

Guinness World Records Limited

Directors' Report and Financial Statements

For the Year Ended 31 July 2006

Registered number: 541295

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Guinness World Records Limited

Company Information

Directors	B Steinberg (appointed 28 November 2005) J D Weight (appointed 22 August 2005) N Birrell (resigned 30 November 2005) C Caminada (resigned 22 August 2005)
Secretary	J Rowland
Company number	541295 Incorporated and registered in England and Wales
Registered office	Maple House 149 Tottenham Court Road London W1T 7NF

Guinness World Records Limited
Directors' report and financial statements
For the year ended 31 July 2006

Contents	Page
Directors' report	1 - 2
Independent auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6 – 13

Guinness World Records Limited

Directors' report for the year ended 31 July 2006

The directors present their report and the audited financial statements of the Company for the year ended 31 July 2006

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

The profit for the year was £4,630,000 (2005: £4,307,000). The directors do not recommend the payment of a dividend (2005: nil).

Business environment

The Company owns a brand that has a strong history of over 50 years, and is the global leader in world records. No other company collects, confirms, accredits and presents world record data with the same investment in comprehensiveness and authenticity. While the Company's record keeping and name brand is one of a kind, the annual book, which generates the majority of the Company's revenues, faces competition in the US and Canada from "Ripley's Believe It or Not," which targets the same general audience.

The Company also generates revenues from licensing the Guinness World Records (GWR) brand, certifying world records, and producing and selling television programming based on the world records. The television environment is generally competitive, but, as stated above, the Company benefits from being unique in its product offering.

Principal risks and uncertainties

Although the GWR brand has a strong, stable history, the Company's future success depends on the brand remaining the leader in its field. Some of the revenue streams of the Company, primarily TV, will need new production in order to grow.

Strategy

The Company plans to enhance the strength of the brand through marketing and promotion, new and improved licensees, and continuous improvements to the book design and content.

Future outlook

As described above, the continued success of the GWR brand is key to the future of the Company. The directors currently know of no further issues that would prevent the Company's continued success.

Future developments

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

Directors

The current directors of the Company are J D Weight who was appointed on 22 August 2005 and B Steinberg who was appointed on 28 November 2005. C Caminada resigned as a director on 22 August 2005 and N Birrell resigned as a director on 30 November 2005.

Directors' interests

None of the directors who held office at the end of the year had any disclosable interest in the shares of the Company or any other group company.

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Guinness World Records Limited

Directors' report for the year ended 31 July 2006 – (continued)

- 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, 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 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.

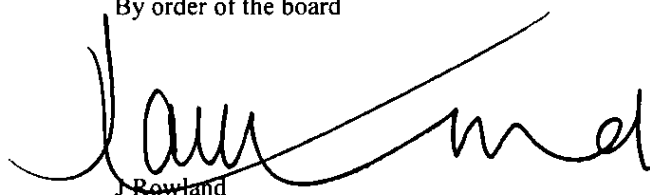
Auditors and disclosure of information to auditors

In the case of each of the persons who are directors at the time when the report is approved, the following applies:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all the steps that ought to have been taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Pursuant to a shareholder's resolution, the Company is not obliged to reappoint its auditor annually and PricewaterhouseCoopers LLP will therefore continue in office.

By order of the board



J. Rowland

Secretary
31 May 2007

Maple House
49 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 of Guinness World Records Limited, which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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. In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 July 2006, and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

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

31 May 2007

Guinness World Records Limited

Profit and loss account for the year ended 31 July 2006

	Note	2006 £000	2005 £000
Turnover	2	14,360	13,782
Cost of sales		(5,818)	(5,525)
Gross profit		8,542	8,257
Selling, marketing and distribution costs		(988)	(943)
Administrative expenses		(3,083)	(2,962)
Operating profit		4,471	4,352
Interest receivable and similar income	3	204	32
Profit on ordinary activities before taxation	4	4,675	4,384
Tax on profit on ordinary activities	7	(45)	(77)
Profit for the financial year	16,17	4,630	4,307

There are no recognised gains or losses other than the profit for the year 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 year stated above and their historical cost equivalents

All amounts relate to continuing operations

Notes to the financial statements are reported on pages 6 – 13

Guinness World Records Limited

Balance sheet as at 31 July 2006

	Note	2006 £000	2005 £000
Fixed assets			
Tangible assets	8	222	74
Current assets			
Stocks	9	2,034	2,917
Debtors	10	25,612	19,415
Cash at bank and in hand		220	433
		<u>27,866</u>	<u>22,765</u>
Creditors Amounts falling due within one year	11	(8,538)	(7,961)
Net current assets		<u>19,328</u>	<u>14,804</u>
Total assets less current liabilities		<u>19,550</u>	<u>14,878</u>
Provisions	14	(137)	(217)
Creditors amounts falling due after one year		<u>(122)</u>	<u>-</u>
Net Assets		<u><u>19,291</u></u>	<u><u>14,661</u></u>
Capital and reserves			
Called-up share capital	15	-	-
Profit and loss account	16	19,291	14,661
Total shareholders' funds	17	<u><u>19,291</u></u>	<u><u>14,661</u></u>

The financial statements on pages 4 to 13 were approved by the board of directors on 31 May 2007 and were signed on its behalf by



J D Weight
Director

Notes to the financial statements are reported on pages 6 – 13

Guinness World Records Limited

Notes to the financial statements – 31 July 2006

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

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. 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.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost on a straight line basis over the expected useful economic life of two years.

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

Costs in respect of operating leases are charged on a straight line basis over the lease term.

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 year.

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.

Guinness World Records Limited

Notes to the financial statements – 31 July 2006 (continued)

1. Principal accounting policies (continued)

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the exchange rates at the date of transactions. All other gains and losses are dealt with in the profit and loss account.

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

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.

	2006 £000	2005 £000
Turnover by destination		
United Kingdom	4,666	5,130
United States	3,677	3,050
Rest of Europe	3,234	3,090
Rest of World	2,783	2,512
	<u>14,360</u>	<u>13,782</u>

	2006 £000	2006 £000
By class of business		
Publishing	12,866	12,342
Television	804	865
Consumer products	690	575
	<u>14,360</u>	<u>13,782</u>

3. Interest receivable and similar income

	2006 £000	2005 £000
Bank interest received	7	5
Intercompany interest	197	27
	<u>204</u>	<u>32</u>

Guinness World Records Limited

Notes to the financial statements – 31 July 2006 (continued)

4. Profit on ordinary activities before taxation

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

	2006 £000	2005 £000
Depreciation of owned tangible fixed assets	39	24
Redundancy costs	-	69
Operating lease rentals	277	317
Foreign exchange (loss)/gain	(33)	56
	<u> </u>	<u> </u>

Auditors' remuneration has been borne by a fellow group company, HIT Entertainment Limited

5. Employee information

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

	2006 No.	2005 No
Publishing	<u>31</u>	<u>33</u>

Staff costs were as follows

	2006 £000	2005 £000
Wages and salaries	1,140	1,206
Employer's social security costs	130	132
Other pension costs	42	48
	<u>1,312</u>	<u>1,386</u>

6 Directors' emoluments

None of the directors received any remuneration in respect of their services to the company in the current year or prior period

Retirement benefits are accruing to two directors (2005 three directors) under a defined contribution (money purchase) pension scheme by the ultimate parent company

Guinness World Records Limited

Notes to the financial statements – 31 July 2006 (continued)

7. Tax on profit on ordinary activities

The tax charge for the year is as follows

	2006 £000	2005 £000
Current tax		
- Foreign tax in the year	80	25
- Adjustment in respect of previous periods	-	-
Total current tax	<u>80</u>	<u>25</u>
Deferred tax		
- Timing differences, origination and reversal	(11)	52
- Adjustments in respect of prior periods	(23)	-
Total deferred tax charge	<u>(34)</u>	<u>52</u>
Tax charge on profit on ordinary activities	<u>45</u>	<u>77</u>
The current year tax charge can be reconciled as follows		
Profit on ordinary activities before taxation	4,675	4,384
Corporation tax at UK standard rate of 30% (2005 30%)	1,402	1,315
Effects of		
Expenses not deductible for tax purposes	9	19
Capital allowances in excess of depreciation	11	(52)
Losses surrendered by other group companies for nil payment	(1,342)	(1,257)
Current tax charge for the year	<u>80</u>	<u>25</u>

Based on current capital investment plans, the company expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year. There are no other foreseeable factors affecting future tax charges.

Guinness World Records Limited

Notes to the financial statements – 31 July 2006 (continued)

8. Tangible fixed assets

	Fixtures and Fittings £000
Cost	
At 1 August 2005	476
Additions	190
Disposals	(302)
At 31 July 2006	<u>364</u>
Depreciation	
At 1 August 2005	402
Charge for the year	39
Disposals	(299)
At 31 July 2006	<u>142</u>
Net book value	
At 31 July 2006	<u>222</u>
	74
At 31 July 2005	<u>74</u>

9. Stocks

	2006 £000	2005 £000
Work in progress	1,296	2,146
Finished goods and goods for resale	738	771
	<u>2,034</u>	<u>2,917</u>

10 Debtors

	2006 £000	2005 £000
Trade debtors	1,629	1,174
Amounts owed by group undertakings	22,346	15,948
Deferred tax (Note 14)	281	247
Other debtors	67	107
Prepayments and accrued income	1,289	1,939
	<u>25,612</u>	<u>19,415</u>

Guinness World Records Limited

Notes to the financial statements – 31 July 2006 (continued)

11. Creditors – amounts falling due within one year

	2006 £000	2005 £000
Trade creditors	352	676
Amounts owed to group undertakings	1,553	766
Other creditors	36	-
Accruals and deferred income	6,597	6,519
	<u>8,538</u>	<u>7,961</u>

12. Bank loans and overdrafts

The Company is one of the guarantors on the Sunshine Acquisitions Limited group borrowing facilities. These facilities are secured by a fixed and floating charge on the assets of the Company.

13. Deferred tax asset

	Deferred Tax £000
Balance at 1 August 2005	247
Charge to profit and loss account	34
Balance at 31 July 2006	<u>281</u>

The analysis of the deferred taxation balance is as follows

	2006 £000	2005 £000
Accelerated capital allowances	165	157
Short term timing differences	116	90
	<u>281</u>	<u>247</u>

14. Provisions

	Provisions for returns £000
Balance at 1 August 2005	217
Utilised during the year	(78)
Release to profit and loss account	(2)
Balance at 31 July 2006	<u>137</u>

Guinness World Records Limited

Notes to the financial statements – 31 July 2006 (continued)

15. Share capital

Ordinary Shares of £1 each

	No	2006 £	No	2005 £
Authorised	100	100	100	100
Allotted, called-up and fully paid	100	100	100	100

16. Reserves

	Profit and loss account £000
Balance at 1 August 2005	14,661
Profit for the year	4,630
Balance at 31 July 2006	19,291

17. Reconciliation of movements in shareholders' funds

	2006 £000	2005 £000
Opening shareholders' funds	14,661	10,354
Profit for the year	4,630	4,307
Closing shareholders' funds	19,291	14,661

18. Financial commitments

At 31 July 2006, the Company had annual commitments under non-cancellable operating leases, expiring as follows

	2006		2005	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Within one year	71	-	317	-
Between one and five years	0	16	-	6
After five years	206	-	-	-

Guinness World Records Limited

Notes to the financial statements – 31 July 2006 (continued)

19 Immediate and ultimate parent undertakings

The smallest group into which the Company is consolidated is headed by Sunshine Holdings 3 Limited, which is registered in England and Wales. The financial statements of Sunshine Holdings 3 Limited are available at 149 Tottenham Court Road, London, W1T 7NF.

The largest group into which the Company is consolidated is headed by Sunshine Holdings 2 Limited, which is registered in England and Wales. The directors consider Gullane Entertainment Limited to be the immediate controlling company, and Apax Partners Limited to be the ultimate controlling company on behalf of funds under its control. The financial statements of Sunshine Holdings 2 Limited are available at 149 Tottenham Court Road, London, W1T 7NF.

20 Cash flow statement

The financial statements of Sunshine Holdings 2 Limited for the year ended 31 July 2006 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

As the Company is a wholly owned subsidiary of Sunshine Holdings 2 Limited, the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 and therefore has not disclosed transactions or balances with entities which form part of the Sunshine Holdings 2 Limited group of companies. There were no other related party transactions in the current or prior year that require disclosure in the accounts.