

GUINNESS WORLD RECORDS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

PERIOD ENDED 27 AUGUST 2002

Registered number: 541295



GUINNESS WORLD RECORDS LIMITED  
DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
27 AUGUST 2002

INDEX	<u>Page</u>
Directors' Report	1 - 2
Auditors' Report	3
Profit and Loss Account	4
Balance Sheet	5
Notes to the Financial Statements	6 - 14

# GUINNESS WORLD RECORDS LIMITED

## DIRECTORS' REPORT FOR THE PERIOD ENDED 27 AUGUST 2002

The directors submit their annual report and the audited financial statements of the company for the 14-month period ended 27 August 2002.

### PRINCIPAL ACTIVITY

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

### REVIEW OF THE BUSINESS

The company changed its accounting reporting date from 30 June 2002 to 27 August 2002.

The profit for the 14-month period was £2,732,000 (year ended 30 June 2001 – loss £2,726,000). The directors do not recommend the payment of a dividend (year ended 30 June 2001- £nil).

On 27 July 2001 the entire share capital of the company was acquired by Gullane Children's Books Limited, a company incorporated in England. The consideration for the acquisition was £47m, paid in cash.

On 27 August 2002, HIT Entertainment PLC took control of Gullane Entertainment PLC, the ultimate parent undertaking of the company, and acquired the whole of the issued and to be issued share capital of Gullane Entertainment PLC for approximately £141m. The consideration for the acquisition was paid in cash and ordinary shares of HIT Entertainment PLC.

### 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:

S K J Nelson	(resigned 27 July 2001)
I Costello – Cortes	(resigned 27 July 2001)
Ms L C Kennedy	(resigned 27 July 2001)
M Papamichael	(resigned 27 July 2001)
Mrs W Nathan	(resigned 27 July 2001)
W S Harris	(appointed 27 July 2001, resigned 3 September 2002)
T J Hilton	(appointed 27 July 2001, resigned 26 October 2001)
C Falzon	(appointed 30 July 2001, resigned 3 September 2002)
T W Ricketts	(appointed 26 October 2001, 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 had any interest in the share capital of the company during the period. Their interests in the shares of the ultimate parent undertaking are disclosed in the financial statements 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 27 August 2002 were 38 days (30 June 2001: 28 days).

# GUINNESS WORLD RECORDS LIMITED

## DIRECTORS' REPORT FOR THE PERIOD ENDED 27 AUGUST 2002 (continued)

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each year 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.

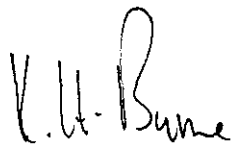
### REGISTERED NUMBER

The registered number of the company is 541295.

### AUDITORS

Following the conversion of our auditors, PricewaterhouseCoopers, to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 14 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

By order of the Board



K H Byrne  
Secretary

26 June 2003

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 at 27 August 2002 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  
London

26 June 2003

GUINNESS WORLD RECORDS LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 27 AUGUST 2002

	Note	14 months ended 27 August 2002 £000	Year ended 30 June 2001 £000
TURNOVER	2	16,736	18,046
COST OF SALES		(11,868)	(11,684)
GROSS PROFIT		4,868	6,362
ADMINISTRATIVE EXPENSES		(2,440)	(8,625)
OPERATING PROFIT/(LOSS)		2,428	(2,263)
INTEREST PAYABLE	3	(41)	(416)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	4	2,387	(2,679)
TAX ON LOSS ON ORDINARY ACTIVITIES	7	345	(47)
RETAINED PROFIT/(LOSS) FOR THE PERIOD/YEAR	16,17	2,732 =====	(2,726) =====

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 or year stated above and their historical cost equivalents.

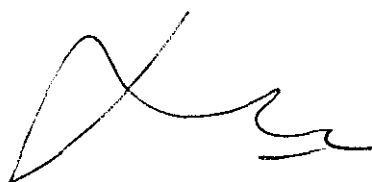
All amounts relate to continuing operations.

GUINNESS WORLD RECORDS LIMITED

BALANCE SHEET AT 27 AUGUST 2002

	Note	27 August 2002 £000	30 June 2001 £000
<b>FIXED ASSETS</b>			
Intangible assets	8	-	30
Tangible assets	9	109	589
		<u>109</u>	<u>619</u>
<b>CURRENT ASSETS</b>			
Stocks	10	4,002	858
Debtors	11	5,109	2,628
Cash at bank and in hand		189	12,731
		<u>9,300</u>	<u>16,217</u>
CREDITORS – Amounts falling due within one year	12	(6,785)	(16,944)
NET CURRENT ASSETS/(LIABILITIES)		<u>2,515</u>	<u>(727)</u>
NET ASSETS/(LIABILITIES)		<u>2,624</u> =====	<u>(108)</u> =====
<b>SHARE CAPITAL AND RESERVES</b>			
Called up share capital	15	-	-
Profit and loss account	16	2,624	(108)
EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)	17	<u>2,624</u> =====	<u>(108)</u> =====

The financial statements on pages 4 to 14 were approved by the board of directors on 26 June 2003 and were signed on its behalf by:



R I Lawes – Director

# GUINNESS WORLD RECORDS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 27 AUGUST 2002

### 1. PRINCIPAL ACCOUNTING POLICIES

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

The financial statements are prepared on a going concern basis. The company's ultimate parent undertaking, HIT Entertainment PLC, has undertaken to provide financial support for the foreseeable future.

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

#### Changes in accounting policies

The company adopted Financial Reporting Standard 18 ("Accounting Policies") and Financial Reporting Standard 19 ("Deferred Taxation") during the period. The adoption of these policies has had no impact on the comparative figures and hence no restatement was required.

#### 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 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.

#### Tangible Fixed Assets

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	5% and 12.5%
Computer equipment	25%
Motor vehicles	20%

#### Intangible Assets

Expenditure incurred by the company in the acquisition of copyright is capitalised and then amortised on a straight-line basis over its economic life, not exceeding 10 years. Copyright amortisation is included within cost of sales.

#### 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 treated as cost of finished goods on publication.

#### Leases

Annual rentals payable in respect of operating leases are charged as incurred.

#### Pensions

Pension costs are in respect of a defined contribution (money purchase) scheme and are charged as incurred.



# GUINNESS WORLD RECORDS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 27 AUGUST 2002

### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Deferred Taxation

Full provision is made for taxation at effective rates on all timing differences. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Previously, full provision was made on timing differences, except where the deferred tax liability was not expected to crystallise in the foreseeable future.

#### 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 spot rate.

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

### 2. TURNOVER

Turnover represents income from Guinness World Records brand through net sales of publications and 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.

	14 months ended 27 August 2002	Year ended 30 June 2001
	£000	£000
Turnover by destination:		
United Kingdom	4,560	4,784
United States	5,675	7,964
Europe	2,638	2,558
Rest of World	3,863	2,740
	<hr/>	<hr/>
	16,736	18,046
	=====	=====

### 3. INTEREST PAYABLE

	14 months ended 27 August 2002	Year ended 30 June 2001
	£000	£000
On loans from group undertakings	-	416
On other loans	41	-
	<hr/>	<hr/>
	41	416
	=====	=====

GUINNESS WORLD RECORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 27 AUGUST 2002 (continued)

4. PROFIT/ (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	14 months ended <u>27 August 2002</u> £000	Year ended <u>30 June 2001</u> £000
Depreciation of owned tangible fixed assets	229	211
Amortisation of intangible fixed assets	30	60
(Profit)/loss on disposal of tangible fixed assets	(3)	7
Re-organisation costs following acquisition by Gullane Entertainment PLC	680	-
Impairment of assets - tangible fixed assets	264	-
Operating lease rentals - other	214	190
Auditors' remuneration - audit fees	23	10
Foreign exchange differences	(402)	(134)
	=====	=====

5. EMPLOYEE INFORMATION

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

	14 months ended <u>27 August 2002</u> No.	Year ended <u>30 June 2001</u> No.
Publishing	50	62
	=====	=====

Staff costs (including directors) were as follows:

Wages and salaries	1,798	2,936
Employer's social security costs	144	272
Other pension costs	36	-
	=====	=====
	1,978	3,208
	=====	=====

Diageo plc, the former immediate parent company, did not recharge any costs to the company in respect of pensions in the year to June 2001.

Included in wages and salaries and re-organisation costs in note 4 above is £533,000 for redundancy costs.

## NOTES TO THE FINANCIAL STATEMENTS – 27 AUGUST 2002 (continued)

## 6. DIRECTORS EMOLUMENTS

The services of all the directors are provided under an agreement with the immediate parent undertaking, Gullane Entertainment Limited (formerly Gullane Entertainment PLC). The company did not pay emoluments directly to any director. The emoluments have been apportioned to group undertakings in which the directors hold directorships and where activities of the directors are more than merely incidental to their other activities within the Gullane Entertainment Limited group.

Directors' total emoluments apportioned to this company, were as follows:

	14 months ended <u>27 August 2002</u> £000	Year ended <u>30 June 2001</u> £000
Salaries	477	1,128
Pension contributions	10	-
	<hr/>	<hr/>
	487	1,128
	<hr/>	<hr/>

Included in the above figures for the 14 months ended 27 August 2002 are salaries paid to the directors prior to the acquisition on 27<sup>th</sup> July 2001 of £63,000 and compensation payments for loss of office of £293,000.

Retirement benefits are accruing to the directors under a defined contribution scheme. One director exercised share options in Gullane Entertainment PLC, the immediate parent company, in the period. Details have been given in that company's financial statements.

GUINNESS WORLD RECORDS LIMITED

7. TAX ON LOSS ON ORDINARY ACTIVITIES

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

	14 months ended <u>27 August 2002</u> £000	Year ended <u>30 June 2001</u> £000
Current tax		
- Corporation tax on losses for period/year	122	-
	<hr/>	<hr/>
	122	-
Group relief		
- Foreign tax for current period/year	-	47
	<hr/>	<hr/>
Total current tax	122	47
	<hr/>	<hr/>
Deferred tax		
- Timing differences, origination and reversal	(45)	-
- Adjustments in respect of prior periods	(422)	-
	<hr/>	<hr/>
Total deferred tax	(467)	-
	<hr/>	<hr/>
Tax on profit/(loss) on ordinary activities	(345)	47
	=====	=====
The current year tax charge can be reconciled as follows:		
Profit/(loss) on ordinary activities before taxation	2,387	(2,679)
Tax at UK standard rate of 30%	716	(803)
Expenses not deductible for tax purposes	173	34
Capital allowances in excess of depreciation	45	(11)
Movement in short term timing differences	-	231
Overseas tax rates	-	32
Group relief not paid for	(812)	564
	<hr/>	<hr/>
Current tax charge for the period/year	122	47
	=====	=====

GUINNESS WORLD RECORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 27 AUGUST 2002 (continued)

8. INTANGIBLE FIXED ASSETS

<u>Cost</u>	<u>Copyright</u> £000
At 1 July 2001	300
	<hr/>
<u>Amortisation</u>	
At 1 July 2001	270
Charge for the period	30
	<hr/>
At 27 August 2002	300
	<hr/>
<u>Net book value</u>	
At 27 August 2002	-
	=====
At 30 June 2001	30
	=====

9. TANGIBLE FIXED ASSETS

<u>Cost</u>	<u>Plant and</u> <u>Machinery</u> £000	<u>Fixtures and</u> <u>Fittings</u> £000	<u>Total</u> £000
At 1 July 2001	862	398	1,260
Additions	18	-	18
Disposals	(61)	-	(61)
	<hr/>	<hr/>	<hr/>
At 27 August 2002	819	398	1,217
	<hr/>	<hr/>	<hr/>
<u>Depreciation</u>			
At 1 July 2001	490	181	671
Charge for the period	160	69	229
Impairment	225	39	264
Disposals	(56)	-	(56)
	<hr/>	<hr/>	<hr/>
At 27 August 2002	819	289	1,108
	<hr/>	<hr/>	<hr/>
<u>Net book value</u>			
At 27 August 2002	-	109	109
	=====	=====	=====
At 30 June 2001	372	217	589
	=====	=====	=====

Following the acquisition of the Company by Gullane Entertainment plc, a review of the fixed asset register was performed resulting in an impairment charge of £264,000 against certain assets.

GUINNESS WORLD RECORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 27 AUGUST 2002 (continued)

10. STOCKS

	<u>27 August 2002</u>	<u>30 June 2001</u>
	£000	£000
Work in progress	179	779
Finished goods and goods for resale	3,823	79
	<hr/>	<hr/>
	4,002	858
	=====	=====

11. DEBTORS

	<u>27 August 2002</u>	<u>30 June 2001</u>
	£000	£000
Trade debtors	2,578	1,153
Amounts owed by group undertakings	1,311	1,273
Corporation tax	467	-
Other debtors	443	121
Prepayments	310	81
	<hr/>	<hr/>
	5,109	2,628
	=====	=====

12. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>27 August 2002</u>	<u>30 June 2001</u>
	£000	£000
Bank overdraft	49	-
Trade creditors	1,263	612
Amount owed to group undertakings	1	13,745
Other tax and social security payable	45	-
Accruals and deferred income	5,418	2,587
Other creditors	9	-
	<hr/>	<hr/>
	6,785	16,944
	=====	=====

13. BANK LOANS AND OVERDRAFTS

The company has entered into a composite bank accounting agreement together with the other companies in the group. Consequently the company has guaranteed the bank indebtedness of the co-signatory group companies. The amount outstanding at 27 August 2002 was £76,624,000 (2001 - £nil).

The company has also granted the bank a fixed and floating charge over its assets to secure any loan or overdraft the Group may have from time to time.

The composite bank accounting agreement was terminated in September 2002, following repayment of all outstanding bank loans by the group.

GUINNESS WORLD RECORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 27 AUGUST 2002 (continued)

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Tax <u>27 August 2002</u> £000
Balance at 1 July	-
Provision for the year	467
	<hr/>
Balance at period-end	467
	=====

The analysis of the deferred taxation balance is as follows:

	<u>27 August 2002</u> £000	<u>30 June 2001</u> £000
Accelerated capital allowances	231	-
Short term timing differences	236	-
	<hr/>	<hr/>
	467	-
	=====	=====

15. SHARE CAPITAL

Ordinary Shares of £1 each

	<u>27 August 2002</u>		<u>30 June 2001</u>	
	No	£	No	£
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 July 2001	(108)
Profit for the period	2,732
	<hr/>
Balance at 27 August 2002	2,624
	=====

17. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	<u>27 August 2002</u> £000	<u>30 June 2001</u> £000
Opening shareholders' (deficit)/funds	(108)	2,618
Profit/(loss) for the period	2,732	(2,726)
	<hr/>	<hr/>
Closing shareholders' funds/(deficit)	2,624	(108)
	=====	=====

# GUINNESS WORLD RECORDS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 27 AUGUST 2002 (continued)

### 18. OPERATING LEASES

At 27 August 2002, the company had annual commitments under non-cancellable operating leases, expiring as follows:

	27 August 2002 Land & buildings £000	30 June 2001 Land & buildings £000
Operating leases which expire:		
Within one year	-	-
In the second to fifth years inclusive	-	-
Over five years	320	171
	<hr/>	<hr/>
	320	171
	=====	=====

### 19. CAPITAL COMMITMENTS

At 27 August 2002 the company had entered into a commitment to purchase paper amounting to £nil (2001 - £2.6m).

### 20. IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS

On 27 July 2001 the entire share capital of the company was acquired by Gullane Children's Books Limited for consideration of £47m.

On 14 February 2003 the entire share capital of the company was transferred to Gullane Entertainment Limited, (formerly Gullane Entertainment PLC), the immediate parent undertaking and ultimate controlling party of Gullane Children's books, which is registered in England and Wales.

Following its acquisition of Gullane Entertainment Limited, HIT Entertainment PLC is now the company's ultimate parent and controlling undertaking.

Copies of the financial statements for the above companies are available from Maple House, 149 Tottenham Court Road, London W1T 7NF.

### 21. CASH FLOW STATEMENT

The financial statements of Gullane Entertainment Limited for the period ended 27 August 2002 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 Gullane Entertainment Ltd group.

Following the acquisition of Guinness World Records by Gullane Children's Books Limited, the outstanding Diageo loans were repaid in full.