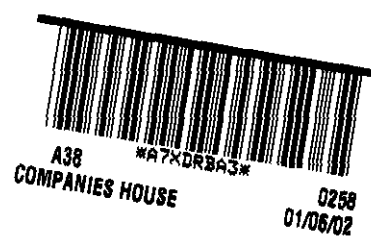


ANNESS PUBLISHING LIMITED

Report and Accounts

31 October 2001

 ERNST & YOUNG



Anness Publishing Limited

Registered No. 2375310

DIRECTORS

Mr P Anness
Ms J Lorenz
Mrs D Lic
Mr S Hill
Mr N Thompson
Mr T McGorry
Mr R Woodcock

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

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 October 2001.

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

Turnover for the year was £31.01m, up from £29.5m (5% increase).

Operating profit was £661,827, up from £570,158 (16% increase).

Profit before tax for the year was £56,694, up from £36,973 (53% increase).

No dividend is proposed for the year.

The undistributed reserves of the company at 31 October 2001 totalled £3,858,658 (2000 - £3,505,875), an increase of 9%.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Sales

Star performer in the year was the company's sales effort in the USA and Canada, up 16% at £13.6m. This improvement comes in the year after the company shed 75% of its American sales staff and down-sized its US offices. Other markets were flat or slightly down.

Better Business Mix

2001 saw the satisfactory completion of a two-year structuring plan to reposition the business equally strongly in both the trade and custom publishing markets world-wide. In the year, the custom publishing division overtook the trade publishing division as the principal sales division, generating 54% of sales and 66% of operating profits, while trade publishing generated 46% of sales revenues and 34% of operating profits. Historically the company functions best and is most profitable when the two divisions of the business function in harmony at around these natural levels. Much of the disruption in growth and profits over the past 3 years originated from an attempt back in 1998/1999 to force growth into the trade publishing business at the expense of the contract and custom business.

Regrettably Low Profits

This satisfying rebalancing of the business was achieved with no loss of sales momentum, though at some cost: for the second year running exceptional items associated with the restructuring of the trade division considerably reduced profits. These exceptional items included the costs of moving to more appropriate warehousing and distribution centres, and reducing in-house staff levels in order to outsource the trade sales function on a variable cost basis in the UK and the USA.

Massive Savings and Opportunities

But the big forward gains are that the new business shape can generate much higher sales while running off a much smaller headcount - 74 people at the year-end, versus 97 people 18 months ago. The annualised run-rate for group fixed overhead is down from a high of £5.31m in 2000 to less than £3.9m going into 2002. Overhead has dropped 27% while sales have increased 10% in a two-year period, which offers the scope for radically increased profits at historic levels and beyond.

DIRECTORS' REPORT

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

Funding

The increased emphasis on custom and contract publishing generates quicker cash turn and makes the whole business less capital intensive. This has afforded substantial reductions in funding need in the past year (net debt dropped £957,000 in the year or 13%). In turn this reduction in borrowing is projected to throw out £300,000 in extra profits in 2002 purely off lower interest payments.

Cash and Inventory

These changes in shape and structure have already thrown out over £1.0m in cash in 2001, which is one of the most satisfying statistics of the year. Decreased reliance on trade publishing allowed for very radical reductions in the holding of physical stocks world wide (over £2.3m was reduced in the year at no loss). In 2000 the company used £1.5m in cash, taking its funding requirement to £7.6m. In 2001 this was reversed and cash inflows reduced total funding need to £6.6m at the year-end: this is projected to come down to well under £5.0m during the course of 2002.

Investment

At the same time the company maintains its dedication to the creation and maintenance of probably the best active illustrated book portfolio in the industry, which now stands at around 1900 titles in print, and 450,000 wholly-owned photo-images. Continuing investment in 2001 took management's estimate of total creative investment since 1997 to \$26,860,000, only a proportion of which is amortised to the profit and loss account.

Creditors

Trade creditors (90% of which are the company's printers) fell by £0.3m (2%) at the same time that turnover increased by 5% and the company's overdrafts reduced by 15%. Overall the company reduced its creditor payment days by over 40 during the year.

Debtors

Trade debtors fell by £0.6m (6%) which was solely due to improved collection systems and overall reduced debtor payment days in the year.

Summary

The company thanks all those who worked with it in 2001, and looks forward eagerly to a successful 2002 and a return to previous higher levels of profitability.

DIRECTORS AND THEIR INTERESTS

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

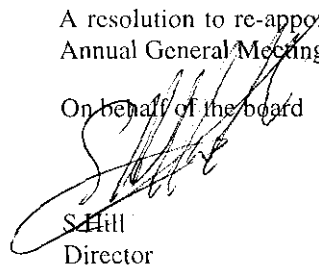
	2001 £1 ordinary shares	2000 £1 ordinary shares
Mr P Anness	900	900
Ms J Lorenz	100	100
Mrs D Lie	-	-
Mr S Hill	-	-
Mr N Thompson	-	-
Mr T McGorry	-	-
Mr R Woodcock (appointed 8 August 2001)	-	-

DIRECTORS' REPORT

AUDITORS

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

30 MAY 2002

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 INDEPENDENT AUDITORS
to the members of Anness Publishing Limited**

We have audited the group's accounts for the year ended 31 October 2001, which comprise the group profit and loss account, the group statement of total recognised gains and losses, the group balance sheet, the company balance sheet, the group statement of cash flows and the related notes 1 to 23. These accounts have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the accounts 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 accounts, 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 group is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

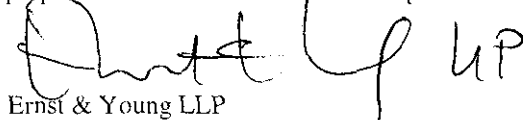
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 2001 and of the profit 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

30 MAY 2002

Anness Publishing Limited

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 October 2001

	Notes	2001 £	2000 £
TURNOVER	2	31,057,887	29,531,611
Cost of sales		25,752,812	23,647,394
Gross profit		5,305,075	5,884,217
Administrative expenses		4,643,248	5,314,059
OPERATING PROFIT	3	661,827	570,158
Interest receivable and similar income		4,030	3,270
Interest payable and similar charges	6	(609,163)	(536,455)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		56,694	36,973
Tax on profit on ordinary activities	7	(5,308)	61,436
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	8	62,002	(24,463)
Minority interests: Equity		9,262	9,798
RETAINED PROFIT/(LOSS) FOR THE YEAR		71,264	(14,665)

Anness Publishing Limited

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 October 2001

	2001 £	2000 £
Profit/(loss) for the financial year attributable to members of the parent company	71,264	(14,665)
Exchange difference on retranslating net assets of subsidiary undertakings	(4,002)	(74,371)
TOTAL RECOGNISED GAINS/(LOSSES) DURING THE YEAR	<u>67,262</u>	<u>(89,036)</u>

Anness Publishing Limited

GROUP BALANCE SHEET

at 31 October 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Tangible fixed assets	9	46,342	70,007
Investments	10	5,000	5,000
		<u>51,342</u>	<u>75,007</u>
CURRENT ASSETS			
Stocks	11	11,216,581	12,974,575
Debtors	12	11,420,867	11,977,913
Cash at bank and in hand		106,574	114,737
		<u>22,744,022</u>	<u>25,067,225</u>
CREDITORS: amounts falling due within one year	13	20,402,349	22,805,113
		<u>2,341,673</u>	<u>2,262,112</u>
NET CURRENT ASSETS			
		<u>2,393,015</u>	<u>2,337,119</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: amounts falling due after more than one year	14	5,248	7,865
MINORITY INTERESTS: Equity		11,467	20,216
		<u>2,376,300</u>	<u>2,309,038</u>
CAPITAL AND RESERVES			
Called up share capital	17	1,000	1,000
Profit and loss account	18	2,375,300	2,308,038
		<u>2,376,300</u>	<u>2,309,038</u>
Equity shareholders' funds	18	2,376,300	2,309,038

S Hill

Director

30 MAY 2002

Anness Publishing Limited

BALANCE SHEET

at 31 October 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Tangible fixed assets	9	20,287	34,262
Investments	10	651,511	651,511
		<u>671,798</u>	<u>685,773</u>
CURRENT ASSETS			
Stocks	11	8,668,187	10,269,390
Debtors	12	12,397,241	12,904,903
Cash at bank and in hand		36,488	42,318
		<u>21,101,916</u>	<u>23,216,611</u>
CREDITORS: amounts falling due within one year	13	17,914,056	20,395,509
		<u>3,187,860</u>	<u>2,821,102</u>
NET CURRENT ASSETS		<u>3,859,658</u>	<u>2,821,102</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,859,658</u>	<u>3,506,875</u>
CAPITAL AND RESERVES			
Called up share capital	17	1,000	1,000
Profit and loss account	18	3,858,658	3,505,875
Equity shareholders' funds	18	<u>3,859,658</u>	<u>3,506,875</u>

S Hill

Director

30 MAY 2002

ERNST & YOUNG

Anness Publishing Limited

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 October 2001

	Note	2001 £	2000 £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	21(a)	1,996,149	(1,905,143)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		4,030	3,270
Interest paid		(608,360)	(535,834)
Interest element of finance lease payments		(803)	(621)
		(605,133)	(533,185)
TAXATION			
Corporation tax paid		(428,539)	(96,484)
Overseas taxation paid		-	(102,416)
		(428,539)	(198,900)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(5,789)	(63,210)
ACQUISITIONS AND DISPOSALS			
Purchase of minority interest		-	(66,808)
FINANCING			
New short term borrowings		77,630	1,278,271
Capital element of finance lease payments		(2,490)	-
		75,140	1,278,271
INCREASE/(DECREASE) IN CASH		1,031,828	(1,488,975)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
	Note	2001 £	2000 £
Increase/(decrease) in cash in the year		1,031,828	(1,488,975)
Cash inflow from increase in short term borrowings		(75,140)	(1,278,271)
MOVEMENT IN NET DEBT		956,688	(2,767,246)
New finance leases		-	(10,080)
NET DEBT AT BEGINNING OF THE YEAR		(7,557,422)	(4,780,096)
NET DEBT AT END OF THE YEAR	21(b)	(6,600,734)	(7,557,422)

NOTES TO THE ACCOUNTS

at 31 October 2001

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 2001. 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% per annum
Motor vehicles	-	33.33% per annum
Computer equipment	-	50% per annum

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 four years. Provision is made for abortive development costs, or where the non-amortised costs are not expected to be recovered on future sales.

NOTES TO THE ACCOUNTS

at 31 October 2001

1. ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Provision is made for deferred taxation that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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.

Derivative Instruments

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The group considers its derivative instruments qualify for hedge accounting when certain criteria are met.

The criteria for forward foreign currency contracts are:

- the instrument must be related to a foreign currency asset or liability that is probable and whose characteristics have been identified;
- it must involve the same currency as the hedged item; and
- it must reduce the risk of foreign currency exchange movements on the group's operations.

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities, or where the instrument is used to hedge a committed, or probable, future transaction, are deferred until the transaction occurs.

NOTES TO THE ACCOUNTS

at 31 October 2001

1. ACCOUNTING POLICIES (continued)

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 payable under operating leases are charged in the profit and loss account 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:

	2001 £	2000 £
United Kingdom	10,567,994	11,021,001
Rest of Europe	4,482,000	4,203,000
North America	13,612,814	11,868,458
Asia	318,000	254,373
Australasia	2,056,079	2,122,242
Africa	21,000	62,537
	<u>31,057,887</u>	<u>29,531,611</u>

3. OPERATING PROFIT

This is stated after charging:

	2001 £	2000 £
Exceptional items		
- redundancy and termination payments	5,533	263,995
- contract termination payments	272,066	-
Depreciation of tangible fixed assets		
- owned	30,527	69,676
- held under finance leases	4,030	2,343
Operating lease rentals		
- land and buildings	182,385	143,120
- plant and machinery	117,916	94,375
Auditors' remuneration		
- UK audit services	47,500	61,000
- UK non-audit services	26,492	11,750
	<u></u>	<u></u>

Anness Publishing Limited

NOTES TO THE ACCOUNTS

at 31 October 2001

4. STAFF COSTS

	2001 £	2000 £
Wages and salaries	2,419,309	2,933,553
Social security costs	242,834	280,738
Other pension costs	58,314	53,923
	<u>2,720,457</u>	<u>3,268,214</u>

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

	2001 No.	2000 No.
Production and editorial	42	48
Sales and marketing	24	26
Administration and accounts	19	23
	<u>85</u>	<u>97</u>

5. DIRECTORS' EMOLUMENTS

	2001 £	2000 £
Emoluments	452,167	476,469
Company contributions paid to personal pension schemes	5,650	81,903
Compensation for loss of office	-	40,000
	<u>2001 No.</u>	<u>2000 No.</u>
Members of personal pension schemes	4	5

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

	2001 £	2000 £
Emoluments	99,000	99,825
Company contributions paid to personal pension scheme	-	32,178

Anness Publishing Limited

NOTES TO THE ACCOUNTS

at 31 October 2001

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £	2000 £
Bank loans and overdrafts	579,028	509,571
Other interest	30,135	26,884
	<u>609,163</u>	<u>536,455</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in year:

	2001 £	2000 £
<i>Current tax</i>		
UK corporation tax on the profit for the year	90,000	236,000
Under/(over) provision in prior years	5,329	(26,052)
	<u>95,329</u>	<u>209,948</u>
Foreign tax	-	(82,815)
Total current tax (see below)	<u>95,329</u>	<u>127,133</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences: UK	(18,654)	-
Origination and reversal of timing differences: Overseas	(81,983)	(65,697)
	<u>(100,637)</u>	<u>(65,697)</u>
Total deferred tax (note 16)	<u>(100,637)</u>	<u>(65,697)</u>
Total tax (credit)/charge for year	<u>(5,308)</u>	<u>61,436</u>

(b) Factors affecting tax charge for the year:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2001 £	2000 £
Profit on ordinary activities before tax	56,694	36,973
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2000 - 30%)	<u>17,008</u>	<u>11,092</u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	9,198	4,102
Capital allowances in advance of depreciation	(1,280)	7,196
Effect of losses in subsidiary undertakings	65,074	130,795
Adjustments to tax charge in respect of previous years	5,329	(26,052)
Current UK tax for the year	<u>95,329</u>	<u>127,133</u>

8. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £352,783 (2000 - £539,057).

Anness Publishing Limited

NOTES TO THE ACCOUNTS at 31 October 2001

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 2000	2,883	112,814	22,148	198,088	335,933
Exchange adjustment	-	(108)	(775)	5,569	4,686
Additions	-	5,789	-	-	5,789
Disposals	-	(309)	-	-	(309)
At 31 October 2001	2,883	118,186	21,373	203,657	346,099
Depreciation:					
At 1 November 2000	2,402	85,105	4,001	174,418	265,926
Exchange adjustment	-	(36)	(140)	(241)	(417)
Charge for the year	481	10,416	5,246	18,414	34,557
Disposals	-	(309)	-	-	(309)
At 31 October 2001	2,883	95,176	9,107	192,591	299,757
Net book value:					
At 31 October 2001	-	23,010	12,266	11,066	46,342
At 1 November 2000	481	27,709	18,147	23,670	70,007

The net book value of motor vehicles includes an amount of £5,162 (2000 - £9,192) in respect of assets held under finance leases and hire purchase contracts.

<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 2000	2,883	105,190	161,535	269,608
Additions	-	5,789	-	5,789
At 31 October 2001	2,883	110,979	161,535	275,397
Depreciation:				
At 1 November 2000	2,402	81,929	151,015	235,346
Charge for the year	481	9,881	9,402	19,764
At 31 October 2001	2,883	91,810	160,417	255,110
Net book value:				
At 31 October 2001	-	19,169	1,118	20,287
At 1 November 2000	481	23,261	10,520	34,262

Anness Publishing Limited

NOTES TO THE ACCOUNTS

at 31 October 2001

10. INVESTMENTS

Group

	Other unlisted investment £
Cost:	
At 1 November 2000 and 31 October 2001 (see note 19)	5,000

Company	Subsidiary undertakings shares £	Other unlisted investments £	Total £
Cost:			
At 1 November 2000 and 31 October 2001	646,511	5,000	651,511

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

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

11. STOCKS

	2001 £	Group 2000 £	2001 £	Company 2000 £
Finished goods	4,174,438	6,473,938	1,626,044	3,768,753
Work in progress	7,042,143	6,500,637	7,042,143	6,500,637
	11,216,581	12,974,575	8,668,187	10,269,390

12. DEBTORS

	2001 £	Group 2000 £	2001 £	Company 2000 £
Trade debtors	10,664,573	11,288,868	7,585,114	8,198,921
Amounts owed by group undertakings	-	-	4,378,302	4,188,337
Other debtors	266,693	355,479	261,601	343,792
Prepayments and accrued income	323,267	267,869	153,570	173,853
Deferred tax asset (note 16)	166,334	65,697	18,654	-
	11,420,867	11,977,913	12,397,241	12,904,903

Trade debtors in respect of the group include factored debts amounting to £330,063 (2000 - £593,253).

Anness Publishing Limited

NOTES TO THE ACCOUNTS

at 31 October 2001

13. CREDITORS: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	£	£	£	£
Bank overdrafts	4,636,728	5,676,719	4,636,728	5,712,563
Bank loan	2,062,990	1,985,360	-	-
Trade creditors (note 19)	12,732,701	13,014,430	12,732,701	13,014,431
Corporation tax	81,573	414,855	81,645	414,855
Other taxes and social security costs	76,398	63,735	59,234	63,735
Other creditors	136,444	261,315	-	151,000
Accruals and deferred income	673,173	1,386,484	403,748	1,038,925
Amounts due under hire purchase agreements (note 15)	2,342	2,215	-	-
	<u>20,402,349</u>	<u>22,805,113</u>	<u>17,914,056</u>	<u>20,395,509</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 £138,787 (2000 - £110,315) which is secured by a fixed and floating charge over all the assets of a subsidiary undertaking.

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

	<i>Group</i>		<i>Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	£	£	£	£
Obligations under finance leases and hire purchase contracts (note 15)	5,248	7,865	-	-
	<u>5,248</u>	<u>7,865</u>	<u>-</u>	<u>-</u>

15. OBLIGATIONS UNDER HIRE PURCHASE AGREEMENTS

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

	<i>Group</i>		<i>Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	£	£	£	£
within one year	2,342	2,215	-	-
within two to five years	5,248	7,865	-	-
	<u>7,590</u>	<u>10,080</u>	<u>-</u>	<u>-</u>

Anness Publishing Limited

NOTES TO THE ACCOUNTS

at 31 October 2001

16. DEFERRED TAX ASSETS

Deferred tax assets recognised in the accounts and the amounts not recognised are as follows:

<i>Group</i>	<i>Recognised</i>		<i>Not recognised</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Decelerated capital allowances	18,654	-	-	19,887
Tax losses carried forward	147,680	65,697	-	-
	<u>166,334</u>	<u>65,697</u>	<u>-</u>	<u>19,887</u>
Undiscounted provision for deferred tax asset				
	<u>£</u>			
Recognised at start of year	65,697			
Deferred tax credit in profit and loss account for the year (note 7)	100,637			
	<u>166,334</u>			
Recognised at end of year				
	<u>£</u>			
<i>Company</i>	<i>Recognised</i>		<i>Not recognised</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Decelerated capital allowances	18,654	-	-	19,887
	<u>18,654</u>	<u>-</u>	<u>-</u>	<u>19,887</u>
	<u>£</u>			
Recognised at start of year	-			
Deferred tax credit in profit and loss account for the year (note 7)	18,654			
	<u>18,654</u>			
Recognised at end of year				
	<u>£</u>			

17. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>No.</i>	<i>No.</i>	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

NOTES TO THE ACCOUNTS
at 31 October 2001

18. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

Group

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 1 November 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
Exchange adjustment	-	(4,002)	(4,002)
Profit for the year	-	71,264	71,264
At 31 October 2001	1,000	2,375,300	2,376,300

Company

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 1 November 1999	1,000	2,966,818	2,967,818
Profit for the year	-	539,057	539,057
At 31 October 2000	1,000	3,505,875	3,506,875
Profit for the year	-	352,783	352,783
At 31 October 2001	1,000	3,858,658	3,859,658

19. RELATED PARTIES

Included in trade creditors (note 13) is a balance of £16,777 (2000 - £43,567) 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 £99,747 (2000 - £132,567). D Lie is a director of both companies, and Anness Publishing Limited owns 5% of the ordinary share capital of Gunnar Lie & Associates Limited.

20. OTHER FINANCIAL COMMITMENTS

At 31 October 2001 the company had annual commitments under non-cancellable operating leases set out as follows:

	2001 £	Land and buildings 2000 £	2001 £	Other 2000 £
Operating leases which expire:				
within one year	-	71,855	7,198	25,745
in two to five years	166,500	16,375	65,270	48,563
	166,500	88,230	72,468	74,308

NOTES TO THE ACCOUNTS

at 31 October 2001

21. NOTES TO THE GROUP STATEMENT OF CASH FLOWS

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

	2001	2000
	£	£
Operating profit	661,827	570,158
Depreciation of tangible fixed assets	34,557	72,019
Amortisation	-	51,432
Loss on sale of fixed assets	-	9,817
Decrease/(increase) in stocks	1,757,995	(3,195,815)
Decrease in debtors	657,610	256,227
(Decrease)/increase in creditors	(1,115,840)	331,019
Net cash inflow/(outflow) from operating activities	1,996,149	(1,905,143)

(b) Analysis of changes in net debt

	At 1 November 2000 £	Cash flow £	At 31 October 2001 £
Cash at bank and in hand	114,737	(8,163)	106,574
Bank overdrafts	(5,676,719)	1,039,991	(4,636,728)
Cash	(5,561,982)	1,031,828	(4,530,154)
Short term bank loan	(1,985,360)	(77,630)	(2,062,990)
Finance leases	(10,080)	2,490	(7,590)
	(7,557,422)	956,688	(6,600,734)

22. CONTINGENT LIABILITY

The company has guaranteed the bank loan of a subsidiary undertaking to the extent of \$3.0 million of which £2,062,990 (2000 - £1,985,360) was utilised at 31 October 2001.

23. ULTIMATE CONTROLLING PARTY

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