Guinness World Records Limited

Directors' report and financial statements

Registered number 541295

For the year ended 31 December 2011

Contents

Directors' report

The directors present the directors' report and financial statements for the year ended 31 December 2011

Principal activities

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

Business review

The profit for the year ended 31 December 2011 was £5 1 million, (2010 £6 5 million) Turnover for the year was £18 6 million, (2010 £19 2 million) giving an operating margin/profit of 34 9%/£6 5 million, (2010 43 8%/£8 4 million)

Dividends

On 15 June 2011 the Company paid an interim dividend of £3 5 million to GWRUK Acquisition Corp Limited

Business environment

The Company owns a brand that has a strong history dating back over 55 years Sales of the book continue to be strong and the book is regularly the No 1 bestseller during the Christmas selling period The book sells over 3 million copies worldwide in 27 languages Sales have been challenged by the closure of book retailers in several countries and the introduction of e-books

The Company also generates revenue from adjudicating record attempts and this part of the business continues to perform strongly year on year The Company is a global leader in world records No other company collects, confirms and accredits and presents world record data with the same investment in comprehensiveness and authenticity

In addition to publishing and records adjudications, the Company licenses its brand and content via traditional trademark deals or via television programming and these business streams continue to perform successfully

Principal risks and uncertainties

The Company distributes the main book through traditional bookstores, although the loss of several chains has reduced the Company's ability to get its book to market The Company is also facing technological change as readers move towards the e-book format although the Company has developed its own electronic books to appeal to these consumers It is difficult to say how the proliferation of e-books will impact the printed main book

Currency risks are becoming more significant as Guinness expands into new territories

Strategy

The main challenge for the Company is to seek ways of diversifying the business and thus spread the economic risk, whilst continuing the success of the core revenue generator, the annual book We have already started to do this with the expansion of the adjudications business The Company is also focused on geographic expansion to ensure that all products are reaching a larger market

The main book is still an important part of the business and the Company is distributing the book through new channels to reach a broader market

The approach that the company has taken to currency risk is via a strategy of natural hedging, seeking to cover its foreign debts by bringing in cash in the same currency from foreign debtors

Directors' report *(continued)*

Future Outlook

Despite the risks outlined above, the directors feel that by adopting the strategies described and working to retain the success of the fundamental basic model, that the Company will continue its current success The Directors feel that the forthcoming year will be challenging but remain optimistic about the ability of the company to continue to meet its financial growth targets

Directors

The directors who held office during the year were as follows

A Richards
R Bergen (resigned 26 June 2012)
R Barrington-Foote (appointed 26 June 2012)
D Joyce

Political and charitable contributions

The Company made no political or charitable donations nor incurred any political expenditure during the period (2010 nil)

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

Auditors

KPMG LLP has been appointed as auditors of the Company Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office

By order of the board

Alistair Richards
Director

17 Hanover Square,
LondonW1S 1HU
7 September 2012

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the 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 elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 judgments 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, 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUINNESS WORLD RECORDS LIMITED

We have audited the financial statements of Guinness World Records Limited for the year ended 31 December 2011 set out on pages 7 to 18 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm.

Opinion on financial statements
In our opinion the financial statements
• give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
• have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
• have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion
• 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, or
• certain disclosures of directors' remuneration specified by law are not made, or
• we have not received all the information and explanations we require for our audit

Sarah Styant (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London, E14 5GL,
United Kingdom

10 September 2012

Profit and Loss Account
for the year ended 31 December 2011

	Note	**Year ended 31 Dec 2011**	**Year ended 31 Dec 2010**
		£000	**£000**
Turnover	*2*	**18,634**	**19,231**
Cost of sales		**(5,842)**	**(6,494)**
Gross profit		**12,792**	**12,737**
Selling, marketing and distribution costs		**(893)**	**(464)**
Administrative expenses		**(5,418)**	**(3,854)**
Operating profit		**6,481**	**8,419**
Interest receivable and similar income	*6*	**149**	**251**
Interest payable and similar charges	*7*	**(35)**	**(12)**
Profit on ordinary activities before taxation	*3*	**6,595**	**8,658**
Tax on profit on ordinary activities	*8*	**(1,493)**	**(2,182)**
Profit for the financial year		**5,102**	**6,476**

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 profit on ordinary activities and the retained profit for the period stated above and their historical cost equivalents

All amounts relate to continuing operations

Balance Sheet
As at 31 December 2011

	Note	31 December 2011		31 December 2010	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		177		231
Current assets					
Stocks	10	199		220	
Debtors	11	2,870		4,769	
Cash at bank and in hand		10,505		8,792	
		13,574		13,781	
Creditors: amounts falling due within one year	14	(4,091)		(5,693)	
Net current assets			9,483		8,088
Total assets less current liabilities			9,660		8,319
Provisions for liabilities	15		(4,386)		(4,647)
Net assets			5,274		3,672
Capital and reserves					
Called up share capital	16		-		-
Profit and loss account	17		5,274		3,672
Shareholders' funds			5,274		3,672

These financial statements were approved by the board of directors on 7 September 2012 and were signed on its behalf by

Alistair Richards
Director

7 September 2012

Notes
(forming part of the financial statements)

1 Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Director's report on pages 3-4 The company has considerable financial resources together with a diverse customer base across different geographic areas As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis in preparing the annual financial statements

The company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group accounts as the company is included in the consolidated accounts of its immediate parent company, GWRUK Acquisition Corp Limited, a company incorporated in the United Kingdom These financial statements present information about the company as an individual undertaking and not about its group

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

Significant estimates and assumptions

The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates

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

Provision for returns

The provision for returns represents management's estimates for future returns of sold publications and merchandise and is based on historical sales and return rates, as well as current market conditions

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 in work-in-progress and reclassified as finished goods on publication

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values, over their expected useful lives using the straight-line basis The current period over which the assets are depreciated is between 36 months and 120 months for fixtures and fittings. The expected useful lives of the assets to the business are reassessed periodically

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Notes *(continued)*
(forming part of the financial statements)

1 Principal accounting policies *(continued)*

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease The Company has no finance leases

Pensions

The Company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the Company in an independently administered fund The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Cash flow statement

Under FRS 1 (revised) *Cash flow statements*, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of GWRUK Acquisition Corp Limited The cash flows of the company are included in the consolidated cash flow of GWRUK Acquisition Corp Limited

Notes *(continued)*

2 Analysis of turnover

	Year ended 31 Dec 2011 Turnover £000	Year ended 31 Dec 2010 Turnover £000
By geographical market:		
United Kingdom	**5,929**	**5,816**
United States	**2,947**	**3,404**
Rest of Europe	**5,573**	**4,907**
Japan	**1,202**	**1,221**
Rest of World	**2,983**	**3,883**
	18,634	**19,231**
By class of business:		
Publishing and other	**13,894**	**15,571**
Television	**813**	**789**
Records Management	**3,686**	**2,686**
Licensing	**241**	**185**
	18,634	**19,231**

3 Profit on ordinary activities before taxation

	Year ended 31 Dec 2011 £000	Year ended 31 Dec 2010 £000
Profit on ordinary activities before taxation is stated after charging/(crediting).		
Depreciation	**85**	**90**
Operating lease rentals	**253**	**278**

Auditor's remuneration

	£000	£000
Audit of these financial statements	**46**	**49**
Other services relating to taxation	**14**	**3**

Notes *(continued)*

4 Remuneration of directors

	Year ended 31 Dec 2011 £000	Year ended 31 Dec 2010 £000
Directors' emoluments	470	466
Company contributions to money purchase pension schemes	24	24

The amounts disclosed represent the remuneration of the highest paid director Two of the directors did not receive any remuneration in respect of their services to the company in the current period or prior year There are no retirement benefits accruing to any director and none of the directors have any shares or options in the Company.

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows

	Number of employees	
	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Publishing	24	19
Television	4	2
Records Management	17	14
Licensing	2	8
Other – support	13	12
Total	60	55

The aggregate payroll costs of these persons were as follows

	Year ended 31 Dec 2011 £000	Year ended 31 Dec 2010 £000
Wages and salaries	2,865	2,780
Social security costs	300	318
Pension costs	53	52
	3,218	3,150

The Company operates a defined contribution scheme The amounts charged above represent the contributions payable to the scheme in respect of the accounting period

Notes *(continued)*

6 Interest receivable and similar income

	Year ended 31 Dec 2011 £000	Year ended 31 Dec 2010 £000
Bank interest received	-	-
Net gain on foreign exchange	149	251
	149	251

7 Interest payable and similar expenses

	Year ended 31 Dec 2011 £000	Year ended 31 Dec 2010 £000
Bank interest paid	(5)	(2)
Bank fees & other charges	(30)	(10)
	(35)	(12)

8 Taxation

Analysis of charge in period

	Year ended 31 Dec 2011 £000	Year ended 31 Dec 2010 £000
UK corporation tax		
Current tax on income for the period	1,379	2,076
Adjustment in respect of previous years	59	(201)
Foreign tax		
Current tax on income for the period	39	52
Total current tax	1,477	1,927
Deferred tax		
Origination/reversal of timing differences	(1)	255
Change in rates	17	-
Total deferred tax	16	255
Tax on profit on ordinary activities	1,493	2,182

Notes *(continued)*

8 Taxation *(continued)*

Factors affecting the tax charge for the current period

The current tax charge for the period is lower *(2010 lower)* than the standard rate of corporation tax in the UK effective for the period (26 5%, *2010 28 %*) The differences are explained below

	Year ended 31 Dec 2011 £000	Year ended 31 Dec 2010 £000
Current tax reconciliation		
Profit on ordinary activities before tax	6,595	8,658
Current tax at 26 5 % *(2010 28 %)*	1,748	2,424
Effects of		
Expenses not deductible for tax purposes (non-taxable income)	-	(8)
Capital allowances for period (in excess of) less than depreciation	1	(10)
Other permanent differences	-	-
Timing of provision recognition	-	72
Losses surrendered by other group companies for nil payment	(331)	(350)
Adjustment in respect of previous years	59	(201)
Total current tax charge (see above)	1,477	1,927

Factors that may affect future current and total tax charges

The rate of taxation is expected to follow the standard rate of UK corporation tax in future periods after taking into account expenditure not deductible for taxation The statutory rate of corporation tax is reduced with effect from 1 April 2012 to 24%

9 Tangible fixed assets

	Fixtures, fittings and equipment £000	Total £000
Cost		
At beginning of period	732	732
Additions	31	31
At end of period	763	763
Depreciation		
At beginning of period	501	501
Charge for period	85	85
At end of period	586	586
Net book value		
At 31 December 2011	177	177
At 31 December 2010	231	231

Notes *(continued)*

10 Stocks

	31 Dec 2011 £000	31 Dec 2010 £000
Work in progress	168	173
Finished goods and goods for resale	31	47
	199	220

11 Debtors

	31 Dec 2011 £000	31 Dec 2010 £000
Trade debtors	2,306	2,787
Amounts owed by parent undertakings	-	1,500
Amounts owed by fellow undertakings	68	-
Other debtors	111	129
Net deferred tax assets (note 12)	219	235
Prepayments and accrued income	166	118
	2,870	4,769

The current period amount owed by fellow undertakings represented an amount owed by Guinness World Records Japan KK and arose during the current period The prior period amount owed by parent undertakings represents balances owed by GWRUK Acquisition Corp Limited and arose during 2010

12 Deferred tax asset

	31 Dec 2011 £000	31 Dec 2010 £000
Opening deferred tax assets	235	490
Charge to profit and loss account	(16)	(255)
Closing deferred tax asset	219	235
The analysis of the deferred taxation balance is as follows		
Accelerated capital allowances	6	27
Short-term timing differences	213	208
	219	235

The tax asset relates to timing differences in relation to depreciation in excess of capital allowances The short-term timing differences relate to provisions which are expected to reverse in the foreseeable future

Notes *(continued)*

13 Investments

	Shares in group undertakings £000	Total £000
Cost		
At beginning of year	-	-
At end of year	-	-

The principal companies in which the Company's interest at the year end is more than 20% are as follows

	Country of incorporation	Principal Activity	Class and percentage of shares held
Guinness World Records Japan KK	Japan	Sales	Ordinary 100%

The closing reserves of Guinness World Records Japan KK at 31 December 2011 are £68 (2010 – nil) and the profit for the year ended 31 December 2011 is £68 (2010 – nil)

14 Creditors. amounts falling due within one year

	31 Dec 2011 £000	31 Dec 2010 £000
Trade creditors	336	769
Other creditors	121	94
Amounts owed to fellow undertakings	49	1,944
Corporate tax liability	506	567
Accruals and deferred income	3,079	2,319
	4,091	5,693

The current period amount owed to fellow undertakings represents balances owed to Guinness World Records North America Inc and arose during the period

Notes *(continued)*

15 Provisions for liabilities

	Returns provisions £000	Other provisions £000	Total £000
At 1 January 2011	2,380	2,267	4,647
Utilised during period	(226)	-	(226)
Additional amounts provided	1,914	-	1,914
Amounts released unused	(1,949)	-	(1,949)
At 31 December 2011	2,119	2,267	4,386

The provision for returns represents management's estimates for future returns of sold publications and merchandise and is based on historical sales and return rates, as well as current market conditions Other provisions relate to potential legal, royalty and property liabilities

16 Called up share capital

	31 Dec 2011 £	31 Dec 2010 £
Authorised		
Ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
Ordinary shares of £1 each	100	100

17 Reserves

	Profit and loss account £000
At 1 January 2011	3,672
Profit for the year	5,102
Dividends paid	(3,500)
At 31 December 2011	5,274

On 15 June 2011, an interim cash dividend of £3 5 million was paid to GWRUK Acquisition Corp Limited

Notes *(continued)*

18 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2011 Land and Buildings £000	2010 Land and buildings £000
Operating leases which expire		
Within one year	-	-
In the second to fifth years inclusive	173	173
Over five years	-	-
	173	173

19 Related Party Transactions

Under FRS 8 the company is exempt from the requirement to disclose related party transactions with the Guinness World Records Group and its associated undertakings on the ground that is a wholly owned subsidiary of GWRUK Acquisition Corp Limited

During the year, the Company received £2,576,000 in sales included in turnover (*2010 £3,129,000*) from Guinness World Records North America, Inc , fellow subsidiary undertaking of Jim Pattison Ltd

At 31December 2011, the Company owed £49,000 included in creditors, (*2010 £1,944,000*) to Guinness World Records North America, Inc , fellow subsidiary undertaking of Jim Pattison Ltd (note 14)

20 Immediate and ultimate parent undertakings

The Company is a subsidiary undertaking of GWRUK Acquisition Corp Limited which is the immediate parent company incorporated in the United Kingdom The ultimate parent company is Jim Pattison Ltd incorporated in British Columbia, Canada

21 Post balance sheet events

On 5 January 2012 the company paid a dividend of £3 4 million to GWRUK Acquisition Corp Limited