

CAPSTONE GLOBAL LIBRARY LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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CAPSTONE GLOBAL LIBRARY LIMITED

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CAPSTONE GLOBAL LIBRARY LIMITED

COMPANY INFORMATION

Directors	Mr J Coughlan Mr R Coughlan
Secretary	Mr R Coughlan
Company number	06695582
Registered office	264 Banbury Road Oxford OX2 7DY
Auditors	Shaw Gibbs Limited 264 Banbury Road Oxford OX2 7DY

CAPSTONE GLOBAL LIBRARY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and financial statements for the year ended 31 December 2015.

Directors

The following directors have held office since 1 January 2015:

Mr J Coughlan
Mr R Coughlan

Auditors

The auditors, Shaw Gibbs Limited, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

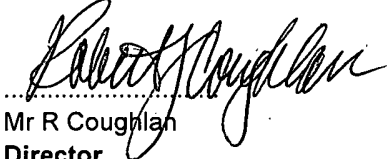
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

On behalf of the board



Mr R Coughlan
Director

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CAPSTONE GLOBAL LIBRARY LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CAPSTONE GLOBAL LIBRARY LIMITED

We have audited the financial statements of Capstone Global Library Limited for the year ended 31 December 2015 set out on pages 5 to 12. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective January 2015) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on FRC's website at <https://www.frc.org.uk/apb/scope/private.cfm>

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matter prescribed by the Companies Act 2006

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

CAPSTONE GLOBAL LIBRARY LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF CAPSTONE GLOBAL LIBRARY LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and from preparing a strategic report.



**Lorna Watson (Senior Statutory Auditor)
for and on behalf of Shaw Gibbs Limited**

28 April 2016
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**Chartered Certified Accountants
and Statutory Auditor**

264 Banbury Road
Oxford
OX2 7DY

CAPSTONE GLOBAL LIBRARY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2015

		2015 £	2014 £
	Notes		
Turnover		4,294,196	4,200,515
Cost of sales		(2,000,251)	(1,925,714)
Gross profit		2,293,945	2,274,801
Administrative expenses		(2,766,077)	(2,985,879)
Operating loss	2	(472,132)	(711,078)
Other interest receivable and similar income	3	75	-
Loss on ordinary activities before taxation		(472,057)	(711,078)
Tax on loss on ordinary activities	4	(5,501)	(14,459)
Loss for the year	12	(477,558)	(725,537)

CAPSTONE GLOBAL LIBRARY LIMITED

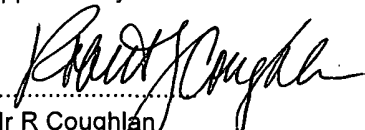
BALANCE SHEET

AS AT 31 DECEMBER 2015

	Notes	2015 £	£	2014 £	£
Fixed assets					
Intangible assets	5		243,218		674,289
Tangible assets	6		43,989		61,316
			<u>287,207</u>		<u>735,605</u>
Current assets					
Stocks		1,098,968		898,034	
Debtors	7	1,324,652		1,320,455	
Cash at bank and in hand		376,817		248,863	
		<u>2,800,437</u>		<u>2,467,352</u>	
Creditors: amounts falling due within one year	8	(711,316)		(575,724)	
Net current assets			<u>2,089,121</u>		<u>1,891,628</u>
Total assets less current liabilities			<u>2,376,328</u>		<u>2,627,233</u>
Creditors: amounts falling due after more than one year	9	(226,653)		-	
			<u>2,149,675</u>		<u>2,627,233</u>
Capital and reserves					
Called up share capital	11		100		100
Other reserves	12		8,738,435		8,738,435
Profit and loss account	12		(6,588,860)		(6,111,302)
Shareholders' funds			<u>2,149,675</u>		<u>2,627,233</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and the Financial Reporting Standard for Smaller Entities (effective January 2015).

Approved by the Board for issue on 26/04/2016


Mr R Coughlan
Director

Company Registration No. 06695582

CAPSTONE GLOBAL LIBRARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015).

The company incurred a net loss during the year ended 31 December 2015. The company is reliant on continued support from its parent company.

After making enquiries and considering the uncertainties, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

1.4 Pre-publication costs

Publication costs include one time expenses associated with developing and producing new or revised book publications, which include editorial expenses, author fees, prepress, photograph expenses, title right charges, royalty fees and any other costs incurred up to completion of the publication. Prepublication costs are amortised over a three-year period, which approximates the lives of the related book publications, using a straight line method, which approximates the estimated sales cycle of the related books.

Disposals represent pre-publication costs of titles with a net realisable value of £nil and which are no longer in print.

Amortisation charges in respect of prepublication costs are accounted for as a direct cost of sale.

Costs incurred in the UK but relating to future US title revenue streams are charged to the intercompany account on a monthly basis.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	3 years straight line
Equipment	1 - 10 years straight line
Motor vehicles	5 years straight line

The company does not capitalise computer consumables including laptops.

CAPSTONE GLOBAL LIBRARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.6 Foreign currency translation

Assets, liabilities and transactions in foreign currencies are principally held between group companies and are translated into sterling at the rates agreed and fixed between group companies. The exchange rates agreed and fixed between the group companies are linked with published exchange rates. Exchange differences are taken into account in arriving at the operating profit.

1.7 Royalty advances

Advances of royalties to authors are included within trade debtors when the advance is paid, less any provision required to adjust the advance to its net realisable value.

1.8 Product development allocations

As of January 2015 the UK legal entity ceased to incur any new product development costs in relation to new publishing. Any costs incurred for staff members based in the UK office were subsequently charged to the US as part of a service provision arrangement.

The UK paid an intercompany royalty against all sales relating to the new publishing, hence the reduction in Prepublication costs on the balance sheet and the increase in royalties for 2015.

2	Operating loss	2015 £	2014 £
	Operating loss is stated after charging:		
	Amortisation of intangible assets	431,069	661,360
	Depreciation of tangible assets	18,510	27,418
	Auditors' remuneration	10,000	10,000
		<u>459,579</u>	<u>708,778</u>
3	Investment income	2015 £	2014 £
	Bank interest	75	-
		<u>75</u>	<u>-</u>
4	Taxation	£	£
	Foreign corporation tax		
	Other foreign tax	5,501	14,459
		<u>5,501</u>	<u>14,459</u>

The company has estimated losses of £ 7,089,309 (2014 - £ 6,611,751) available for carry forward against future trading profits.

CAPSTONE GLOBAL LIBRARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

5 Intangible fixed assets

	Pre-publication costs
	£
Cost	
At 1 January 2015	3,019,127
Disposals	(590,777)
	<hr/>
At 31 December 2015	2,428,350
	<hr/>
Amortisation	
At 1 January 2015	2,344,842
Amortisation on disposals	(590,777)
Charge for the year	431,067
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At 31 December 2015	2,185,132
	<hr/>
Net book value	
At 31 December 2015	243,218
	<hr/>
At 31 December 2014	674,289
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CAPSTONE GLOBAL LIBRARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

6 Tangible fixed assets

	Plant and machinery etc
	£
Cost	
At 1 January 2015	151,177
Additions	1,186
Disposals	(21,925)
At 31 December 2015	130,438
Depreciation	
At 1 January 2015	89,864
On disposals	(21,925)
Charge for the year	18,510
At 31 December 2015	86,449
Net book value	
At 31 December 2015	43,989
At 31 December 2014	61,316

7 Debtors	2015 £	2014 £
Trade debtors	1,045,949	949,620
Other debtors	278,703	370,835
	<u>1,324,652</u>	<u>1,320,455</u>
8 Creditors: amounts falling due within one year	2015 £	2014 £
Trade creditors	148,482	140,312
Other creditors	562,834	435,412
	<u>711,316</u>	<u>575,724</u>

The trade creditors balance includes £27,990 (2014: £23,377) owed to Macmillan Distribution Limited who provide Capstone with a Credit Service Management Facility.

CAPSTONE GLOBAL LIBRARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

9	Creditors: amounts falling due after more than one year	2015	2014
		£	£
	Other creditors	226,653	-
		<u>226,653</u>	<u>-</u>
	Analysis of loans		
	Wholly repayable within five years	226,653	-
		<u>226,653</u>	<u>-</u>
10	Pension costs		
	Defined contribution		
		2015	2014
		£	£
	Contributions payable by the company for the year	143,248	122,676
		<u>143,248</u>	<u>122,676</u>
11	Share capital	2015	2014
		£	£
	Allotted, called up and fully paid		
	100 Ordinary shares of £1 each	100	100
		<u>100</u>	<u>100</u>
12	Statement of movements on reserves		
		Other reserves (see below)	Profit and loss account
		£	£
	Balance at 1 January 2015	8,738,435	(6,111,302)
	Loss for the year	-	(477,558)
		<u>8,738,435</u>	<u>(6,588,860)</u>
	Balance at 31 December 2015	8,738,435	(6,588,860)
		<u>8,738,435</u>	<u>(6,588,860)</u>
	Other reserves		
	Reserves provided for by the Articles of Association		
	Balance at 1 January 2015 & at 31 December 2015	8,738,435	
		<u>8,738,435</u>	

CAPSTONE GLOBAL LIBRARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

13 Control

The immediate and ultimate parent company is Coughlan Companies Inc, a company registered in the United States of America.

14 Related party relationships and transactions

During the year the company entered into the following transactions with its parent company, Coughlan Companies Inc ("CCI"):

	2015 £	2014 £
Salary payments made by CCI	-	173,561
Expenses paid by CCI	158,185	262,819
Bank transfers from CCI	425,000	1,100,000
Intercompany recharges from CCI	356,250	406,250
Supplier invoices paid by the company on behalf of CCI	(189,735)	(93,885)
Product development services	(721,430)	-
MyON services	(116,768)	-
UK Royalties due to CCI	314,688	91,318
US other income paid in UK bank account	463	-
Transfer of US Prepubs relating to US and International titles	-	(838,757)
Transfer of title of stock to the company from CCI	-	66,697
Total amount owed to CCI	226,653	1,168,003