

**FREDERICK WARNE & CO LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**



## COMPANY INFORMATION

<b>Company name</b>	Frederick Warne & Co Limited
<b>Directors</b>	Francesca Dow Mark Gardiner Thomas Weldon
<b>Company secretary</b>	Sinead Martin
<b>Registered number</b>	00155455
<b>Registered office</b>	20 Vauxhall Bridge Road London SW1V 2SA
<b>Independent auditor</b>	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL

**FREDERICK WARNE & CO LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**STRATEGIC REPORT**

The directors present their Strategic Report of Frederick Warne & Co Limited ("the company") for the year ended 31 December 2020.

**Principal activities**

The company is a subsidiary of Penguin Books Limited, a company registered in the United Kingdom. The company is UK domiciled and registered in the United Kingdom. The principal activity of the company continues to be book publishing. The company also exploits its intellectual property through the granting of licences for the manufacture and sale of books and merchandise.

The company continues to sell the television, video and promotional rights of its television series based upon the original characters of Beatrix Potter.

**Review of the business**

The results and financial position of the company are set out in the attached financial statements. The company made a profit for the financial year of £3,163,000 (2019 restated: £2,603,000).

**Key Performance Indicators ("KPIs")**

The company monitors progress and performance during the year and historical trend data which is set out in the following KPI's:

- Turnover for the year was £14,127,000 (2019 restated: £14,782,000); and
- Gross margin percentage for the year was 46.3% (2019 restated: 37.5%).

**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 safety of our employees is a major concern for us 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.

**FREDERICK WARNE & CO LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**STRATEGIC REPORT (continued)**

**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:

**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.

**STRATEGIC REPORT (continued)**

**PRH Streamlined Energy and Carbon Reporting Disclosure 2020**

In compliance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations"), the PRH group reports its global energy use and emissions relating to gas, electricity and transport fuel for the year ended 31 December 2020. Previous years 2018 and 2019 have been included to demonstrate Penguin Random House's commitment to reducing their energy use and greenhouse gas emissions.

This report is prepared for Penguin Random House Group Limited ('PRH UK') and reports figures for all subsidiaries within the Group, not just those subsidiaries required to disclose by the 2018 Regulations.

**Energy Consumption - Green Electricity** – PRH made the decision to purchase "Green Electricity" from October 2018

	2018	2019	2020
Total Energy Consumption kWh	15,545,232.75	10,913,478.29	9,960,952.52
Total Electricity Consumption kWh	9,528,918.67	6,402,661.44	5,479,417.62
Percentage "Green Electricity"	13.9%	100%	100%
Total Heat Consumption in kWh	5,779,650.25	4,278,974.46	4,365,107.95
Energy – Transport Fuels in kWh	236,663.83	231,842.39	116,426.95

**Energy Efficiency actions in 2020**

During the 2020 financial year PRH implemented several energy efficiency improvements, including:

- Penguin Random House UK Facilities replace end of life lighting with LED lights as standard practice reducing usage year on year.
- Thermal insulation installed at one of the main distribution centres.
- In response to the COVID-19 pandemic in 2020, we suspended all but essential business travel, improved video conferencing for all persons, purchased new technology equipment for remote working reducing the need for office staff commuting.
- Replaced Air Handling Units in one site for more energy efficient models.
- Moved one office to a more modern energy efficient building.

**Targets**

Penguin Random House UK is committed to managing environmental issues effectively across our entire value chain.

We have set three key targets for the future:

- **Zero by 30:** reduce our carbon footprint to become climate neutral in our direct operations by 2021, and in our wider supply chain by 2030
- **Sustainable sourcing:** ensure 100% of our paper and other core materials are ethically and sustainably sourced
- **Content:** use the power of our brand, books and authors to amplify the climate emergency and encourage positive behaviour change

**FREDERICK WARNE & CO LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**STRATEGIC REPORT (continued)**

**PRH Streamlined Energy and Carbon Reporting Disclosure 2020 (continued) Emissions**

Site related emissions	unit	2018	2019	2020	D 2019	D 2018
Scope 1 Mobile Fuels	t CO2e	64	63	32	-49%	-50%
Scope 1 Stationary Fuels	t CO2e	81	53	21	-61%	-74%
Scope 2 Electricity	t CO2e	3,007	-	-	-	-100%
Scope 2 Heat	t CO2e	1,373	939	878	-14%	-40%
Scope 1 Refrigerant Losses	t CO2e	3	-	141	-	4416%
Scope 3 Waste	t CO2e	134	122	83	-33%	-39%
Scope 3 Energy related	t CO2e	609	130	122	-6%	-80%
<b>Total</b>	<b>t CO2e</b>	<b>5,271</b>	<b>1,307</b>	<b>1,277</b>	<b>-2%</b>	<b>-76%</b>
Employee related emissions	unit	2018	2019	2020	D 2019	D 2018
Scope 3 Business Travel	t CO2e	2,300	1,066	23	-98%	-99%
Scope 3 Hotel	t CO2e	223	219	33	-85%	-85%
Scope 3 Employee Commuting	t CO2e	2,130	2,130	1,046	-51%	-51%
Scope 3 Office Paper	t CO2e	175	160	43	-73%	-75%
Scope 3 IT Devices	t CO2e	209	208	697	234%	234%
<b>Total</b>	<b>t CO2e</b>	<b>5,037</b>	<b>3,783</b>	<b>1,842</b>	<b>-51%</b>	<b>-63%</b>
Product related emissions	Unit	2018	2019	2020	D 2019	D 2018
Scope 3 Paper Mills	t CO2e	19,717	19,731	13,901	-30%	-30%
Scope 3 Printers / Printing Materials	t CO2e	19,429	15,862	11,175	-30%	-42%
Scope 3 Warehouses	t CO2e	3,011	954	672	-30%	-78%
Scope 3 Transport Paper Mill to Printer	t CO2e	1,961	2,000	1,409	-30%	-28%
Scope 3 Transport Printer to Warehouse	t CO2e	2,139	2,978	2,098	-30%	-2%
Scope 3 Transport Distribution (Delivery & Returns)	t CO2e	1,830	1,951	1,374	-30%	-25%
Sub-total Scope 3 Transport	t CO2e	5,930	6,929	4,881		
Scope 3 End of Life (product waste)	t CO2e	1,215	1,281	902	-30%	-26%
<b>Total Emissions</b>	<b>t CO2e</b>	<b>49,302</b>	<b>44,757</b>	<b>31,531</b>	<b>-31%</b>	<b>-42%</b>
Total Emissions	Unit	2018	2019	2020	D 2019	D 2018
Scope 1	t CO2e	148	116	194	67%	30%
Scope 2	t CO2e	4,380	939	878	-6%	-80%
thereof heat	t CO2e	1,373	939	878	-6%	-36%
Scope 3	t CO2e	55,082	48,792	33,578	-31%	-39%
<b>Sum of S1+S2+S3</b>	<b>t CO2e</b>	<b>59,610</b>	<b>49,847</b>	<b>34,650</b>	<b>-30%</b>	<b>-42%</b>

**FREDERICK WARNE & CO LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**STRATEGIC REPORT (continued)**

**PRH Streamlined Energy and Carbon Reporting Disclosure 2020 (continued)**

Intensity Ratio	Unit	2018	2019	2020	D 2019	D 2018
Tonnes of CO2e per £M Revenue	t CO2e	124.47	97.83	64.03	-35%	-49%

Scope 1 emissions: direct emissions from owned or controlled sources.

Scope 2 emissions: indirect emissions from the generation of purchased energy

Scope 3 emissions: Other indirect emissions, not covered by scope 2

Acronyms: tonnes carbon dioxide equivalent (tCO2e); kilowatt hours (kWh); kilograms carbon dioxide equivalent per square foot of net lettable area (kgCO2e/sq.ft)

**Reporting Methodology**

We have followed the UK BEIS (Department Business, Energy & Industrial Strategy) 2019 guidance. The energy and emission figures provided are taken from Bertelsmann's "Green Screen", this a Bertelsmann owned internal recording application used by all companies within the Bertelsmann Group including Penguin Random House UK. All conversions are completed using government guidance ratios and the scopes 1, 2 and 3 are as outlined by BEIS guidance pages 50 and 51.

**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).

On behalf of the board



Mark Gardiner  
 Director  
 29 March 2022

**FREDERICK WARNE & CO LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**DIRECTORS' REPORT**

The directors present their annual report and audited financial statements of the company for the year ended 31 December 2020.

**Future developments**

Looking ahead, the market remains challenging and the economic backdrop remains similarly tough. The company will continue to produce high quality book publishing and the exploitation of intellectual property through the granting of licences for the manufacture and sale of books and merchandise. 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 2021 and 2022 and the foreseeable future and expects 2021 to return to pre COVID-19 levels or better.

**Results and dividends**

No dividends were paid during 2020 (2019: £8,000,000) and the company reported a profit for the financial year of £3,163,000 (2019 restated: £2,603,000). The directors do not recommend any further dividends.

**Financial risk management**

It is the company's policy to implement financial risk management objectives and policies for each major type of transaction. The directors consider the entity's exposure to price risk, credit risk, liquidity risk and cash flow risk as insignificant.

**Going Concern**

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate given the following considerations.

Directors considered the operating nature of the entity and expectations for the future trading along with the outstanding inter-company payables and inter-company receivables for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds through funding from its ultimate parent Bertelsmann SE & Co. KGaA and repayment of outstanding balances from fellow subsidiaries to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Bertelsmann SE & Co. KGaA not seeking repayment of the amounts currently due to the group and providing additional financial support during that period. Bertelsmann SE & Co. KGaA has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial.

Further details regarding the adoption of the going concern basis can be found in Note 3 to the financial statements.



**FREDERICK WARNE & CO LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**DIRECTORS' REPORT (continued)**

**Directors**

The directors who held office during the year and up to the date of signing the financial statements are given below:

Francesca Dow  
Mark Gardiner  
Thomas Weldon

S Martin (Company Secretary)

**Registered Office**

The address of the company's registered office is 20 Vauxhall Bridge Road, London, SW1V 2SA.

**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 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. 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.

**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.

**Statement as to disclosure of information to auditor**

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.

**FREDERICK WARNE & CO LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**DIRECTORS' REPORT (continued)**

**Independent auditor**

On 9 December 2020, the former auditors PricewaterhouseCoopers LLC resigned, and the shareholders in general meeting appointed KPMG LLP as the auditor of the company on the same day.

On behalf of the board

A handwritten signature in black ink, appearing to read 'M. W. Gardiner', written in a cursive style.

Mark Gardiner  
Director  
29 March 2022

20 Vauxhall Bridge Road  
London  
SW1V 2SA

**FREDERICK WARNE & CO LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FREDERICK WARNE & CO LIMITED**

## **Opinion**

We have audited the financial statements of Frederick Warne & Co Limited ("the company") for the year ended 31 December 2020 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

## **Fraud and breaches of laws and regulations – ability to detect**

### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included enquiring of directors and inspection of policy documentation as to the Penguin Random House Limited's ("PRHL") policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FREDERICK WARNE & CO LIMITED (CONTINUED)**

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because of the limited rationalizations and opportunities to fraudulently recognize revenue.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by specific users, those posted including specific words in their descriptions and those posted to unrelated accounts.

### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FREDERICK WARNE & CO LIMITED (CONTINUED)**

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**David Arnold (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL  
29 March 2022

**FREDERICK WARNE & CO LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**PROFIT AND LOSS ACCOUNT**

		2020	Restated 2019
	Note	£'000	£'000
Turnover	5	14,127	14,782 *
Cost of sales		(7,584)	(9,234) *
Gross profit		<u>6,543</u>	<u>5,548</u> *
Distribution costs		(358)	(344)
Administrative expenses		(2,253)	(2,278) *
Other operating income		14	26 *
Operating profit	6	<u>3,946</u>	<u>2,952</u> *
Interest receivable and similar income	8	15	52
Profit before taxation		<u>3,961</u>	<u>3,004</u> *
Tax on profit	9	(798)	(401) *
Profit for the financial year		<u>3,163</u>	<u>2,603</u> *

\* Prior year balances have been restated as detailed in note 18.

**Continuing operations**

None of the company's activities were acquired or discontinued during the current year or previous year.

The notes form part of these financial statements.

**FREDERICK WARNE & CO LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**STATEMENT OF COMPREHENSIVE INCOME**

	2020	Restated 2019
	£'000	£'000
Profit for the financial year	3,163	2,603 *
Other comprehensive income for the year, net of tax	-	-
<b>Profit for the financial year and total comprehensive income</b>	<b>3,163</b>	<b>2,603 *</b>

\* Prior year balances have been restated as detailed in note 18.

The notes form part of these financial statements.



**FREDERICK WARNE & CO LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2020**

Company No. 00155455

		2020	Restated 2019
	Note	£'000	£'000
<b>Fixed assets</b>			
Tangible assets	11	51	55
		<u>51</u>	<u>55</u>
<b>Current assets</b>			
Stocks	12	591	922
Debtors	13	18,937	15,205 *
Cash at bank and in hand		<u>510</u>	<u>510 *</u>
		20,038	16,637 *
<b>Creditors: amounts falling due within one year</b>	14	(10,237)	(10,037) *
<b>Net current assets</b>		<u>9,801</u>	<u>6,600 *</u>
<b>Total assets less current liabilities</b>		9,852	6,655 *
Provisions for liabilities	15	<u>(335)</u>	<u>(301) *</u>
<b>Net assets</b>		<u>9,517</u>	<u>6,354 *</u>
<b>Capital and Reserves</b>			
Called up share capital	16	840	840
Retained earnings		<u>8,677</u>	<u>5,514 *</u>
<b>Total equity</b>		<u>9,517</u>	<u>6,354 *</u>

\* Prior year balances have been restated as detailed in note 18.

The notes form part of these financial statements.

These financial statements were authorised for issue by the board of directors and were signed on its behalf by:



Mark Gardiner  
Director

Date: 29 March 2022

20 Vauxhall Bridge Road  
London  
SW1V 2SA

**FREDERICK WARNE & CO LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**STATEMENT OF CHANGES IN EQUITY**

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
<b>Balance as at 1 January 2019</b>	840	9,442	10,282
Effect of prior year restatement	-	1,469	1,469
<b>Balance as at 1 January 2019 (restated)</b>	840	10,911	11,751
<b>Changes in equity</b>			
Dividends	-	(8,000)	(8,000)
Profit for the financial year	-	3,271	3,271
<b>Balance as at 31 December 2019</b>	840	4,713	5,553
Effect of prior year restatement	-	(668)	(668)
<b>Balance as at 31 December 2019 (restated)</b>	840	5,514	6,354
<b>Changes in equity</b>			
Profit for the financial year	-	3,163	3,163
<b>Balance as at 31 December 2020</b>	840	8,677	9,517

Prior year balances have been restated as detailed in note 18.

The notes form part of these financial statements.

**Called up share capital**

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

**Retained earnings**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**1 GENERAL INFORMATION**

Frederick Warne & Co Limited ("the company") is a book publisher and exploits the intellectual property through the granting of licences for the manufacture and sale of books and merchandise. The company sells its books globally. The company is a private company limited by shares and is incorporated 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 the company 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.

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. Management considers there are no areas involving a higher degree of judgement or complexity, nor any areas where assumptions and estimates are significant to the financial statements.

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)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1 'Presentation of financial statements'
  - paragraph 73(e) of IAS 16 'Property, plant & equipment'
  - paragraph 118(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period)
- 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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Going concern**

The directors have considered the operating nature of the entity and expectations for future trading for a period of 12 months from the date of approval of these financial statements. It indicates that, taking account of reasonably possible downsides, the company will have sufficient funds through funding from its ultimate parent Bertelsmann SE & Co. KGaA to realise its assets and settle its liabilities in the ordinary course of business for that period.

This is dependent upon Bertelsmann SE & Co. KGaA providing the required funding through this period through the cash pooling arrangement. Bertelsmann SE & Co. KGaA has indicated its intention to continue to make available such funds as are needed by the company. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Given the dependency on the Ultimate Parent the directors have also considered the work carried out by Group management in relation to the Group's going concern assessment focusing on cash flow, liquidity position and the ability of the Group to meet known and potential liabilities and concluded that having analysed the impact of COVID 19, the Group has sufficient headroom and will be able to provide support to the company.

**New standards, amendments and IFRIC interpretations**

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2020 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 consists of the sale of books and income from licensing and sub rights.

*Sales of books*

Turnover is measured at 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 that are rechargeable under the contractual arrangement are included in turnover with a corresponding expense recognised in administrative expenses in the income statement.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Income from licencing and sub rights*

Income from licensing and sub rights is assessed for each license contract to determine whether the license provides the customer with a right to access or use of the company's intellectual property, with the point of recognition dependent upon this assessment and when the rights are transferred and used. Income from the use of rights granted by the agreement are recognised as turnover when the performance obligations have been satisfied. Any incremental costs incurred by the Company in obtaining the license contracts are recognised as an asset if recovery of these costs is expected.

**Taxation**

The tax expense for the year comprises current tax.

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.

No temporary differences arise between the tax bases of assets and liabilities and their carrying amounts in the financial statements that give rise to deferred tax.

**Tangible assets**

Tangible assets are stated at historical cost less accumulated depreciation. Historical cost includes the original purchase price and costs directly attributed to bringing the assets to its working conditions for intended use.

Depreciation is calculated to write off the cost of the tangible assets over their estimated useful lives on a straight line basis. The principle annual rates used for this purpose are as follows:

Owned artwork	Over periods of between 3 and 20 years
---------------	--

**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.

**Financial assets**

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 a separate line item in the profit or loss under 'net impairment losses on financial assets.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment of financial assets**

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for insignificant trade debtors and a risk score on an individual basis for significant trade debtors. 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, however, there are no significant accounting judgements and estimates applicable to this entity.

**FREDERICK WARNE & CO LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**5 TURNOVER**

	2020	Restated 2019
	£'000	£'000
Analysis of turnover by geography:		
UK and The Republic of Ireland	4,404	5,421
Rest of World	9,723	9,361
	<u>14,127</u>	<u>14,782 *</u>

Included in turnover are the sale of books amounting to £7,006,000 (2019: £7,627,000) and income from licensing and sub rights amounting to £7,121,000 (2019: £7,155,000).

\*Prior year balances have been restated. See note 18 for details.

*Contract balances:*

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2020	Restated 2019
	£'000	£'000
Receivables, which are included in 'Amounts owed by group undertakings'	6,477	5,092
Contract assets	2,136	1,809
Contract liabilities	<u>4,882</u>	<u>6,288</u>

The contract assets primarily relate to the Company's rights to consideration for sub license income but not billed at the reporting date.

The contract liabilities primarily relate to the advance consideration received from customers under a specific licensing agreement, and for forward dated book publications at the reporting date.

Significant changes in the contract assets and the contract liabilities balances during the year are as follows:

	2020		Restated 2019	
	£'000		£'000	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	(1,767)	-	(100)
Increases due to cash received, excluding amounts recognised as revenue during the period	-	361	-	637
Transfers from contract assets recognised at the beginning of the period to receivables	<u>(1,809)</u>	<u>-</u>	<u>(3,587)</u>	<u>-</u>

\*Amounts in brackets denote a reduction in the contract assets and contract liabilities balances.

**FREDERICK WARNE & CO LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**6 OPERATING PROFIT**

	2020	2019
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Provision for returns	9	67
(Reversal of impairment)/Impairment of inventory	(53)	141
Depreciation	4	4
Stock recognised as an expense	3,998	3,835
Personnel costs:		
- Wages and salaries	205	217
- Social security costs	16	20
- Other pension costs	12	15
Auditors' remuneration:		
- Statutory audit	7	7

Auditors' remuneration for the statutory audit of the company was borne by The Random House Group Limited and recharged to Frederick Warne & Co Limited as part of a management recharge in 2020 and 2019. No other services were provided by the company's auditors in 2020 (2019: none).

**7 EMPLOYEES AND DIRECTORS**

**Employees**

All employees (2019: all employees) are employed by Penguin Books Limited ("PBL") and therefore all staff costs are borne by them. PBL then recoups this through the management recharge.

**Directors**

Although the directors of the company have service contracts with Penguin Books Limited ("PBL") and The Random House Group Limited ("RHG"), the proportion of their time and efforts relating to the company, and therefore their emoluments, have been included in these financial statements.

	2020	2019
	£'000	£'000
<i>Directors' remuneration:</i>		
Aggregate emoluments	47	46
Amounts receivable under long term incentives	6	6
Company pension contributions	4	4

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



**FREDERICK WARNE & CO LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**7 EMPLOYEES AND DIRECTORS (continued)**

**Directors (continued)**

The highest paid directors' emoluments were as follows:

	2020	2019
	£'000	£'000
<i>Highest paid director:</i>		
Emoluments	27	26
Amounts receivable under long term incentives	5	5
Defined benefit pension scheme accrued	3	3
	<hr/>	<hr/>

Two (2019: two) directors are paid by PBL and the other director is paid by RHG as follows:

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

**8 INTEREST RECEIVABLE AND SIMILAR INCOME**

	2020	2019
	£'000	£'000
<i>Interest receivable and similar income:</i>		
Interest receivable on intercompany cash pooling	15	52
	<hr/>	<hr/>
	15	52
	<hr/>	<hr/>

**FREDERICK WARNE & CO LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**9 TAX ON PROFIT**

	2020	Restated 2019
	£'000	£'000
<i>Amount payable for group relief and UK corporation tax</i>		
UK corporation tax on profit for the year	776	511 *
Overseas tax	41	85
Double tax relief	(41)	(78)
Adjustments in respect of prior years	22	(117)
	<hr/>	<hr/>
<b>Tax charge on profit</b>	<b>798</b>	<b>401 *</b>
	<hr/>	<hr/>

The tax assessed for the year is different to (2019: different to) the standard effective rate of corporation tax in the UK as explained below:

	2020	Restated 2019
	£'000	£'000
Profit before taxation	<u>3,961</u>	<u>3,004 *</u>
Corporation tax at standard rate of 19.00% (2019: 19.00%)	753	571 *
Effects of:		
Expenses not deductible for tax purposes	23	25
Withholding tax not deductible	-	(78)
Adjustments in respect of prior years	<u>22</u>	<u>(117)</u>
	<hr/>	<hr/>
<b>Total tax charge for year</b>	<b>798</b>	<b>401 *</b>
	<hr/>	<hr/>

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The entity does not have any UK deferred tax asset/(liability) as at 31 December 2020.

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.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly but shall not have any impact on deferred tax.

\*Prior year balances have been restated. See note 18 for details.

**FREDERICK WARNE & CO LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**10 DIVIDENDS**

	2020 £'000	2019 £'000
<i>Dividends paid:</i>		
Penguin Books Limited	-	(8,000)
	<hr/>	<hr/>
	-	(8,000)
	<hr/>	<hr/>

**11 TANGIBLE ASSETS**

	Owned Artwork £'000	Total £'000
<i>Cost:</i>		
At 1 January 2020	71	71
	<hr/>	<hr/>
At 31 December 2020	71	71
	<hr/>	<hr/>
<i>Accumulated depreciation:</i>		
At 1 January 2020	16	16
Charge for the year	4	4
	<hr/>	<hr/>
At 31 December 2020	20	20
	<hr/>	<hr/>
<i>Net book amounts:</i>		
At 31 December 2019	55	55
	<hr/>	<hr/>
At 31 December 2020	51	51
	<hr/>	<hr/>

**Note:**

The owned artwork relates to the Peter Rabbit series.

**FREDERICK WARNE & CO LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**12 STOCKS**

	2020	2019
	£'000	£'000
Prepublication costs	183	285
Finished goods	408	637
	<u>591</u>	<u>922</u>

As of 31 December 2020 stocks were reviewed for impairment. The amount of the provision was £224,000 (2019: £279,000), and mainly relates to slow moving stock.

**13 DEBTORS**

	2020	Restated 2019
	£'000	£'000
Amounts owed by group undertakings	14,139	8,331
Other debtors	679	2,518 *
Prepayments and accrued income	4,119	4,356 *
	<u>18,937</u>	<u>15,205 *</u>

Amounts owed by group undertakings are unsecured and repayable on demand. The balances are interest free, except for £7,123,000 (2019: £3,198,000) in respect of cash pooling agreements with the company's intermediate parent entity Bertelsmann UK Limited (2019: Penguin Random House Limited). These amounts incur interest on a monthly basis; the average interest rate for the year was 0.55% (2019: 0.69%). There is no provision value on these assets (2019: nil).

Also included in amounts owed by group undertakings is £6,476,000 (2019: £4,190,000) owed by The Book Service Limited ("TBS"). These amounts include trade debtor balances which are held in TBS.

Included within other debtors is VAT repayable to the company of £239,000 (2019: £1,021,000) and advance royalty payments of £440,000 (2019: £1,497,000).

Prepayments and accrued income includes accrued sub-rights income amounting to £2,093,000 (2019: £1,809,000) and prepaid commission of £2,020,000 (2019: £2,525,000).

\*Prior year balances have been restated. See note 18 for details.

**FREDERICK WARNE & CO LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2020	Restated 2019
	£'000	£'000
Trade creditors	1,404	1,111 *
Amounts owed to group undertakings	1,757	583
Corporation tax	888	851 *
Other creditors	56	- *
Accruals and deferred income	6,132	7,492 *
	<hr/>	<hr/>
	10,237	10,037 *
	<hr/>	<hr/>

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

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

Accruals and deferred income includes £4,482,000 (2019: £6,288,000) of deferred income, principally relating to a minimum guarantee received under a specific licensing agreement for a six year period.

\*Prior year balances have been restated. See note 18 for details.

**15 PROVISIONS FOR OTHER LIABILITIES**

	Returns provision	Total
	£'000	£'000
At 1 January 2020 -restated	301	301 *
Additions to income statement	335	335
Amount utilised during the year	(301)	(301)
	<hr/>	<hr/>
At 31 December 2020	335	335
	<hr/>	<hr/>

*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.

\*Prior year balances have been restated. See note 18 for details.

**FREDERICK WARNE & CO LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**16 CALLED UP SHARE CAPITAL**

	2020 £'000	2019 £'000
Total share capital	840	840
	<hr/>	<hr/>
	2020 £'000	2019 £'000
<b>Deferred share £1 each</b>		
832,000 (2019: 832,000) Allotted and fully paid	832	832
	<hr/>	<hr/>
	2020 £'000	2019 £'000
<b>Ordinary share £0.01 each</b>		
832,000 (2019: 832,000) Allotted and fully paid	8	8
	<hr/>	<hr/>

**17 RELATED PARTY DISCLOSURE**

The immediate parent undertaking is Penguin Books Limited ("PBL").

PBL is a wholly owned subsidiary of Penguin Random House Limited ("PRHL"). At the balance sheet date PRHL was owned by Bertelsmann UK Limited. 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

The company is exempt from the requirement, under International Accounting Standard 24 'Related party disclosures', to disclose transactions with entities that are wholly owned by PRHL. The company has taken advantage of this exemption.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**18 PRIOR PERIOD ADJUSTMENT**

The company has restated certain prior year balances relating to the following issues identified during the course of preparing these financial statements.

**Recognition of sub-rights income**

The directors have reassessed the information available to them at the time of signing the 31 December 2019 financial statements and restated its sub-rights income and related costs to ensure revenue is recognised in the period within which the performance obligations are satisfied.

The impact of the restatement as at 1 January 2019 was to increase 'Retained earnings' by £1,408,000, 'Corporation tax payable' by £331,000, 'Prepayments and accrued income' by £3,587,000 and 'Accruals and deferred income' by £1,848,000.

There were further impacts in the year ended 31 December 2019 reducing 'Turnover' and 'Prepayments and accrued income' by £1,778,000, reducing 'Cost of sales' and 'Accruals and deferred income' by £955,000 and reducing 'Tax on profit' and 'Corporation tax payable' by £156,000.

The total impact on 'Retained earnings' following the restatements as at 1 January and 31 December 2019 detailed above was an increase of £741,000.

**Presentation of sub-rights income and reclassification of sub-rights income from other operating income to turnover**

In prior years, sub-rights income was presented net of the commission paid to the third parties/agents under "Other operating income", however it has been restated to present on a gross basis under "Turnover" for consistency with the current year treatment, and to reflect the principal nature of the company's relationship with these transactions in accordance with IFRS 15.

The impact of the restatement was to increase 'Turnover' by £8,429,000, 'Cost of sales' by £4,858,000 and 'Administrative expenses' by £28,000, and to decrease 'Other operating income' by £3,543,000. There is no impact on the company's net assets at 1 January or 31 December 2019 or resultant tax impact for 2019.

**Presentation of returns provision**

In the course of the preparation of these financial statements, the Directors became aware that by oversight, the returns provision for export sales for the year ended 31 December 2019 amounting to £234,000 had been disclosed within 'Creditors: amounts falling due within one year' rather than 'Provisions for liabilities'. Accordingly a prior year restatement was made to correctly present the provision consistently with the current year treatment.

The impact at 31 December 2019 was to increase 'Provisions for liabilities' and decrease 'Creditors: amounts falling due within one year' by £234,000. There is no impact on the company's net assets at 1 January or 31 December 2019 or resultant tax impact for 2019.

**Presentation of minimum guarantee**

In prior years a net liability was presented for a material minimum guarantee received by the company under a specific licensing agreement for a six year period. While restatement in relation to the presentation of sub-rights income from all contracts has been described above, the said liability has also been restated to present on a gross basis, with resultant prepaid commission being recognised as an asset. Furthermore, certain other amounts, receivable from the same third party agent under different contracts, earlier netted off with the deferred income, were reclassified to present separately under the relevant heads.

**FREDERICK WARNE & CO LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**18 PRIOR PERIOD ADJUSTMENT (continued)**

The impact of the restatements was to increase 'Turnover' and 'Cost of sales' by £505,000, 'Prepayments and accrued income' by £2,547,000, 'Accruals and deferred income' by £4,017,000 and 'Other debtors' by £1,470,000. There is no impact on the company's net assets at 1 January or 31 December 2019 or resultant tax impact for 2019.

**Reversal of prior year adjustments**

In addition, sundry other adjustments have been processed with a net effect of £61,000, net of corporation tax, that were incorrectly treated in the year ended 31 December 2018. The impact of the restatement as at 1 January 2019 was to increase 'Retained earnings' by £61,000, 'Cash at bank and in hand' by £73,000, and 'Corporation tax payable' by £12,000.



**FREDERICK WARNE & CO LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**18 PRIOR PERIOD ADJUSTMENT (continued)**

(i) Impact of restatements on Profit and Loss Account and Other Comprehensive Income

	<b>As previously reported 2019 £'000</b>	<b>As restated 2019 £'000</b>
Turnover	7,627	14,782
Cost of sales	(4,826)	(9,234)
Gross profit	2,801	5,548
Distribution costs	(344)	(344)
Administrative expenses	(2,250)	(2,278)
Other operating income	3,569	26
Operating profit	3,776	2,952
Interest receivable and similar income	52	52
Profit before taxation	3,828	3,004
Tax on profit	(557)	(401)
Profit for the financial year	3,271	2,603

(ii) Impact of restatements on Balance Sheet

	<b>As previously reported 2019 £'000</b>	<b>As restated 2019 £'000</b>
<b>Fixed assets</b>		
Tangible assets	55	55
	55	55
<b>Current assets</b>		
Stocks	922	922
Debtors	9,378	15,205
Cash at bank and in hand	437	510
	10,737	16,637
<b>Creditors: amounts falling due within one year</b>	(5,172)	(10,037)
<b>Net current assets</b>	5,565	6,600
<b>Total assets less current liabilities</b>	5,620	6,655
Provisions for liabilities	(67)	(301)
<b>Net assets</b>	5,553	6,354
<b>Capital and Reserves</b>		
Called up share capital	840	840
Retained Earnings	4,713	5,514
<b>Total equity</b>	5,553	6,354

**FREDERICK WARNE & CO LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**18 PRIOR PERIOD ADJUSTMENT (continued)**

(iii) Impact of restatements on Debtors

	<b>As previously reported 2019 £'000</b>	<b>As restated 2019 £'000</b>
Amounts owed by group undertakings	8,331	8,331
Other debtors	1,047	2,518
Prepayments and accrued income	-	4,356
	<u>9,378</u>	<u>15,205</u>

(iv) Impact of restatements on Creditors: amounts falling due within one year

	<b>As previously reported 2019 £'000</b>	<b>As restated 2019 £'000</b>
Trade creditors	2,812	1,111
Amounts owed to group undertakings	583	583
Corporation tax	663	851
Other creditors	234	-
Accruals and deferred income	880	7,492
	<u>5,172</u>	<u>10,037</u>

(v) Impact of restatements on Provisions

	<b>As previously reported 2019 £'000</b>	<b>As restated 2019 £'000</b>
Returns provision	67	301
	<u>67</u>	<u>301</u>

**FREDERICK WARNE & CO LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**18 PRIOR PERIOD ADJUSTMENT (continued)**

(vi) Impact of restatements on Tax on Profit

	As previously reported 2019 £'000	As restated 2019 £'000
UK corporation tax on profit for the year	667	511
Overseas tax	85	85
Double tax relief	(78)	(78)
Adjustments in respect of prior years	(117)	(117)
	<u>557</u>	<u>401</u>