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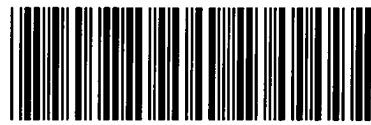
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## BOOK NETWORK INT'L LIMITED

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### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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**BOOK NETWORK INT'L LIMITED**

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**COMPANY INFORMATION**

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**DIRECTORS**

J Lyons (resigned 30 June 2017)  
O Gadsby (resigned 30 June 2017)  
R Marsh (resigned 30 June 2017)  
M K Cavarra (appointed 30 June 2017)

**COMPANY SECRETARY**

Taylor Wessing Secretaries Ltd

**REGISTERED NUMBER**

04957045

**REGISTERED OFFICE**

5 New Street Square  
London  
EC4A 3TW

**INDEPENDENT AUDITORS**

Berg Kaprow Lewis LLP  
Chartered Accountants & Statutory Auditor  
35 Ballards Lane  
London  
N3 1XW

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**BOOK NETWORK INT'L LIMITED**

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## BOOK NETWORK INT'L LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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#### INTRODUCTION

The directors present their strategic report for the year ended 31 December 2017.

#### BUSINESS REVIEW

During the year the company's entire share capital was acquired by Ingram Publisher Services LLC, a member of Ingram Content Group based in the United States.

The company continues to develop its financial and operational strength. Revenues saw healthy growth in the year, and effective cost control ensured that this converted into even stronger growth at the EBITDA level. The company is stable, and is able to focus on giving excellent service to its clients.

The company took on several new clients in 2017, thanks to the ability to offer a flexible menu of physical and ebook distribution services, accompanied in selected cases by a wider sales and marketing service. We also continued to increase the scope of our Print on Demand sourcing capability to help ensure our clients maximise sales opportunities while minimising investment in inventory.

Our experienced management team is backed up by excellent staff across our core functions of publisher services, customer services, IT, finance and warehouse, all of whom contribute significantly to the company's success.

#### PRINCIPAL RISKS AND UNCERTAINTIES

We consider our principal risks and uncertainties to be:

- Our ability to bring new business into the operation and retain the business of existing clients in an increasingly competitive market;
- Our ability to continue to invest in operating infrastructure, be that IT or physical, to provide competitive services.
- The effect of the Brexit referendum in the UK on our international trading relationships has so far been positive but this could change subject to the final agreement between the UK and EU on future trading arrangements.

#### FINANCIAL KEY PERFORMANCE INDICATORS

We consider that our key financial performance indicators are revenue, operating profit, the control of our expenditure, and profit before taxation.

This report was approved by the board and signed on its behalf.



**M K Cavarra**  
Director

Date: 25 September 2018

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## **BOOK NETWORK INT'L LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present their report and the financial statements for the year ended 31 December 2017.

#### **PRINCIPAL ACTIVITY**

The principal activity of the company is that of book distributors.

#### **DIRECTORS**

The directors who served during the year were:

J Lyons (resigned 30 June 2017)  
O Gadsby (resigned 30 June 2017)  
R Marsh (resigned 30 June 2017)  
M K Cavarra (appointed 30 June 2017)

#### **RESULTS AND DIVIDENDS**

The loss for the year, after taxation, amounted to £706,654 (2016 - profit £65,629).

#### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.

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**BOOK NETWORK INT'L LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**DISCLOSURE OF INFORMATION TO AUDITORS**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

**AUDITORS**

The auditors, Berg Kaprow Lewis LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



**M K Cavarra**  
Director

Date: 25 September 2018

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## **BOOK NETWORK INT'L LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BOOK NETWORK INT'L LIMITED**

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#### **OPINION**

We have audited the financial statements of Book Network Int'l Limited (the 'company') for the year ended 31 December 2017, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss 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.

#### **BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **MATERIAL UNCERTAINTY REALTED TO GOING CONCERN**

We draw attention to note 2.2 in the financial statements, which indicates that it is the opinion of the directors the company will receive continued support from fellow group companies for the foreseeable future. These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **OTHER INFORMATION**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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## **BOOK NETWORK INT'L LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BOOK NETWORK INT'L LIMITED (CONTINUED)**

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#### **OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

#### **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **RESPONSIBILITIES OF DIRECTORS**

As explained more fully in the Directors' Responsibilities Statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



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## **BOOK NETWORK INT'L LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BOOK NETWORK INT'L LIMITED (CONTINUED)**

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#### **AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' Report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **USE OF OUR REPORT**

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

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**BOOK NETWORK INT'L LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BOOK NETWORK INT'L LIMITED  
(CONTINUED)**

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*Berg Kaprow Lewis LLP.*

Michael Wedge ACA (Senior Statutory Auditor)

for and on behalf of  
**Berg Kaprow Lewis LLP**

Chartered Accountants  
Statutory Auditor

London

Date: *27 September 2018.*

**BOOK NETWORK INT'L LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
Turnover	4	2,900,064	2,692,407
Cost of sales		(76,242)	(84,256)
<b>GROSS PROFIT</b>		<b>2,823,822</b>	<b>2,608,151</b>
Administrative expenses		(2,574,822)	(2,560,801)
Exceptional administrative expenses	12	(947,842)	-
Other operating income	5	4,900	7,800
<b>OPERATING (LOSS)/PROFIT</b>	6	<b>(693,942)</b>	<b>55,150</b>
Interest payable and expenses	10	(2,233)	-
<b>(LOSS)/PROFIT BEFORE TAX</b>		<b>(696,175)</b>	<b>55,150</b>
Tax on (loss)/profit	11	(10,479)	10,479
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		<b>(706,654)</b>	<b>65,629</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(706,654)</b>	<b>65,629</b>

The notes on pages 12 to 27 form part of these financial statements.

**BOOK NETWORK INT'L LIMITED**  
**REGISTERED NUMBER: 04957045**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

	Note	2017 £	2016 £
<b>FIXED ASSETS</b>			
Intangible assets	13	8,266	8,665
Tangible assets	14	229,331	279,008
		<u>237,597</u>	<u>287,673</u>
<b>CURRENT ASSETS</b>			
Stocks	15	61,188	68,113
Debtors	16	8,975,271	7,684,568
Cash at bank and in hand	17	281,273	1,603,936
		<u>9,317,732</u>	<u>9,356,617</u>
Creditors: amounts falling due within one year	18	(11,071,242)	(10,453,549)
<b>NET CURRENT LIABILITIES</b>		<u>(1,753,510)</u>	<u>(1,096,932)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(1,515,913)</u>	<u>(809,259)</u>
<b>NET LIABILITIES</b>		<u>(1,515,913)</u>	<u>(809,259)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	100	100
Profit and loss account	22	(1,516,013)	(809,359)
		<u>(1,515,913)</u>	<u>(809,259)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



**M K Cavarra**  
Director

Date: 25 September 2018

The notes on pages 12 to 27 form part of these financial statements.

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**BOOK NETWORK INT'L LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 1 January 2016</b>	<b>100</b>	<b>(874,988)</b>	<b>(874,888)</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>			
Profit for the year	-	<b>65,629</b>	<b>65,629</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>-</b>	<b>65,629</b>	<b>65,629</b>
<b>At 1 January 2017</b>	<b>100</b>	<b>(809,359)</b>	<b>(809,259)</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>			
Loss for the year	-	<b>(706,654)</b>	<b>(706,654)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>-</b>	<b>(706,654)</b>	<b>(706,654)</b>
<b>AT 31 DECEMBER 2017</b>	<b>100</b>	<b>(1,516,013)</b>	<b>(1,515,913)</b>

The notes on pages 12 to 27 form part of these financial statements.

**BOOK NETWORK INT'L LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 £	2016 £
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) from activities	(706,654)	65,629
<b>ADJUSTMENTS FOR:</b>		
Amortisation of intangible assets	403	403
Depreciation of tangible assets	79,131	89,826
Interest paid	2,233	-
Taxation charge	10,479	(10,479)
Decrease in stocks	6,923	32,684
(Increase) in debtors	(879,304)	(2,059,168)
(Increase)/decrease in amounts owed by groups	(421,878)	-
Increase in creditors	2,414,363	1,342,797
(Decrease)/increase in amounts owed to groups	(1,645,259)	367,377
(Decrease)/increase in amounts owed to participating ints	(151,413)	151,413
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>(1,290,976)</b>	<b>(19,518)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible fixed assets	(29,454)	(74,344)
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(29,454)</b>	<b>(74,344)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(2,233)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(2,233)</b>	<b>-</b>
<b>(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,322,663)</b>	<b>(93,862)</b>
Cash and cash equivalents at beginning of year	1,603,936	1,697,798
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<b>281,273</b>	<b>1,603,936</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:</b>		
Cash at bank and in hand	281,273	1,603,936
	<b>281,273</b>	<b>1,603,936</b>

The notes on pages 12 to 27 form part of these financial statements.

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## **BOOK NETWORK INT'L LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **1. GENERAL INFORMATION**

The principal activity of the company is that of book distributors.

The company is a private company limited by shares and is incorporated in England and Wales.

The company's registered office address is 5 New Street Square, London, EC4A 3TW.

The company's trading address is 10 Thornbury Road, Estover, Plymouth, Devon, PL6 7PP.

#### **2. ACCOUNTING POLICIES**

##### **2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006 ('FRS 102').

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

##### **2.2 GOING CONCERN**

At the Statement of Financial Position date, the company had net liabilities of £1,515,913 (2016: £809,259). The financial statements have been prepared on a going concern basis as, in the opinion of the directors, the company will receive continued support from fellow group companies for the foreseeable future.

##### **2.3 REVENUE**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

###### **Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue relates to the distribution of books and is recognised upon dispatch of the goods ordered.

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## BOOK NETWORK INT'L LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 2. ACCOUNTING POLICIES (CONTINUED)

##### 2.4 INTANGIBLE ASSETS AND AMORTISATION

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Development expenditure	25	years
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##### 2.5 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Motor vehicles	20%
Fixtures and fittings	10%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

##### 2.6 OPERATING LEASES: THE COMPANY AS LESSEE

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

##### 2.7 STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.



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## **BOOK NETWORK INT'L LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **2. ACCOUNTING POLICIES (CONTINUED)**

##### **2.8 CASH AND CASH EQUIVALENTS**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

##### **2.9 FINANCIAL INSTRUMENTS**

The company only enters into basic financial instruments and transactions that result in the recognition of financial assets and liabilities like trade debtors and creditors and other debtors, loans to related parties.

###### **(i) Financial assets**

Basic financial assets, including trade and other debtors, and amounts due from related companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

###### **(ii) Financial liabilities**

Basic financial liabilities, including trade creditors and accruals, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

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## **BOOK NETWORK INT'L LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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## **2. ACCOUNTING POLICIES (CONTINUED)**

### **2.9 FINANCIAL INSTRUMENTS (CONTINUED)**

#### **(iii) Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### **2.10 FOREIGN CURRENCY TRANSLATION**

#### **Functional and presentation currency**

The company's functional and presentational currency is GBP.

#### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

### **2.11 FINANCE COSTS**

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### **2.12 PENSIONS**

#### **Defined Contribution Pension Plan**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

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## **BOOK NETWORK INT'L LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **2. ACCOUNTING POLICIES (CONTINUED)**

##### **2.13 CURRENT AND DEFERRED TAXATION**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

##### **2.14 EXCEPTIONAL ITEMS**

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

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## BOOK NETWORK INT'L LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

##### (i) Impairment of Intangibles

Determine whether there are indicators of impairment of the company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

##### (ii) Bad debt provision

Provisions made for bad debt require management's best estimate of the total amounts irrecoverable as at the date of Statement of Financial Position.

##### (iii) Stock

Stock valuation is made at the lower of cost and net realisable value.

There are no key assumptions concerning the future at the reporting date that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year

#### 4. TURNOVER

	2017 £	2016 £
Sales	2,900,064	2,692,407
	<u>2,900,064</u>	<u>2,692,407</u>

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	1,804,143	1,733,850
Rest of the world	1,095,921	958,557
	<u>2,900,064</u>	<u>2,692,407</u>

**BOOK NETWORK INT'L LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**5. OTHER OPERATING INCOME**

	2017 £	2016 £
Service charge receivable	4,900	7,800
	<u>4,900</u>	<u>7,800</u>

**6. OPERATING (LOSS)/PROFIT**

The operating (loss)/profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	79,131	89,826
Amortisation of intangible assets, including goodwill	403	403
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	17,500	19,500
Exchange differences	24,104	7,430
Other operating lease rentals	278,589	272,520
Defined contribution pension cost	16,554	17,912

**7. AUDITORS' REMUNERATION**

	2017 £	2016 £
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	17,500	19,500

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**BOOK NETWORK INT'L LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**8. EMPLOYEES**

Staff costs, including directors' remuneration, were as follows:

	2017 £	2016 £
Wages and salaries	1,252,933	1,238,407
Social security costs	90,112	94,137
Cost of defined contribution scheme	16,554	17,912
	<u>1,359,599</u>	<u>1,350,456</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	2016 No.
Warehouse and administration	<u>73</u>	<u>77</u>

**9. DIRECTORS' REMUNERATION**

	2017 £	2016 £
Directors' emoluments	-	86,667
Company contributions to defined contribution pension schemes	-	3,680
	<u>-</u>	<u>90,347</u>

During the year retirement benefits were accruing to no directors (2016 - NIL) in respect of defined contribution pension schemes.

**KEY MANAGEMENT COMPENSATION**

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

**BOOK NETWORK INT'L LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Salaries and other short term benefits	<b>207,474</b>	<b>272,370</b>
Company Contributions to Defined Contribution Pension schemes	<b>7,412</b>	<b>17,129</b>
	<b>214,886</b>	<b>289,499</b>

**10. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Other interest payable	<b>2,233</b>	<b>-</b>
	<b>2,233</b>	<b>-</b>

**11. TAXATION**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>TOTAL CURRENT TAX</b>	<b>-</b>	<b>-</b>
<b>DEFERRED TAX</b>		
Origination and reversal of timing differences	<b>10,479</b>	<b>(10,479)</b>
<b>TOTAL DEFERRED TAX</b>	<b>10,479</b>	<b>(10,479)</b>
<b>TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES</b>	<b>10,479</b>	<b>(10,479)</b>

**BOOK NETWORK INT'L LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**11. TAXATION (CONTINUED)**

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is lower than (2016 - *lower than*) the standard rate of corporation tax in the UK 19% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
(Loss)/profit on ordinary activities before tax	(696,175)	55,151
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2016 - 20%)	(134,013)	11,030
<b>EFFECTS OF:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	183,000	486
Depreciation for the year in excess of capital allowances	1,374	-
Utilisation of tax losses	(50,370)	-
Short term timing difference leading to an increase (decrease) in taxation	10,488	(22,145)
Other differences leading to an increase (decrease) in the tax charge	-	150
<b>TOTAL TAX CHARGE FOR THE YEAR</b>	<b>10,479</b>	<b>(10,479)</b>

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

The company has estimated tax losses of £3,192,000 (2016: £3,450,000) to carry forward against future trading profits.

**12. EXCEPTIONAL ITEMS**

	2017 £	2016 £
Debt forgiveness	947,842	-
	<b>947,842</b>	<b>-</b>



**BOOK NETWORK INT'L LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**13. INTANGIBLE ASSETS**

	<b>Development £</b>	<b>Goodwill £</b>	<b>Total £</b>
<b>COST</b>			
At 1 January 2017	<b>10,083</b>	<b>25,000</b>	<b>35,083</b>
Disposals	-	<b>(25,000)</b>	<b>(25,000)</b>
At 31 December 2017	<b>10,083</b>	-	<b>10,083</b>
<b>AMORTISATION</b>			
At 1 January 2017	<b>1,414</b>	<b>25,000</b>	<b>26,414</b>
Charge for the year	<b>403</b>	-	<b>403</b>
On disposals	-	<b>(25,000)</b>	<b>(25,000)</b>
At 31 December 2017	<b>1,817</b>	-	<b>1,817</b>
<b>NET BOOK VALUE</b>			
At 31 December 2017	<b>8,266</b>	-	<b>8,266</b>
At 31 December 2016	<b>8,669</b>	-	<b>8,669</b>

**BOOK NETWORK INT'L LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**14. TANGIBLE FIXED ASSETS**

	<b>Motor vehicles £</b>	<b>Fixtures and fittings £</b>	<b>Total £</b>
<b>COST OR VALUATION</b>			
At 1 January 2017	<b>5,495</b>	<b>1,273,809</b>	<b>1,279,304</b>
Additions		<b>29,454</b>	<b>29,454</b>
At 31 December 2017	<b>5,495</b>	<b>1,303,263</b>	<b>1,308,758</b>
<b>DEPRECIATION</b>			
At 1 January 2017	<b>5,495</b>	<b>994,801</b>	<b>1,000,296</b>
Charge for the year on owned assets		<b>79,131</b>	<b>79,131</b>
At 31 December 2017	<b>5,495</b>	<b>1,073,932</b>	<b>1,079,427</b>
<b>NET BOOK VALUE</b>			
At 31 December 2017		<b>229,331</b>	<b>229,331</b>
At 31 December 2016		<b>279,008</b>	<b>279,008</b>

**15. STOCKS**

	<b>2017 £</b>	<b>2016 £</b>
Raw materials and consumables	<b>10,140</b>	<b>7,652</b>
Finished goods and goods for resale	<b>51,048</b>	<b>60,461</b>
	<b>61,188</b>	<b>68,113</b>

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**BOOK NETWORK INT'L LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**16. DEBTORS**

	2017 £	2016 £
Trade debtors	8,063,506	7,176,342
Amounts owed by group undertakings	421,878	
Other debtors	5,391	
Prepayments and accrued income	484,496	497,747
Deferred taxation		10,479
	<u>8,975,271</u>	<u>7,684,568</u>

Amounts due from group undertakings and participating interests are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**17. CASH AND CASH EQUIVALENTS**

	2017 £	2016 £
Cash at bank and in hand	281,273	1,603,936
	<u>281,273</u>	<u>1,603,936</u>

**18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2017 £	2016 £
Trade creditors	10,928,883	8,509,099
Amounts owed to group undertakings		1,645,259
Amounts owed to other participating interests		151,413
Other taxation and social security	94,780	112,872
Accruals	47,579	34,906
	<u>11,071,242</u>	<u>10,453,549</u>

Amounts owed to group undertakings and participating interests are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**BOOK NETWORK INT'L LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**19. FINANCIAL INSTRUMENTS**

	2017 £	2016 £
<b>FINANCIAL ASSETS</b>		
Financial assets measured at amortised cost	8,785,780	7,466,140
	<u>8,785,780</u>	<u>7,466,140</u>
<b>FINANCIAL LIABILITIES</b>		
Financial liabilities measured at amortised cost	(11,499,410)	(10,189,264)
	<u>(11,499,410)</u>	<u>(10,189,264)</u>

Financial assets measured at amortised cost comprise trade and other debtors and amounts owed from related group companies.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings and accruals.

**20. DEFERRED TAXATION**

	2017 £
At beginning of year	10,479
Charged to profit or loss	(10,479)
<b>AT END OF YEAR</b>	<u>          </u>

The deferred tax asset is made up as follows:

	2017 £	2016 £
Tax losses carried forward		10,479
		<u>10,479</u>

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**BOOK NETWORK INT'L LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**21. SHARE CAPITAL**

	2017 £	2016 £
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

**22. RESERVES****Profit and loss account**

Profit and loss accounts includes all current and prior period retained profits and losses.

**23. PENSION COMMITMENTS**

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £16,554 (2016: £17,912). Contributions totalling £46 (2016: £Nil) were payable to the fund at the Statement of Financial Position date.

**24. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	300,471	240,789
Later than 1 year and not later than 5 years	500,926	658,863
	<u>801,397</u>	<u>899,652</u>

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## **BOOK NETWORK INT'L LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **25. RELATED PARTY TRANSACTIONS**

During the year, the company was sold.

Included within trade creditors is a balance of £1,189,122 (2016: £Nil) owed to the previous ultimate controlling party. This balance has arisen from ordinary business activities, and as such is presented here.

Included within prepayments and accrued income is a balance of £49,611 (2016: £Nil) owed by the previous ultimate controlling party. This balance has arisen from ordinary business activities, and as such is presented here.

Included within amounts owed to group undertakings is a balance of £Nil (2016: £1,645,259) owed to the previous ultimate controlling party. Included in administrative expenses is an amount of £947,842 (2016: £Nil) for debt forgiveness. This expense has arisen by transactions with the previous ultimate controlling party occurring in the year that lead to an arising debtor, followed by a write off to administrative expenses.

Included within amounts owed to participating interests is a balance of £Nil (2016: £151,413) owed to a company in which a former director was also a director. This director is no longer a director of Book Network Int'l Ltd. This balance is unsecured and interest free, with no fixed repayment terms. Included with consultancy expenses is an amount of £17,496 (2016: £Nil) for services provided by this related company.

Included in amounts owed by group undertakings is a balance of £419,698 (2016: £Nil) owed by the parent company of the immediate parent, and a balance of £2,180 (2016: £Nil) owed by a related group company at the balance sheet date. These balances are unsecured with no fixed repayment terms. During the year the company paid interest of £2,195 (2016: £Nil) to the parent company.

#### **26. CONTROLLING PARTY**

The immediate parent undertaking at the start of the year was National Book Network Inc. (incorporated in USA). The ultimate controlling party was Rowman and Littlefield Publishing Group Inc. (incorporated in USA).

During the year, the company was sold.

The immediate parent undertaking is now Ingram Publisher Services LLC (incorporated in USA). The ultimate controlling party is now Ingram Industries Inc. (incorporated in USA).