directors' report for the eleven-month period ended 31 July 2003**

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

Company law requires the directors to prepare accounts for each period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the directors are required to:

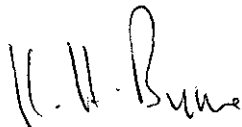
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking steps for the prevention and detection of fraud and other irregularities.

### **Auditors**

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

By order of the Board



K H Byrne  
Secretary

10 May 2004

Maple House  
149 Tottenham Court Road  
London  
W1T 7NF

# Guinness World Records Limited

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

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

### Respective responsibilities of directors and auditors

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

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

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

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report.


### Basis of audit opinion

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

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

### Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 July 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
1 Embankment Place  
London WC2N 6RH

10 May 2004

# Guinness World Records Limited

## Profit and loss account for the eleven-month period ended 31 July 2003

	Note	11 months ended 31 July 2003 £000	14 months ended 27 August 2002 Restated <sup>1</sup> £000
<b>Turnover</b>	2	14,444	16,736
Cost of sales	1	(5,450)	(10,962)
<b>Gross profit</b>		8,994	5,774
Selling, marketing and distribution costs	1	(630)	(1,188)
Administrative expenses	1	(3,169)	(2,158)
<b>Operating profit</b>		5,195	2,428
Interest receivable and similar income	3	46	-
Interest payable	4	-	(41)
<b>Profit on ordinary activities before taxation</b>	5	5,241	2,387
Tax on profit on ordinary activities	8	(137)	345
<b>Retained profit for the period</b>	16,17	5,104	2,732

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

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

All amounts relate to continuing operations.

<sup>1</sup> Certain costs have been reclassified from cost of sales and administrative expenses to selling, marketing and distributions costs – see note 1 for further discussion.

# Guinness World Records Limited

## Balance sheet at 31 July 2003

	Note	<u>31 July 2003</u> £000	<u>27 August 2002</u> £000
<b>Fixed assets</b>			
Tangible assets	9	26	109
<b>Current assets</b>			
Stocks	10	3,552	4,002
Debtors	11	9,559	5,109
Cash at bank and in hand		827	189
		<hr/>	<hr/>
		13,938	9,300
<b>Creditors – Amounts falling due within one year</b>	12	(6,236)	(6,785)
		<hr/>	<hr/>
<b>Net current assets</b>		7,702	2,515
		<hr/>	<hr/>
<b>Net Assets</b>		<u>7,728</u>	<u>2,624</u>
<b>Capital and reserves</b>			
Called up share capital	15	-	-
Profit and loss account	16	7,728	2,624
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>	17	<u>7,728</u>	<u>2,624</u>

The financial statements on pages 4 to 15 were approved by the Board of Directors on 10 May 2004 and were signed on its behalf by:

N Birrell – Director



# Guinness World Records Limited

## Notes to the financial statements – 31 July 2003

### 1. Principal accounting policies

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

The financial statements are prepared on a going concern basis.

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

#### Reclassification of distribution costs

Following the acquisition of the Company by HIT Entertainment PLC and the subsequent reorganisation of the Group's operating divisions, certain changes in the presentation of Selling, marketing and distribution expenses have been made to better reflect how the directors view the results of the enlarged Group. Previously included within Cost of sale and administrative expenses were external selling costs such as advertising, promotions and warehousing and shipping costs. These costs have now been reclassified within the profit and loss account to Selling, marketing and distribution expenses. Prior period amounts have been reclassified to reflect the treatment adopted in the current period. There is no impact on operating profits for any period.

For the periods presented, the effects on the presentation of these costs are as follows:

	11 months ended 31 July 2003 £000	Restated 14 months ended 27 August 2002 £000
Previously classified as:		
Cost of sales	630	906
Administrative expenses	-	282
	<hr/> 630	<hr/> 1,188
Reclassified as:		
Selling, marketing and distribution costs	(630)	(1,188)
	<hr/>	<hr/>
Net impact to operating profit	<hr/> -	<hr/> -

#### Turnover

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

#### Provision for returns

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

# Guinness World Records Limited

## Notes to the financial statements – 31 July 2003 (continued)

### 1. Principal accounting policies (continued)

#### Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost of the assets over their estimated useful lives on a straight line basis using the following rates:

Plant and machinery	33%
Fixtures and fittings	33%

#### Stocks

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

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

#### Leases

Annual rentals payable in respect of operating leases are charged on a straight line basis.

#### Pensions

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

#### Deferred taxation

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

#### Foreign currencies

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

Transactions arising in foreign currency are translated at their transaction rate.

Exchange differences on trading and other items are taken to the profit and loss account.

# Guinness World Records Limited

## Notes to the financial statements – 31 July 2003 (continued)

### 2. Turnover

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

	11 months ended <u>31 July 2003</u> £000	14 months ended <u>27 August 2002</u> £000
Turnover by destination:		
United Kingdom	4,508	4,560
United States	4,786	5,675
Europe	2,295	2,638
Rest of World	2,855	3,863
	<u>14,444</u>	<u>16,736</u>

### 3. Interest receivable

	11 months ended <u>31 July 2003</u> £000	14 months ended <u>27 August 2002</u> £000
Bank interest received	<u>46</u>	<u>-</u>

### 4. Interest payable

	11 months ended <u>31 July 2003</u> £000	14 months ended <u>27 August 2002</u> £000
On other loans	<u>-</u>	<u>41</u>

# Guinness World Records Limited

## Notes to the financial statements – 31 July 2003 (continued)

### 5. Profit on ordinary activities before taxation

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

	11 months ended 31 July 2003 £000	14 months ended 27 August 2002 £000
Depreciation of owned tangible fixed assets	92	229
Amortisation of intangible fixed assets	-	30
Profit on disposal of tangible fixed assets	-	(3)
Redundancy costs	430	-
Re-organisation costs following acquisition by Gullane Entertainment PLC	-	680
Impairment of assets - tangible fixed assets	-	264
Operating lease rentals - other	292	214
Auditors' remuneration - audit fees	-	23
Foreign exchange gains	(323)	(402)
	<u>          </u>	<u>          </u>

In 2003, auditors' remuneration has been borne by the ultimate parent company, HIT Entertainment PLC.

### 6. Employee information

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

	11 months ended 31 July 2003 No.	14 months ended 27 August 2002 No.
Publishing	40	50
	<u>          </u>	<u>          </u>

Staff costs were as follows:

	11 months ended 31 July 2003 £000	14 months ended 27 August 2002 £000
Wages and salaries	1,294	1,798
Employer's social security costs	147	144
Other pension costs	21	36
	<u>          </u>	<u>          </u>
	1,462	1,978
	<u>          </u>	<u>          </u>

In 2002, staff costs included directors.

# Guinness World Records Limited

## Notes to the financial statements – 31 July 2003 (continued)

### 7. Directors' emoluments

None of the directors received any emoluments from the Company in respect of their services to the Company during the current period.

	11 months ended 31 July 2003 £000	14 months ended 27 August 2002 £000
Salaries	-	477
Pension contributions	-	10
	<hr/>	<hr/>
	-	487
	<hr/>	<hr/>

Retirement benefits are accruing to three directors (2002: nil directors) under a defined contribution (money purchase) pension scheme.

# Guinness World Records Limited

## Notes to the financial statements – 31 July 2003 (continued)

### 8. Tax on profit on ordinary activities

The tax charge/(credit) for the period is as follows:

	11 months ended <u>31 July 2003</u> £000	14 months ended <u>27 August 2002</u> £000
Current tax		
- Corporation tax charge on profit for period	47	122
	<hr/>	<hr/>
Total current tax	47	122
	<hr/>	<hr/>
Deferred tax		
- Timing differences, origination and reversal	109	(45)
- Adjustments in respect of prior periods	(19)	(422)
	<hr/>	<hr/>
Total deferred tax charge/(credit)	90	(467)
	<hr/>	<hr/>
Tax charge/(credit) on profit on ordinary activities	<u>137</u>	<u>(345)</u>

The current period tax charge can be reconciled as follows:

Profit on ordinary activities before taxation	5,241	2,387
Corporation tax at UK standard rate of 30% (2002: 30%)	1,572	716
Expenses not deductible for tax purposes	65	173
Capital allowances in excess of depreciation	(57)	45
Movement in short term timing differences	(52)	-
Group relief received from group companies for nil consideration	(1,481)	(812)
	<hr/>	<hr/>
Current tax charge for the period	<u>47</u>	<u>122</u>

# Guinness World Records Limited

## Notes to the financial statements – 31 July 2003 (continued)

### 9. Tangible fixed assets

<u>Cost</u>	<u>Plant and Machinery</u> £000	<u>Fixtures and Fittings</u> £000	<u>Total</u> £000
At 28 August 2002	819	398	1,217
Additions	-	9	9
	<hr/>	<hr/>	<hr/>
At 31 July 2003	819	407	1,226
	<hr/>	<hr/>	<hr/>
<u>Depreciation</u>			
At 28 August 2002	819	289	1,108
Charge for the period	-	92	92
	<hr/>	<hr/>	<hr/>
At 31 July 2003	819	381	1,200
	<hr/>	<hr/>	<hr/>
<u>Net book value</u>			
At 31 July 2003	-	26	26
	<hr/>	<hr/>	<hr/>
At 27 August 2002	-	109	109
	<hr/>	<hr/>	<hr/>

### 10. Stocks

	<u>31 July 2003</u> £000	<u>27 August 2002</u> £000
Work in progress	2,150	179
Finished goods and goods for resale	1,402	3,823
	<hr/>	<hr/>
	3,552	4,002
	<hr/>	<hr/>

### 11. Debtors

	<u>31 July 2003</u> £000	<u>27 August 2002</u> £000
Trade debtors	938	2,578
Amounts owed by group undertakings	7,624	1,311
Deferred tax (Note 14)	377	467
Other debtors	13	443
Prepayments and accrued income	607	310
	<hr/>	<hr/>
	9,559	5,109
	<hr/>	<hr/>

# Guinness World Records Limited

## Notes to the financial statements – 31 July 2003 (continued)

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

	<u>31 July 2003</u>	<u>27 August 2002</u>
	£000	£000
Bank overdraft	13	49
Trade creditors	810	1,263
Amount owed to group undertakings	-	1
Other tax and social security payable	30	45
Accruals and deferred income	5,383	5,418
Other creditors	-	9
	<u>6,236</u>	<u>6,785</u>

### 13. Bank loans and overdrafts

The Company is one of the guarantors on the HIT Entertainment Group's borrowing facilities. These facilities are secured by a fixed and floating charge on the assets of the Company.

### 14. Deferred tax asset

	Deferred tax £000
Balance at 28 August 2002	467
Charge to profit and loss account	(90)
	<u>377</u>
Balance at 31 July 2003	

The analysis of the deferred taxation balance is as follows:

	<u>31 July 2003</u>	<u>27 August 2002</u>
	£000	£000
Accelerated capital allowances	274	231
Short term timing differences	103	236
	<u>377</u>	<u>467</u>

### 15. Share capital

Ordinary Shares of £1 each

	<u>31 July 2003</u>		<u>27 August 2002</u>	
	No	£	No	£
Authorised	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Allotted, called up and fully paid	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

# Guinness World Records Limited

## Notes to the financial statements – 31 July 2003 (continued)

### 16. Reserves

	Profit and loss account £000
Balance at 28 August 2002	2,624
Profit for the period	5,104
Balance at 31 July 2003	<u>7,728</u>

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

	<u>31 July 2003</u> £000	<u>27 August 2002</u> £000
Opening shareholders' funds/(deficit)	2,624	(108)
Profit for the period	5,104	2,732
Closing shareholders' funds	<u>7,728</u>	<u>2,624</u>

### 18. Financial commitments

At 31 July 2003, the Company had annual commitments under non-cancellable operating leases, expiring as follows:

	<u>31 July 2003</u>		<u>27 August 2002</u>	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Within one year	-	-	-	-
Between one and five years	301	-	-	-
After five years	-	10	320	-
	<u>-</u>	<u>10</u>	<u>320</u>	<u>-</u>

### 19. Immediate and ultimate parent undertakings

On 14 February 2003 the entire share capital of the Company was transferred from Gullane Children's Books Limited to Gullane Entertainment Limited, the immediate parent undertaking of Gullane Children's Books Limited for a consideration of £46,112,000.

The ultimate controlling party is HIT Entertainment PLC, which is registered in England and Wales. The consolidated financial statements of HIT Entertainment PLC can be obtained from the Registered Office at Maple House, 149 Tottenham Court Road, London W1T 7NF.

## **Guinness World Records Limited**

### **Notes to the financial statements – 31 July 2003 (continued)**

#### **20. Cash flow statement**

The financial statements of HIT Entertainment PLC for the period ended 31 July 2003 contain a consolidated cash flow statement. Consequently, the Company has taken advantage of exemption 5(a) granted by Financial Reporting Standard 1 (Revised 1996) and has not published a cash flow statement.

#### **21. Related party transactions**

The Company has taken advantage of the exemption provided by paragraph 3(c) of Financial Reporting Standard 8 not to disclose transactions with entities that are part of the HIT Entertainment PLC group. There were no other related party transactions in the current or prior period.