

ANNESS PUBLISHING LIMITED

Report and Financial Statements

31 October 2002

 **ERNST & YOUNG**



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COMPANIES HOUSE

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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
Mr R Woodcock
Mr B Worley

SECRETARY

Ms J Lorenz

AUDITORS

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

BANKERS

Barclays Bank
54 Lombard Street
London EC3P 3AH

SOLICITORS

Nabarro Nathanson
Lacon House
Theobalds Road
London WC1X 8RW

REGISTERED OFFICE

Hermes House
88-89 Blackfriars Road
London SE1 8HA

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 October 2002.

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

Revenue for the year was £34.87m, up from £31.06m (12.3% increase).

Gross profit was £7.41m, up from £5.31m (39.5% increase).

Operating profit was £3.13m, up from £661,827 (374% increase).

Profit before tax for the year was £2.68m, up from £56,694 (4,600% increase).

No dividend is proposed for the year (2001 - £nil).

The undistributed reserves of the company at 31 October 2002 totalled £4.98m (2001 - £3.85m), an increase of 29.4%.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Sales

The top performance was in the group's contract sales and direct-to-customer business, Hermes House, which grew 30% and increased its margins at the same time.

Foreign rights and co-editions were flat at the sales line but improved margins to make a materially higher contribution than in 2001.

The trade publishing divisions, Lorenz, Aquamarine and Southwater, had a tough sales year but radically reshaped their margins, cost base and inventory to compensate.

Peony Press stationery was like-for-like on revenue but grew margin satisfactorily off better print sourcing.

Savings

2000 and 2001 were years of restructuring. The year end headcount is down from 97 in 2000 and 74 in 2001 to 62 at the end of 2002. The annualised run-rate for group fixed overhead is down from a high of £5.31m in 2000 to under £4.0m now. Overhead has dropped 25% while sales have increased by 20% in a three-year period, which has afforded the opportunity for substantially increased profits.

The group has particularly benefited from downsizing its USA and Australian offices. In the period since the American sales team of 7 people left the USA company, sales in the USA have increased by 39% and overhead has been reduced by 13%.

The group closed its Australian office in September 2002; sales growth is expected in 2003, and a saving of Aus\$500,000 in fixed cost is anticipated. The group would like to offer its particular thanks to Shirley McEwin, who was Managing Director of Anness Pty throughout its history, and achieved remarkable results while steering the Australian business from start-up to maturity. She established a trading platform and reputation that will ensure the success of the group's Australian activities into the future, albeit managed and controlled now solely from the UK headquarters.

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. Stocks are further reduced. This has allowed substantial reductions in funding need in the past year, with net bank debt dropping by £2.25m, from £6.83m to £4.58m (down 32.9%) having previously decreased by £957,000 in 2001 (down 15%). Interest payable in 2002 was £453,000, down from £609,000 in 2001 (25% reduced).

Inventory

Further decreased reliance on trade publishing and tighter new open-to-buy purchasing systems allowed for more reductions in the holding of physical stocks globally. At year end the value of finished goods was £3.02m, decreased from £4.17m in 2001 (down 27.6%).

Investment

The group maintains its dedication to the creation and maintenance of probably the best active illustrated book portfolio in the industry, which now stands at around 2,500 titles in print, and around 490,000 wholly-owned photo-images. Actual investment in 2002 was in the region of £1.7m, which took management's estimate of total creative investment since 1997 to £19.18m, only a small proportion of which is currently carried on the balance sheet as work-in-progress (£5.9m). Given the revenue and contribution streams being palpably generated by the intellectual property, management considers this a prudent valuation. Highly sophisticated tracking and monitoring systems developed by management tie all revenues exactly not only to products but to materials within products: checking models are built regularly which challenge the revenue streams and margin streams by title and by subject, and which compare and contrast them to the amortisation formulae. Amortisation formulae are always found by management to be prudent versus the productive life of the intellectual property content.

Creditors

Trade creditors (90% of which are the group's printers in the Far East) fell by £45,000, from £12.73m to £12.69m, despite a 12.3% increase in sales. Overall the group reduced its creditor payment days by over 30 during the year.

Debtors

Trade debtors grew by £2.6m (25% up), from £10.66m to £13.33m, due to the higher sales which were concentrated in the latter part of the year.

Summary

The group and all those employed in it would like to thank all those who worked with us in 2002 for a fairly fruitful and delightfully uneventful year, and we look forward eagerly to the prospect of sharing a similarly successful 2003 with our authors, editors, designers, photographers, printers, suppliers, bankers, auditors and above all our patient and wonderfully loyal customers.

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

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

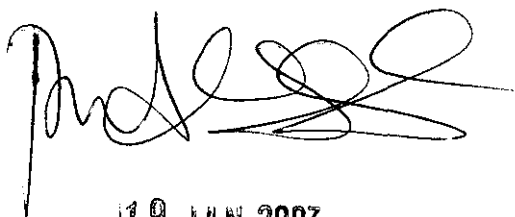
	2002 £1 ordinary shares	2001 £1 ordinary shares
Mr P Anness	900	900
Ms J Lorenz	100	100
Mrs D Lie	-	-
Mr S Hill	-	-
Mr N Thompson	-	-
Mr T McGorry	-	-
Mr R Woodcock	-	-
Mr B Worley (appointed 17 June 2002)	-	-

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

P Anness
Director



19 JAN 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
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 group and of the profit or loss of the group for that period. In preparing those financial statements, 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 financial statements; and
- prepare the financial statements 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 financial statements 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 financial statements for the year ended 31 October 2002, 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 25. These financial statements 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 financial statements in accordance with applicable United Kingdom law and accounting standards.

This report has been prepared for the members of the company pursuant to Section 235 of the Companies Act 1985 (the "Act") and for no other purpose.

No person is entitled to rely on this report unless such person:

- i) is a person who is entitled to rely on this report by virtue of and for the purposes of the Act; or
- ii) has been expressly authorised to do so by our prior written consent.

Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 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

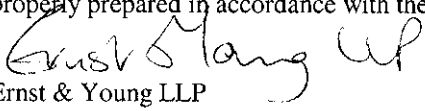
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 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.

REPORT OF THE INDEPENDENT AUDITORS
to the members of Anness Publishing Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 October 2002 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

20 January 2003

Anness Publishing Limited

GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 October 2002

	Notes	2002 £	2001 £
TURNOVER	2	34,870,260	31,057,887
Cost of sales		27,463,342	25,752,812
Gross profit		7,406,918	5,305,075
Administrative expenses		4,278,090	4,643,248
OPERATING PROFIT	3	3,128,828	661,827
Interest receivable and similar income		2,160	4,030
Interest payable and similar charges	6	(453,046)	(609,163)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,677,942	56,694
Taxation	7	734,194	(5,308)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	8	1,943,748	62,002
Minority interests: Equity		-	9,262
RETAINED PROFIT FOR THE YEAR		1,943,748	71,264

Anness Publishing Limited

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 October 2002

	2002	2001
	£	£
Profit for the financial year attributable to members of the parent company	1,943,748	71,264
Exchange difference on retranslating net assets of subsidiary undertakings	60,875	(4,002)
TOTAL RECOGNISED GAINS DURING THE YEAR	2,004,623	67,262

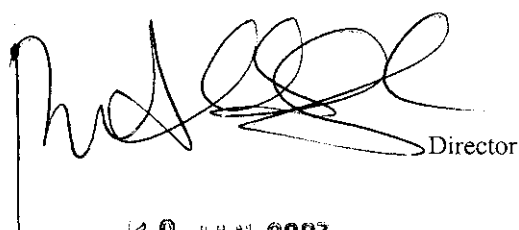
Anness Publishing Limited

GROUP BALANCE SHEET

at 31 October 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible fixed assets	9	99,646	46,342
Investments	10	5,000	5,000
		<u>104,646</u>	<u>51,342</u>
CURRENT ASSETS			
Stocks	11	8,924,907	11,216,581
Debtors	12	13,657,258	11,420,867
Cash at bank and in hand		147,217	106,574
		<u>22,729,382</u>	<u>22,744,022</u>
CREDITORS: amounts falling due within one year	13	16,453,105	20,402,349
		<u>6,276,277</u>	<u>2,341,673</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,380,923</u>	<u>2,393,015</u>
CREDITORS: amounts falling due after more than one year	14	2,000,000	5,248
MINORITY INTERESTS: Equity		-	11,467
		<u>4,380,923</u>	<u>2,376,300</u>
CAPITAL AND RESERVES			
Called up share capital	18	1,000	1,000
Profit and loss account	19	4,379,923	2,375,300
Equity shareholders' funds	19	<u>4,380,923</u>	<u>2,376,300</u>

P Anness

 Director

19 JAN 2003

Anness Publishing Limited

BALANCE SHEET at 31 October 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible fixed assets	9	98,995	20,287
Investments	10	663,335	651,511
		<u>762,330</u>	<u>671,798</u>
CURRENT ASSETS			
Stocks	11	7,253,686	8,668,187
Debtors	12	13,556,216	12,397,241
Cash at bank and in hand		101,873	36,488
		<u>20,911,775</u>	<u>21,101,916</u>
CREDITORS: amounts falling due within one year	13	14,691,345	17,914,056
		<u>6,220,430</u>	<u>3,187,860</u>
NET CURRENT ASSETS			
		<u>6,982,760</u>	<u>3,859,658</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>4,982,760</u>	<u>3,859,658</u>
CREDITORS: amounts falling due in more than one year	14	2,000,000	-
		<u>4,982,760</u>	<u>3,859,658</u>
CAPITAL AND RESERVES			
Called up share capital	18	1,000	1,000
Profit and loss account	19	4,981,760	3,858,658
		<u>4,982,760</u>	<u>3,859,658</u>
Equity shareholders' funds	19	<u>4,982,760</u>	<u>3,859,658</u>

P Anness

Director

19 JAN 2003

Anness Publishing Limited

GROUP STATEMENT OF CASH FLOWS for the year ended 31 October 2002

	<i>Note</i>	2002 £	2001 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	23(a)	3,087,135	1,918,527
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		2,160	4,030
Interest paid		(453,046)	(608,360)
Interest element of finance lease payments		-	(803)
		(450,886)	(605,133)
TAXATION			
Corporation tax paid		(377,864)	(353,377)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(95,586)	(5,789)
Receipts from sales of tangible fixed assets		11,954	-
		83,632	(5,789)
ACQUISITIONS AND DISPOSALS			
Purchase of minority interest		(11,467)	-
FINANCING			
New short term borrowings		521,675	77,630
New long term borrowings		2,000,000	-
Capital element of finance lease payments		(7,590)	-
		2,514,085	77,630
INCREASE IN CASH		4,677,371	1,031,828
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
	<i>Note</i>	2002 £	2001 £
Increase in cash in the year		4,677,371	1,031,828
Cash inflow from increase in short term borrowings		(521,675)	(77,630)
Cash inflow from increase in long term borrowings		(2,000,000)	-
Movement in finance leases		7,590	-
MOVEMENT IN NET DEBT		2,163,286	954,198
New finance leases		-	2,490
NET DEBT AT BEGINNING OF THE YEAR		(6,600,734)	(7,557,422)
NET DEBT AT END OF THE YEAR	23(b)	(4,437,448)	(6,600,734)

NOTES TO THE FINANCIAL STATEMENTS
at 31 October 2002

1. ACCOUNTING POLICIES

Accounting convention

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

Basis of consolidation

The group financial statements comprise the financial statements of Anness Publishing Limited and all its subsidiary undertakings made up to 31 October 2002. 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 group 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% per 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.

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 subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

NOTES TO THE FINANCIAL STATEMENTS

at 31 October 2002

1. ACCOUNTING POLICIES (continued)

Deferred taxation (continued)

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 financial statements 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 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:

	2002	2001
	£	£
United Kingdom	10,938,110	10,567,994
Rest of Europe	4,660,000	4,482,000
North America	16,840,493	13,612,814
Asia	478,000	318,000
Australasia	1,953,657	2,056,079
Africa	-	21,000
	<u>34,870,260</u>	<u>31,057,887</u>

NOTES TO THE FINANCIAL STATEMENTS
at 31 October 2002

3. OPERATING PROFIT

This is stated after charging:

	2002	2001
	£	£
Exceptional items		
- redundancy and termination payments	50,407	5,533
- contract termination payments	79,168	272,066
Depreciation of tangible fixed assets		
- owned	30,409	30,527
- held under finance leases	-	4,030
Operating lease rentals		
- land and buildings	202,409	182,385
- plant and machinery	97,886	117,916
Auditors' remuneration		
- UK audit services	47,500	47,500
- UK non-audit services	12,520	26,492
	<u>2,753,741</u>	<u>2,720,457</u>

4. STAFF COSTS

	2002	2001
	£	£
Wages and salaries	2,258,561	2,419,309
Social security costs	205,819	242,834
Other pension costs	289,361	58,314
	<u>2,753,741</u>	<u>2,720,457</u>

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

	2002	2001
	No.	No.
Production and editorial	33	42
Sales and marketing	23	24
Administration and accounts	16	19
	<u>72</u>	<u>85</u>

Anness Publishing Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 October 2002

5. DIRECTORS' EMOLUMENTS

	2002 £	2001 £
Emoluments	566,889	452,167
Company contributions paid to personal pension schemes	231,975	5,650
	2002 No.	2001 No.
Members of personal pension schemes	7	4

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

	2002 £	2001 £
Emoluments	99,000	99,000
Company contributions paid to personal pension scheme	66,818	-

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Bank loans and overdrafts	441,681	579,028
Other interest	11,365	30,135
	453,046	609,163

NOTES TO THE FINANCIAL STATEMENTS
at 31 October 2002

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in year:

	2002	2001
	£	£
<i>Current tax</i>		
UK corporation tax on the profit for the year	498,754	90,000
Under provision in prior years	45,623	5,329
	<u>544,377</u>	<u>95,329</u>
Foreign tax	48,237	-
Total current tax	<u>592,614</u>	<u>95,329</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences: UK	6,771	(18,654)
Origination and reversal of timing differences: Overseas	134,809	(81,983)
	<u>141,580</u>	<u>(100,637)</u>
Total deferred tax (note 16)	<u>141,580</u>	<u>(100,637)</u>
Total tax charge for year	<u>734,194</u>	<u>(5,308)</u>

(b) Factors affecting tax charge for the year:

The tax assessed for the year is lower (2001 - higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002	2001
	£	£
Profit on ordinary activities before tax	2,677,942	56,694
	<u>2,677,942</u>	<u>56,694</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001 - 30%)	803,382	17,008
<i>Effects of:</i>		
Expenses not deductible for tax purposes	3,051	9,198
Release of provision for unrealised profit	(207,703)	-
Capital allowances in advance of depreciation	(6,773)	(1,280)
Utilisation of tax losses in subsidiary undertakings	(70,307)	-
Effect of losses in subsidiary undertakings	24,671	65,074
Adjustments to tax charge in respect of previous years	45,623	5,329
Other tax adjustments	670	-
	<u>592,614</u>	<u>95,329</u>
Current tax for the year (note 7a)	<u>592,614</u>	<u>95,329</u>

NOTES TO THE FINANCIAL STATEMENTS
at 31 October 2002

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 financial statements of the parent company was £1,123,102 (2000 - £352,783).

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 2001	2,883	118,186	21,373	203,657	346,099
Exchange adjustment	-	(279)	538	(1,639)	(1,380)
Additions	-	1,500	-	94,086	95,586
Disposals	-	(6,928)	(15,160)	(33,501)	(55,589)
At 31 October 2002	2,883	112,479	6,751	262,603	384,716
Depreciation:					
At 1 November 2001	2,883	95,176	9,107	192,591	299,757
Exchange adjustment	-	(126)	230	(1,565)	(1,461)
Charge for the year	-	11,972	936	17,501	30,409
Disposals	-	(3,949)	(9,337)	(30,349)	(43,635)
At 31 October 2002	2,883	103,073	936	178,178	285,070
Net book value:					
At 31 October 2002	-	9,406	5,815	84,425	99,646
At 1 November 2001	-	23,010	12,266	11,066	46,342

The net book value of motor vehicles includes an amount of £nil (2001 - £5,162) in respect of assets held under finance leases and hire purchase contracts.

NOTES TO THE FINANCIAL STATEMENTS
at 31 October 2002

9. TANGIBLE FIXED ASSETS (continued)

<i>Company</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 2001	2,883	110,979	-	161,535	275,397
Additions	-	1,500	6,751	94,086	102,337
At 31 October 2002	2,883	112,479	6,751	255,621	377,734
Depreciation:					
At 1 November 2001	2,883	91,810	-	160,417	255,110
Charge for the year	-	11,263	936	11,430	23,629
At 31 October 2002	2,883	103,073	936	171,847	278,739
Net book value:					
At 31 October 2002	-	9,406	5,815	83,774	98,995
At 1 November 2001	-	19,169	-	1,118	20,287

10. INVESTMENTS

<i>Group</i>	<i>Other unlisted investment £</i>		
Cost:			
At 1 November 2001 and 31 October 2002 (see note 20)			5,000
<i>Company</i>	<i>Subsidiary undertakings shares £</i>	<i>Other unlisted investments £</i>	<i>Total £</i>
Cost:			
At 1 November 2001	646,511	5,000	651,511
Additions	11,824	-	11,824
At 31 October 2002	658,335	5,000	658,335

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	100%	Book Publishing
Anness Publishing Inc.	United States	Ordinary shares	100%	Book Publishing

Both subsidiaries are held directly by the company.

NOTES TO THE FINANCIAL STATEMENTS
at 31 October 2002

11. STOCKS

	2002	Group 2001	2002	Company 2001
	£	£	£	£
Finished goods	3,023,379	4,174,438	1,352,158	1,626,044
Work in progress	5,901,528	7,042,143	5,901,528	7,042,143
	<u>8,924,907</u>	<u>11,216,581</u>	<u>7,253,686</u>	<u>8,668,187</u>

12. DEBTORS

	2002	Group 2001	2002	Company 2001
	£	£	£	£
Trade debtors	13,328,394	10,664,573	8,810,997	7,585,114
Amounts owed by group undertakings	-	-	4,519,653	4,378,302
Other debtors	92,959	266,693	92,959	261,601
Prepayments and accrued income	215,714	323,267	120,724	155,370
Deferred tax asset (note 17)	20,190	166,334	11,883	18,654
	<u>13,657,258</u>	<u>11,420,867</u>	<u>13,556,216</u>	<u>12,397,241</u>

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

13. CREDITORS: amounts falling due within one year

	2002	Group 2001	2002	Company 2001
	£	£	£	£
Bank overdrafts	-	4,636,728	-	4,636,728
Bank loans (note 15)	2,584,665	2,062,990	1,000,000	-
Trade creditors (note 20)	12,686,869	12,732,701	12,686,869	12,732,701
Corporation tax	296,323	81,573	248,756	81,645
Other taxes and social security costs	56,211	76,398	56,211	59,234
Other creditors	-	136,444	-	-
Accruals and deferred income	829,037	673,173	699,509	403,748
Amounts due under hire purchase agreements (note 16)	-	2,342	-	-
	<u>16,453,105</u>	<u>20,402,349</u>	<u>14,691,345</u>	<u>17,914,056</u>

The bank loans 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 £ nil (2001 - £138,737) which is secured by a fixed and floating charge over all the assets of a subsidiary undertaking.

Anness Publishing Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 October 2002

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

	2002	Group 2001	2002	Company 2001
	£	£	£	£
Bank loans (note 15)	2,000,000	-	2,000,000	-
Obligations under finance leases and hire purchase contracts (note 16)	-	5,248	-	-
	<u>2,000,000</u>	<u>5,248</u>	<u>2,000,000</u>	<u>-</u>

15. LOANS

	2002	Group 2001	2002	Company 2001
	£	£	£	£
Amounts repayable:				
In one year or less or on demand	2,584,665	2,062,990	1,000,000	-
In more than one year but not more than two years	1,000,000	-	1,000,000	-
In more than two years but not more than five years	1,000,000	-	1,000,000	-
	<u>4,584,665</u>	<u>2,062,990</u>	<u>3,000,000</u>	<u>-</u>

16. OBLIGATIONS UNDER HIRE PURCHASE AGREEMENTS

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

	2002	Group 2001	2002	Company 2001
	£	£	£	£
within one year	-	2,342	-	-
within two to five years	-	5,248	-	-
	<u>-</u>	<u>7,590</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 October 2002

17. DEFERRED TAX ASSETS

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

<i>Group</i>	<i>Recognised</i>		<i>Not recognised</i>	
	2002	2001	2002	2001
	£	£	£	£
Decelerated capital allowances	11,883	18,654	-	-
Tax losses carried forward	-	147,680	-	-
Other timing differences	8,307	-	-	-
	<u>20,190</u>	<u>166,334</u>	<u>-</u>	<u>-</u>

£

Recognised at start of year	166,334
Deferred tax charge in profit and loss account for the year	(141,580)
Exchange adjustment	(4,564)
Recognised at end of year	<u>20,190</u>

<i>Company</i>	<i>Recognised</i>		<i>Not recognised</i>	
	2002	2001	2002	2001
	£	£	£	£
Decelerated capital allowances	11,883	18,654	-	-

£

Recognised at start of year	18,654
Deferred tax charge in profit and loss account for the year	(6,771)
Recognised at end of year	<u>11,883</u>

18. SHARE CAPITAL

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

NOTES TO THE FINANCIAL STATEMENTS
at 31 October 2002

19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

<i>Group</i>	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	<i>£</i>	<i>£</i>	<i>£</i>
At 1 November 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
Exchange adjustment	-	60,875	60,875
Profit for the year	-	1,943,748	1,943,748
At 31 October 2002	1,000	4,379,923	4,380,923

<i>Company</i>	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	<i>£</i>	<i>£</i>	<i>£</i>
At 1 November 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
Profit for the year	-	1,123,102	1,123,102
At 31 October 2002	1,000	4,981,760	4,982,760

20. RELATED PARTIES

Included in "Trade creditors" (note 13) is a credit balance of £7,917 (2001 - £16,777) 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 £58,328 (2001 - £99,747). D Lie is a director of both companies, and Anness Publishing Limited owns 5% of the ordinary share capital of Gunnar Lie & Associates Limited.

21. PENSION COMMITMENTS

The company operates a defined contribution scheme for its directors and staff. The pension cost during the year was £289,361 (2001 - £58,314).

The deferred contributions at the year end, included in other debtors, are £nil (2001 - £70,000).

NOTES TO THE FINANCIAL STATEMENTS
at 31 October 2002

22. OTHER FINANCIAL COMMITMENTS

At 31 October 2002 the company had annual commitments under non-cancellable operating leases set out as follows:

	<i>Land and buildings</i>		<i>Other</i>	
	2002	2001	2002	2001
	£	£	£	£
Operating leases which expire:				
within one year	-	-	3,121	7,198
in two to five years	166,500	166,500	64,639	65,270
	<u>166,500</u>	<u>166,500</u>	<u>67,760</u>	<u>72,468</u>

23. NOTES TO THE GROUP STATEMENT OF CASH FLOWS

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

	2002	2001
	£	£
Operating profit	3,128,828	661,827
Depreciation of tangible fixed assets	30,409	34,557
Decrease in stocks	2,291,673	1,757,995
(Increase)/decrease in debtors	(2,317,177)	723,308
Decrease in creditors	(46,598)	(1,259,160)
Net cash inflow from operating activities	<u>3,087,135</u>	<u>1,918,527</u>

(b) Analysis of changes in net debt

	<i>At 1 November 2001</i>	<i>Cash flow</i>	<i>At 31 October 2002</i>
	£	£	£
Cash at bank and in hand	106,574	40,464	147,217
Bank overdrafts	(4,636,728)	4,636,728	-
Cash	(4,530,154)	4,677,371	147,217
Short term bank loans	(2,062,990)	(521,675)	(2,584,665)
Long term bank loans	-	(2,000,000)	(2,000,000)
Finance leases	(7,590)	7,590	-
	<u>(6,600,734)</u>	<u>2,163,286</u>	<u>(4,437,448)</u>

24. ULTIMATE CONTROLLING PARTY

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

25. CONTINGENT LIABILITY

The company has guaranteed the bank loan of a subsidiary undertaking to the extent of \$3.0 million of which £1,584,665 (2001 - £2,062,990) was utilised at 31 October 2002.