

Wordsworth Editions Limited

FINANCIAL STATEMENTS

for the year ended

31 May 2004



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Company Registration No. 2090233

Wordsworth Editions Limited

DIRECTORS AND OFFICERS

DIRECTORS

M C W Trayler
E G Ranson
D R Hart

SECRETARY

E G Ranson

COMPANY NUMBER

2090233 (England and Wales)

REGISTERED OFFICE

446 Midsummer Boulevard
Milton Keynes
Bucks
MK9 2EA

AUDITORS

Baker Tilly
446 Midsummer Boulevard
Milton Keynes
Bucks
MK9 2EA

Wordsworth Editions Limited

DIRECTORS' REPORT

The directors present their report and financial statements of Wordsworth Editions Limited for the year ended 31 May 2004.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of printing and distributing their range of books.

REVIEW OF THE BUSINESS

The business has performed extremely well this year. Management focus on the company's core business has resulted in an increase in both sales and gross margin, at the cost of a minor increase in administrative overhead. Particular interest was generated by 'The Big Read' series on the BBC and additionally there are indications that the American market is growing once again, emphasizing that Wordsworth is now very much an international brand.

FUTURE DEVELOPMENTS

With the continued development of overseas markets, ongoing attention to containing costs, and prudent use of credit insurance to minimise risks of loss, the directors feel able to maintain their cautiously optimistic view of the company's future trading prospects.

RESULTS AND DIVIDENDS

The trading profit for the year was £60,612.

The directors do not recommend payment of an ordinary dividend.

DIRECTORS

The following directors have held office since 1 June 2003:

M C W Trayler
E G Ranson
D R Hart

DIRECTORS' INTERESTS IN SHARES

Directors' interests in the shares of the company, including family interests, were as follows:

	<i>Ordinary shares of £ 1 each</i>	
	31.5.04	1.6.03
M C W Trayler	10,000	10,000
E G Ranson	10,000	10,000
D R Hart	-	-

CHARITABLE DONATIONS

During the year the company made the following payments:
Charitable donations

2004	2003
£	£
509	321

Wordsworth Editions Limited

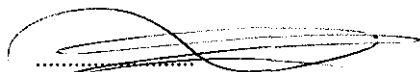
DIRECTORS' REPORT (CONTINUED)

AUDITORS

Baker Tilly were appointed auditors to the company and in accordance with Section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

On behalf of the board

E G Ranson
Director



Wordsworth Editions Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORDSWORTH EDITIONS LIMITED

We have audited the financial statements on pages 6 to 17.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the other information in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements. Our responsibilities do not extend to any other information.

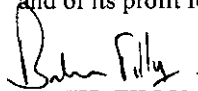
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BAKER TILLY

Registered Auditor
Chartered Accountants
Milton Keynes
Bucks
MK9 2EA
28 September 2004

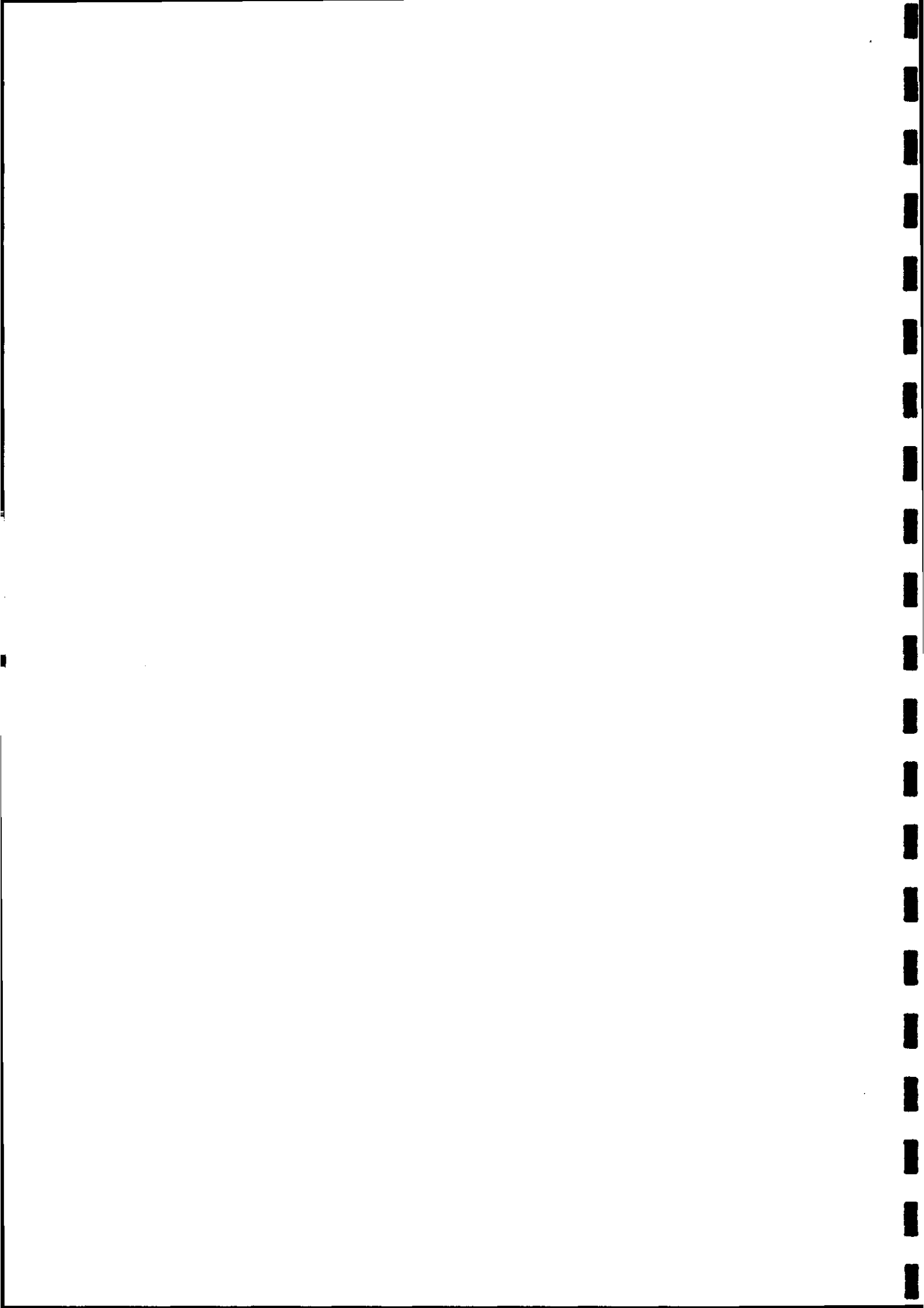
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PROFIT AND LOSS ACCOUNT

for the year ended 31 May 2004

	Notes	2004 £	2003 £
TURNOVER	1	2,132,788	1,917,092
Cost of sales		1,288,615	1,197,508
Gross profit		844,173	719,584
Other operating expenses (net)	2	726,817	657,850
OPERATING PROFIT		117,356	61,734
Investment income	3	262	-
		117,618	61,734
Interest payable	4	57,006	49,979
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	60,612	11,755
Taxation	7	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	14	60,612	11,755

The operating profit for the year arises from the company's continuing operations.



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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 May 2004

	2004 £	2003 £
Profit for the financial year	60,612	11,755
Unrealised surplus on revaluation of titles	49,705	155,935
Total gains and losses recognised since last financial statements	110,317	167,690

NOTE OF HISTORICAL COST PROFITS AND LOSSES for the year ended 31 May 2004

	2004 £	2003 £
Profit on ordinary activities before taxation	60,612	11,755
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	-	(311,870)
Historical cost profit/(loss) on ordinary activities before taxation	60,612	300,115
Historical cost profit/(loss) for the year retained after taxation and dividends	60,612	300,115

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BALANCE SHEET

31 May 2004

	Notes	2004 £	2003 £
FIXED ASSETS			
Tangible assets	8	610,221	557,751
Investments	9	5,200	5,200
		<u>615,421</u>	<u>562,951</u>
CURRENT ASSETS			
Stocks	10	508,624	613,596
Debtors	11	809,386	793,724
Cash at bank and in hand		3,757	95
		<u>1,321,767</u>	<u>1,407,415</u>
CREDITORS: Amounts falling due within one year	12	1,020,786	1,164,281
		<u>300,981</u>	<u>243,134</u>
NET CURRENT ASSETS			
		<u>916,402</u>	<u>806,085</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>916,402</u>	<u>806,085</u>
CAPITAL AND RESERVES			
Called up share capital	13	20,000	20,000
Revaluation reserve	14	205,640	155,935
Profit and loss account	14	690,762	630,150
		<u>916,402</u>	<u>806,085</u>
SHAREHOLDERS' FUNDS			
	15	<u>916,402</u>	<u>806,085</u>

Approved by the board on 12th NOVEMBER 2004

M C W Trayler  Director

E G Ranson  Director

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ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention modified to include the revaluation of the company's catalogue.

RESEARCH AND DEVELOPMENT

All research and development costs are written off as incurred.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost or valuation less depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Licence	Over its useful life
Plant and machinery	10% - 25% based on written down value
Fixtures, fittings & equipment	20% based on cost or over the lease term
Digitally recorded catalogue	See note below

INVESTMENTS

Fixed asset investments are stated at cost less provision for diminution in value.

STOCK

Stock is valued at the lower of cost and net realisable value. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is measured on a non discounted basis.

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are 'operating leases' and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

PENSIONS CONTRIBUTIONS

The pension costs charged in the financial statements represent the contributions payable by the company during the year.

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ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the accounting date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

DIGITALLY RECORDED CATALOGUE

The company's rights to its editions are valued by reference to the cost of origination of the layout and proofing of the works together with the origination of the cover art and layout. Origination costs are written off to the profit and loss account when the title concerned first becomes available for sale. Only titles which are currently available in the company's published catalogue are valued. In this manner, the company operates a policy of continuous impairment review of its catalogue year on year. No value is ascribed in the financial statements to titles which are not currently offered in the company's catalogue.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2004

1. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The contributions of the various activities of the company to turnover, which are in respect of continuing activities, are set out below:

By geographical market:

	Turnover	
	2004	2003
	£	£
UK	863,225	773,642
Rest of the World	1,269,563	1,143,450
	<u>2,132,788</u>	<u>1,917,092</u>

2. OTHER OPERATING EXPENSES (NET)

	2004	2003
	£	£
Distribution costs	73,992	75,996
Administrative expenses	658,946	590,907
Other operating income	(6,121)	(9,053)
	<u>726,817</u>	<u>657,850</u>

3. INVESTMENT INCOME

	2004	2003
	£	£
Bank interest	262	-
	<u>262</u>	<u>-</u>

4. INTEREST PAYABLE

	2004	2003
	£	£
On bank loans and overdrafts	828	21,207
Other interest paid	30,086	28,274
Factor interest	26,092	-
Hire purchase interest	-	498
	<u>57,006</u>	<u>49,979</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 May 2004

5.	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2004	2003
		£	£
	Profit on ordinary activities before taxation is stated after charging/(crediting):		
	Depreciation of tangible assets:		
	Charge for the year:		
	owned assets	6,520	7,646
	Research and development:		
	Current year's expenditure	-	1,273
	Operating lease rentals:		
	Land and buildings	10,194	17,014
	Loss on foreign exchange transactions	10,131	4,691
	Auditors' remuneration	5,500	5,000
		<u> </u>	<u> </u>
6.	EMPLOYEES		
	The average monthly number of persons (including directors) employed by the company during the year was:	2004	2003
		No.	No.
	Sales	6	6
	Accounts	1	2
		<u> </u>	<u> </u>
		7	8
		<u> </u>	<u> </u>
		£	£
	Staff costs for the above persons:		
	Wages and salaries	211,508	202,862
	Social security costs	24,269	21,206
	Other pension costs	14,513	14,078
		<u> </u>	<u> </u>
		250,290	238,146
		<u> </u>	<u> </u>
	DIRECTORS' REMUNERATION	2004	2003
		£	£
	Emoluments for qualifying services	136,475	132,000
	Company pension contributions to money purchase schemes	10,000	10,000
		<u> </u>	<u> </u>
		146,475	142,000
		<u> </u>	<u> </u>

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2004

7. TAXATION

Current tax charge

-

Factors affecting the tax charge for the year
Profit on ordinary activities before taxation

60,612 11,755

Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2003: 20.00%)

12,122 2,351

Effects of:

Non deductible expenses

4,566 2,948

Capital allowances in excess of depreciation

(381) (1,186)

Tax losses utilised

(16,255) (4,113)

Other tax adjustments

(52) -

(12,122) (2,351)

Current tax charge

-

The company has estimated losses of £ 174,412 (2003: £ 244,545) available for carry forward against future trading profits.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 May 2004

8. TANGIBLE FIXED ASSETS

	<i>Licence</i>	<i>Plant and machinery</i>	<i>Fixtures, fittings & equipment</i>	<i>Digitally recorded catalogue</i>	<i>Total</i>
	£	£	£	£	£
Cost					
1 June 2003	1,000	78,173	136,796	1,061,991	1,277,960
Additions	-	8,167	1,118	-	9,285
Revaluation surplus	-	-	-	49,705	49,705
31 May 2004	1,000	86,340	137,914	1,111,696	1,336,950
Depreciation					
1 June 2003	1,000	71,473	134,484	513,252	720,209
Charge in the year	-	5,283	1,237	-	6,520
31 May 2004	1,000	76,756	135,721	513,252	726,729
Net book value					
31 May 2004	-	9,584	2,193	598,444	610,221
31 May 2003	-	6,699	2,312	548,740	557,751

DIGITALLY RECORDED CATALOGUE

No value is ascribed in the financial statements to titles which are not currently offered in the company's catalogue. If these titles were valued on the same basis as those currently available for sale, the company's net asset position would increase by the sum of £232,076.

9. FIXED ASSET INVESTMENTS

	<i>Unlisted investments</i>
	£
Cost or valuation	
1 June 2003 and 31 May 2004	5,200

10. STOCKS

	2004	2003
	£	£
Finished goods and goods for resale	508,624	613,596

Wordsworth Editions Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 May 2004

11. DEBTORS	2004	2003
	£	£
Due within one year:		
Trade debtors	763,720	681,215
Other debtors	7,627	79,930
Prepayments and accrued income	38,039	32,579
	<u>809,386</u>	<u>793,724</u>

12. CREDITORS: Amounts falling due within one year	2004	2003
	£	£
Bank overdraft	2,637	190,519
Trade creditors	379,694	371,128
Taxes and social security costs	7,696	6,784
Directors' current accounts	534,171	571,699
Other creditors	75,868	-
Accruals and deferred income	20,720	24,151
	<u>1,020,786</u>	<u>1,164,281</u>

The bank loans and overdraft are secured by a debenture giving fixed or floating charges on all assets of the company.

Trade creditors includes an amount of approximately £367,974 (2003 - £332,192) in respect of goods for which ownership is not passed until payment is made.

13. SHARE CAPITAL	2004	2003
	£	£
Authorised:		
20,000 Ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
Allotted, issued and fully paid:		
20,000 Ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>

Wordsworth Editions Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 May 2004

14. STATEMENT OF MOVEMENT ON RESERVES

	<i>Revaluation reserve</i>	<i>Profit and loss account</i>
	£	£
1 June 2003	155,935	630,150
Retained profit for the year	-	60,612
Revaluation during the year	49,705	-
31 May 2004	<u>205,640</u>	<u>690,762</u>

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004	2003
	£	£
Profit for the financial year	60,612	11,755
Other recognised gains and losses	49,705	155,935
Net addition to shareholders' funds	<u>110,317</u>	<u>167,690</u>
Opening shareholders' funds	<u>806,085</u>	<u>638,395</u>
Closing shareholders' funds	<u>916,402</u>	<u>806,085</u>

16. COMMITMENTS UNDER OPERATING LEASES

At 31 May 2004 the company had annual commitments under non-cancellable operating leases as follows:

	2004	2003
	£	£
Plant and machinery expiring in the second to fifth year	<u>5,068</u>	<u>4,026</u>

17. PENSION COMMITMENTS

DEFINED CONTRIBUTION

	2004	2003
	£	£
Contributions payable by the company for the year	<u>14,513</u>	<u>14,078</u>

Wordsworth Editions Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 May 2004

18. RELATED PARTY TRANSACTIONS

The company previously operated from a property jointly owned by MCW Trayler and EG Ranson. The total rent charged in the year amounted to £ - (2003: £6,000). The directors consider that this rent reflects market rates.

At the year end the company owed £534,171 (2003: £571,699) to MCW Trayler and EG Ranson. The directors were paid interest totalling £30,086 (2003: 28,274)