

**Snowman Enterprises Limited**

Registered Number :

1603770

Annual Report and Financial Statements

For the 18 month period ended :

31 December 2013

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**Snowman Enterprises Limited**  
**For the 18 month period ended 31 December 2013**

**STRATEGIC REPORT**

The directors present their Strategic Report of Snowman Enterprises Limited ("the Company") for the 18 month period ended 31 December 2013.

**Principal activities**

The Company is a subsidiary of Penguin Books Ltd, which is a subsidiary of Penguin Random House Limited (formerly The Penguin Publishing Company Limited), a company registered in the United Kingdom. The principal activity of the Company continues to be the exploitation of the media rights to the original Snowman film.

**Business review**

On 1 July 2013, having received all the necessary clearances, Bertelsmann SE & Co KGaA and Pearson plc combined their respective book publishing businesses, Random House and Penguin, under the name Penguin Random House. Bertelsmann SE & Co KGaA owns 53% and Pearson plc 47%. The Company will continue to exploit the media rights to the original Snowman film with the support of the Penguin Random House group.

On 12 October 2012 Penguin Books Limited purchased a 55% shareholding in the Company, this in combination with existing shareholdings increased its ownership to 100% of the Company.

The directors elected to change the accounting reference date of the Company to 31 December. This report therefore, covers an 18 month period to 31 December 2013.

The Company is a subsidiary of Penguin Books Limited and undertakes its activities as directed by this company.

**Key performance indicators ("KPI's")**

The directors of Pearson plc and Bertelsmann SE & Co KGaA manage each respective group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators of these entities for the Company is not appropriate for an understanding of the development, performance or position of the business of the Company.

The Company instead monitors progress and performance during the period and historical trend data is set out in the following key performance indicators:

- Turnover for the period was £524,000 (2012: £344,000); and
- Gross margin for the period was 70% (2012: 77%);

**Principal risks and uncertainties**

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

**Other matter**

The financial statements for the year ended 30 June 2012, forming the corresponding figures of the financial statement for the 18 months ended 31 December 2013, are unaudited. In the prior year there was no requirement for the company to be audited, however the change of ownership in the period making the company a wholly owned subsidiary triggered the need for an audit going forward.

By Order of the Board



Mark Gardiner  
Director

17<sup>th</sup> December 2014

**Snowman Enterprises Limited**  
**For the 18 month period ended 31 December 2013**

**DIRECTORS' REPORT**

The directors present their report and the audited financial statements of Snowman Enterprises Limited ("the Company") for the 18 month period ended 31 December 2013. The company has met the criteria per section 382 of the companies act 2006 to qualify as a small company.

**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 forecasted transaction. The directors consider the entity's exposure to price risk, credit risk and liquidity risk.

**Future development**

With the support of the Penguin Random House Group, the Company will continue to exploit the media rights to the original Snowman film.

**Results and dividends**

The directors do not propose the payment of a dividend for the period ended 31 December 2013 (period ended 30 June 2012: £nil), and the profit for the financial period of £272,000 (period ended 30 June 2012: profit £Nil) is to be transferred to reserves.

**Directors**

The directors who held office during the period and up to the date of signing the financial statements are given below :

Helena Peacock (Secretary appointed 12 October 2012)

Francesca Dow

Mark Gardiner (appointed 31 March 2014)

Muna Hagler

Thomas Weldon (appointed 17 October 2012)

Suzanne Brennan (appointed 14 October 2012, resigned 31 March 2014)

George Capsomidis (appointed 7 August 2012, resigned 13 October 2012)

John Coates (resigned 16 September 2012)

**Snowman Enterprises Limited**  
**For the 18 month Period Ended 31 December 2013**

**DIRECTORS' REPORT (continued)**

**Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic Report, 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 period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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 (see note 1 for further details).

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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Disclosure of information to auditors**

In accordance with Section 418, directors' reports shall include a statement, 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) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Appointment of auditors**

Pursuant to section 485 of the Companies Act 2006, PwC LLP was appointed as auditors.

**Other matter**

The financial statements for the year ended 30 June 2012, forming the corresponding figures of the financial statement for the 18 months ended 31 December 2013, are unaudited. In the prior year there was no requirement for the company to be audited, however the change of ownership in the period making the company a wholly owned subsidiary triggered the need for an audit going forward.

On behalf of the board



Mark Gardiner  
Director

17<sup>th</sup> December 2014

# ***Independent auditors' report to the members of Snowman Enterprises Limited***

## **Report on the financial statements**

### **Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the 18 month period 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.

This opinion is to be read in the context of what we say in the remainder of this report.

### **What we have audited**

The financial statements, which are prepared by Snowman Enterprises Limited, comprise:

- the Balance Sheet as at 31 December 2013;
- the Profit and Loss Account for the 18 month period 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 their preparation is applicable law and United Kingdom Accounting Standards (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.

### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial period 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.

### **Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to prepare financial statements in accordance with the small companies regime. We have no exceptions to report arising from this responsibility.

# ***Independent auditors' report to the members of Snowman Enterprises Limited (continued)***

## **Responsibilities for the financial statements and the audit**

### **Our responsibilities and those of the directors**

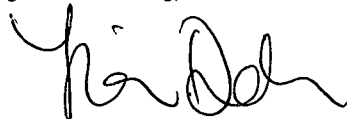
As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and 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.

### **Other matter**

The financial statements for the year ended 30 June 2012, forming the corresponding figures of the financial statements for the 18 months ended 31 December 2013, are unaudited.



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

17 December 2014

**Snowman Enterprises Limited**

**PROFIT AND LOSS ACCOUNT**

**For the 18 month period ended :  
31 December 2013**

	<b>18 months to 31 December 2013</b>	<b>Year ended 30 June 2012 Unaudited</b>
<b>Note</b>	<b>£'000</b>	<b>£'000</b>
<b>Turnover</b>	<b>524</b>	<b>344</b>
Cost of sales	(155)	(79)
Gross profit	369	265
Administrative expenses	(23)	(265)
<b>Operating profit</b>	<b>346</b>	<b>-</b>
Tax on profit on ordinary activities	4	-
<b>Profit for the financial period</b>	<b>272</b>	<b>-</b>

The results above are all derived from continuing activities.

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial period stated above and their historical cost equivalents.

The Company has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 8 to 19 form part of these financial statements.

**Snowman Enterprises Limited**

**BALANCE SHEET**

As at :

**31 December 2013**

Company registered number :

1603770

**31 December 2013** 30 June 2012

Unaudited

\*Restated

	Note	£'000	£'000
<b>Current assets</b>			
Stocks	5	100	100
Debtors	6	150	20
Cash at bank and in hand		197	223
		447	343
Creditors: amounts falling due within one year	7	(74)	(242)
<b>Net current assets</b>		<b>373</b>	<b>101</b>
<b>Total assets less current liabilities</b>		<b>373</b>	<b>101</b>
<b>Net assets</b>		<b>373</b>	<b>101</b>

**Capital and reserves**

Called up share capital	8	-	-
Profit and loss account	9	373	101
<b>Total shareholders' funds</b>		<b>373</b>	<b>101</b>

\* refer to note 1 for the details of restatement

The financial statements on pages 6 to 19 were approved by the board of directors on 17<sup>th</sup> December 2014 and were signed on its behalf by :



Mark Gardiner  
Director

## Snowman Enterprises Limited

### NOTES TO THE FINANCIAL STATEMENTS

For the 18 month period ended :

31 December 2013

#### 1

#### Accounting policies

##### Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently, are set out below.

The Company has met the criteria per section 382 of the Companies Act 2006 to qualify as a small company. As a result, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 "Cash flow statements" (Revised 1996).

##### 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 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.

##### Going concern

The financial statements have been prepared on a going concern basis in view of the fact the Company is dependant for its working capital on funds provided to it by Penguin Random House Limited. Penguin Random House Limited has indicated that it will provide sufficient funding to the Company to enable it to meet its liabilities as they fall due for at least the next twelve months from the date of approval of these financial statements. The directors have no reason to believe that the parent company will not be in a position to provide this support and accordingly, they have prepared these financial statements on a going concern basis.

##### Prior year representation

###### Film production costs

In the prior year the film production costs were accounted for as an investment. After a review of the underlying agreements and the Company's accounting policies the directors believe this should be reported as stock. As a result the comparatives have been represented for comparability purposes.

The impact of the prior year reclassification on the comparative figures is summarised in the table below:

	As previously presented £'000	Reclassification £'000	As reported £'000
Investments	100	(100)	-
Stock	-	100	100

##### Turnover

Turnover consists of merchandise income and TV or film income. Merchandise income and TV or film income is recognised when the invoice is raised if the brand is managed in-house. If the brand is managed by a external agent the revenue is recognised monthly based upon reports from external agents.

##### Debtors

Intercompany debtors are stated at fair value after anticipated future sales returns. Balances owed by group undertakings are unsecured, interest free and repayable on demand.

##### Stocks

Finished goods, work in progress and materials are stated at the lower of cost and net realisable value. Costs comprise production costs for a film which is the subject of a licensing agreement.

## **1**

### **Accounting policies (continued)**

#### **Foreign currencies**

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date.

#### **Other matter**

The financial statements for the year ended 30 June 2012, forming the corresponding figures of the financial statement for the 18 months ended 31 December 2013, are unaudited. In the prior year there was no requirement for the company to be audited, however the change of ownership in the period making the company a wholly owned subsidiary triggered the need for an audit going forward.

**Snowman Enterprises Limited**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the 18 month period ended :**

**31 December 2013**

**2**

**Cash flow statement and Related Party Transactions**

The Company has met the criteria per section 382 of the Companies Act 2006 to qualify as a small company. As a result, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 "Cash flow statements" (Revised 1996).

The Company is a wholly owned subsidiary of Penguin Books Limited as such has taken exemption under FRS 8 "Related party disclosures" from disclosing related party transactions with Penguin Books Limited group companies.

**Snowman Enterprises Limited**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the 18 month period ended :**

**31 December 2013**

**3**

**Operating profit**

Auditors' remuneration for the statutory audit of the Company was borne by Penguin Books Limited and recharged to Snowman Enterprises Limited as part of a management recharge. This amounted to £7,000 (2012: £None). No other services were provided by the Company's auditors.

No staff were employed by the Company (2012: none). The directors received no emoluments in respect of their services to the Company in 2013.

**Snowman Enterprises Limited**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the 18 month period ended :**

**31 December 2013**

**4**

**Tax on profit on ordinary activities**

	<b>18 months to 31 December 2013</b>	<b>Year ended 30 June 2012 Unaudited</b>
	<b>£'000</b>	<b>£'000</b>
Current tax :		
UK corporation tax on profits for the period	<b>74</b>	-
<b>Total current tax</b>	<b>74</b>	-
<b>Tax charge on profit on ordinary activities</b>	<b>74</b>	-
<b>UK standard effective rate of corporation tax (%)</b>	<b>23.5</b>	<b>24.5</b>

The tax assessed for the year differs from the standard effective rate of corporation tax in the UK as explained below :

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit on ordinary activities before taxation</b>	<b>346</b>	-
Profit on ordinary activities before taxation multiplied by UK standard effective rate	<b>81</b>	-
Effects of :		
Other allowable deduction	<b>(1)</b>	-
Utilisation of tax losses	<b>(6)</b>	-
<b>Current tax charge for the period</b>	<b>74</b>	-

The standard rate of corporation tax in the United Kingdom changed from 24% to 23% with effect from 1 April 2013. Accordingly the company's losses are taxed at an effective rate of 23.5%. During the period changes to the UK main corporation tax rate were enacted. The tax rate has fallen to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015.

**Snowman Enterprises Limited**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the 18 month period ended :**

**31 December 2013**

**5**

**Stocks**

	<b>31 December 2013</b>	<b>30 June 2012</b>
		<b>Unaudited</b>
		<b>*Restated</b>
	<b>£'000</b>	<b>£'000</b>
Film production cost	<b>100</b>	<b>100</b>

\* Film production costs have been restated to stock to comply with current period presentation.

**Snowman Enterprises Limited**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the 18 month period ended :**

**31 December 2013**

**6**

**Debtors**

	<b>31 December 2013</b>	<b>30 June 2012</b>
		Unaudited
<b>Amounts falling due within one year :</b>	<b>£'000</b>	<b>£'000</b>
Trade debtors	-	20
Amounts owed by group undertakings	<b>150</b>	-
	<b>150</b>	<b>20</b>

Balances owed by group undertakings are unsecured, interest free and repayable on demand.

**Snowman Enterprises Limited**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the 18 month period ended :**

**31 December 2013**

**7**

**Creditors**

	<b>31 December 2013</b>	<b>30 June 2012</b>
		Unaudited
<b>Amounts falling due within one year :</b>	<b>£'000</b>	<b>£'000</b>
Amounts owed to group undertakings	-	(217)
Corporation tax	(74)	-
Other creditors	-	(15)
Accruals and deferred income	-	(10)
	<b>(74)</b>	<b>(242)</b>

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

**Snowman Enterprises Limited**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the 18 month period ended :**

**31 December 2013**

**8**

**Called up share capital**

**31 December 2013**    30 June 2012  
Unaudited  
**£'000**                    **£'000**

Total share capital	-	-
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	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Ordinary share £1 each</b>	<b>No</b>	<b>No</b>	<b>£'000</b>	<b>£'000</b>
Allotted and fully paid	100	100	-	-

**Snowman Enterprises Limited**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the 18 month period ended :**

**31 December 2013**

**9**

**Reserves**

		<b>Profit and loss</b>	<b>Total</b>
		<b>£'000</b>	<b>£'000</b>
At 1 July 2012	Unaudited	101	101
Profit for the period		272	272
<b>At 31 December 2013</b>		<b>373</b>	<b>373</b>

**Snowman Enterprises Limited**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the 18 month period ended :**

**31 December 2013**

**10**

**Reconciliation of movements in shareholders' funds**

**31 December 2013**    30 June 2012  
Unaudited  
£'000                      £'000

Profit for the financial period		<b>272</b>	-
<b>Opening shareholders' funds</b>	Unaudited	<b>101</b>	101
<b>Closing shareholders' funds</b>		<b>373</b>	101

**Snowman Enterprises Limited**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the 18 month period ended :**

**31 December 2013**

**11**

**Ultimate parent undertaking**

The immediate parent undertaking is Penguin Books Limited.

Penguin Books Limited is a wholly owned subsidiary of Penguin Random House Limited ("PRHL"). PRHL is owned by Bertelsmann SE & co KGaA 53% and Pearson Plc 47%. The Company's ultimate controlling and parent company 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