

Ladybird Books Limited
Registered Number:

00200130

Annual Report and Financial Statements
For the year ended:

31 December 2017



Ladybird Books Limited
For the year ended 31 December 2017

STRATEGIC REPORT

The directors present their Strategic Report of Ladybird Books Limited ("the company") for the year ended 31 December 2017.

Principal activities

The company is a subsidiary of Penguin Books Limited, which is a subsidiary of Penguin Random House Limited, a company registered in United Kingdom. The company is UK domiciled and registered in United Kingdom. The principal activity of the company continues to be the publishing of children's books and associated products.

Business review

The results and financial position of the company are set out in the attached financial statements. Operating loss for the year was £176,000 (2016: profit of £3,106,000). The company's strategic priorities continue to centre on producing high quality children's books.

The balance sheet on page 9 of the financial statements shows the company's financial position at the end of the year.

Key performance indicators ("KPIs")

The directors of Pearson plc and Bertelsmann SE & Co KGaA manage each respective group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators of the entity is not appropriate for an understanding of the development, performance or position of the business of the company.

The company instead monitors progress and performance during the year and historical trend data is set out in the following key performance indicators:

- Turnover was £16,135,000 (2016: £18,024,000)

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, and the shift to the agency model, 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.

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
19 September 2018

Ladybird Books Limited
For the year ended 31 December 2017

DIRECTORS' REPORT

The directors present their report and the audited financial statements of Ladybird Books Limited ("the company") for the year ended 31 December 2017.

Future development

The company will continue to produce high quality books.

Results and dividends

The turnover for the year ended 31 December 2017 was £16,135,000 (2016: £18,024,000). The loss before taxation was £180,000 (2016: profit of £3,070,000). The loss for the financial year carried to reserves was £145,000 (2016: profit £2,448,000). An interim dividend of £2m was paid in 2017 (2016: £nil).

Dividends of £2,000,000 (2016: nil) were proposed and fully paid during 2017,

Financial instruments

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

Directors

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

Thomas Weldon
Francesca Dow
Mark Gardiner
Sinead Martin (Company Secretary)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and applicable law.)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the financial statements, the directors are required to:

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

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the company's auditors are unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Ladybird Books Limited
For the year ended 31 December 2017

DIRECTORS' REPORT (continued)

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the board

A handwritten signature in black ink, appearing to read 'Mark Gardiner', with a stylized flourish at the end.

Mark Gardiner
Director
14 September 2018

Independent auditors' report to the members of Ladybird Books Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2017; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Ladybird Books Limited (Continued)

Reporting on other information (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Ladybird Books Limited
For the year ended 31 December 2017

Independent auditors' report to the members of Ladybird Books Limited (Continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Philip Stokes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 September 2018

Ladybird Books Limited

INCOME STATEMENT

For the year ended:

31 December 2017

		2017	2016
	Note	£'000	£'000
Turnover	4	16,135	18,024
Cost of sales		(9,472)	(7,921)
Gross profit		6,663	10,103
Distribution costs		(460)	(446)
Administrative expenses		(6,379)	(6,551)
Operating (loss) / profit	5	(176)	3,106
Interest payable and similar expenses	7	(4)	(36)
(Loss) / profit before taxation		(180)	3,070
Tax credit / (charge) on ordinary activities	8	35	(622)
(Loss) / profit for the financial year		(145)	2,448

The notes on pages 10 to 18 form part of these financial statements.

Ladybird Books Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended:

31 December 2017

	2017	2016
	£'000	£'000
(Loss) / profit for the financial year	(145)	2,448
Other comprehensive income for the year, net of tax	-	-
Total comprehensive (expense) / income for the year	(145)	2,448

The notes on pages 10 to 18 form part of these financial statements.

Ladybird Books Limited

Company number: 00200130

BALANCE SHEET

As at:

31 December 2017

		2017	2016
	Note	£'000	£'000
Fixed assets			
Tangible assets	10	78	83
Deferred tax assets	11	37	2
		115	85
Current assets			
Stocks	12	2,404	1,842
Debtors	13	10,562	11,828
		12,966	13,670
Creditors – amounts falling due within one year	14	(10,351)	(8,880)
Net current assets		2,615	4,790
Total assets less current liabilities		2,730	4,875
Net assets		2,730	4,875
Equity			
Called up share capital	15	2,000	2,000
Retained earnings		730	2,875
Total shareholders funds		2,730	4,875

The notes on pages 10 to 18 form part of these financial statements.

The financial statements on pages 6 to 18 were approved by the board of directors on 19 September 2018 and were signed on its behalf by:



Mark Gardiner
Director

Ladybird Books Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended:

31 December 2017

	Called up share capital £'000	Retained earnings £'000	Total shareholders funds £'000
Balance as at 1 January 2016	2,000	427	2,427
Changes in equity			
Profit for the financial year	-	2,448	2,448
Balance as at 31 December 2016	2,000	2,875	4,875
Changes in equity			
Loss for the financial year	-	(145)	(145)
Dividends paid	-	(2,000)	(2,000)
Balance as at 31 December 2017	2,000	730	2,730

Ladybird Books Limited

NOTES TO THE FINANCIAL STATEMENTS

**For the year ended:
31 December 2017**

1

GENERAL INFORMATION

Ladybird Books Limited is a book publisher. The company sells its books globally with the majority of the sales in the UK. The company is a private company limited by shares and is incorporated in the UK. The address of its registered office is 80 Strand, London, WC2R 0RL

2

STATEMENT OF COMPLIANCE

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

3

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation of financial statements

These financial statements are prepared on a going concern basis, under the historical cost convention.

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 has not involved a higher degree of judgement or complexity, or agrees whole 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)
- 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)
- The requirements in IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Ladybird Books Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

3

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern

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

New standards, amendments and IFRIC interpretations

No new accounting standards or amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2017 have had a material impact on the company.

Foreign Currency Translation

Functional and presentation currency

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

Transactions and balances

Transactions in a currency other than the functional currency ('foreign currency') are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the income statement.

Turnover

Turnover comprises the fair value of the consideration received or receivable for the sale of goods net of value-added tax, rebates, trade marketing costs and discounts. Turnover from the sale is recognised when risk and rewards of ownership have been transferred. 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. Merchandise income is recognised on an invoice basis if the brand is managed in-house, if the brand is managed by external agent the other operating income is recognised monthly based upon reports from the external agent.

Income from sub rights

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

Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

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.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by 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 only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Ladybird Books Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

**For the year ended:
31 December 2017**

3

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tangible assets

Tangible assets are stated at historical purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values, over their expected useful lives using the straight line basis.

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.

The assessment of the recoverability of the origination assets and the determination of the amortisation profile involve a significant degree of judgement based on historical trends and management estimation of future potential sales. An incorrect amortisation profile could result in excess amounts being carried forward as stock that would otherwise have been written off to the profit and loss account in an earlier review. Reviews are performed regularly to estimate recoverability of pre-publication assets, based on forecast title sales.

Trade debtors and amounts owed by group undertakings

Trade debtors and amounts owed by group undertakings are stated at amortised cost after provision for bad and doubtful debts and anticipated future sales returns. Provisions are made specifically where there is objective evidence of a dispute or an inability to pay. Balances owed by group undertakings are unsecured, interest free and repayable on demand.

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.

Author advances

Advances of royalties to authors are recognised within other debtors once a contract is approved within the royalty system, less any provision required to adjust the advance to its net realisable value. The realisable value of royalty advances relies on a degree of a management judgement in determining the profitability of individual author contracts. If the estimated realisable value of author contracts is overstated, then this will have an adverse effect on operating profits as these excess amounts will be written off. The recoverability of royalty advances is based upon an annual detailed management review of the age of the advance, the future sales projections for new authors and prior sales history of repeat authors. The royalty advance is expensed at the contracted or effective royalty rate as the related turnovers are earned.

Ladybird Books Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

4

TURNOVER

	2017	2016
	£'000	£'000
Geographical markets supplied by origin		
United Kingdom	9,099	13,108
Rest of the World	7,036	4,916
	16,135	18,024

Turnover includes supplies made to geographical locations worldwide. The products sold, means of selling and commercial terms are similar across the various markets and, in the opinion of the directors, the geographical markets supplied are not substantially different from each other. Geographical analysis is based on the region in which the order is received. It would not be materially different if based on the country in which the customer is located.

The Company's activities consist of one class of business namely publishing children's books and associated products.

5

OPERATING (LOSS)/PROFIT

	2017	2016
	£'000	£'000
Operating (loss) / profit is stated after charging / (crediting) :		
Personnel costs :		
- Wages and salaries	648	1,037
- Social security costs	66	83
- Pension costs	93	115
Impairment of inventory	388	(306)
Provision for advances	896	-
Depreciation of tangible assets	5	5
Auditors' remuneration :		
Statutory audit	30	30

Auditors' remuneration was borne by Penguin Books Limited in 2017 and 2016 and recharged to Ladybird Books Limited as part of a management charge.

No staff were employed by the company (2016: none). The personnel costs charged to the income statement relate to directors' remuneration and employees' wages recharged to the company from Penguin Books Limited as part of the management charge.

The total management recharge from Penguin Books Limited was £1,165,000 (2016: £1,406,000).

Ladybird Books Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended:

31 December 2017**6****EMPLOYEES AND DIRECTORS****Employees**

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 referred to in note 5.

Directors

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

The directors' emoluments were as follows:

	2017	2016
	£'000	£'000
Aggregate emoluments	57	132
Amounts receivable under long term incentives	6	3
Company pension contributions to money purchase schemes	4	9

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

The highest paid directors' emoluments were as follows:

	2017	2016
	£'000	£'000
Highest paid director		
Emoluments	30	17
Amount receivable under long term incentives	5	-
Defined benefit pension scheme – accrued pension at end of year	2	-

Two directors were paid by Penguin Books Limited and the other director is paid by The Random House Group Limited:

Director
T Weldon
F Dow
M Gardiner

Paid by
Penguin Books Limited
Penguin Books Limited
The Random House Group Limited

7**INTEREST EXPENSE**

	2017	2016
	£'000	£'000
Interest payable on intercompany cash pooling	4	36

Ladybird Books Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

8

TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

	2017	2016
	£'000	£'000
Current tax :		
UK corporation tax on (loss) / profit for the year	(34)	620
Overseas taxation	7	5
Double tax relief	-	(5)
Adjustments in respect of prior years	(8)	2
Total current tax	(35)	622
Tax on (loss) / profit	(35)	622
UK standard effective rate of corporation tax (%)	19.25	20.00

The tax assessed for the year is lower than (2016: higher than) the standard effective rate of corporation tax in the UK as explained below :

	2017	2016
	£'000	£'000
(Loss) / profit before taxation	(180)	3,070
(Loss) / profit before taxation multiplied by UK standard effective rate	(34)	614
Effects of :		
Adjustments in respect of prior years	(8)	2
Expenses not deductible for tax purposes	7	6
Total tax (credit)/charge for the year	(35)	622

The current year tax charge represents amounts payable to fellow UK subsidiaries of the Penguin Random House Limited group in respect of current year tax losses surrendered in the United Kingdom. The standard rate of corporation tax in the United Kingdom changed from 20% to 19% with effect from 1 April 2017. Accordingly the company's profits / losses are taxed at an effective rate of 19.25% (2016: 20.00%).

9

DIVIDENDS

	2017	2016	2017	2016
	pence	pence	£'000	£'000
Equity – Ordinary				
Dividends paid in the year	100	-	2,000	-

Ladybird Books Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

10

TANGIBLE ASSETS

	Owned artwork	Total
	£'000	£'000
Cost or valuation :		
At 1 January 2017	88	88
Additions	-	-
At 31 December 2017	88	88
Accumulated depreciation :		
At 1 January 2017	(5)	(5)
Charge for the year	(5)	(5)
At 31 December 2017	(10)	(10)
Net book value :		
At 31 December 2016	83	83
At 31 December 2017	78	78

The owned artwork relates to the Peter Rabbit series.

11

DEFERRED TAX ASSETS

Asset	Tax losses £'000	Property Plant & Equipment £'000	Total £'000
At 1 January 2017	-	2	2
Amounts charged to the profit and loss	35	-	35
At 31 December 2017	35	2	37

12

STOCKS

	2017	2016
	£'000	£'000
Work in progress	1,350	1,051
Finished goods	1,054	791
	2,404	1,842

As of 31 December 2017, finished goods of £2,250,000 (2016: £1,599,000) were reviewed for impairment. The amount of the provision was £1,196,000 (2016: £808,000) as at 31 December 2017, and mainly relates to slow moving stock.

13

DEBTORS

	2017	2016
	£'000	£'000
Amounts falling due within one year :		
Amounts owed by group undertakings	9,947	11,341
Other debtors	615	487
	10,562	11,828

Ladybird Books Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

13

DEBTORS (CONTINUED)

Amounts owed by group undertakings relate mainly to The Book Service Limited ("TBS") in 2017. Following the implementation of a new sales order processing system from 1 August 2017, trade debtor balances are held with TBS with a corresponding balance included in amounts owed by group undertakings.

The amounts owed by group undertakings are unsecured and repayable on demand. Included within this is nil (2016: £10m) in respect of cash pooling agreements with PRHL. As of 31 December 2017, author advances of £4.6m (2016: £3.0m) were reviewed for impairment. The amount of the provision was £4.0m (2016: £2.6m). The net carrying values are included in other debtors.

14

CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Amounts falling due within one year :	2017	Restated* 2016
	£'000	£'000
Amounts owed to group undertakings	6,515	6,765
Trade creditors	3,600	1,462
Corporation tax	-	615
Other creditors	13	11
Accruals and deferred income	223	27
	10,351	8,880

* Certain prior year balances have been restated to present them in conformity with the current year treatment. The impact is to reduce 2016 amounts owed to group undertakings and increase trade creditors by £1,462k.

Amounts owed to group undertakings are unsecured and repayable on demand. Included within this is £4.4m (2016: debtor £10m) in respect of cash pooling agreements with PRHL. These amounts incur interest on a monthly basis; the average interest rate for the year was 2.84% (2016: 3.03%).

15

CALLED UP SHARE CAPITAL

	2017	2016
	£'000	£'000
Called up share capital		
Total share capital	2,000	2,000

	2017	2016	2017	2016
	No '000	No '000	£'000	£'000
Ordinary share £1 each				
Allotted and fully paid	2,000	2,000	2,000	2,000

Ladybird Books Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

16

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 (75%) and Pearson PRH Limited (25%). The company's ultimate parent company is Bertelsmann SE & Co KGaA, which is incorporated in Germany. Copies of Bertelsmann SE & Co KGaA's consolidated financial statements (the smallest and largest financial statements in which the company is consolidated) can be obtained from:

Bertelsmann SE & Co KGaA
Corporate Communications
Carl Bertelsmann Strasse 270
33311 Gütersloh
Germany

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 this company. The company has taken advantage of this exemption.