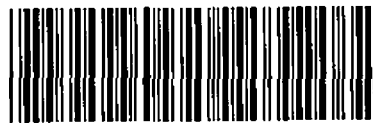


Company no: 05332629

WOODLANDS BOOKS LIMITED

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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WOODLANDS BOOKS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their Strategic Report for Woodlands Books Limited ("the Company") for the year ended 31 December 2019.

Principal Activities

The Company is a joint undertaking between The Random House Group Limited and BBC Studios Distribution Limited ("BBC"). As The Random House Group Limited owns 85% of the joint undertaking the Company is treated as its subsidiary. The Company is UK domiciled and registered in the United Kingdom. The principal activity of the Company continues to be book publishing.

Review of the business

The results and financial position of the Company are set out in the attached financial statements from pages 10 to 13.

The Company made an operating profit of £1.2m (2018: £0.1m), an increase of 1261% compared to the prior financial year. The balance sheet on page 12 of the financial statements shows the Company's financial position at the end of the year.

Key Performance Indicators (KPIs)

The Company monitors progress and performance during the year and historical trend data is set out in the following KPIs:

- Turnover was £10.9m (2018: £9.3m).
- Gross profit percentage was 66.9% (2018: 62.1%)

Principal Risks and Uncertainties

The Company is subject to risk management procedures and an annual risk assessment implemented by the ultimate parent Company, Bertelsmann SE & Co KGaA. 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 management. The changing book market and particularly the transition to digital is creating both challenges and opportunities for the Company, notably regarding the latter in terms of new markets and sales channels. 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.

COVID-19

The Company, like all companies globally on different timescales, has been impacted by the global COVID-19 pandemic outbreak since February 2020.

The safety of our employees is a major concern for us during these troubling times and the Company has implemented a comprehensive program of employee safety management and communication through each developing stage in the fight against this outbreak. We follow governmental advice on safe working conditions and good business practice and we operate safe distancing of our employees during the course of their work.

We have very clear and regular communication channels in place with our client base to ensure that we align their expectations with our restricted capabilities in the current environment. This approach has enabled us to continue to support our clients through this crisis, although on a reduced basis in many instances. In turn this has continued to allow us to trade and operate our business successfully.

WOODLANDS BOOKS LIMITED

STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

COVID-19 (continued)

All cash funding required to operate the business continues to be supported by the Group's global cash pooling structures that have always been in place and the overall Group cash reserves are robust which puts all Group companies in a good position to withstand the cash flow demands during this period of time.

Despite the wider economic impact of the virus within the UK, the book industry has held up well. The Company has seen a dramatic improvement in ebook and digital audio sales during lockdown which has gone some way to compensate for the drop in physical sales. There are a number of cost mitigation initiatives in place, making the short term impact of the virus manageable. The Company is not without impacts like most of the world, but is expected to return a reasonable profit in 2020 and a positive cash flow generation. The directors of the Company do not see COVID-19 impacting their view that the Company will continue to operate as a going concern through 2020 and 2021 and expects 2021 to return to pre COVID-19 levels or better.

Directors' section 172 statement

The Directors of the company must act in accordance with a set of general duties, as detailed in section 172 of the UK Companies Act 2006, summarised as follows:

'A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long-term;
- the interest of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between the shareholders of the company.'

The directors fulfil these duties as follows:

Risk management

The company has a long-term strategic plan that effectively identifies, evaluates and mitigates the risks which the company faces, ensuring they are sufficiently considered and, if applicable, hedged against for the future. The directors will invariably delegate day-to-day management and decision making to executive management, but will ensure that management is acting in accordance with the strategy and plans agreed by the board.

WOODLANDS BOOKS LIMITED

STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

Directors' section 172 statement (continued)

The interest of the company's employees

The board recognises that employees are central to the long-term success of the company. 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 company 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. 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 sexual orientation.

Business relationships with suppliers, customers and others

The directors appreciate the importance of fostering business relationships with key stakeholders, such as customers and suppliers, and focus on the maintenance and growth of these relationships in their decision-making and strategic planning. The company employs dedicated relationship managers to foster these relationships which also ensures the board has a high degree of visibility to take stakeholder considerations into account.

Community and environment

The company's approach is to use its position of strength to ensure it is an asset to the communities and people with which it interacts. The board ensures significant consideration is given to the impact of the company's operations on the community and environment in their decision-making. The company strives to create positive change in reducing the environmental impact of its businesses and to meet the highest level of health and safety and environmental standards, whilst maintaining effective and continuing business practices.

Shareholders

The board recognises the importance of regular and open dialogue with the shareholders and the need to ensure the strategy and goals of the company are effectively communicated to them. Feedback on these plans and objectives is welcomed by the directors and major business decisions are made closely and with the approval of the shareholders.

General

The Company is presenting the financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).

By the order of the Board



M GARDINER
Director

19 October 2020

WOODLANDS BOOKS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and audited financial statements of the Company for the year ended 31 December 2019.

Future developments

Looking ahead, the market remains challenging and the economic backdrop remains similarly tough. Nonetheless the Company will continue to seek suitable publishing opportunities to ensure growth. The directors do not anticipate any significant changes in the activities of the Company. The directors of the Company do not see COVID-19 impacting their view that the Company will continue to operate as a going concern through 2020 and 2021 and expects 2021 to return to pre COVID-19 levels or better.

Financial instruments

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, liquidity risk and cash flow risk as not significant.

Dividends

No dividend was paid during the year (2018: £0.7m). No interim dividend was paid in the year (2018: £nil). The directors do not recommend a dividend be paid.

Directors

The directors who held office during the year and up to the date of signing this report were as follows:

M Arthur	(Resigned – 14 November 2019)
M Gardiner	
S Davies	(Appointed – 14 November 2019)
T Weldon	
A Moultrie	(Resigned – 18 October 2019)
J Rickett	(Appointed – 16 July 2019)
N Twynam	(Appointed – 14 November 2019)

Employees

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 Company 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. The Company operates a defined contribution pension scheme for which all employees are eligible.

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 sexual orientation. The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities.

WOODLANDS BOOKS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

Employees (continued)

Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. 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.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework" (FRS 101), 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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 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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

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

Engagement with customers, suppliers and other stakeholders

The directors appreciate the importance of fostering business relationships with key stakeholders, such as customers and suppliers, and focus on the maintenance and growth of these relationships in their decision-making and strategic planning. The company employs dedicated relationship managers to foster these relationships which also ensures the board has a high degree of visibility to take stakeholder considerations into account.

WOODLANDS BOOKS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

Employee engagement

The board recognises that employees are central to the long-term success of the company. 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 company 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. 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 sexual orientation.

Community and environment

The company's approach is to use its position of strength to ensure it is an asset to the communities and people with which it interacts. The board ensures significant consideration is given to the impact of the company's operations on the community and environment in their decision-making. The company strives to create positive change in reducing the environmental impact of its businesses and to meet the highest level of health and safety and environmental standards, whilst maintaining effective and continuing business practices.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information (as defined by section 5418 of the Companies Act 2006) of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

Following completion of the current year audit PricewaterhouseCoopers LLP will stand down as the Company's auditors. The Board intends to subsequently appoint KPMG LLP as the Company's new auditor.

On behalf of the Board



M GARDINER
Director

19 October 2020

Independent auditors' report to the members of Woodlands Books Limited

Report on the audit of the financial statements

Opinion

In our opinion, Woodlands Books Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2019; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast *significant doubt* about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Independent auditors' report to the members of Woodlands Books Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

***Independent auditors' report to the members of
Woodlands Books Limited (continued)***

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



Philip Stokes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 October 2020

WOODLANDS BOOKS LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Turnover	5	10,873,265	9,283,694
Cost of sales		(3,596,238)	(3,522,016)
Gross profit		7,277,027	5,761,678
Administrative expenses	6	(6,124,400)	(5,676,987)
Operating profit	6	1,152,627	84,691
Interest receivable and similar income	8	53,651	42,448
Profit before taxation		1,206,278	127,139
Tax on profit	9	(209,998)	(42,781)
Profit for the financial year		996,280	84,358

The notes on pages 14 to 25 are an integral part of these financial statements.

WOODLANDS BOOKS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £	2018 £
Profit for the financial year	996,280	84,358
Other comprehensive income	-	-
Total comprehensive income for the year	996,280	84,358

WOODLANDS BOOKS LIMITED

Company no: 05332629

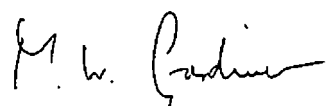
BALANCE SHEET AS AT 31 DECEMBER 2019

	Note	2019 £	Restated 2018 £
Current assets			
Stocks	10	868,891	1,163,783
Advance royalties	11	-	891,135
Debtors	12	13,127,720	11,195,610
Cash and cash equivalents		15,072	15,306
		<u>14,011,683</u>	<u>13,265,834</u>
Creditors: amounts falling due within one year	13	<u>(4,450,023)</u>	<u>(4,267,611)</u> *
Net current assets		<u>9,561,660</u>	<u>8,998,223</u>
Total assets less current liabilities		<u>9,561,660</u>	<u>8,998,223</u>
Creditors - amounts falling due after more than one year	14	(502,572)	(649,385) *
Provisions for liabilities	15	<u>(1,511,573)</u>	<u>(1,797,603)</u>
Net assets		<u>7,547,515</u>	<u>6,551,235</u>
Capital and reserves			
Called up share capital	16	1,000	1,000
Share premium account		5,147,527	5,147,527
Retained earnings		<u>2,398,988</u>	<u>1,402,708</u>
Total equity		<u>7,547,515</u>	<u>6,551,235</u>

*Prior year balances have been restated to present them in conformity with the current year treatment. See notes 13 and 14 for the impact of the restatements.

The notes on pages 14 to 25 are an integral part of these financial statements.

The financial statements on pages 10 to 25 were authorised for issue by the board of directors on 19 October 2020 and were signed on its behalf by:



M GARDINER
Director

WOODLANDS BOOKS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
Balance as at 1 January 2018	1,000	5,147,527	2,018,350	7,166,877
Changes in equity				
Dividends	-	-	(700,000)	(700,000)
Total comprehensive income for the year	-	-	84,358	84,358
Balance as at 31 December 2018	<u>1,000</u>	<u>5,147,527</u>	<u>1,402,708</u>	<u>6,551,235</u>
Changes in equity				
Total comprehensive income for the year	-	-	996,280	996,280
Balance as at 31 December 2019	<u>1,000</u>	<u>5,147,527</u>	<u>2,398,988</u>	<u>7,547,515</u>

The notes on pages 14 to 25 are an integral part of these financial statements.

Called up share capital

The called up share capital account records the nominal value of shares issued.

Share premium account

The share premium account is used to record the premium on shares issued.

Profit and loss account

This includes all current and prior period retained profits and losses. All reserves in respect of profit and loss are distributable reserves.

WOODLANDS BOOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1 GENERAL INFORMATION

The Company is a private company limited by shares. Woodlands Books Limited is a book publisher that sells its books globally with the majority of the sales in the UK. The Company is a joint undertaking between The Random House Group Limited and BBC Studios Distribution Limited ("BBC"). The Random House Group Limited owns 85% of the joint venture, and the Company is treated as its subsidiary. The Company is UK domiciled and registered in the United Kingdom. The address of its registered office is 20 Vauxhall Bridge Road, London, SW1V 2SA.

2 STATEMENT OF COMPLIANCE

The individual financial statements of Woodlands Books Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation of financial statements

These financial statements are prepared on a going concern basis, under the historical cost convention in accordance with the UK Companies Act 2006 as applicable to companies using FRS 101. Certain prior year balances have been restated to present them in conformity with the current year treatment.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

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'
- Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- The following paragraphs of IAS1 'Presentation of financial statements':
 - 10(d) (statement of cash flows)
 - 38A (requirement for minimum of two primary statements, including cash flow statements)
 - 38B-D (additional comparative information)
 - 111 (cash flow statement information)
 - 134-136 (capital management disclosures)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

WOODLANDS BOOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate in light of the Company's current trading performance. This has been considered for at least the next twelve months from the date of approval of these financial statements.

New standards, amendments and IFRIC interpretations

IFRS 16 is a new accounting standard that is effective for the year ended 31 December 2019, but has had no impact on the company's financial statements. There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the company's financial statements.

Foreign Currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in sterling, which is also the functional currency of the Company.

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. Foreign exchange gains and losses 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.

Turnover

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and services net of value-added tax, 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, turnover is recognised inclusive of any commissions and fees receivable for services rendered. Any third party costs incurred on behalf of the principal that are rechargeable under the contractual arrangement are included in turnover with a corresponding expense recognised in administrative expenses in the income statement.

Income from sub rights

Fees charged for the use of rights granted by the agreement and related services are recognised as turnover as the rights are used and the right to receive payment is established.

Taxation

The tax expense for the year comprises current 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 equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

WOODLANDS BOOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

The current 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.

Stocks

Stocks comprise finished goods and work in progress in respect of books, and are stated at the lower of cost and net realisable value. Cost is determined using FIFO method. Cost includes the costs of paper, printing and binding incurred on a title by title basis. Plant costs, which do not vary with the number of copies printed (for example typesetting, origination and illustration), are charged to the income statement in full on publication. Provision is made for obsolete and slow moving stocks. Net realisable value is estimated selling price in the ordinary course of business less applicable variable selling expenses.

Royalty advances

Advances of royalties paid to authors are recognised once a contract is approved within the royalty system, provided it is a signature advance or has had a manuscript accepted on the work, less any provision required to adjust the advance to its net realisable value. Once a manuscript is marked as accepted in the future, contracted advances are recognised as payable. For unpublished titles, the contracts are assessed twice a year, to determine whether the value of a title is diminished from its original acquisition value. These titles are reassessed each year until publication occurs. For published titles, the company assesses the difference between the gross advance paid and the royalty earnings and sub rights income at the point of review. All titles are reassessed twice a year following the publication. The royalty advance is expensed at the contracted or effective royalty rate as the related turnover is earned.

Financial Assets

The Company financial assets include receivables. The company classifies its financial assets as at amortised cost only if both of the following criteria are met (and are not designated as FVTPL):

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

Subsequent to initial recognition these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (expenses)/income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss under 'net impairment losses on financial and contract assets.

WOODLANDS BOOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade debtors and amounts owed by group undertakings

Trade debtors and amounts owed by group undertakings are stated at amortised cost after provision for bad and doubtful debts. From 1 January 2018 provisions for anticipated future sales returns and incentive discounts are no longer reported against trade debtors, but instead shown separately in provisions for other liabilities. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for insignificant trade receivables and a risk score on an individual basis for significant trade receivables. To measure the expected credit losses, trade debtors are grouped based on shared credit risk characteristics and the balance of uninsured debt across the company.

Trade creditors and amounts owed to group undertakings

Trade creditors and amounts owed to group undertakings are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, underlying assumptions 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 and relevant under the circumstances.

Key accounting estimates and assumptions

(i) Advances

Advances of royalties paid to authors are recognised once a contract is approved within the royalty system, provided it is a signature advance or has had a manuscript accepted on the work, less any provision required to adjust the advance to its net realisable value for unpublished titles. 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 assessed twice a year and is based upon a detailed management review of the age of the advance, the future sales projections for new authors and prior sales history of repeat authors. The realisable value will then be adjusted on a title by title basis to reflect the result of this analysis. The royalty advance is expensed at the contracted or effective royalty rate as the related turnover is earned.

(ii) Impairment of trade and other receivables

The Company makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the debtor, the ageing profile of receivables and historical experience.

(iii) Stocks Provisioning

The Company publishes books and is subject to changing customer demands. As a result it is necessary to consider the recoverability of the cost of stock. When calculating the stock provision, management considers the ageing of the stock as well as predicted future sales based on historical sales data by publishing imprint.

WOODLANDS BOOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (continued)

Key accounting estimates and assumptions (continued)

(iv) Returns Provision

The Company has agreements in place to allow customers to return books. As a result the Company makes an estimate of future returns based on historic data, the ageing of sales and business experience.

5 TURNOVER

	2019	2018
	£	£
Analysis of turnover by geography:		
UK and The Republic of Ireland	9,064,544	8,335,221
Rest of the World	1,808,721	948,473
	<u>10,873,265</u>	<u>9,283,694</u>

Turnover includes supplies made to geographical locations worldwide. The products sold, means of selling and commercial terms are similar across the various markets and, in the opinion of the directors, the geographical markets supplied are not substantially different from each other.

6 OPERATING PROFIT

Operating profit is stated after charging:

	2019	2018
	£	£
Personnel costs:		
Wages and salaries	260,192	252,184
Social security costs	28,163	27,740
Other pension costs	15,800	13,206
	<u>304,155</u>	<u>293,130</u>

	2019	2018
	£	£
Stock recognised as an expense	3,489	3,268
Impairment/(impairment reversal) of trade receivables	5,853	(9,314)
(Impairment reversal)/impairment of stock	<u>(77,026)</u>	<u>20,975</u>

Impairment reversal of stock has been reversed in line with a reduction in the overall stock holding value.

The audit fee for the Company has been borne by its immediate parent company, The Random House Group Limited (RHG). Audit fees borne on the Company's behalf amount to £10,193 (2018: £10,193). Administrative expenses includes costs of £2,689,937 (2018: £3,000,669) recharged from RHG during the year.

WOODLANDS BOOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

7 EMPLOYEES AND DIRECTORS

Employees

The monthly average number of persons employed by the Company during the year was:

	2019 Number	2018 Number
Editorial	5	5
	<hr/> 5	<hr/> 5

Directors' remuneration

	2019 £	2018 £
Aggregate emoluments	47,832	134,791
Amounts receivable under long term incentives	2,378	6,504
Company pension contributions	3,189	12,446
	<hr/> 53,399	<hr/> 153,741

Administration expenses include the above remuneration to directors of the Company in respect of their services to the Company.

Highest paid director for services to this Company

	2019 £	2018 £
Emoluments	35,150	88,871
Defined benefit pension scheme accrued	1,218	9,527
	<hr/>	<hr/>

Although two (2018: three) of the directors of the Company have service contracts with either Penguin Books Limited or The Random House Group Limited, the proportion of their time and efforts relating to Woodlands Books Limited, and therefore their emoluments, have been included in these financial statements.

The following directors of the Company are paid by either Penguin Books Limited or The Random House Group Limited as follows:

Director	Paid by
T Weldon	Penguin Books Limited
M Gardiner	The Random House Group Limited

The remaining three (2018: two) directors are paid directly by the BBC with no recharge to Woodlands Books Limited and their services to the Company are incidental to their BBC responsibilities. Accordingly, the schedule above includes no emoluments in respect of these three (2018: two) directors.

WOODLANDS BOOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

8 INTEREST RECEIVABLE AND SIMILAR INCOME

	2019	2018
	£	£
Interest receivable on cash pooling	53,651	42,448

9 TAX ON PROFIT

Analysis of tax expense for the year:

	2019	2018
	£	£
<i>Amount payable for group relief and UK corporation tax:</i>		
<i>Current Tax:</i>		
Current year	229,193	24,156
Overseas tax	26,219	8,811
Double tax relief	(26,219)	(8,811)
Adjustments in respect of prior years	(19,195)	18,625
	209,998	42,781

The tax assessment for the year is lower (2018: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2019 of 19.00% (2018: 19.00%). The differences are explained below:

Factors affecting the tax charge for the year:

	2019	2018
	£	£
Profit before taxation	1,206,278	127,139
Corporation tax at standard rate of 19.00% (2018: 19.00%)	229,193	24,156
<i>Effects of:</i>		
Adjustments to tax charge in respect of prior years	(19,195)	18,625
Total tax charge	209,998	42,781

The current year tax charge represents amounts payable to fellow UK subsidiaries of the Bertelsmann group in respect of current year tax losses surrendered in the UK.

The standard rate of corporation tax in the UK changed from 20.00% to 19.00%. Accordingly the Company's profits/losses are taxed at an effective rate of 19.00% (2018: 19.00%).

WOODLANDS BOOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

10 STOCKS

	2019 £	2018 £
Work in progress	330,426	472,466
Finished books	538,465	691,317
	<u>868,891</u>	<u>1,163,783</u>

Stock is stated after provision for impairment of £230,219 (2018: £307,245). No stock has been pledged as security for liabilities.

11 ADVANCE ROYALTIES

Included in advance royalties is £nil (2018: £nil) relating to manuscripts which will either not be published for over a year or staged advances which are date linked over several years rather than to specific titles.

12 DEBTORS

	2019 £	2018 £
Trade receivables	44,846	65,845
Amounts owed by group undertakings	13,023,387	11,104,272
Other receivables	58,687	24,693
Prepayments and accrued income	800	800
	<u>13,127,720</u>	<u>11,195,610</u>

Amounts owed by group undertakings are unsecured and repayable on demand. The balances are interest free, except for £7.1m (2018: £6.1m) in respect to the cash pooling agreement with the Company's immediate parent company, The Random House Group Limited. Interest is charged on these amounts on a monthly basis; the average interest rate for the year was 0.69% (2018: 0.55%).

Receivables are stated after provision for impairment of £90,108 (2018: £ 84,255).

WOODLANDS BOOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	Restated 2018
	£	£
Trade creditors	1,752,032	2,425,186 *
Amounts owed to group undertakings	1,701,672	940,131
Taxation and social security	207,536	15,345
Other payables	42,421	44,990
Accruals and deferred income	746,362	841,959
	<u>4,450,023</u>	<u>4,267,611</u>

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

*Prior year balances have been restated to present them in conformity with the current year treatment. The impact of the restatement is to decrease trade creditors falling due within one year by £649,385.

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019	Restated 2018
	£	£
Trade creditors	502,572	649,385 *
	<u>502,572</u>	<u>649,385</u>

*Prior year balances have been restated to present them in conformity with the current year treatment. The overall impact within 'Creditors: amounts falling due after more than one year' as a result of the restatement is an increase of £649,385 to trade creditors.

WOODLANDS BOOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

15 PROVISIONS FOR LIABILITIES

The company had the following provisions during the year:

	Onerous contracts provision £	Returns provision £	Discounts provision £	Total £
At 1 January 2018	899,236	1,145,731	681,185	2,726,152
Additions to the income statement	61,557	784,306	910,654	1,756,517
Amount utilised during the year	(859,659)	(1,144,222)	(681,185)	(2,685,066)
At 31 December 2018	101,134	785,815	910,654	1,797,603
At 1 January 2019	101,134	785,815	910,654	1,797,603
Additions to the income statement	30,231	820,002	601,019	1,451,252
Amount utilised during the year	(40,813)	(785,815)	(910,654)	(1,737,282)
At 31 December 2019	90,552	820,002	601,019	1,511,573

Onerous contracts

Where a provision is greater than the advance paid on manuscripts which have not yet been delivered, the company recognises the excess as an onerous contract rather than disclosing in the total unpublished provision included in debtors.

Returns provision

The Company has agreements in place to allow customers to return books. As a result the Company makes an estimate of future returns based on historic data, the ageing of sales and business experience. The provision is expected to be utilised within 12 months from the balance sheet date.

Discount provision

The company has agreements in place to offer discounts on goods offered to customers, usually as a reward for repeated business.

16 CALLED UP SHARE CAPITAL

	2019 £	2018 £
Authorised, allotted, called up and fully paid:		
1,000 (2018: 1,000) Ordinary shares of £1 each	1,000	1,000

17 COMMITMENTS

There were commitments to authors for the payment of royalty advances amounting to £1,060,626 at 31 December 2019 (2018: £941,292).

WOODLANDS BOOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

18 RELATED PARTIES

The Company is a joint venture between The Random House Group Limited ("RHG") and BBC Studios Production Limited ("BBC"). As RHG owns 85% of the joint venture, the Company is treated as its subsidiary. RHG is a wholly owned subsidiary of Penguin Random House Ltd ("PRHL"). At the balance sheet date PRHL was owned by Bertelsmann UK Limited (75%) and Pearson PRH Holdings Limited (25%). The Company's ultimate parent company is Bertelsmann SE & Co KGaA, which is incorporated in Germany. Copies of Bertelsmann SE & Co KGaA's 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
33311 Gütersloh
Germany

During the year the Company entered into the following material transactions with related parties not wholly owned by PRHL. All these entities are subsidiaries within the Bertelsmann SE & Co KGaA group:

	2019 £	2018 £
Sales:		
Random House Australia Pty Limited	242,913	184,319
Random House of Canada Limited	22,721	36,347
Random House Publishers India Private Limited	16,017	12,015
Penguin Random House South Africa (Pty) Limited	13,165	14,282
Distribution expenses:		
The Book Service Limited	542,072	505,147
Group Recharge Expenses:		
The Random House Group Limited	2,553,177	3,000,669
Penguin Books Limited	136,760	86,017
Interest Income:		
The Random House Group Limited	53,651	42,448
Dividends paid:		
The Random House Group Limited	-	595,000
BBC Studios Production Limited	-	105,000
Debtors:		
The Random House Group Limited	7,067,196	6,052,528
The Book Service Limited	5,952,861	5,027,248
Creditors:		
The Random House Group Limited	1,698,644	934,611

WOODLANDS BOOKS LIMITED

Creditor balances are unsecured and no guarantees have been received. Creditor balances will be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

19 POST BALANCE SHEET EVENTS

On 1 April 2020 the Company's intermediate parent company, Bertelsmann UK Limited, acquired the remaining 25% of Penguin Random House Limited, the Company's parent company.

Since 31 December 2019, a worldwide pandemic disease known as COVID-19 or coronavirus has caused severe health issues for millions of people globally. Subsequent to the financial statement date, global concerns about COVID-19 have impacted the global macroeconomic environment.

The impact of COVID-19 on the company's business could be material to the company's operating results, cash flows and financial position. The magnitude of the impacts will depend on the duration and extent of the COVID-19 pandemic and the impact of local governmental actions and consumer behaviour in response to the pandemic. Due to the evolving and uncertain nature of this situation, the company is not able to estimate the full extent of the adverse impact on the company's operating results, cash flows and financial position particularly over the near to medium term. The COVID-19 worldwide outbreak and market volatility may have an adverse impact on the financial performance in 2020. The company cannot quantify the magnitude and duration of such impact at this time. The company continues to monitor and assess its business operations daily, and where needed, investigating and implementing remedial measures to manage its financial and liquidity position.