

ANNESS PUBLISHING LIMITED

Report and Accounts

31 October 2000

 ERNST & YOUNG



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COMPANIES HOUSE

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07/08/01

Anness Publishing Limited

Registered No. 2375310

DIRECTORS

Mr P Anness
Ms J Lorenz
Mrs D Lie
Mr S Hill
Mr N Thompson
Mr T McGorry

SECRETARY

Ms J Lorenz

AUDITORS

Ernst & Young LLP
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

REGISTERED OFFICE

Hermes House
88-89 Blackfriars Road
London SE1 8HA

 ERNST & YOUNG

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 October 2000.

PRINCIPAL ACTIVITY

The principal activity of the group remained that of publishing and editing services both in the United Kingdom and overseas.

RESULTS AND DIVIDEND

The group loss for the year, after taxation and minority interests, amounted to £14,665 (1999 – profit of £624,235). The directors do not recommend the payment of an ordinary dividend.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The 2000 results are primarily driven by investment in the wrong part of the business at the wrong time. This investment involved extra resources and expenditure in product development, promotion, marketing, publicity, and primarily the setting up of an independent UK sales team involving a director, manager, and sales representatives to mirror the set up in the USA and Australia.

The impact on sales resulting from this investment was not sufficient to justify continuing this plan and it was discontinued in the summer, with the selling of the Lorenz list in the UK being returned to the agency that had previously handled the sales operation since its inception in 1994 and the trade sales operation in the USA being outsourced to a specialist USA trade sales and distribution agency, National Book Network. The discontinuation of this expansion plan reduced staff levels from 97 people to 84 people at year end and exceptional costs of £264,000 were incurred in this restructuring exercise. Annualised savings in administration costs will be approximately £1m in 2001(a return to 1999 levels).

Since the year end, the group has returned to its previous successful formula of focusing on firm contract sales to key accounts in each market, reducing fixed overheads throughout the business, and a less aggressive product investment budget.

DIRECTORS AND THEIR INTERESTS

The directors during the year and their interests in the share capital of the company were as follows:

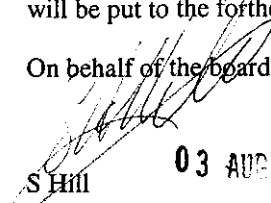
	2000 £1 ordinary shares	1999 £1 ordinary shares
Mr P Anness	900	900
Ms J Lorenz	100	100
Mrs D Lie	-	-
Mr S Hill	-	-
Mr N Thompson	-	-
Mr J Wallace (resigned 10 August 2000)	-	-
Mr T McGorry (appointed 24 October 2000)	-	-

DIRECTORS' REPORT

AUDITORS

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the board



S Hill

Director

03 AUG 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those accounts, 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group 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 group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS
to the shareholders of Anness Publishing Limited

We have audited the accounts on pages 6 to 20, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 October 2000 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

03 AUG 2001

Anness Publishing Limited

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 October 2000

	Notes	2000 £	1999 £
TURNOVER	2	29,531,611	28,313,156
Cost of sales		23,647,394	22,971,797
Gross profit		5,884,217	5,341,359
Administrative expenses		5,314,059	3,870,664
OPERATING PROFIT	3	570,158	1,470,695
Interest receivable and similar income		3,270	8,725
Interest payable and similar charges	6	(536,455)	(372,488)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		36,973	1,106,932
Tax on profit on ordinary activities	7	61,436	467,384
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	8	(24,463)	639,548
Minority interests: Equity		9,798	15,313
RETAINED (LOSS)/PROFIT FOR THE YEAR		(14,665)	624,235

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 October 2000

	2000 £	1999 £
(Loss)/profit for the financial year attributable to members of the parent company	(14,665)	624,235
Exchange difference on retranslating net assets of subsidiary undertakings	(74,371)	13,745
TOTAL RECOGNISED (LOSSES)/GAINS DURING THE YEAR	<u><u>(89,036)</u></u>	<u><u>637,980</u></u>

Anness Publishing Limited

GROUP BALANCE SHEET

at 31 October 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Tangible fixed assets	9	70,007	78,375
Investments	10	5,000	5,000
		<u>75,007</u>	<u>83,375</u>
CURRENT ASSETS			
Stocks and work in progress	11	12,974,575	9,778,760
Debtors	12	11,977,913	12,242,600
Cash at bank and in hand		114,737	106,868
		<u>25,067,225</u>	<u>22,128,228</u>
CREDITORS: amounts falling due within one year	13	22,805,113	19,760,115
		<u>2,262,112</u>	<u>2,368,113</u>
NET CURRENT ASSETS		<u>2,337,119</u>	<u>2,451,488</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,337,119</u>	<u>2,451,488</u>
CREDITORS: amounts falling due in more than one year	14	7,865	-
MINORITY INTERESTS: Equity		20,216	53,414
		<u>2,309,038</u>	<u>2,398,074</u>
CAPITAL AND RESERVES			
Called up share capital	16	1,000	1,000
Profit and loss account	17	2,308,038	2,397,074
Equity shareholders' funds	17	<u>2,309,038</u>	<u>2,398,074</u>

S Hill

03 AUG 2001

Director

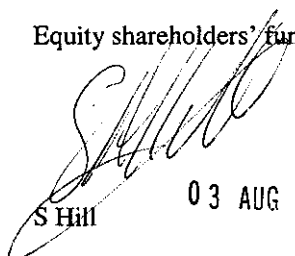
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Anness Publishing Limited

BALANCE SHEET at 31 October 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Tangible fixed assets	9	34,262	52,374
Investments	10	651,511	308,479
		<u>685,773</u>	<u>360,853</u>
CURRENT ASSETS			
Stocks and work in progress	11	10,269,390	7,884,792
Debtors	12	12,904,903	12,808,272
Cash at bank and in hand		42,318	51,927
		<u>23,216,611</u>	<u>20,744,991</u>
CREDITORS: amounts falling due within one year	13	20,395,509	18,138,028
		<u>2,821,102</u>	<u>2,606,963</u>
NET CURRENT ASSETS		<u>3,506,875</u>	<u>2,967,816</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,506,875</u>	<u>2,967,816</u>
CAPITAL AND RESERVES			
Called up share capital	16	1,000	1,000
Profit and loss account	17	3,505,875	2,966,816
		<u>3,506,875</u>	<u>2,967,816</u>
Equity shareholders' funds	17	<u>3,506,875</u>	<u>2,967,816</u>

ERNST & YOUNG


S Hill 03 AUG 2001

Director

Anness Publishing Limited

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 October 2000

	Note	2000 £	1999 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	20(a)	(1,905,143)	(2,525,625)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		3,270	8,725
Interest paid		(535,834)	(372,488)
Interest element of finance lease payments		(621)	-
		(533,185)	(363,763)
TAXATION			
Corporation tax paid		(96,484)	(627,994)
Overseas taxation		(102,416)	(34,936)
		(198,900)	(662,930)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(63,210)	(71,348)
Receipts from sales of tangible fixed assets		-	713
		(63,210)	(70,635)
ACQUISITIONS AND DISPOSALS			
Purchase of minority interest		(66,808)	-
FINANCING			
New short term borrowings		1,278,271	89,665
DECREASE IN CASH		(1,488,975)	(3,533,288)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
	Note	2000 £	1999 £
Decrease in cash in the year		(1,488,975)	(3,533,288)
Cash inflow from increase in short term borrowings		(1,278,271)	(89,665)
MOVEMENT IN NET DEBT		(2,767,246)	(3,622,953)
New finance leases		(10,080)	-
NET DEBT AT BEGINNING OF THE YEAR		(4,780,096)	(1,157,143)
NET DEBT AT END OF THE YEAR	20(b)	(7,557,422)	(4,780,096)

NOTES TO THE ACCOUNTS
at 31 October 2000

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The group accounts comprise the accounts of Anness Publishing Limited and all its subsidiary undertakings made up to 31 October 2000. No profit and loss account is presented for Anness Publishing Limited as permitted by section 230 of the Companies Act 1985.

Turnover

Turnover represents amounts receivable for goods and services provided to customers, from the publishing projects undertaken by the company excluding VAT, during the year.

Fixed assets

Fixed asset investments are stated at cost less provision for diminution in value. The carrying values of fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost less residual value of each asset on a straight line basis over its expected useful life, as follows:

Leasehold properties	-	over the life of the lease
Fixtures, fittings and equipment	-	25%
Motor vehicles	-	33.33%
Computer equipment	-	50%

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks and work in progress

Published books are stated at the lower of cost and net realisable value.

Work in progress includes all the external costs of bringing a new book to publication. For newly commissioned titles it is amortised over seven years, the period of expected revenue generation. They are written off 73% over 4 years, with 9% a year in the final 3 years. The cost of reformatted editions is written off over a maximum of three years. Provision is made for abortive development costs, or where the non-amortised costs are not expected to be recovered on future sales.

In previous years, work in progress was amortised by 30% following the month of publication and then evenly at 2% per month over the next 35 months.

The change in the rate of amortisation has resulted in an improvement to the group loss before tax of £1,443,479.

Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to materialise.

NOTES TO THE ACCOUNTS

at 31 October 2000

1. ACCOUNTING POLICIES (continued)

Foreign currencies

Company

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

Group

The accounts of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the re-translation of opening net assets is taken to reserves. All other translation differences are taken to the profit and loss account.

Leasing and hire purchase agreements

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

2. TURNOVER

Turnover represents amounts invoiced to third parties and is attributable to one continuing activity, the publishing of books and provision of editing services.

An analysis of turnover by geographical market is given below:

	2000	1999
	£	£
United Kingdom	11,764,803	9,777,475
Rest of Europe	4,203,000	4,242,000
North America	11,124,656	11,497,737
Asia	254,373	161,800
Australasia	2,122,242	2,615,944
Africa	62,537	18,200
	<u>29,531,611</u>	<u>28,313,156</u>

NOTES TO THE ACCOUNTS

at 31 October 2000

3. OPERATING PROFIT

This is stated after charging:

	2000 £	1999 £
Exceptional items - redundancy and termination payments	263,995	-
Depreciation of tangible fixed assets - owned	69,676	58,528
- held under finance leases	2,343	-
Operating lease rentals - land and buildings	143,120	113,924
- plant and machinery	94,375	72,972
Auditors' remuneration - UK audit services	85,000	35,000
- UK non-audit services	11,750	15,561
	<u> </u>	<u> </u>

4. STAFF COSTS

	2000 £	1999 £
Wages and salaries	2,933,553	2,483,168
Social security costs	280,738	221,751
Other pension costs	53,923	93,690
	<u>3,268,214</u>	<u>2,798,609</u>

The monthly average number of employees during the year was as follows:

	2000 No.	1999 No.
Production and editorial	48	47
Sales and marketing	26	22
Administration and accounts	23	20
	<u>97</u>	<u>89</u>

NOTES TO THE ACCOUNTS

at 31 October 2000

5. DIRECTORS' EMOLUMENTS

	2000 £	1999 £
Emoluments	476,469	457,202
Company contributions paid to personal pension schemes	81,903	75,387
Compensation for loss of office	40,000	-

	2000 No.	1999 No.
Members of personal pension schemes	5	5

The amounts in respect of the highest paid director are as follows:

	2000 £	1999 £
Emoluments	99,825	95,250
Company contributions paid to personal pension scheme	32,178	38,460

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £	1999 £
Bank loans and overdrafts	509,571	356,465
Other interest	26,884	16,023
	536,455	372,488

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £	1999 £
UK corporation tax	236,000	335,000
Overseas taxation	(148,512)	132,384
	87,488	467,384
Corporation tax over provided in previous years	(26,052)	-
	61,436	467,384

NOTES TO THE ACCOUNTS
at 31 October 2000

8. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

In accordance with the exemption allowed by section 230(3) of the Companies Act 1985 the company has not presented its own profit and loss account.

The profit dealt with in the accounts of the parent company was £539,057 (1999 - £698,853).

9. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Short leasehold property £</i>	<i>Fixtures, fittings and equipment £</i>	<i>Motor vehicles £</i>	<i>Computer equipment £</i>	<i>Total £</i>
Cost:					
At 1 November 1999	2,883	82,247	11,498	176,646	273,274
Exchange adjustment	-	407	(886)	3,161	2,682
Additions	-	30,160	11,536	31,595	73,291
Disposals	-	-	-	(13,314)	(13,314)
At 31 October 2000	2,883	112,814	22,148	198,088	335,933
Depreciation:					
At 1 November 1999	2,402	62,683	72	129,742	194,899
Exchange adjustment	-	221	(6)	2,290	2,505
Charge for the year	-	22,201	3,935	45,883	72,019
Disposals	-	-	-	(3,497)	(3,497)
At 31 October 2000	2,402	85,105	4,001	174,418	265,926
Net book value:					
At 31 October 2000	481	27,709	18,147	23,670	70,007
At 1 November 1999	481	19,564	11,426	46,904	78,375

The net book value of motor vehicles includes an amount of £9,192 (1999 - £nil) in respect of assets held under finance leases and hire purchase contracts.

Anness Publishing Limited

NOTES TO THE ACCOUNTS at 31 October 2000

9. TANGIBLE FIXED ASSETS (continued)

<i>Company</i>	<i>Short leasehold property £</i>	<i>Fixtures, fittings and equipment £</i>	<i>Computer equipment £</i>	<i>Total £</i>
Cost:				
At 1 November 1999	2,883	77,943	141,529	222,355
Additions	-	27,247	20,006	47,253
At 31 October 2000	2,883	105,190	161,535	269,608
Depreciation:				
At 1 November 1999	2,402	60,717	106,862	169,981
Charge for the year	-	21,212	44,153	65,365
At 31 October 2000	2,402	81,929	151,015	235,346
Net book value:				
At 31 October 2000	481	23,261	10,520	34,262
At 1 November 1999	481	17,226	34,667	52,374

10. INVESTMENTS

<i>Group</i>	<i>Other unlisted investment £</i>		
Cost:			
At 1 November 1999 and 31 October 2000 (see note 18)			5,000
<i>Company</i>	<i>Subsidiary undertakings shares £</i>	<i>Other unlisted investments £</i>	<i>Total £</i>
Cost:			
At 1 November 1999	303,479	5,000	308,479
Additions	343,032	-	343,032
At 31 October 2000	646,511	5,000	651,511

The company holds 20% or more of the share capital of the following companies:

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Anness Publishing Pty Limited	Australia	Ordinary shares	90%	Book Publishing
Anness Publishing Inc.	United States	Ordinary shares	100%	Book Publishing

Both subsidiaries are held directly by the company.

Anness Publishing Limited

NOTES TO THE ACCOUNTS

at 31 October 2000

11. STOCKS

	2000	Group 1999	2000	Company 1999
	£	£	£	£
Finished goods	6,500,637	5,007,355	3,768,753	3,113,387
Work in progress	6,473,938	4,771,405	6,500,637	4,771,405
	<u>12,974,575</u>	<u>9,778,760</u>	<u>10,269,390</u>	<u>7,884,792</u>

12. DEBTORS

	2000	Group 1999	2000	Company 1999
	£	£	£	£
Trade debtors	11,288,868	11,082,046	8,198,921	7,458,195
Amounts owed by group undertakings	-	-	4,188,337	4,212,210
Other debtors	421,176	167,049	343,792	167,049
Prepayments and accrued income	267,869	993,505	173,853	970,818
	<u>11,977,913</u>	<u>12,242,600</u>	<u>12,904,903</u>	<u>12,808,272</u>

Trade debtors in respect of the group include factored debts amounting to £ 593,253 (1999 - £1,043,130).

13. CREDITORS: amounts falling due within one year

	2000	Group 1999	2000	Company 1999
	£	£	£	£
Bank overdrafts	5,676,719	4,179,875	5,712,563	4,179,875
Bank loan	1,985,360	707,089	-	-
Trade creditors (note 18)	13,014,430	12,518,413	13,014,431	12,507,084
Corporation tax	414,855	301,391	414,855	301,391
Other taxes and social security costs	63,735	244,571	63,735	67,756
Other creditors	261,315	776,554	151,000	234,623
Accruals and deferred income	1,386,484	1,032,222	1,038,925	847,299
Amounts due under hire purchase agreements (note 15)	2,215	-	-	-
	<u>22,805,113</u>	<u>19,760,115</u>	<u>20,395,509</u>	<u>18,138,028</u>

The bank loan and overdrafts are secured by fixed and floating charges over certain of the group's assets.

Other creditors of the group includes an amount of £110,315 (1999 - £541,931) which is secured by a fixed and floating charge over all the assets of a subsidiary undertaking.

Anness Publishing Limited

NOTES TO THE ACCOUNTS

at 31 October 2000

14. CREDITORS: amounts falling due after more than one year

	2000	Group 1999	2000	Company 1999
	£	£	£	£
Obligations under finance leases and hire purchase contracts (note 15)	7,865	-	-	-

15. OBLIGATIONS UNDER HIRE PURCHASE AGREEMENTS

The capital amounts due under hire purchase agreements are as follows:

	2000	Group 1999	2000	Company 1999
	£	£	£	£
Due within one year	2,215	-	-	-
Due within two to five years	7,865	-	-	-
	10,080	-	-	-

16. SHARE CAPITAL

	2000	Authorised 1999	Allotted, called up and fully paid 2000	1999
	No.	No.	£	£
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

Group	Share capital £	Profit and loss account £	Total shareholders' funds £
At 1 November 1998	1,000	1,759,094	1,760,094
Exchange adjustment	-	13,745	13,745
Profit for the year	-	624,235	624,235
At 31 October 1999	1,000	2,397,074	2,398,074
Exchange adjustment	-	(74,371)	(74,371)
Loss for the year	-	(14,665)	(14,665)
At 31 October 2000	1,000	2,308,038	2,309,038

NOTES TO THE ACCOUNTS

at 31 October 2000

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

(continued)

Company

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 1 November 1998	1,000	2,267,963	2,268,963
Profit for the year	-	698,853	698,853
At 31 October 1999	1,000	2,966,816	2,967,816
Profit for the year	-	539,057	539,057
At 31 October 2000	1,000	3,505,875	3,506,875

18. RELATED PARTIES

Included in Trade creditors (note 13) is a credit balance of £43,567 (1999 - debit of £2,737) due to Gunnar Lie & Associates Limited representing commissions payable. During the year the company was charged commission for sales in the normal course of business by Gunnar Lie & Associates Limited amounting to £ 132,567 (1999 - £46,983). D Lie is a director of both companies, and Anness Publishing Limited owns 5% of the ordinary share capital of Gunnar Lie & Associates Limited.

19. OTHER FINANCIAL COMMITMENTS

At 31 October 2000 the company had annual commitments under non-cancellable operating leases set out as follows:

	Land and buildings		Other	
	2000 £	1999 £	2000 £	1999 £
Operating leases which expire:				
within one year	71,855	-	25,745	257
in two to five years	16,375	87,815	48,563	58,054
	88,230	87,815	74,308	58,311

20. NOTES TO THE GROUP STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to net cash outflow from operating activities

	2000 £	1999 £
Operating profit	570,158	1,470,695
Depreciation of tangible fixed assets	72,019	58,528
Amortisation	51,432	-
Loss on sale of fixed assets	9,817	-
Increase in stocks and work in progress	(3,195,815)	(1,479,212)
Decrease/(increase) in debtors	256,227	(1,727,693)
Increase/(decrease) in creditors	331,019	(847,943)
Net cash outflow from operating activities	(1,905,143)	(2,525,625)

NOTES TO THE ACCOUNTS
at 31 October 2000

20. NOTES TO THE GROUP STATEMENT OF CASH FLOWS (continued)

(b) Analysis of changes in net debt

	<i>At 1 November 1999</i>	<i>Cash flow £</i>	<i>Non cash changes £</i>	<i>At 31 October 2000 £</i>
Cash at bank and in hand	106,868	7,869	-	114,737
Bank overdrafts	(4,179,875)	(1,496,844)	-	(5,676,719)
Cash	(4,073,007)	(1,488,975)	-	(5,561,982)
Short term bank loan	(707,089)	(1,278,271)	-	(1,985,360)
Finance leases	-	-	(10,080)	(10,080)
	<u>(4,780,096)</u>	<u>(2,767,246)</u>	<u>(10,080)</u>	<u>(7,557,422)</u>

21. CONTINGENT LIABILITY

The company has guaranteed the bank loan of a subsidiary undertaking to the extent of \$3 million of which £1,985,360 (1999 - £707,089) was utilised at 31 October 2000.

22. ULTIMATE CONTROLLING PARTY

The directors regard Mr P Anness, a director of the company, as the ultimate controlling party.