REGISTERED NUMBER: SC064650 (Scotland)

Report of the Directors and

Financial Statements for the Year Ended 31 December 2016

for

Mainstream Publishing Company (Edinburgh) Limited

Mainstream Publishing Company (Edinburgh) Limited (Registered number: SC064650)

Contents of the Financial Statements for the Year Ended 31 December 2016

Mainstream Publishing Company (Edinburgh) Limited

Company Information for the Year Ended 31 December 2016

DIRECTORS:	M W Gardiner T D Weldon
SECRETARY:	M W Gardiner
REGISTERED OFFICE:	54-66 Frederick Street Edinburgh EH2 1LS
REGISTERED NUMBER:	SC064650 (Scotland)
AUDITORS:	Gibson McKerrell Brown LLP Chartered Accountants and Statutory Auditors 14 Rutland Square Edinburgh Midlothian EH1 2BD
BANKERS:	Nat West Bank PLC City of London Office 1 Princes Street London EC3P 3AR

Mainstream Publishing Company
(Edinburgh) Limited (Registered number: SC064650)

Report of the Directors
for the Year Ended 31 December 2016

The directors present their report with the financial statements of the company for the year ended 31 December 2016.

PRINCIPAL ACTIVITY
The company's principal activity continues to be that of printing and publishing of books.

DIVIDENDS
The total distribution of dividends for the year ended 31 December 2016 will be £315,730.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2016 to the date of this report.

M W Gardiner
T D Weldon

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Report of the Directors 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 AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 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 in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS
The auditors, Gibson McKerrell Brown LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

M W Gardiner - Director

21 March 2017

Report of the Independent Auditors to the Members of
Mainstream Publishing Company
(Edinburgh) Limited

We have audited the financial statements of Mainstream Publishing Company (Edinburgh) Limited for the year ended 31 December 2016 on pages four to thirteen. 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 a Report of the Auditors 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 Statement of Directors' Responsibilities set out on page two, 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 Report of the Directors 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 December 2016 and of its profit 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 Report of the Directors 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; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

Julian Cordery FCCA ACA (Senior Statutory Auditor)
for and on behalf of Gibson McKerrell Brown LLP
Chartered Accountants and Statutory Auditors
14 Rutland Square
Edinburgh
Midlothian
EH1 2BD

22 March 2017

Mainstream Publishing Company
(Edinburgh) Limited (Registered number: SC064650)

Income Statement
for the Year Ended 31 December 2016

	Notes	31.12.16 £	31.12.15 £
TURNOVER	3	516,393	624,923
Cost of sales		250,523	340,314
GROSS PROFIT		265,870	284,609
Administrative expenses		19,760	(27,098)
OPERATING PROFIT	4	246,110	311,707
Interest receivable and similar income		1,378	2,287
PROFIT BEFORE TAXATION		247,488	313,994
Tax on profit	5	46,890	66,621
PROFIT FOR THE FINANCIAL YEAR		200,598	247,373

The notes form part of these financial statements

Mainstream Publishing Company
(Edinburgh) Limited (Registered number: SC064650)

Other Comprehensive Income
for the Year Ended 31 December 2016

	Notes	31.12.16 £	31.12.15 £
PROFIT FOR THE YEAR		200,598	247,373
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		200,598	247,373

The notes form part of these financial statements

Mainstream Publishing Company
(Edinburgh) Limited (Registered number: SC064650)

Balance Sheet
31 December 2016

	Notes	31.12.16 £	31.12.15 £
CURRENT ASSETS			
Stocks	7	39,936	45,179
Debtors	8	506,387	664,774
		546,323	709,953
CREDITORS			
Amounts falling due within one year	9	196,890	245,388
NET CURRENT ASSETS		349,433	464,565
TOTAL ASSETS LESS CURRENT LIABILITIES		349,433	464,565
CAPITAL AND RESERVES			
Called up share capital	11	40,000	40,000
Retained earnings	12	309,433	424,565
SHAREHOLDERS' FUNDS		349,433	464,565

The financial statements were approved by the Board of Directors on 21 March 2017 and were signed on its behalf by:

M W Gardiner - Director

Mainstream Publishing Company
(Edinburgh) Limited (Registered number: SC064650)

Statement of Changes in Equity
for the Year Ended 31 December 2016

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2015	40,000	680,938	720,938
Changes in equity			
Dividends	-	(503,746)	(503,746)
Total comprehensive income	-	247,373	247,373
Balance at 31 December 2015	40,000	424,565	464,565
Changes in equity			
Dividends	-	(315,730)	(315,730)
Total comprehensive income	-	200,598	200,598
Balance at 31 December 2016	40,000	309,433	349,433

The notes form part of these financial statements

Mainstream Publishing Company (Edinburgh) Limited (Registered number: SC064650)

Cash Flow Statement for the Year Ended 31 December 2016

	Notes	31.12.16 £	31.12.15 £
Cash flows from operating activities			
Cash generated from operations	1	374,737	567,037
Tax paid		(63,077)	(69,894)
Net cash from operating activities		311,660	497,143
Cash flows from investing activities			
Interest received		1,378	2,287
Net cash from investing activities		1,378	2,287
Cash flows from financing activities			
Equity dividends paid		(315,730)	(503,746)
Net cash from financing activities		(315,730)	(503,746)
Decrease in cash and cash equivalents		(2,692)	(4,316)
Cash and cash equivalents at beginning of year	2	(4,559)	(243)
Cash and cash equivalents at end of year	2	(7,251)	(4,559)

The notes form part of these financial statements

Mainstream Publishing Company
(Edinburgh) Limited (Registered number: SC064650)

Notes to the Cash Flow Statement
for the Year Ended 31 December 2016

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	31.12.16	31.12.15
	£	£
Profit before taxation	247,488	313,994
Finance income	(1,378)	(2,287)
	246,110	311,707
Decrease in stocks	5,243	30,036
Decrease in trade and other debtors	158,387	336,952
Decrease in trade and other creditors	(35,003)	(111,658)
Cash generated from operations	374,737	567,037

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2016

	31.12.16	1.1.16
	£	£
Bank overdrafts	(7,251)	(4,559)

Year ended 31 December 2015

	31.12.15	1.1.15
	£	£
Bank overdrafts	(4,559)	(243)

1. GENERAL INFORMATION

Mainstream Publishing Company (Edinburgh) Limited is a company limited by shares, incorporated in Scotland. Its registered office is 54-66 Frederick Street, Edinburgh, EH2 1LS. The company's principal place of business is at The Book Service, Colchester Road, Frating Green, Colchester, Essex, CO7 7DW.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Related party exemption
The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Revenue recognition
Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of discounts and of value added tax. The company recognises revenue when the amounts of revenue can be measured reliably and when it is probable that future economic benefits will flow to the entity.

Stock and work in progress
Valuations are based on a formula calculated on anticipated sales depending on whether stock is less than 4 months old since publication, 4-12 months or over 12 months.

Financial instruments
The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans to and from related parties. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Income tax
Taxation expense represents the aggregate amount of current tax and deferred tax recognised in the reporting period.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	31.12.16	31.12.15
	£	£
United Kingdom	402,235	489,265
Rest of world	114,158	135,658
	516,393	624,923

continued...

4. OPERATING PROFIT

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

	31.12.16	31.12.15
	£	£
Foreign exchange differences	(877)	4,250
Auditors' remuneration	5,453	4,050
Cost of inventories recognised as expense	56,776	67,695

5. TAXATION

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	31.12.16	31.12.15
	£	£
Current tax:		
UK corporation tax	47,083	66,024
Withholding tax suffered	(193)	597
Tax on profit	46,890	66,621

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.16	31.12.15
	£	£
Profit before tax	247,488	313,994
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20%)	49,498	62,799
Effects of:		
Expenses not deductible for tax purposes	-	308
Adjustments to tax charge in respect of previous periods	(2,415)	2,917
Withholding tax suffered	(193)	597
Total tax charge	46,890	66,621

6. DIVIDENDS

	31.12.16	31.12.15
	£	£
Interim	315,730	503,746

7. STOCKS

	31.12.16	31.12.15
	£	£
Stock	252	5,901
Work-in-progress	39,684	39,278
	39,936	45,179

continued...

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.16	31.12.15
	£	£
Amounts owed by group undertakings	492,772	638,314
Other debtors	13,615	26,460
	506,387	664,774

Book returns have been provided for in accordance with the industry practice.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.16	31.12.15
	£	£
Bank loans and overdrafts (see note 10)	7,251	4,559
Trade creditors	3,378	6,649
Taxation and social security	52,754	68,941
Other creditors	133,507	165,239
	196,890	245,388

10. LOANS

An analysis of the maturity of loans is given below:

	31.12.16	31.12.15
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	7,251	4,559

11. CALLED UP SHARE CAPITAL

Allotted and issued:

Number:	Class:	Nominal value:	31.12.16	31.12.15
			£	£
40,000	Ordinary	£1	40,000	40,000

12. RESERVES

	Retained earnings
	£
At 1 January 2016	424,565
Profit for the year	200,598
Dividends	(315,730)
At 31 December 2016	309,433

13. ULTIMATE PARENT COMPANY

Bertelsmann SE & Co KGaA (incorporated in Germany) is regarded by the directors as being the company's ultimate parent company.

The consolidated financial statements of Bertelsmann SE & Co KGaA can be obtained from:

Bertelsmann SE & Co KGaA
Corporate Communications
Carl Bertelsmann Strasse 270
Postfach 111
D-33311 Gütersloh
Germany

continued...

14. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 8 Related Party Disclosures, not to disclose related party transactions with wholly owned subsidiaries within the group.