

Guinness World Records Limited

Strategic report, directors' report and
financial statements

Registered number 541295

For the year ended 31 December 2017



Contents

Strategic Report	3
Directors' report	5
Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements	6
Statement of Income and Retained Earnings	7
Balance Sheet	8
Notes	9

Strategic Report

The directors present their strategic report on the company for the year ended 31 December 2017.

Principal activities

The Company is engaged in the publication and licensing of intellectual property created through the adjudication of world records. These activities relate primarily to the publishing, merchandising and television licensing of the main brand, the "Guinness World Records" book.

Business review

The profit for the year ended 31 December 2017 was £6.9 million; (2016: £3.9 million). Turnover for the year was £22.3 million (2016: £21.6 million) giving an operating margin/profit of 31.7%/£7.1million (2016: 27.3%/£5.9 million); a gross margin of 76.3%/£17.0 million (2016: 74.9%/£16.2 million); and days sales outstanding of 68 days (2016: 40 days).

These key performance indicators are in line with directors' expectation

Business environment

The Company operates a brand that has a strong history dating back to 1954. Sales of the Guinness World Records book continue to be strong and it is regularly the No.1 bestseller during the Christmas selling period. The main book sells almost 3 million copies worldwide in 25 languages. The publishing market has been challenged in the past due to the closure of several book retailers and distributors, as well as by the introduction of electronic books. There have been no major high street book retailer closures over the last few years and the electronic books have had less of an impact than originally anticipated such that the Company has been able to maintain its publishing sales over the last couple of years. The Company has focused on broadening its product line to offer new books that appeal to different target markets and can generate revenue outside of the Christmas selling season.

The Company also generates revenue from adjudicating record attempts and this part of the business continues to perform strongly and has grown year on year. Guinness World Records is the global leader in collecting, confirming and presenting World Records.

In addition to publishing and records adjudications, the Company licenses its brand and content via traditional trademark deals or via television programming and these business streams continue to perform successfully. The Company also provides consulting services to help clients develop marketing and public relations campaigns that leverage world record attempts and achievements

Principal risks and uncertainties

The Company distributes the main book through traditional bookstores and the closure of stores remains a primary risk to the Publishing business. Electronic books have not had the expected negative impact on sales as their success has been mainly in the fiction market to date, however the Company acknowledges that over the longer term this remains a potential threat. Guinness World Records has produced electronic books in the past and continues to actively research electronic publishing to find the best commercial solution. Following the Brexit referendum, (the decision by the UK to exit the European economic union), the economic outlook remains uncertain; any business risk arising as a result of this is offset by positive currency gains from overseas sales and Guinness World Records UK generates a large proportion of its revenue from overseas territories

The Company has been involved in a litigation case in India for many years and despite the strong evidence in the company's favour, any outcome cannot be ascertained, and therefore the potential financial impact is unknown. There is now a new judge on the claim and we are still awaiting a final hearing date. Once a judgment is made, it is expected that this will be appealed and the case is unlikely to be concluded in the near future.

Guinness World Records Limited has successfully expanded its business geographically over the last few years and now has offices in Japan, China, and the Middle East, in addition to the United Kingdom and the United States of America.

Strategic Report *(continued)*

Strategy

The main challenge for the Company is to seek ways to diversify. The majority of its revenue still comes from Publishing, and the Company has put a renewed effort into expanding its publishing business by producing more titles that can be sold at different times during the year. The expanded offering allows the Company to reach a broader audience and it reduces the reliance on the Christmas selling season.

The Company is also focused on growing the Records & Licensing businesses. The approach that the company has taken is to restructure internally to put more resources behind Records & Licensing and by expanding geographically.

Over the last few years, the UK economy has been weak and sterling has suffered as a result but this has benefitted the Company in its overseas markets. The approach that the Company has taken to currency risk over this period is via natural hedging, seeking to cover its foreign debts by bringing in cash in the same currency from foreign debtors. Following the Brexit referendum, (the decision by the UK to exit the European economic union), the UK economy is once again weak which means that any future foreign currency sales will be worth more to the Company. The Company will continue to monitor foreign exchange risk using a combination of natural hedging and forward contracts.

Future Outlook

The directors feel that by adopting the strategies described, the Company will continue to retain and grow its market share. The economic environment, although improving, continues to be challenging, however the directors are optimistic about the Company's ability to meet its future growth targets.

By order of the board



Alison Ozanne

Director
24th September 2018

12th Floor South Quay Building, 189 Marsh Wall,
London E14 9SH

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2017.

Dividends

On 24 April 2017 the Company paid an interim dividend of £4.25 million to GWRUK Acquisition Corp Limited.

Directors

The directors who held office during the year and at the date of this report were as follows:

A. Ozanne
A. Richards
R. Barrington-Foote

Political contributions

The Company made no political donations nor incurred any political expenditure during the period (2016: £nil).

By order of the board



Alison Ozanne
Director

12th Floor South Quay Building, 189 Marsh Wall,
London E14 9SH
24 September 2018

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

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 elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

Statement of Income and Retained Earnings
for the year ended 31 December 2017

	<i>Note</i>	2017	2016
		£000	£000
Turnover	2	22,301	21,580
Cost of sales		(5,297)	(5,409)
Gross profit		17,004	16,171
Selling, marketing and distribution costs		(1,278)	(1,357)
Administrative expenses		(8,665)	(8,927)
Operating profit		7,061	5,887
Interest receivable and similar income	6	1,004	-
Interest payable and similar charges	7	(29)	(1,471)
Profit before taxation	3	8,036	4,416
Tax on profit	8	(1,091)	(506)
Profit after taxation		6,945	3,910
Retained earnings at 31 December 2016		5,042	6,632
Dividends paid		(4,250)	(5,500)
Retained earnings at 31 December 2017		7,737	5,042

There are no recognised gains or losses other than the profit for the period and therefore no separate statement of other comprehensive income has been presented.

There is no difference between profit and the retained profit for the period stated above and their historical cost equivalents.

All amounts relate to continuing operations.

The notes on pages 9 to 21 form part of these financial statements.

Balance Sheet
As at 31 December 2017

	<i>Note</i>	£000	2017 £000	£000	2016 £000
Fixed assets					
Tangible fixed assets	<i>9</i>		464		540
Investments	<i>10</i>		111		111
			<hr/>		<hr/>
			575		651
Current assets					
Stocks	<i>11</i>	580		483	
Debtors	<i>12</i>	4,690		3,226	
Cash at bank and in hand		11,328		14,027	
			<hr/>	<hr/>	
		16,598		17,736	
Creditors: amounts falling due within one year	<i>14</i>	(5,851)		(9,747)	
			<hr/>	<hr/>	
Net current assets			10,747		7,989
			<hr/>	<hr/>	
Total assets less current liabilities			11,322		8,640
Provisions for liabilities	<i>15</i>		(3,585)		(3,598)
			<hr/>	<hr/>	
Net assets			7,737		5,042
			<hr/>	<hr/>	
Capital and reserves					
Called up share capital	<i>16</i>		-		-
Profit and loss account			7,737		5,042
			<hr/>	<hr/>	
Shareholders' funds			7,737		5,042
			<hr/>	<hr/>	

For the year ending 31 December 2017 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- *the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476*
- *the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts*

The notes on pages 9 to 21 form part of these financial statements.

These financial statements were approved by the board of directors on September 24, 2018 and were signed on its behalf by:


Alison Ozanne

Director

Notes

1 Principal accounting policies

The Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group accounts as the Company is included in the consolidated accounts of its immediate parent company, GWRUK Acquisition Corp Limited, a company incorporated in the United Kingdom. These financial statements present information about the Company as an individual undertaking and not about its group.

These Company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS102 issued in July 2015 and effective immediately have been applied.

The Company's immediate parent undertaking, GWRUK Acquisition Corp Limited includes the Company in its consolidated financial statements. The consolidated financial statements of GWRUK Acquisition Corp Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from companieshouse.gov.uk. In these financial statements, the Company is considered to be a qualifying entity under FRS 102 and has applied the exemptions available in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Basis of accounting

The Company financial statements are prepared on a going concern basis, under historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards.

A summary of the significant accounting policies which have been applied is set out below.

Significant estimates and assumptions

The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

Notes (continued)

1 Principal accounting policies (continued)

Turnover

Turnover is measured at fair value of consideration received or receivable and represents amounts receivable for goods and services provided by the Company in the normal course of business net of discounts, returns and value added tax. Revenue from the sale of publications is recognised as goods are shipped to customers. Turnover is stated net of deductions and expected returns are based on management judgement and historical experience. Revenues from television programme sales, royalty revenues from licenses granting publication, trademark usage and other rights and net fees from exhibition are recognized on a receivable basis. Licence fees earned from programme content are recognised on the later of the start date or delivery of the associated programme. Revenue from adjudication services provided is recognized as it is earned.

Provision for returns

The provision for returns represents management's estimates for future returns of sold publications and merchandise and is based on historical sales and return rates, as well as current market conditions.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell and complete and valued on a first-in, first-out basis. Cost includes raw materials, direct labour and directly attributable expenses. Expenditure on books not yet published is included in work-in-progress and reclassified as finished goods on publication.

Tangible fixed assets

Tangible fixed assets are stated at historic 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. The expected useful lives of the assets to the business are reassessed periodically.

Asset	Estimated useful life
Fixtures, fittings and equipment	3-10 years
Computer equipment	3 years

Computer equipment includes certain website development costs capitalised to the extent that they lead to an enduring asset delivering benefits at least as great as the amount capitalised.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease. The Company has no finance leases.

Employee benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Notes *(continued)*

1 **Principal accounting policies** *(continued)*

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

Notes *(continued)*

2 Analysis of turnover

	2017	2016
	£000	£000
<i>By geographical market:</i>		
United Kingdom	6,678	6,129
Rest of Europe	4,943	5,181
United States	4,627	5,036
Japan	2,229	2,069
China	455	403
Rest of World	3,369	2,762
	22,301	21,580
<i>By class of business:</i>		
Publishing and other	14,992	15,634
Licensing	6,372	5,552
Television	937	394
	22,301	21,580

3 Expenses

	2017	2016
	£000	£000
<i>Included in profit are the following:</i>		
Depreciation	151	292
Operating lease rentals	443	534

Notes *(continued)*

4 Remuneration of directors

	2017	2016
	£000	£000
Directors' emoluments	624	867
Company contributions to money purchase pension schemes	42	41
	<u><u>666</u></u>	<u><u>908</u></u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £514,000 (2016: £604,000), and Company pension contributions of £34,000 (2016: £34,000) were made to a money purchase scheme on his behalf.

One director did not receive any remuneration in respect of his services to the company in the current period or prior year. There are no retirement benefits accruing to any director and none of the directors have any shares or options in the Company.

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	2017	2016
Publishing	37	21
Television	2	3
Records Management	17	14
Licensing	13	15
Other – support	32	35
	<u><u>101</u></u>	<u><u>88</u></u>
Total		

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£000	£000
Wages and salaries	4,865	4,382
Social security costs	671	605
Pension costs	243	243
	<u><u>5,779</u></u>	<u><u>5,230</u></u>

The Company operates a defined contribution scheme. The amounts charged above represent the contributions payable to the scheme in respect of the accounting period.

Notes (continued)

6 Interest receivable and similar income

	2017	2016
	£000	£000
Net income on foreign exchange	1,004	-

7 Interest payable and similar expenses

	2017	2016
	£000	£000
Bank fees and other charges	29	18
Net loss on foreign exchange	-	1,453
	29	1,471

8 Taxation

	2017	2016
	£000	£000
<i>Current tax</i>		
Current tax on income for the period	1,287	385
Adjustment in respect of previous years	(205)	67
Foreign taxes suffered	-	7
Total current tax	1,082	459
<i>Deferred tax</i>		
Origination and reversal of timing differences	14	52
Change in tax rates	(5)	(5)
Total deferred tax	9	47
Total tax	1,091	506

Total tax analysed as:

	2017			2016		
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
	£000	£000	£000	£000	£000	£000
Recognised in Profit and loss account	1,082	9	1,091	459	47	506

Notes (continued)

8 Taxation (continued)

The current tax charge for the year is lower (2016: lower) than the standard rate of corporation tax in the UK effective for the year (19.25%, 2016:20.00%). The differences are explained below.

	2017 £000	2016 £000
Profit on ordinary activities before tax	8,036	4,416
Profit on ordinary activities multiplied by the rate of 19.25 % (2016: 20.00 %)	1,547	883
<i>Effects of:</i>		
Capital allowances for period less than (in excess of) capital allowances	4	(55)
Losses surrendered by other group companies for nil payment	(264)	(436)
Adjustment in respect of previous years	(205)	67
Deferred tax charge	9	47
Total tax expense included in profit (see above)	1,091	506

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

9 Tangible fixed assets

	Fixtures, fittings and equipment £000	Total £000
<i>Cost</i>		
At 1 January 2017	2,227	2,227
Additions	75	75
At 31 December 2017	2,302	2,302
<i>Depreciation</i>		
At 1 January 2017	1,687	1,687
Charge for year	151	151
At 31 December 2017	1,838	1,838
<i>Net book value</i>		
At 31 December 2017	464	464
At 31 December 2016	540	540

Notes (continued)

10 Investments

	Shares in group undertakings £000	Total £000
<i>Cost</i>		
At 1 January 2017	111	111
Additions	-	-
	<hr/>	<hr/>
At 31 December 2017	<u>111</u>	<u>111</u>

	Registered address	Principal Activity	Class and percentage of shares held
Guinness World Records Japan KK	DT Gaien bldg., 2-4-12, Jingumae, Shibuya-ku, Tokyo, Japan	Sales	Ordinary 100%
Guinness World Records Consulting (Beijing) Limited	B621, Gehua Tower No. 1, Qinglong Hutong, Dongcheng District, Beijing, 100007, China	Sales	100%

The closing reserves of Guinness World Records Japan KK at 31 December 2017 are £334,000 (2016: £239,000) and the profit for the year ended 31 December 2017 is £95,000 (2015: £84,000).

The closing reserves of Guinness World Records Consulting (Beijing) Limited at 31 December 2017 are £1,985,000 (2016: £937,000) and the profit for the year ended 31 December 2017 is £1,048,000 (2016: £388,000).

11 Stocks

	2017 £000	2016 £000
Work in progress	118	203
Finished goods and goods for resale	462	280
	<hr/>	<hr/>
	580	483
	<hr/>	<hr/>

Included in cost of sales for the year ended 31 December 2017 are amounts relating to inventories of £4,115,000 (2016: £4,468,000).

Notes *(continued)*

12 Debtors

	2017	2016
	£000	£000
Trade debtors	3,291	2,069
Amounts owed by fellow undertakings	670	140
Other debtors	170	154
Corporate tax receivable	153	540
Net deferred tax assets (note 13)	111	126
Prepayments and accrued income	295	197
	<u>4,690</u>	<u>3,226</u>

The amounts owed by fellow undertakings represent amounts owed by Guinness World Records Consulting (Beijing) Limited.

13 Deferred tax asset

	2017	2016
	£000	£000
Deferred tax assets are attributable to the following:		
Accelerated capital allowances	(38)	(49)
Short-term timing differences	149	175
	<u>111</u>	<u>126</u>

Notes *(continued)*

14 Creditors: amounts falling due within one year

	2017	2016
	£000	£000
Trade creditors	689	372
Other creditors	96	43
Amounts owed to fellow undertakings	1,227	5,399
Amounts owed to parent	12	-
Accruals and deferred income	3,827	3,933
	<u>5,851</u>	<u>9,747</u>

The amounts owed to fellow undertakings represent balances owed to Guinness World Records North America, Inc., GWR (Branch Operations) Limited, and Guinness World Records Japan KK.

Notes *(continued)*

15 Provisions for liabilities

	Returns provisions £000	Other provisions £000	Total £000
At 1 January 2017	1,727	1,871	3,598
Utilised during period	(1,727)	-	(1,727)
Additional amounts provided	1,714	-	1,714
Amounts released unused	-	-	-
	<u>1,714</u>	<u>1,871</u>	<u>3,585</u>
At 31 December 2017	1,714	1,871	3,585

The provision for returns represents management's estimates for future returns of sold publications and merchandise and is based on historical sales and return rates, as well as current market conditions. The majority of the other provisions relate to a litigation case in India referred to in the Strategic Report.

16 Called up share capital

	2017 £	2016 £
<i>Authorised</i>		
Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

Notes *(continued)*

17 Dividends

The aggregate amount of dividends comprises:

	2017	2016
	£000	£000
Interim dividends paid in respect of the current year	4,250	5,500

On 24 April 2017, an interim cash dividend of £4.25 million was paid to GWRUK Acquisition Corp Limited.

The aggregate amount of dividends proposed and not recognised as liabilities as at the year-end is £nil (2016:£nil).

18 Operating Lease Commitments

At 31 December 2017, the Company had total commitments under non-cancellable operating leases as follows:

	2017	2016
	Land and Buildings	Land and buildings
	£000	£000
Within one year	287	287
Between one and five years	1,148	1,148
More than five years	1,148	1,233
	2,583	2,668

Notes (continued)

19 Related Party Transactions

Under FRS 102 the company is exempt from the requirement to disclose related party transactions with the Guinness World Records Group and its associated undertakings on the ground that it is a wholly owned subsidiary of GWRUK Acquisition Corp Limited.

During the year, the Company received £4,627,000 in sales included in turnover (2016: £5,036,000) from Guinness World Records North America, Inc. and Ripley Entertainment Inc., fellow subsidiary undertakings of Jim Pattison Ltd.

During the year, the Company paid £1,553,000 in marketing and sales services included in cost of sales (2016: £1,945,000) to Guinness World Records North America, Inc., fellow subsidiary undertaking of Jim Pattison Ltd.

At 31 December 2017, the Company was owed £136,000 included in debtors, (2016: £140,000) from Guinness World Records Consulting (Beijing) Limited, fellow subsidiary undertaking of Jim Pattison Ltd. (note 12).

At 31 December 2017, the Company was owed £534,000 included in debtors, (2016: £nil) from Guinness World Records North America Inc., fellow subsidiary undertaking of Jim Pattison Ltd. (note 12).

At 31 December 2017, the Company owed £135,000 included in creditors, (2016: £307,000) to Guinness World Records Japan KK, fellow subsidiary undertaking of Jim Pattison Ltd. (note 14).

At 31 December 2017, the Company owed £1,092,000 included in creditors, (2016: £1,073,000) to GWR (Branch Operations) Limited, fellow subsidiary undertaking of Jim Pattison Ltd. (note 14).

At 31 December 2016, the Company owed £4,018,000 included in creditors, to Guinness World Records North America Inc., fellow subsidiary undertaking of Jim Pattison Ltd. (note 14).

20 Immediate and ultimate parent undertakings

The Company is a subsidiary undertaking of GWRUK Acquisition Corp Limited which is the immediate parent company whose registered office is situated at 12th Floor South Quay Building, 189 Marsh Wall, London, United Kingdom E14 9SH. The ultimate parent company is Jim Pattison Ltd. whose registered office is situated at 18th Floor, 1067 West Cordova Street, Vancouver, British Columbia, Canada V6C 1C7.

21 Post balance sheet events

On 28 March 2018 the Company paid a dividend of £6.5 million to GWRUK Acquisition Corp. Limited.