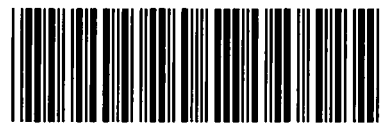


Registered Number: 06882367

**Dawson Books Limited**

**Annual Report and Financial Statements  
for the year ended 31 August 2016**

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# **Dawson Books Limited**

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## **Dawson Books Limited**

### **Officers and professional advisers**

#### **Directors**

J M Bunting  
M R Cashmore  
N J Gresham (resigned 1 October 2016)  
D G Bauernfeind (appointed 1 October 2016)  
D J Orange (resigned 1 October 2016)  
J P Adams

#### **Company Secretary**

S S Marriner

#### **Registered Office**

Rowan House  
Cherry Orchard North  
Kembrey Park  
Swindon  
Wiltshire  
SN2 8UH

#### **Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Reading  
United Kingdom

# Dawson Books Limited

## Strategic Report

### Principal Activity

Dawson Books Limited ('the Company') is the principal academic and professional book and eBook supplier to tertiary education institutions in the UK, and increasingly across English-language markets globally.

### Trading performance

The loss for the year after taxation amounted to £1.0m (2015: loss £0.4m). The total distribution of dividends for the year ended 31 August 2016 will be £nil (2015: £nil).

The company had a satisfactory year's trading in an overall declining market. The company continues to make significant organisational and operational change, which sets the company up well for the year ahead, being well placed to deliver continued improvement in profitability.

### Key Performance Indicators (KPIs)

The Company uses a range of KPIs to monitor and manage the business effectively. There are both financial and non-financial KPI's.

The financial KPIs are turnover, gross profit, gross margin (%), earnings before interest, tax, depreciation and amortisation and non recurring and other items (EBITDA), and EBITDA %. These KPIs indicate the volume of work the Company has undertaken as well as the efficiency and profitability with which this work has been delivered. KPI's were in line with expectation. EBITDA before non recurring items improved against the prior year and gross margin improved following the organisational and operational change mentioned above.

The KPIs for the year ended 31 August 2016 are set out below:

	2016	2015
Turnover (£'000s)	28,525	32,029
Gross profit (£'000s)	5,811	6,185
Gross margin (%)	20.3	19.3
EBITDA (before non recurring and other items) (£'000s)	-7	1,573
EBITDA %	-0.02	4.9

### Reporting entity

Dawson Books Limited is a private limited company incorporated in England and Wales and is ultimately 100% owned by Bertram Trading Limited.

### Principal Risks and uncertainties

#### Credit risk

The company's principal financial assets are bank balances, cash, trade and other receivables. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

#### Liquidity risk

The company monitors forecast and actual cashflows to ensure it has sufficient funds available for ongoing operations and future developments and has access to the Group's banking facilities.

#### Operational infrastructures

It is a feature of the operational infrastructure maintained by the company that it is required to accommodate changes in the level of demand for its services. By designing operations efficiently to serve the customer base, encouraging operational best practice and at the same time building in flexibility through numerous projects, the company mitigates the adverse effects of such changes so far as possible.

## **Dawson Books Limited**

### **Strategic Report (continued)**

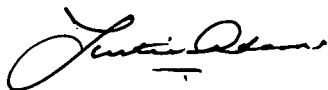
#### ***Information technology***

The company's reliance upon its IT systems for both operational efficiency and control is a risk to which it must be constantly alert. Any disruption arising from the failure or severe delay of the underlying systems could hinder the company in achieving its operational and financial objectives. Management is focussed on continuing significant investment in existing systems.

#### ***Economic environment***

The economic environment remains uncertain across the UK and around the world and Government spending cuts have contributed to reduced customer confidence and discretionary spending. The company strategy remains to increase sales by targeting growth sectors such as the internet and international sales.

By Order of the Board

A handwritten signature in black ink, appearing to read 'J P Adams', with a horizontal line underneath the name.

J P Adams  
Director

8 February 2017

## **Dawson Books Limited**

### **Directors' Report**

The directors present their Annual Report and the audited financial statements for the year ended 31 August 2016.

#### **Directors**

The directors who served during the year are shown on page 1.

#### **Dividends**

The total distribution of dividends for the year ended 31 August 2016 will be £nil (2015: £nil).

#### **Directors' indemnities**

An associated undertaking has provided an indemnity for the directors of Dawson Books Limited which is a qualifying third party indemnity provision for the purposes of section 234 of the Companies Act 2006.

#### **Going concern**

The Company made a loss of £1.0m during the year and has net current liabilities of £6.1m as at 31 August 2016. The Directors have prepared financial forecasts and considered the cash requirements of the Company for a period of at least twelve months from the date of signing of these financial statements. The Company participates in the Group's centralised, banking arrangements, and has received a letter from the ultimate parent company, Connect Group PLC, confirming they will support the company financially for a period of at least twelve months from the signing of these financial statements and underwrite any outstanding amounts due from other Group companies to allow the Company to meet its liabilities as they fall due. The directors are satisfied that the facilities available are adequate to provide the Company's finance requirements. The directors therefore have a reasonable expectation that the Company will be able to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

This report was approved by the Board on 8 February 2017

By Order of the Board



J P Adams  
Director

8 February 2017

## **Dawson Books Limited**

### **Directors' Responsibilities Statement**

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

## **Independent auditor's report to the members of Dawson Books Limited**

We have audited the financial statements of Dawson Books Limited for the year ended 31 August 2016 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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 auditor's 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 auditor**

As explained more fully in the Directors' Responsibilities Statement, 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**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 August 2016 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.

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

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

### **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.



James Hunter ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Reading, United Kingdom  
8 February 2017

# Dawson Books Limited

## Profit and Loss Account for the year ended 31 August 2016

	Notes	2016 Before non recurring and other items £'000	2016 Non recurring and other items (note 7) £'000	£'000	2015 Before non recurring and other items £'000	2015 Non recurring and other items (note 7) £'000	£'000
Turnover	2	28,525	-	28,525	32,029	-	32,029
Cost of sales		(22,714)	-	(22,714)	(25,844)	-	(25,844)
<b>Gross profit</b>		<b>5,811</b>	<b>-</b>	<b>5,811</b>	<b>6,185</b>	<b>-</b>	<b>6,185</b>
Distribution costs		(1,625)	-	(1,625)	(1,426)	-	(1,426)
Administrative costs		(4,682)	(534)	(5,216)	(4,124)	(567)	(4,691)
Income from shares in group undertakings		-	-	-	224	-	224
<b>(Loss)/Profit before interest and tax</b>	3	<b>(496)</b>	<b>(534)</b>	<b>(1,030)</b>	<b>859</b>	<b>(567)</b>	<b>292</b>
Finance costs	5	(301)	-	(301)	(511)	-	(511)
Finance income	5	179	-	179	1	-	1
<b>(Loss)/Profit before tax</b>		<b>(618)</b>	<b>(534)</b>	<b>(1,152)</b>	<b>349</b>	<b>(567)</b>	<b>(218)</b>
Taxation	6	70	107	177	(261)	117	(144)
<b>(Loss)/ Profit for the year</b>		<b>(548)</b>	<b>(427)</b>	<b>(975)</b>	<b>88</b>	<b>(450)</b>	<b>(362)</b>

All activities in the Profit and Loss Account relate to continuing operations.

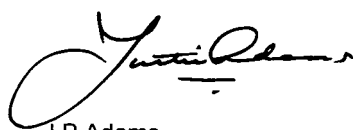
There have been no comprehensive income or expenses in the current or prior year other than as stated in the profit and loss account, and accordingly a statement of other comprehensive income has not been presented.

# Dawson Books Limited

## Balance sheet as at 31 August 2016

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Goodwill	9	2,712	2,712
Intangible assets	10	2,639	2,958
Tangible assets	11	-	1
Investment in subsidiaries	12	2,902	2,902
Deferred tax	15	1	27
		<u>8,254</u>	<u>8,600</u>
<b>Current assets</b>			
Stocks		425	365
Debtors – due within one year	13	3,755	4,073
Cash at bank and in hand		10,693	3,627
		<u>14,873</u>	<u>8,065</u>
<b>Total assets</b>		<u>23,127</u>	<u>16,665</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(20,953)</u>	<u>(13,516)</u>
<b>Net current liabilities</b>		<u>(6,080)</u>	<u>(5,451)</u>
<b>Net assets</b>		<u>2,174</u>	<u>3,149</u>
<b>Capital and reserves</b>			
Called up share capital	16	-	-
Profit and loss account		<u>2,174</u>	<u>3,149</u>
<b>Total Shareholder's funds</b>		<u>2,174</u>	<u>3,149</u>

The financial statements of Dawson Books Limited, registered number 06882367, were approved by the Board of Directors and authorised for issue on 8 February 2017. They were signed on its behalf by:

  
J P Adams  
Director

# Dawson Books Limited

## Statement of changes in equity for the year ended 31 August 2016

	Share capital £'000	Profit and Loss Account £'000	Total equity £'000
Balance at 1 September 2014	-	3,511	3,511
Loss for year	-	(362)	(362)
Balance at 31 August 2015	-	3,149	3,149
Loss for year	-	(975)	(975)
Balance at 31 August 2016	-	2,174	2,174

## **Dawson Books Limited**

### **Notes to the financial statements for the year ended 31 August 2016**

#### **1. Accounting policies**

##### **Statement of compliance with FRS 101**

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. These financial statements present information for the company as an individual undertaking and not as a group. The company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group financial statements as it is included in the consolidated financial statements of Connect Group PLC. The consolidated financial statements of Connect Group PLC are available from Rowan House, Cherry Orchard North, Kembrey Park, Swindon, Wiltshire, SN2 8UH.

##### **Basis of preparation**

The financial statements are prepared on the historical cost basis and are presented in Pound Sterling rounded to (£'000s) unless otherwise stated.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cashflows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of IFRS 3 Business Combinations;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

##### **Going concern**

The Company made a loss of £1m during the year and has net current liabilities of £6.1m as at 31 August 2016. The Directors have prepared financial forecasts and considered the cash requirements of the Company for a period of at least twelve months from the signing of these financial statements. The Company participates in the Group's centralised, banking arrangements, and has received a letter from the ultimate parent company, Connect Group PLC, confirming they will support the company financially for a period of at least twelve months from the date of signing of these financial statements and underwrite any outstanding amounts due from other Group companies to allow the Company to meet its liabilities as they fall due. The directors are satisfied that the facilities available are adequate to provide the Company's finance requirements. The directors therefore have a reasonable expectation that the Company will be able to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

##### **Significant accounting policies**

##### **Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and apply a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date 31 August 2016 was £2.7m (2015: £2.7m). No impairment loss was recognised as the present value of the goodwill was greater than the carrying amount that was held on the balance sheet.

## Dawson Books Limited

### Notes to the financial statements for the year ended 31 August 2016 (continued)

#### 1. Accounting policies (continued)

##### Valuation of intangibles

Intangible assets arising under a business combination (acquired intangibles) are capitalised at fair value as determined at the date of exchange and are stated at fair value less accumulated amortisation and impairment losses. All intangible assets are reviewed for impairment in accordance with IAS 36 'Impairment of Assets' when there are indications that the carrying value may not be recoverable

Intangibles are amortised on a straight line basis over the periods/ rates set out below based on the estimated useful economic life/ the period over which the Company expects to benefit from those assets.

Customer relationships	- 7.5 years
Computer software	- 3 to 7 years
Internally generated development costs	- 3 to 7 years

##### Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at historic cost less provision for depreciation and any impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset and bringing the asset to a working condition for its intended use. The company capitalises directly attributable borrowing costs.

Depreciation is provided on a straight-line basis so as to write off the costs of assets over their useful lives, using the following rates:

Fixtures, equipment and motor vehicles	- 3 years
--	-----------

Depreciation is not provided on assets in the course of construction. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, over the term of the relevant lease. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognised net within "other operating income" within the profit and loss account.

##### Impairment reviews.

Recoverable amount is the higher of value in use or fair value less costs to sell. Value in use is assessed using discounted cash flow forecasts of the net income that the asset is expected to generate. The recoverable amount has been determined by reference to value in use.

Investments in subsidiaries are valued at historical cost and reviewed for impairment on a periodic basis. I

##### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals for operating leases are charged on a straight-line basis over the lease term.

Assets acquired under finance leases are capitalised and depreciated over the shorter of the lease terms or their useful lives.

## **Dawson Books Limited**

### **Notes to the financial statements for the year ended 31 August 2016 (continued)**

#### **1. Accounting policies (continued)**

##### **Stocks**

Stocks principally comprise goods with a rapid and high turnover which are stated at the lower of purchase cost and net realisable value. The basis of stock valuation is first-in-first-out.

##### **Financial instruments**

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual obligations of the instrument. Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs.

##### **Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

##### **Investments in other shares and securities**

Investments in unquoted shares and securities (considered available for sale) are stated at fair value unless the fair value cannot be reliably measured. In these circumstances the investment is stated at amortised cost less any provision for impairment. Investments in quoted shares and securities are recorded at fair value.

##### ***Derivative financial instruments***

Derivative financial instruments are held at fair value.

##### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

##### ***Trade payables and receivables***

Trade receivables and trade payables do not carry any interest and are stated at their nominal value. Provision is made for estimated irrecoverable receivables.

##### **Income recognition**

In the profit and loss account, revenue comprises amounts receivable for goods and services provided in the course of business to customers, net of credits and discounts, and is stated net of VAT and other sales taxes. Sales of goods are recognised, less provision for returns, when goods are delivered and title has passed.

Other operating income includes incidental income receivable by the company, such as the sale of waste and sundry amounts billed to suppliers.

Bank interest receivable is accrued on a time basis taking account of the principal outstanding and the interest rate applicable. Dividend income from investments is recognised when the right to receive payment has been established.

##### **Exceptional items**

Exceptional items are material items of income or expense excluded in arriving at operating profit to enable a more representative view of underlying performance. These include certain amortisation of intangibles, integration costs, business restructuring costs and network re-organisation costs including those relating to strategy changes which are not normal operating costs of the underlying business. They are disclosed and described separately in the accounts where necessary to provide further understanding of the financial performance of the company.

## **Dawson Books Limited**

### **Notes to the financial statements for the year ended 31 August 2016 (continued)**

#### **1. Accounting policies (continued)**

##### **Taxation**

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable based on the taxable profit for the year, using tax rates enacted, or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is calculated using tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

##### **Foreign currencies**

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are included in the profit and loss account for the period in which they arise.

##### **Retirement benefit (pension) costs**

The company provides pension arrangements on a defined contribution basis and costs are charged to the profit and loss account as they fall due.

##### **Provisions**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events and it is probable that the company will have to settle that obligation. The provision represents the current best estimate of the net expenditure required to settle the obligation.

##### **Key judgements and potential uncertainties**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates are associated assumptions and are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form a basis for making the judgements about carrying value of assets and liabilities that are not readily apparent from other sources.

The Directors have reviewed the estimates and assumptions used in the preparation of the financial statements.

The Directors do not believe that there is a significant risk which would lead to material adjustments to the carrying value of any assets and liabilities in the next financial year due to changes in the estimates or assumptions used.

Impairment of goodwill – which requires an estimation of the value in use. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

## Dawson Books Limited

### Notes to the financial statements for the year ended 31 August 2016 (continued)

#### 2. Turnover

An analysis of the company's turnover is as follows:

	2016 £'000	2015 £'000
<b>Continuing operations</b>		
Sales of goods	28,525	32,029
	<u>28,525</u>	<u>32,029</u>

An analysis of the turnover by class of business is set out below:

	2016 £'000	2015 £'000
Academic print	22,692	25,781
Academic ebooks	5,833	6,248
	<u>28,525</u>	<u>32,029</u>

An analysis of the turnover by geographical market is set out below:

	2016 £'000	2015 £'000
United Kingdom	22,006	20,982
Europe (excluding UK)	3,369	6,040
Rest of the World	3,150	5,007
	<u>28,525</u>	<u>32,029</u>

#### 3. (Loss)/profit before interest and tax is stated after charging:

	2016 £'000	2015 £'000
Inventories recognised as an expense	22,707	25,844
Depreciation of tangible fixed assets (note 11)	1	-
Amortisation of intangible assets (note 10)	903	715
Operating lease rentals	-	13
Auditor's fees – statutory audit	21	14
Exceptional restructuring costs (note 8)	122	82

The expenses above are included within administrative expenses.

#### 4. Auditor's remuneration

In the year ended 31 August 2016, fees payable to Deloitte LLP and their associates for the audit of the company's annual financial statements were paid by another company within Connect Group Plc

# Dawson Books Limited

## Notes to the financial statements for the year ended 31 August 2016 (continued)

### 5. Finance costs

	2016	2015
	£'000	£'000
Interest payable to group undertakings	301	373
Exchange loss on cash and loans	-	138
	<u>301</u>	<u>511</u>

### Finance income

	2016	2015
	£'000	£'000
Bank interest income	-	1
Exchange gain on cash and loans	179	-
	<u>179</u>	<u>1</u>

### 6. Taxation

	2016	2015
	£'000	£'000
<b>Corporation Tax</b>		
UK Corporation tax	(246)	(77)
Adjustment in respect of prior year UK corporation tax	43	215
<b>Total current year tax charge</b>	<u>(203)</u>	<u>138</u>
Deferred tax – current year	26	6
<b>Total tax on loss</b>	<u>(177)</u>	<u>144</u>

#### Factors affecting the tax charge for the period

Corporation tax is calculated at the main rates of UK corporation tax, being 20.0% (2015: 20.6%).

The total tax (credit)/charge for the year can be reconciled to the profit and loss account as follows:

	2016	2015
	£'000	£'000
Loss before tax	(1,152)	(218)
Loss before tax multiplied by standard rate of corporation tax in the UK of 20.0% (2015: 20.6%)	(230)	(45)
Effects of:		
Expenses not deductible for tax purposes	10	20
Income not taxable	-	(46)
Adjustment in respect of previous periods	43	215
<b>Total tax on loss/profit</b>	<u>(177)</u>	<u>144</u>

The standard rate of tax applied to reported profit on ordinary activities is 20.0% (2015: 20.6%). This is due to reductions in the main rate of UK corporation tax from 21% to 20% on 1 April 2015, following the substantive enactment of the Finance Act 2013 on 2 July 2013.

# Dawson Books Limited

## Notes to the financial statements for the year ended 31 August 2016 (continued)

### 7. Staff costs and employees

The average total monthly number of employees (including directors) was:

	2016 No.	2015 No.
Sales, production and distribution	43	86
Management and administration	62	21
	<u>105</u>	<u>107</u>

The aggregate remuneration for employees (excluding directors) for the year was:

	2016 £'000	2015 £'000
Wages and salaries	2,350	2,151
Social security costs	208	163
Pensions costs	61	60
	<u>2,619</u>	<u>2,374</u>

The directors in office in the year were remunerated by other companies in the Connect Group. It is not considered practicable to apportion the remuneration across the group companies.

### 8. Non recurring costs

	2016 £'000	2015 £'000
Amortisation and impairment of intangible customer relationships (see note 10)	(412)	(485)
Restructuring and redundancy costs	(122)	(82)
	<u>(534)</u>	<u>(567)</u>

Intangible assets are reviewed for impairment in accordance with IAS 36 'Impairment of Assets' when there are indications that the carrying value may not be recoverable. No impairment was considered necessary in the current or prior year.

During the year, the company incurred £122k of restructuring and redundancy costs (2015: £82k) resulting from a review of the commercial and customer-facing teams.

# Dawson Books Limited

## Notes to the financial statements for the year ended 31 August 2016 (continued)

### 9. Goodwill

	Goodwill £'000
<b>Cost</b>	
At 1 September 2015 and 31 August 2016	<u>2,712</u>
<b>Accumulated amortisation and impairment</b>	
At 1 September 2015 and 31 August 2016	-
<b>Net book amount</b>	
At 31 August 2016	<u>2,712</u>
At 31 August 2015	<u>2,712</u>

### 10. Intangible assets

	Computer software £'000	Internally Generated Development Costs £'000	Customer relationships £'000	Total £'000
<b>Cost</b>				
At 1 September 2015	2,152	117	2,791	5,060
Additions during the year	169	415	-	584
At 31 August 2016	<u>2,321</u>	<u>532</u>	<u>2,791</u>	<u>5,644</u>
<b>Accumulated amortisation and impairment</b>				
At 1 September 2015	(525)	(10)	(1,567)	(2,102)
Amortisation for the year	(257)	(234)	(412)	(903)
At 31 August 2016	<u>(782)</u>	<u>(244)</u>	<u>(1,979)</u>	<u>(3,005)</u>
<b>Net book amount</b>				
At 31 August 2016	<u>1,539</u>	<u>288</u>	<u>812</u>	<u>2,639</u>
At 31 August 2015	<u>1,627</u>	<u>107</u>	<u>1,224</u>	<u>2,958</u>

# Dawson Books Limited

## Notes to the financial statements for the year ended 31 August 2016 (continued)

### 11. Tangible assets

	Fixtures, fittings and equipment £'000
<b>Cost</b>	
At 1 September 2015 and 31 August 2016	1
<b>Accumulated depreciation</b>	
At 1 September 2015	-
Charge for the year	1
At 31 August 2016	1
<b>Net book amount</b>	
At 31 August 2016	-
At 31 August 2015	1

### 12. Investment in subsidiaries

Investments in subsidiaries at historical cost:

	£'000
<b>Cost</b>	
At 1 September 2015 and 31 August 2016	2,902
<b>Amortisation/Impairment</b>	
At 1 September 2015 and 31 August 2016	-
<b>Net book amount</b>	
At 31 August 2015 and 31 August 2016	2,902

The subsidiary undertakings are listed below:

Name	Registered and operating in	Activity	Class of shares held	Voting rights held
Erasmus Antiquariaat en Boekhandel B.V	Netherlands	Book supply service	Ordinary	100%
Erasmus Buchhandlung GmbH	Germany	Book supply service	Ordinary	100%
Houtschild Internationale Boekhandel B.V	Netherlands	Book supply service	Ordinary	100%
Dawson France SAS	France	Book supply service	Ordinary	100%
Dawson Iberica SRL	Spain	Book supply service	Ordinary	100%
Dawson Espana Agencia de Ediciones SL	Spain	Book supply service	Ordinary	100%

All shares are held directly except those for Erasmus Buchhandlung GmbH and Dawson Espana Agencia de Ediciones SL which are held indirectly.

## Dawson Books Limited

### Notes to the financial statements for the year ended 31 August 2016 (continued)

#### 13. Debtors

	2016	2015
	£'000	£'000
Trade receivables	2,704	3,277
Amount due from group undertakings	787	404
Other debtors	17	65
Corporation tax	247	327
	<u>3,755</u>	<u>4,073</u>

The directors consider that the carrying amount of trade and other receivables approximates to their fair value. At 31 August 2016, amounts due from group undertakings comprised amounts due from members of the Connect Group PLC group of companies. These amounts are repayable on demand, and do not accrue interest.

#### 14. Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Trade and operating payables	2,351	2,867
Amount due to group undertakings	18,015	10,288
Other creditors and accruals	587	361
	<u>20,953</u>	<u>13,516</u>

The directors consider that the carrying amount of trade and other payables approximates to their fair value. Amounts repayable to group undertakings partially accrue interest on certain balances and are repayable on demand.

The company meets its borrowing requirements by access to the Group's borrowing facilities.

As at 31 August 2016, the Group had £250m committed bank facilities in place (2015: £250m).

Bank facilities comprise:

- a £100m syndicated term loan with £10m repayable in February 2017, August 2017, February 2018 and August 2018 with the balance repayable in November 2018
- a £150m syndicated revolving credit facility which expires in November 2018

## Dawson Books Limited

### Notes to the financial statements for the year ended 31 August 2016 (continued)

#### 15. Deferred tax

	Accelerated tax depreciation £'000
<b>Depreciation in excess of capital allowances</b>	
Opening balance included in non-current assets	27
Recognised in profit or loss	(26)
Closing balance included in non-current assets	<u>1</u>

#### 16. Called up share capital

	2016 £'000	2015 £'000
<b>Issued and fully paid in the period</b>		
1 ordinary share of £1	<u>-</u>	<u>-</u>

The Company has one class of ordinary shares that carry no right to a fixed income.

#### 17. Related party disclosures

During the year the company entered into transactions, in the ordinary course of business, with other related parties. The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries

##### Parent undertakings and controlling party

The company's immediate parent undertaking is Bertram Trading Limited. The company's ultimate parent undertaking and its controlling party is Connect Group PLC. Both entities are companies incorporated in England and Wales.

Connect Group PLC is the only parent undertaking to prepare consolidated financial statements that include the Company's results. Connect Group PLC's financial statements comply with International Financial Reporting Standards and have been produced for public use. Copies can be obtained from:

The Company Secretary  
Connect Group PLC  
Rowan House  
Cherry Orchard North  
Kembrey Park  
Swindon  
Wiltshire  
SN2 8UH

#### 18. Contingent liabilities and capital commitments

The company is not involved in any significant litigation. The company's parent has secured working capital facilities and the company has entered into a cross guarantee in relation to this facility. Capital expenditure authorised, but not included in the financial statements, is £nil (2015: £nil).