Penguin Books Limited

Registered Number:	00861590
Annual Report and Financial Statements	
For the Year Ended:	31 December 2015

Company No. 00861590

Penguin Books Limited
For the year ended 31 December 2015

STRATEGIC REPORT

The directors present their Strategic Report of Penguin Books Limited ("the Company") for the year ended 31 December 2015.

Principal activities
The principal activity of the Company and its subsidiaries continues to be book publishing, and the warehousing and distribution of books.

Business review
The results and financial position of the Company are set out in the attached financial statements. Penguin Books Limited is a book publishing business and a subsidiary of Penguin Random House Limited, owned 53% by Bertelsmann SE & Co KGaA and 47% by Pearson plc. Profit before interest and taxation for 2015 was £37,312,000 compared to the previous year of £32,810,000.

Key performance indicators ("KPIs")
The Company monitors progress and performance during the year and historical trend data is set out in the following key performance indicators:

Turnover was £170,051,000 (2014: £161,516,000);
Gross margin percentage for the year was 56% (2014: 47%);
The number of titles in the Bookscan full year Top 50 sellers listing was 14 (2014:8 titles).

Principal risks and uncertainties
The principal risks and uncertainties of the Company are reported in the Directors' Report on page 2.

By Order of the Board

M. W. Gardiner

Mark Gardiner
Director
30 September 2016

Penguin Books Limited
For the year ended 31 December 2015

DIRECTORS' REPORT

The directors present their report and the audited financial statements of Penguin Books Limited ("the Company") for the year ended 31 December 2015.

Principal risks and uncertainties
The Company has procedures in place to make the directors aware of the various risks to the Company's business. The risks are monitored and reported to the board on a regular basis. The changing book market, particularly the transition to digital and the shift to the agency model, is creating both challenges and opportunities for the Company, notably in terms of pricing structures. The Company is facing increased pressure on margins. Other risks arise from the entry of non-traditional publishers into the market, the decline in retail space in high street bookshops and economic uncertainty.

Financial risk management
It is the Company's policy to implement financial risk management objectives and policies for each major type of forecast transaction. The directors consider the entity's exposure to price risk, credit risk and liquidity risk.

Future outlook and development
Going forward we expect a continuation of the shift in sales from physical books to eBooks, reflecting the trend of a slowing pace as eBook sales flatten at 25%, but that overall our turnover will perform consistently with the market, which has shown significant volatility. Predicting market trends is difficult in the current economic climate. However sustained focus on acquisition decisions, costs, and inventory management should continue to provide positive benefits. Following an extensive strategic review of its distribution business, the Company concluded that it was necessary to consolidate its distribution operation into fewer sites. Having evaluated the potential different combinations of the Rugby, Frating and Grantham locations it was formally announced by the Company on 4th December 2015 that it was proposing to close the Rugby Distribution Centre. Subsequently, the first consultation meeting was held with the Rugby-based staff in mid-December 2015. A provision of £9.0m based on best estimates as at 31 December 2015 relating to people and property costs has been booked in the accounts of Penguin Books Limited in respect of the exit. The company expects to recover £4.0m of these costs from Pearson plc and as such have recorded a receivable within the accounts as at 31 December 2015. The Company continued to attract and retain key talent, with the significant additions amongst others, of Sinead O'Connor, Ben MacIntyre, Pewdie Pie, Will I Am. No major authors left during the course of the year.

Results and dividends
A final dividend of £58,129,689 was paid in 2015 (2014: £7,500,000) and reported a profit for the financial year of £42,052,000 (2014: £27,071,000).

Directors
The directors who held office during the year and up to the date of signing the financial statements are given below:
John Makinson
Michael Symons
Thomas Weldon
Mark Gardiner

Employees
Disabled persons
The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or material status. The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the group. If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Penguin Books Limited
For the year ended 31 December 2015

DIRECTORS' REPORT (continued)

Employee involvement
The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the group plays a major role in maintaining its prosperity. The Company encourages the involvement of employees by means of regular meetings with staff and staff representatives to keep them informed of the Company's progress.

Statement of directors' responsibilities
The directors are responsible for preparing the Strategic Report and 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements.
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

In the case of each director in office at the date the directors' report is approved, that:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) the director has taken all the steps that he/ she ought to have taken as a director in order to make himself/ herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By Order of the Board

M. W. G

Mark Gardiner
Director
30 September 2016

Independent auditors' report to the members of Penguin Books Limited

Report on the financial statements

Our opinion

In our opinion, Penguin Books Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

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

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

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Fiona Dolan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 September 2016

Company No. 00861590

Penguin Books Limited

INCOME STATEMENT
For the year ended:
31 December 2015

	Note	2015	2014
Turnover	3	**170,051**	161,516
Cost of sales		**(74,256)**	(85,419)
Gross profit		**95,795**	76,097
Distribution costs		**(15,271)**	(6,696)
Administrative expenses		**(42,540)**	(44,629)
Operating profit	4	**37,984**	24,772
Income from other investments in subsidiaries	7	**4,068**	7,900
Impairment charge on investment in subsidiary		**(5,038)**	-
Gain on sale of investment		**-**	138
Profit on ordinary activities before interest and taxation		**37,014**	32,810
Interest receivable and similar income	8	**370**	180
Interest payable and similar charges	8	**(72)**	(54)
Other finance expense		**-**	(899)
Profit on ordinary activities before taxation		**37,312**	32,037
Tax charge on profit on ordinary activities	9	**(7,034)**	(4,966)
Profit for the financial year		**30,278**	27,071

The notes on pages 10 to 30 are an integral part of these financial statements.

Penguin Books Limited

STATEMENT OF COMPREHENSIVE INCOME
For the year ended:
31 December 2015

	Note	**2015** £'000	2014 £'000
Profit for the year		**30,278**	27,071
Other comprehensive income: items that will not be reclassified to profit or loss			
Actuarial gain on pension scheme	20	5,173	(188)
Movement on deferred tax relating to pension deficit	9	(1,660)	710
Other Comprehensive Income for the year, net of tax		**3,513**	522
Total Comprehensive Income for the year		**33,791**	27,593

The notes on pages 10 to 30 are an integral part of these financial statements.

Penguin Books Limited

BALANCE SHEET
As at:
31 December 2015

Company registered number:
00861590

	Note	2015 £'000	2014 £'000
Fixed assets			
Intangible Assets	12a	**489**	1,312
Tangible assets	12b	**4,297**	6,187
Investments	13	**20,423**	25,461
		25,209	32,960
Current assets			
Stocks	14	**8,040**	7,661
Debtors	15	**200,243**	194,315
Cash at bank and in hand		**1,975**	13,392
		210,258	215,368
Creditors: amounts falling due within one year	16a	**(113,045)**	(107,740)
Net current assets		**97,213**	107,628
Total assets less current liabilities		**122,422**	140,588
Provisions for other liabilities and charges	16b	**(8,967)**	-
Pension gain / (deficit)	20	**1,115**	(2,619)
Net assets		**114,570**	137,969
Capital and reserves			
Called up share capital	18	**88,300**	88,300
Share premium account		**1,139**	1,139
Retained Earnings	20	**25,131**	48,530
Total shareholders' funds		**114,570**	137,969

The financial statements on pages 6 to 9 were approved by the board of directors on 30 September 2016 and were signed on its behalf by :

M. G. Gardiner

Mark Gardiner
Director

Penguin Books Limited

STATEMENT OF CHANGES IN EQUITY
As at:
31 December 2015

	Share capital £'000	Share premium £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2014	88,300	1,139	28,437	117,876
Changes in equity				
Dividends			(7,500)	(7500)
Deferred tax on Pensions			710	710
Pension loss			(188)	(188)
Profit for the financial year			27,071	27,071
At 1 January 2015	**88,300**	**1,139**	**48,530**	**137,969**
Changes in equity 2015				
Dividends paid			(58,129)	(58,129)
Profit for the financial year			30,278	30,278
Pension remeasurement			5,173	5,173
Deferred tax on Pensions			(1,660)	(1,660)
Prior year adjustment			939	939
At 31 December 2015	**88,300**	**1,139**	**25,131**	**114,570**

The notes on pages 10 to 30 are an integral part of these financial statements.

Penguin Books Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended:
31 December 2015

1
Accounting policies

Basis of accounting
The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"), and with the Companies Act 2006. The financial statements have been prepared on a going concern basis continuing in operation for at least 12 months from the end of the period reported in these accounts and under the historical cost convention. The principal accounting policies, which have been applied consistently, are set out below unless otherwise stated. This is the first year in which the financial statements have been prepared under FRS 101. Refer to note 22 for an explanation of the transition. The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7 Financial Instruments: Disclosures; equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated
- The requirements of IAS 7 Statement of Cash Flows
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Actual results could differ from those estimates. Estimates are used principally when accounting for investment impairment, provisions for doubtful debts, pre-publication costs and taxes.

Basis of consolidation
The Company is a wholly-owned subsidiary of Penguin Random House Limited and is included in the consolidated financial statements of Bertelsmann SE & Co KGaA Germany which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Turnover
Turnover comprises the fair value of the consideration received or receivable for the sale of goods and services net of value-added tax and other sales taxes, rebates, trade marketing costs and discounts. Turnover from the sale of books is recognised when title passes. A provision for anticipated returns is made based primarily on historical return rates. If these estimates do not reflect actual returns in future periods then turnover could be understated or overstated for a particular period. On certain contracts, where the Company acts as agent, only commissions and fees receivable for services rendered are recognised as turnover. Any third party costs incurred on behalf of the principal that are rechargeable under the contractual arrangement are not included in turnover.

Turnover for each class of business	**2015** £'000	2014 £'000
Book Publishing	**157,947**	157,707
Other	**12,104**	3,809
	170,051	161,516

Foreign currencies
Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in with the entity operates. The financial statements are presented in sterling, which is the functional currency of the company.

Penguin Books Limited

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

1.
Accounting policies (continued)

Transactions and balances
Transactions in a currency other than the functional currency ('foreign currency') are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the income statement.

Dividend income
Dividend income is recognised when the right to receive payment is established.

Tangible fixed assets
Tangible fixed assets are stated at historical 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.

- Freehold buildings 2% straight line;
- Plant and machinery 10-33.3% straight line;
- Fixtures and fittings 10-25% straight line;
- Freehold land is not depreciated; and
- Leasehold buildings are depreciated over the period of the lease.

Intangible assets
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of four years.

(i)Computer software
Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- & it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

Penguin Books Limited

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

1
Accounting policies (continued)

Investments in Subsidiaries
Investments in subsidiaries are held at cost less accumulated impairment losses. Impairment reviews have been undertaken and these are reflected in note 13

Impairment of non-financial assets
Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

Stocks
Finished goods, work-in-progress and materials have been valued at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost comprises direct costs including related production overheads, which, in the case of first impressions of books, includes initial publishing expenditure. Provision is made for obsolete and slow moving stocks. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

1
Accounting policies (continued)

Pensions

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' funds in other comprehensive income in the period which they arise. The amount charged or credited to finance costs is a net defined benefit liability or asset. Past-service costs are recognised immediately in the income statement.

Operating leases
Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Financial Instruments
The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, and loans to and from subsidiaries and related parties. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Trade debtors
Trade debtors are stated at fair value after provision for bad and doubtful debts and anticipated future sales returns. Provisions are made specifically where there is objective evidence of a dispute or an inability to pay. An additional provision is made based on an analysis of balances by age, previous losses experienced and general economic conditions.

Author advances
Advances of royalties to authors are recognised within other debtors once a contract is approved within the royalty system, less any provision required to adjust the advance to its net realisable value. The realisable value of royalty advances relies on a degree of management judgement in determining the profitability of individual author contracts. If the estimated realisable value of author contracts is overstated then this will have an adverse effect on operating profits as these excess amounts will be written off. The recoverability of royalty advances is based upon an annual detailed management review of the age of the advance, the future sales projections for new authors and prior sales history of repeat authors. The royalty advance is expensed at the contracted or effective royalty rate as the related turnover is earned.

Provisions
Provisions for restructuring costs are recognised when: the company has a present legal or constructive obligation as a result of past events; it is probably that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Penguin Books Limited

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

2
Critical Accounting Judgements and Estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

Key accounting estimates and assumptions

(i) Advances
Other provisions include, but are not restricted to, provisions arising in the ordinary course of business, such as provisions relating to deferred compensation and legal matters. These provisions are expected to be utilised within 5 years.

Advances of royalties to authors are recognised within other debtors once a contract is approved within the royalty system, less any provision required to adjust the advance to its net realisable value. The realisable value of royalty advances relies on a degree of management judgement in determining the profitability of individual author contracts. If the estimated realisable value of author contracts is overstated then this will have an adverse effect on operating profits as these excess amounts will be written off. The recoverability of royalty advances is based upon an annual detailed management review of the age of the advance, the future sales projections for new authors and prior sales history of repeat authors. The royalty advance is expensed at the contracted or effective royalty rate as the related turnover is earned

(i) Provisions
As stated in the Directors Report following the extensive review of its distribution business, the Company concluded it was necessary to consolidate its distribution operation into fewer sites. This review has resulted in the decision to close the Rugby Distribution Centre, announced on December 4th 2015..

As at the date of the announcement the company has a legal obligation, shared with Pearson Plc, to provide for all costs related to the sites closure; severance and dilapidation costs

Due to the consultation period of December 2015 to June 2016, severance costs are provided based on expected exit dates and severance packages in line with custom and practise. This provision has not been discounted.

The provision for dilapidation costs as at December 2015 were as the result of an internal assessment undertaken by Rugby Site Directors, and upon the relevant phase of consultation closing, an independent survey and assessment of likely dilapidation costs will be carried out.

(iii) Defined benefit scheme
The company has obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including life expectancy, salary increases, asset valuations and the discount rate on corporation bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

3
Turnover

	2015	2014
Geographical markets supplied by origin	**£'000**	£'000
United Kingdom	**116,969**	113,480
Rest of Europe	**21,735**	14,070
Asia and Middle East	**10,517**	6,944
Africa	**1,723**	4,589
North and South America	**10,357**	7,735
Australasia	**8,750**	14,698
	170,051	161,516

Geographical analysis is based on the region in which the order is received. It would not be materially different if based on the country in which the customer is located.

Penguin Books Limited

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

4
Operating profit

	2015	2014
	£'000	£'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets:		
- Owned assets	**2,308**	3,524
Operating lease charges	**394**	385-
Foreign exchange loss	**730**	626
Auditors' remuneration:		
- Statutory audit	**158**	155

As the primary operating Company in the Penguin and Dorling Kindersley Group of companies (UK), the Company incurs administrative, distribution and other operating expenses on behalf of the following:

Penguin Random House Limited companies
Dorling Kindersley Limited
Frederick Warne & Co Limited
Ladybird Books Limited
Salspot Limited
Ventura Publishing Limited
Children's Character Books Limited
The Rough Guides Limited
Snowman Enterprises Limited
Snowdog Enterprises Limited
Costs incurred in 2015 of £45,847,791 were recharged back to the associate group companies as a management charge (2014: £57,514,468).

Penguin Books Limited

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

5
Directors' emoluments

	2015	2014
	£'000	£'000
Aggregate emoluments	1,506	1,433
	1,506	1,433

Staff costs include the above remuneration to directors of the Company in respect of their services to the Company.

	2015	2014
	Number of Directors	Number of Directors
Directors accruing benefits under defined benefit scheme	2	2

	2015	2014
Highest paid director	**£'000**	£'000
Aggregate emoluments	1,125	1,049
Defined benefit pension scheme – accrued pension at end of year	6	4

6
Employee information

	2015	2014
Staff costs	**£'000**	£'000
Wages and salaries	29,913	43,363
Social security costs	2,511	4,078
Other pension costs	8,442	8,413
	40,866	55,854

	2015	2014
Average monthly number of persons (including directors) employed by the Company during the year	**Number**	Number
Production	61	113
Selling and distribution	319	119
Administration	79	206
Editorial	243	385
	702	823

7
Income from other investments in subsidiaries

	2015	2014
	£'000	£'000
Dividend from shares in group undertakings	**4,068**	7,900

In 2015 the Company received dividends of £2,500,000 from Ladybird Books Limited, £1,568,000 from Penguin Books Deutschland GmbH . Dividends received are settled through intercompany. In 2014 the Company received dividends of £4,400,000 from Ladybird Books Limited, £2,000,000 from Ventura Publishing Limited and £1,500,000 from Frederick Warne & Co Limited..

Penguin Books Limited

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

8
Net interest

	2015 £'000	2014 £'000
Interest payable and similar charges	**(72)**	(54)
Bank interest receivable	**370**	180
Interest receivable and similar income	**370**	277
Net interest receivable	**298**	126

9
Tax on profit/(loss) on ordinary activities

	2015 £'000	2014 £'000
Current tax :		
UK corporation tax on profits for the year	8,976	5,281
Adjustments in respect of prior years	(421)	(436)
	8,555	4,845
Overseas taxation	1,083	140
Total current tax	**9,638**	4,985
Deferred tax :		
Origination and reversal of timing differences	(2,107)	14
Adjustments in respect of prior years	(497)	-
Total deferred tax	**(2,604)**	(19)
Tax charge on profit/(loss) on ordinary activities	**7,034**	4,966
UK standard effective rate of corporation tax (%)	**20.25%**	21.50%

Tax included in Other Comprehensive Income	**2015 £'000**	2014 £'000
Deferred Tax on Pension Remeasurement	**(1,660)**	(710)

The tax assessed for the year differs (2014: differs) from the standard effective rate of corporation tax in the UK as explained below :	**2015 £'000**	2014 £'000
Profit/(loss) on ordinary activities before taxation	**37,312**	32,037
Profit on ordinary activities before taxation multiplied by UK standard effective rate 20.25% (2014: 21.50%)	7,556	6,888
Effects of:		
Expenses not deductible for tax purposes	1,410	136
Deferred tax rate differences	(1,470)	-
Adjustments in respect of prior years	(918)	(469)
Overseas withholding tax suffered	1,083	140
Income exempt from taxation	(627)	(1,729)
Total tax charge for the year	**7,034**	4,966

Penguin Books Limited

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

10
Tax on profit/(loss) on ordinary activities (cont)
The current year tax charge represents amounts receivable from / payable to fellow UK subsidiaries of the Penguin Random House group in respect of current year tax losses surrendered in the United Kingdom. The standard rate of corporation tax in the United Kingdom changed from 21% to 20% with effect from 1 April 2015. Accordingly the company's profits / losses are taxed at an effective rate of 20.25% (2014: 21.5%).

During 2015 changes to the UK main corporation tax rate were enacted. The tax rate has fallen to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. Accordingly deferred tax has been provided at 19%.

A further reduction in the tax rate to 17% with effect from 1 April 2020 has been enacted in the Finance Act 2016. This change has not been recognized in these financial statements as it had not been substantively enacted at the Balance sheet date.

11
Dividends

	2015	2014	**2015**	2014
	pence	pence	**£'000**	£'000
Equity – Ordinary				
Dividends paid in the year	**65.831**	8.494	**58,129**	7,500

Dividends paid are settled through intercompany.

12a
Intangible assets

	Software	**Total**
	£'000	**£'000**
Cost:		
At 1 January 2015	12,169	12,169
Additions	-	-
At 31 December 2015	**12,169**	**12,169**
Accumulated amortisation and impairment :		
At 1 January 2015	10,857	10,857
At 31 December 2015	**10,034**	**10,034**
Net book amount :		
At 31 December 2015	**489**	**489**

12b
Tangible assets

	Land & Buildings	Plant & Machinery	Fixtures & Fittings	Total
	£'000	£'000	£'000	£'000
Cost or valuation :				
At 1 January 2015	219	15,023	7,791	23,033
Additions	-	-	16	16
At 31 December 2015	**219**	**15,023**	**7,807**	**23,049**
Accumulated depreciation :				
At 1 January 2015	159	11,916	5,192	17,267
Charge for the year	13	782	690	1,485
At 31 December 2015	**172**	**12,698**	**5,882**	**30,432**
Net book value :				
At 31 December 2014	60	3,107	2,598	5,766
At 31 December 2015	**47**	**2,325**	**1,925**	**4,297**

13
Investments

	Note	2015 £'000	2014 £'000
Subsidiary undertakings	11(a)	20,423	25,461
		20,423	25,461

Investments – subsidiary undertakings	**Total**
	£'000
Cost :	
At 1 January 2015	33,231
Disposals	-
At 31 December 2015	**33,231**
Provision	
At 1 January 2015	7,770
Charge for the year	5,038
At 31 December 2015	**12,808**
Net book value :	
At 31 December 2014	25,461
At 31 December 2015	**20,423**

Penguin Books Limited

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

13
Investments (continued)

Details of subsidiary undertakings :

Subsidiary	Principal activity	Class of shares held	Country of incorpor-ation	2015 % owned	2014 % owned
Allen Lane The Penguin Press Limited	Dormant	Ordinary	UK	**100**	100
Frederick Warne & Co Limited; owning	Publishing & Distribution	Ordinary	UK	**100**	100
Michael Joseph Limited; owning	Dormant	Ordinary	UK	**100**	100
Pelham Books Limited	Dormant	Ordinary	UK	**100**	100
Hamish Hamilton Limited; owning	Dormant	Ordinary	UK	**100**	100
Hamish Hamilton Children's Books Limited	Dormant	Ordinary	UK	**100**	100
Penguin Books Deutschland GmbH	Publishing & Distribution	Ordinary	Germany	**100**	100
The Rough Guides Limited	Publishing & Distribution	Ordinary	UK	**100**	100
Ventura Publishing Limited; owning	Merchandising	Ordinary	UK	**100**	100
Salspot Limited	Publishing & Distribution	Ordinary	UK	**100**	100
Ladybird Books Limited	Publishing & Distribution	Ordinary	UK	**100**	100
Snowman Enterprises Limited; owning	Publishing & Distribution	Ordinary	UK	**100**	100
Snowdog Enterprises Limited	Publishing & Distribution	Ordinary	UK	**100**	100
Children's Character Books Limited	Publishing & Distribution	Ordinary	UK	**75**	75

In the opinion of the directors, the value of the investments in subsidiary undertakings is not less than the amount at which they are stated in the balance sheet.

During the year, an impairment charge of £5,038k was recorded on the investment in The Rough Guides Limited. The impairment charge recognised relates to the full carrying value of the investment assessed to be unrecoverable.

Penguin Books Limited

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

14
Stocks

	2015	2014
	£'000	£'000
Raw materials and consumables	1,454	726
Work in progress	832	1,781
Finished goods	5,754	5,154
	8,040	7,661

As of 31 December 2015, total stock balance of £8m (2014; £8m) were reviewed for impairment. The amount of the provision was £3.2m (2014; £2.9m) as at 31 December 2015, and mainly relates to slow moving stock.

15
Debtors

	2015	2014
Amounts falling due within one year :	£'000	£'000
Trade debtors	45,060	42,810
Amounts owed by group undertakings	148,689	138,282
Deferred taxation	3,086	3,148
Other debtors	1,018	9,225
Prepayments and accrued income	2,390	850
	200,243	194,315

Amounts owed by group undertakings are unsecured and repayable on demand. Other debtors includes author advances.

As of 31 December 2015, Trade Debtors of £66.7m (2014: £68.3m) were reviewed for impairment. Trade Debtors are stated after the provision doubtful debts of £9.6m (2014; £9.8m), and returns of £15.2m (2014; £15.7m).

16
(a) Creditors

	2015	2014
Amounts falling due within one year :	£'000	£'000
Trade creditors	(51,881)	(46,936)
Amounts owed to group undertakings	(23,761)	(9,229)
Corporation tax	(9,650)	(5,791)
Other creditors	(4,629)	(12,127)
Accruals and deferred income	(23,124)	(33,657)
	(113,045)	(107,740)

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

Other creditors includes £840,000 (2014: £1,260,000) owed to T.V. Cartoons Limited for The Snowman Enterprises Limited investment. The remainder of the balance mainly consists of royalty accrual and freight costs.

16
(b) Provision for other liabilities and charges
Provision for other liabilities and charges comprise of provision for dilapidation costs of £1,501,000 and provision for restructuring cost of £7,466,000 following the expected closure of the Rugby Distribution Centre. See note 2 on accounting estimate and assumptions in determining the provision amount.

Penguin Books Limited

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

17
Deferred taxation asset

	Provisions	Property Plant & Equipment	Total in Debtors	Pensions (Note 20)	Total
Asset	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2015	435	2,713	3,148	655	3,803
Amounts charged to the profit &loss	523	(373)	150	793	944
Amounts charged to statement of comprehensive income	-	-	-	(1,660)	(1,660)
At 31 December 2015	**958**	**2,340**	**3,298**	**(212)**	**3,086**

	2015	2014
	£'000	£'000
Total deferred taxation asset	**3,086**	3,803

18
Called up share capital

	2015	2014
	£'000	£'000
Total share capital	**88,300**	88,300

	2015	2014	**2015**	2014
Ordinary share £1 each	**No '000s**	No '000s	**£'000**	£'000
Allotted and fully paid	**88,300**	88,300	**88,300**	88,300

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Operating lease commitments	**2015 Land & Buildings £'000s**	2014 Land & Buildings £'000s	**2015 Plant & Machinery £'000s**	2014 Plant & Machinery £'000s
Future minimum operating lease payments:				
Within one year	2,892	-	62	11
Between two and five years	6,278	2,892	91	16
In over five years	-	6,767	-	-
	9,170	9,659	153	27

Penguin Books Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended:
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20
Post-Employment Benefits

Penguin Random House – Penguin Pension Plan
The Penguin Pension Plan is a funded pension plan, with assets held in a separate trustee administered fund. It provides final salary benefits through the Final Pay and Penguin sections, and money purchase benefits with a defined benefit underpin through the Money Purchase Section.

The Penguin Pension Plan was established in July 2013 for Penguin Books Limited employees who had previously earned benefits in the Pearson Group Pension Plan. The first full actuarial valuation of the Penguin Pension Plan at 30 June 2014 was completed on 30 September 2015.

The risks of the scheme are as follows:

a) Investment Strategy

The plan liabilities are calculated using a discount rate set with reference to gilt yields, but the plan assets include return-seeking and other assets; if the plan assets underperform this yield, this will create a deficit.

b) Gilt Yields

Asset values and plan liabilities do not move in line as a result of changes in the yields available on fixed interest and index-linked gilts. This may arise because of a mismatch between the plan's holding in gilts and its liabilities in terms of their nature (ie fixed or inflation-linked) and/or their duration.

c) Life Expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

d) Inflation Risk

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities
A comprehensive actuarial valuation of the company pension scheme, using the projected unit basis, was carried out at 30 September 2015 by Lane Clark & Peacock LLP, independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	2015	2014
Expected rate of salary increases	**2.6%**	2.6%
Expected rate of increase of pensions in payment *	**2.4%**	2.4%
Discount rate	**3.9%**	3.6%
Rate of inflation	**2.1%**	2.1%

* 3.0% pa (2014: 3.0% pa) for Final Pay Section
3.6% pa (2014: 3.6% pa) for the Penguin Section and
2.1% pa (2014: 2.1% pa) for the underpin of the Money Purchase Section

Penguin Books Limited

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

20
Post-Employment Benefits (continued)

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the UK. These assumptions translate into a life expectancy for a male aged 65 as follows:

	2015 Years	2014 Years
Current age 65	**88.1**	87.4
Current age 45	**90.2**	89.6

Reconciliation of scheme assets and liabilities:

	Assets £'000	**Liabilities £'000**	**Total £'000**
At 1 January 2015	36,479	(39,753)	(3,274)
Benefits paid	(693)	693	-
Employer contributions	5,507	-	5,507
Employee contributions	1,633	(1,633)	-
Current service cost	-	(6,260)	(6,260)
Interest income / (expense)	1,388	(1,419)	(31)
Re-measurement gains / (losses)	241	4,932	5,173
At 31 December 2015	**44,555**	**(43,440)**	**1,115**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

		Impact on defined benefit obligation	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.50%	Decrease by 6.0%	Increase by 8.4%
Salary growth rate	0.50%	Increase by 7.2%	Decrease by 3.8%
Pension growth rate	0.50%	Increase by 3.1%	Decrease by 2.8%
Life expectancy	Increase or decrease by 1 year	Increase by 1.4%	Decrease by 1.4%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Penguin Books Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended:
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20
Post-Employment Benefits (continued)

Total cost recognised as an expense:

	2015	2014
Current service cost	**(6,260)**	(6,321)
Interest cost	**(31)**	(150)
	(6,291)	(6,471)

The fair value of the plan assets was:

	2015	2014
Equity instruments	**30,840**	24,490
Bonds	**9,227**	7,441
Property	**335**	262
Cash and cash equivalents	**904**	1,558
Investment funds	**3,249**	2,728
	44,555	36,479

The return on the plan assets was:

	2015	2014
Interest income	**1,388**	1,093
Re-measurements	**241**	1,990
Total return on plan assets	**1,629**	3,083

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Related party disclosure

The Company's immediate parent is Penguin Random House Limited ("PRHL"). PRHL is owned by Bertelsmann SE & Co KGaA (53%) and Pearson PRH Holdings Limited (47%). The Company's ultimate parent undertaking and controlling party is Bertelsmann SE & Co KGaA, which is incorporated in Germany, copies of whose consolidated financial statements (the smallest and largest financial statements in which the Company is consolidated) can be obtained from:

Bertelsmann SE & Co KGaA
Corporate Communications
Carl Bertelsmann Strasse 270
Postfach 111
D-33311 Gütersloh
Germany

The directors consider that there are no key managers, whose roles and activities within the Company define them as related parties under the terms of Financial Reporting Standard 101, outside the Board of Directors.

The remuneration of the directors is disclosed in Note 4 to the financial statements. Related party balances with fellow wholly-owned group undertakings are disclosed in Notes 15 and 16 to the financial statements.

The Company is wholly-owned by PRHL and, as such, has taken exemptions under the terms of Financial Reporting Standard 101, from disclosing related party transactions with other wholly-owned subsidiaries of PRHL.

During the year the Company entered into the following transactions with related parties. The profit and loss amounts shown below represent transactions for the full year, except where otherwise stated.

Penguin Books Limited

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

21
Related party disclosure (continued)

Sales	**2015** **£'000**	2014 £'000
Ikar, AS	**2**	-
Prisma Media Group	**325**	331
Mohn Media	**-**	36
Book Club "Family Leisure Club"	**-**	49
Circulo de Lectores S.A	**29**	127
Penguin Group (USA) LLC	**-11**	35,249
Pearson Business Services Interco acc	**-**	(1)
Pearson Central Europe SP Z.O.O	**-**	(2)
Pearson Education Limited	**206 -**	1(2)
Pearson Education North Asia Limited		16
Penguin Random House Group Spain	**1,075**	-

Cost of Sales	**2015** **£'000**	2014 £'000
GGP Media GmbH	**75**	56
RTL Group SS	**8**	0

Other Operating Income	**2015** **£'000**	2014 £'000
Pearson Education Limited	**-**	242
Pearson Education Southern Africa	**-**	4
Pearson Education Inc	**-**	61

Other Operating Income relates to Royalty Income and income in respect of image rights.

Purchases	**2015** **£'000**	2014 £'000
Mohn Media Mohndruck GmbH	**1,212**	1,354
Penguin Group (USA) LLC	**6**	990
Penguin Books SA	**27**	-
Pearson Education Limited	**18**	-
Prisma Media	**6**	-

Purchases relate to purchases of inventory.

Penguin Books Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended:
31 December 2015

21
Related party disclosure (continued)

Distribution Expenses recovered	2015 £'000	2014 £'000
Pearson Education Limited	9,028	9,612

Pearson Education Limited's share of the distribution expenses arising from the Rugby Distribution Centre.

Administration Expenses recovered	2015 £'000	2014 £'000
Pearson Education Limited		900
The Publishers Association	16	-

Administrative Expenses: Management Fee	2015 £'000	2014 £'000
Pearson Shared Services Limited	-	-

Administrative Expenses: Other External Charges*	2015 £'000	2014 £'000
Pearson Shared Services Limited	11,832	33,506

Interest Receivable	2015 £'000	2014 £'000
Penguin Random House Limited	364	173

Dividend Paid	2015 £'000	2014 £'000
Penguin Random House Limited	-	7,500

Debtors	2015 £'000	2014 £'000
Prisma Media Group	-	29
Penguin Random House Limited	77,327	63,393
Penguin Random House LLC	1,963	3,420
Pearson Education Limited	-	358
Pearson Malaysia SDN BHD	-	2
Pearson North Asia Limited	-	9
Pearson Education Southern Africa	-	4
Pearson Education France	-	8
Pearson Education Inc	-	83
Pearson Shared Services	3,454	-
Mohn Media	49	-
Pisma Media	69	-

Penguin Books Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended:
31 December 2015

21
Related party disclosure (continued)

Creditors	2015 £'000	2014 £'000
Mohn Media Mohndruck GmbH	-	325
Pearson Shared Services Limited	-	4,361
Penguin Random House Canada	2	-
Penguin Random House LLC	85	819
Penguin Random House SA	4	5
Penguin Books Deutchsland GMBH	29	-
Penguin Books Benelux B.V	21	-

* Pearson charges are paid by Penguin Books Limited and subsequently recharged to other Penguin companies

22
Transition to FRS 101

For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 January 2013 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2014.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 of IFRS1 "First time adoption of International Financial Reporting Standards".

Exemptions Applied

IFRS 1 allows first-time adopters certain exemptions from the general requirements to apply IFRSs as effective for December 2015 year ends retrospectively. The Company has taken advantage of the following exemptions:

- Cumulative actuarial gains and losses on pensions and other post employment benefits are recognised in full in equity on the date of transition to IFRS.

Penguin Books Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended:
31 December 2015

22
Transition to FRS 101 (continued)

Reconciliation of Profit
31 December 2014

	UK GAAP £'000	Effect of Transition to FRS 101 £'000	FRS 101 £,000
Turnover	161,516	-	161,516
Cost of sales	(85,419)	-	(85,419)
Gross profit	76,097	-	76,097
Distribution costs	(6,696)	-	(6,696)
Administrative expenses	(44,629)	-	(44,629)
Operating profit	24,772	-	24,772
Income from other investments in subsidiaries	7,900	-	7,900
Gain on sale of investment	138	-	138
Profit on ordinary activities before interest and taxation	32,810	-	32,810
Interest receivable and similar income	180	-	180
Interest payable and similar charges	(54)	-	(54)
Other finance expense	(899)	-	(899)
Profit on ordinary activities before taxation	32,037	-	32,037
Tax charge on profit on ordinary activities	(4,966)	-	(4,966)
Profit for the financial year	27,071	-	27,071

Reconciliation of equity
as at 1 January 2014
(Date of Transition to FRS 101)

	UK GAAP £'000	Effect of transition to FRS 101 £'000	FRS 101 £'000
Fixed assets			
Tangible fixed assets	11,518	(2,134)	9,384
Intangible assets	-	2,134	2,134
Investments	25,461	-	25,461
	36,979	-	36,979
Current assets			
Stocks	7,241	-	7,241
Debtors	172,313	-	172,313
Cash at bank and in hand	3,234	-	3,234
	182,788	-	182,788
Creditors: amounts falling due within one year	(97,779)	-	(97,779)
Net current assets	85,009	-	85,009
Total assets less current liabilities	121,988	-	121,988
Pension deficit	(4,112)	-	(4,112)
Net assets	117,876	-	117,876
Capital and reserves			
Called up share capital	88,300	-	88,300
Share premium account	1,139	-	1,139
Profit and loss account	28,437	-	28,437
Total Equity	117,876	-	117,876

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

22
Transition to FRS 101 (continued)

Reconciliation of equity as at 31 December 2014

	UK GAAP £'000	Effect of transition to FRS 101 £'000	FRS 101 £'000
Fixed assets			
Tangible fixed assets	7,499	(1,312)	6,187
Intangible assets	-	1,312	1,312
Investments	25,461	-	25,461
	32,960	-	32,960
Current assets			
Stocks	7,661	-	7,661
Debtors	194,315	-	194,315
Cash at bank and in hand	13,392	-	13,392
	215,368		215,368
Creditors: amounts falling due within one year	(107,740)	-	(107,740)
Net current assets	107,628	-	107,628
Total assets less current liabilities	140,588	-	140,588
Pension deficit	(2,619)	-	(2,619)
Net assets	137,969	-	137,969
Capital and reserves			
Called up share capital	88,300	-	88,300
Share premium account	1,139	-	1,139
Profit and loss account	48,530	-	48,530
Total Equity	137,969	-	137,969

Software previously classified in property, plant and equipment has been re-classified to intangible assets under FRS 101