

Anness Publishing Limited

Report and Financial Statements

31 October 2003

 ERNST & YOUNG



Anness Publishing Limited

Registered No: 2375310

Directors

Mr P Anness
Ms J Lorenz
Mrs D Lie
Mr S Hill
Mr N Thompson
Mr B Worley
Mrs A Wood
Ms J Simons
Ms H Sudell

Secretary

Ms J Lorenz

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

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 2003.

Principal activity

The principal activity of the group remained that of publishing, book production and editorial services both in the United Kingdom and overseas.

Results and dividend

- Profit before tax for the year was £2.89m, up from £2.68m (7.8% increase)
- Operating profit was £3.1m versus £3.13m in 2002 (on par)
- Gross profit was £6.54m, down from £7.41m (11.7% decrease)
- Revenue for the year was £28.96, down from £34.87m (16.9% decrease)
- The undistributed reserves of the company at 31 October 2003 totalled £6.31m (2002 - £4.98m), an increase of 26.7%
- No dividend is proposed for the year (2002 - £nil)

The increase in bottom line profits of 10.6% is obviously very satisfying. Management is also very pleased with an operating profit of £3.1m, on par with 2002, despite a fall in turnover. In fact operating profit margin increased from 8.9% to 10.7%, a 20% rise in the underlying level of profitability, which is a great tribute to the company's increases in efficiency and reductions in overhead costs.

The drop in sales turnover of 16.9% arises from a combination of events:

- Around 40% of the reduction in turnover (c. £2.5m) is due to the changing values of major foreign currencies (primarily US dollars) between 2002 and 2003 – ie similar sales amounts as 2002 translate into sterling at lower levels. The dilution on the revenue line is matched by a reduction in the sterling value of print creditors in US dollars, so these exchange rate movements have no impact on margin
- Around 25% of the reduction in turnover (c. £1.5m) comes about because in the prior year there was a one-off inventory correction which resulted in sales of £1.5m, made at cost. This exercise was not repeated in 2003, so sales were reduced by £1.5m without any consequent dilution in profitability
- Around 5% of the reduction in turnover comes from transferring a group of finished goods deals to licensing deals in territories where revenues and customers cannot be insured, and where customers prefer to handle production: again this impacts the top line but not the bottom line
- Around 20% of the reduction in sales (c. £1.0m) comes from the conscious phasing out of some accounts which were problematic in 2002 and which were contributing to the top line but not to profitability

Review of the business and future developments

Savings

The group has consistently reduced overheads over the past four years and is now particularly benefiting from phasing out its Australian subsidiary company (in 2002) and its USA subsidiary company (during 2002, finalising in 2003). Closing the subsidiary companies in those countries has had no negative effects on trading: business continues to flourish in those territories, handled directly from the UK, and via local third-party sales and distribution agencies. Results in both territories have shown strong increases in sales and margin, while the closures have jointly generated overhead savings of more than £1.0m a year. The

Directors' report

final act in the USA company closure was the repurchasing of its local stocks by the UK company on October 31st 2003 – these stocks continue to be actively marketed in North America by the distributor National Book Network.

The year-end headcount for the group as a whole is down from 97 in 2000 and 72 in 2002 to 58 at the end of 2003. The annualised run-rate for group fixed overhead is down from a high of £5.31m in 2000 to under £3.15m in 2003 and this 40% drop over a four-year period has afforded the opportunity for substantially increased profits.

Funding

Bringing direct sales and contract publishing into balance with the established trade publishing business over the past three years has generated quicker cash turn and made the business as a whole less capital intensive. In addition, less stock is being held to support the trade publishing programmes. Also, the full impact of overhead savings achieved over a three-year period is now being felt.

These elements have combined to allow the group to eliminate its funding need over the past two years. One of the key management achievements in 2003 has been the generating of positive cashflows of £4.92m, which took the group from net debt of £4.44m in 2002 to net cash-on-hand of £485,000 at the end of 2003. Having previously decreased net borrowings by £2.25m between 2001 and 2002 this makes for a total reduction of funding levels of £7.1m in two years.

Consequently, net interest payable in 2003 was £203,000, down from £451,000 in 2002 and from a high of £609,000 in 2001.

At the year-end the company had a total of £4.0m in additional funding available to it that was not being utilised.

Inventory

Further decreased stocking for trade publishing supported by tighter open-to-buy purchasing systems allowed for more reductions in the holding of physical inventories globally. At year end the value of finished goods was £2.69m, decreased from £3.02m in 2002 (down 11%).

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 3,000 titles in print, and around 525,000 wholly-owned photo-images. Actual investment in 2003 was in the region of £1.7m, which took management's estimate of total creative investment since 1997 to £20.88m, only a small proportion of which is currently carried on the balance sheet as work-in-progress (£5.0m). Given the revenue and contribution streams being palpably generated by the intellectual property, management considers this a highly prudent carrying value for the asset.

Creditors

Trade creditors (90% of which are the group's printers in the Far East) fell by £2.63m (a 20% decrease), from £12.69m to £10.06m reflecting the lower level of sales and inventory, changes in currency values, and keen purchasing on some product lines.

Debtors

Trade debtors fell by £4.2m (32% down), from £13.33m to £9.13m, due to faster payments from customers, the lower level of sales and the changes in exchange rates of major currencies.

Summary

The directors consider the performance to be satisfactory: it has been very gratifying to consolidate 2003 profits at above 2002 levels, and many excellent new titles have been successfully launched.

Directors' report

We would like to thank everyone in the company, and all who worked with us in 2003, for all their great efforts, and we look forward keenly to the prospect of sharing a good year in 2004 with our outstanding authors, editors, designers, photographers, printers, shippers, bankers and auditors, and above all with our patient and 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:

	2003 £1 ordinary shares	2002 £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 (resigned 28 February 2003)	-	-
Mr R Woodcock (resigned 1 March 2003)	-	-
Mr B Worley	-	-
Mrs A Wood (appointed 1 July 2003)	-	-
Ms H Sudell (appointed 9 September 2003)	-	-
Ms J Simons (appointed 9 September 2003)	-	-

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



30 January 2004

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.

Independent auditors' report

to the members of Anness Publishing Limited

We have audited the group's financial statements for the year ended 31 October 2003 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, Group Statement of Cash Flows and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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.

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.

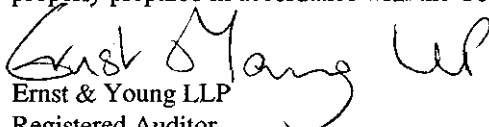
Basis of audit opinion

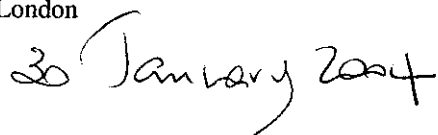
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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.

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 2003 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 January 2004

Group profit and loss account

for the year ended 31 October 2003

	Notes	2003 £	2002 £
Turnover	2	28,963,553	34,870,260
Cost of sales		22,422,200	27,463,342
Gross profit		6,541,353	7,406,918
Administrative expenses		3,444,185	4,278,090
Operating profit	3	3,097,168	3,128,828
Interest receivable and similar income		51,330	2,160
Interest payable and similar charges	6	(254,262)	(453,046)
Profit on ordinary activities before taxation		2,894,236	2,677,942
Tax on profit on ordinary activities	7	742,348	734,194
Profit on ordinary activities after taxation	8	2,151,888	1,943,748
Retained profit for the year		2,151,888	1,943,748

Group statement of total recognised gains and losses

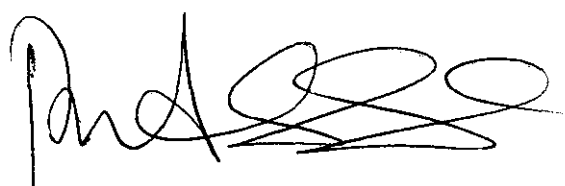
for the year ended 31 October 2003

	2003	2002
	£	£
Profit for the financial year attributable to members of the parent company	2,151,888	1,943,748
Exchange difference on retranslating net assets of subsidiary undertakings	(58,964)	60,875
Total recognised gains during the year	2,092,924	2,004,623

Group balance sheet

at 31 October 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible fixed assets	9	87,049	99,646
Investments	10	–	5,000
		<u>87,049</u>	<u>104,646</u>
Current assets			
Stocks	11	7,693,753	8,924,907
Debtors	12	9,638,588	13,657,258
Cash at bank and in hand		2,485,474	147,217
		<u>19,817,815</u>	<u>22,729,382</u>
Creditors: amounts falling due within one year	13	12,431,017	16,453,105
		<u>7,386,798</u>	<u>6,276,277</u>
Net current assets			
		<u>7,473,847</u>	<u>6,380,923</u>
Total assets less current liabilities			
		<u>7,473,847</u>	<u>6,380,923</u>
Creditors: amounts falling due after more than one year	14	1,000,000	2,000,000
		<u>6,473,847</u>	<u>4,380,923</u>
Capital and reserves			
Called up share capital	17	1,000	1,000
Profit and loss account	18	6,472,847	4,379,923
		<u>6,473,847</u>	<u>4,380,923</u>
Equity shareholders' funds	18	<u>6,473,847</u>	<u>4,380,923</u>



Paul Anness

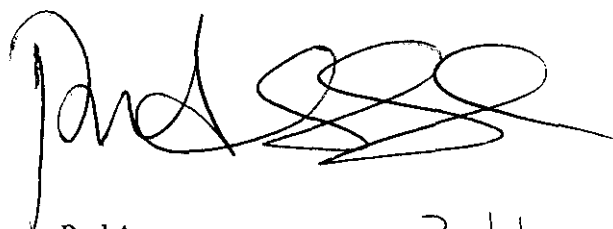
Director

30/11/04

Company balance sheet

at 31 October 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible fixed assets	9	87,049	98,995
Investments	10	646,074	663,335
		<u>733,123</u>	<u>762,330</u>
Current assets			
Stocks	11	7,693,753	7,253,686
Debtors	12	8,932,940	13,556,216
Cash at bank and in hand		2,133,984	101,873
		<u>18,760,677</u>	<u>20,911,775</u>
Creditors: amounts falling due within one year	13	12,178,611	14,691,345
		<u>6,582,066</u>	<u>6,220,430</u>
Net current assets		<u>7,315,189</u>	<u>6,982,760</u>
Total assets less current liabilities		<u>7,315,189</u>	<u>6,982,760</u>
Creditors: amounts falling due after more than one year	14	1,000,000	2,000,000
		<u>6,315,189</u>	<u>4,982,760</u>
Capital and reserves			
Called up share capital	17	1,000	1,000
Profit and loss account	18	6,314,189	4,981,760
		<u>6,315,189</u>	<u>4,982,760</u>
Equity shareholders' funds	18	<u>6,315,189</u>	<u>4,982,760</u>



Paul Anness

Director

30/11/04

Group statement of cash flows

for the year ended 31 October 2003

	Note	2003 £	2002 £
Net cash inflow from operating activities	21(a)	5,733,918	3,087,135
Returns on investments and servicing of finance			
Interest received		51,330	2,160
Interest paid		(254,262)	(453,046)
		(202,932)	(450,886)
Taxation			
Corporation tax paid		(575,517)	(377,864)
Overseas taxation		—	—
		(575,517)	(377,864)
Capital expenditure			
Payments to acquire tangible fixed assets		(35,454)	(95,586)
Receipts from sales of tangible fixed assets		2,907	11,954
		(32,547)	(83,632)
Acquisitions and disposals			
Purchase of minority interest		—	(11,467)
Financing			
Movement in short term borrowings		(1,584,665)	521,675
Movement in long term borrowings		(1,000,000)	2,000,000
Capital element of finance lease payments		—	(7,590)
		(2,584,665)	2,514,085
Increase in cash		2,338,257	4,677,371

Reconciliation of net cash flow to movement in net funds

	Note	2003 £	2002 £
Increase in cash in the year		2,338,257	4,677,371
Cash outflow/(inflow) from movement in short term borrowings		1,584,665	(521,675)
Cash outflow/(inflow) from movement in long term borrowings		1,000,000	(2,000,000)
Movement in finance leases		—	7,590
Movement in net debt		4,922,922	2,163,286
Net debt at beginning of the year		(4,437,448)	(6,600,734)
Net funds/(debt) at end of the year	21(b)	485,474	(4,437,448)

Notes to the financial statements

at 31 October 2003

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. 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:

Notes to the financial statements

at 31 October 2003

1. Accounting policies (continued)

Deferred taxation (continued)

- 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.
- 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 agreements

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.

Derivative instruments

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The group considers all its derivative instruments qualify for hedge accounting as they are :

- related to a firm foreign currency commitment;
- involve the same currency as the hedged item; and
- reduce the risk of foreign currency exchange movements on the group's operations.

The group recognises the difference between the year end rate and the forward rate on each contract. As a result, gains and losses on the forward foreign currency contracts are offset against the foreign exchange gains and losses on the related financial assets and liabilities.

Notes to the financial statements

at 31 October 2003

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:

	2003 £	2002 £
United Kingdom	6,296,092	10,938,110
Rest of Europe	3,704,000	4,660,000
North America	16,097,461	16,840,493
Asia and Africa	619,000	478,000
Australasia	2,247,000	1,953,657
	<u>28,963,553</u>	<u>34,870,260</u>

3. Operating profit

This is stated after charging:

	2003 £	2002 £
Exceptional items	12,625	50,407
- redundancy and termination payments	-	79,168
- contract termination payments	43,504	30,409
Depreciation of tangible fixed assets	157,807	202,409
Operating lease rentals	72,412	97,886
- land and buildings	41,000	47,500
- plant and machinery	22,007	12,520
Auditors' remuneration		
- UK audit services		
- UK non-audit services		
	<u>22,007</u>	<u>12,520</u>

4. Staff costs

	2003 £	2002 £
Wages and salaries	1,844,933	2,258,561
Social security costs	172,662	205,819
Other pension costs	130,198	289,361
	<u>2,147,794</u>	<u>2,753,741</u>

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

	2003 No.	2002 No.
Production and editorial	35	33
Sales and marketing	13	23
Administration and accounts	13	17
	<u>61</u>	<u>73</u>

Notes to the financial statements

at 31 October 2003

5. Directors' emoluments

	2003 £	2002 £
Emoluments	552,357	566,889
Compensation for loss of office	7,000	–
	<u>559,357</u>	<u>566,889</u>
Company contributions paid to personal pension schemes	100,804	231,975
	<u>100,804</u>	<u>231,975</u>

	2003 No.	2002 No.
Members of personal pension schemes	10	7
	<u>10</u>	<u>7</u>

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

	2003 £	2002 £
Emoluments	99,000	99,000
	<u>99,000</u>	<u>99,000</u>
Company contributions paid to personal pension scheme	34,861	66,818
	<u>34,861</u>	<u>66,818</u>

6. Interest payable and similar charges

	2003 £	2002 £
Bank loans and overdrafts	254,262	441,681
Other interest	–	11,365
	<u>254,262</u>	<u>453,046</u>

Notes to the financial statements

at 31 October 2003

7. Tax on profit on ordinary activities

(a) Analysis of charge in year:

	2003	2002
	£	£
<i>Current tax</i>		
UK corporation tax on the profit for the year	566,148	498,754
Under provision in prior years	(131)	45,623
	566,017	544,377
Foreign tax	168,554	48,237
	734,571	592,614
<i>Deferred tax</i>		
Origination and reversal of timing differences:UK	(530)	6,771
Origination and reversal of timing differences: Overseas	8,307	134,809
	7,777	141,580
Total deferred tax (note 16)	7,777	141,580
Total tax charge for year	742,348	734,194

(b) Factors affecting tax charge for the year:

The tax assessed for the year is lower (2002 - lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2003	2002
	£	£
Profit on ordinary activities before tax	2,894,236	2,677,942
	2,894,236	2,677,942
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30 % (2002 - 30 %)	868,271	803,382
	868,271	803,382
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(2,396)	3,051
Previously taxed income	(174,339)	(207,703)
Capital allowances in advance of depreciation	602	(6,773)
Utilisation of tax losses in subsidiary undertakings	-	(70,307)
Adjustments to tax charge in respect of previous years	(131)	45,623
Effects of losses in subsidiary undertakings	-	24,671
Difference in tax rates	42,564	-
Other tax adjustments	-	670
	734,571	592,614
Current tax for the year (note 7a)	734,571	592,614

Notes to the financial statements

at 31 October 2003

8. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £1,332,429 (2002 £1,123,102).

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 2002	2,883	112,479	6,751	262,603	384,716
Additions	5,079	—	—	30,375	35,454
Disposals	—	—	(6,751)	(1,214)	(7,965)
At 31 October 2003	7,962	112,479	—	291,764	412,205
Depreciation:					
At 1 November 2002	2,883	103,073	936	178,178	285,070
Charge for the year	53	7,303	2,326	33,822	43,504
Disposals	—	—	(3,262)	(156)	(3,418)
At 31 October 2003	2,936	110,376	—	211,844	325,156
Net book value:					
At 31 October 2003	5,026	2,103	—	79,920	87,049
At 1 November 2002	—	9,406	5,815	84,425	99,646

Notes to the financial statements

at 31 October 2003

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 2002	2,883	112,479	6,751	255,621	377,734
Additions	5,079	–	–	30,375	35,454
Disposals	–	–	(6,751)	(1,214)	(7,965)
At 31 October 2003	7,962	112,479	–	284,782	405,223
Depreciation:					
At 1 November 2002	2,883	103,073	936	171,847	278,739
Charge for the year	53	7,303	2,326	33,171	42,853
Disposals	–	–	(3,262)	(156)	(3,418)
At 31 October 2003	2,936	110,376	–	204,863	318,174
Net book value:					
At 31 October 2003	5,026	2,103	–	79,919	87,049
At 1 November 2002	–	9,406	5,815	83,774	98,995

10. Investments

<i>Group</i>	<i>Other unlisted investment £</i>		
Cost:			
At 1 November 2002			5,000
Disposals			(5,000)
At 31 October 2003			–
<i>Company</i>	<i>Subsidiary undertakings shares £</i>	<i>Other unlisted investments £</i>	<i>Total £</i>
Cost:			
At 1 November 2002	658,335	5,000	663,335
Disposals	(12,321)	(5,000)	(17,321)
At 31 October 2003	646,074	–	646,074

Notes to the financial statements

at 31 October 2003

10. Investments (continued)

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 Inc.	United States	Ordinary shares	100%	Book Publishing

11. Stocks

	<i>2003</i>	<i>Group 2002</i>	<i>2003</i>	<i>Company 2002</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Finished goods	2,693,767	3,023,379	2,693,767	1,352,158
Work in progress	4,999,986	5,901,528	4,999,986	5,901,528
	<u>7,693,753</u>	<u>8,924,907</u>	<u>7,693,753</u>	<u>7,253,686</u>

12. Debtors

	<i>2003</i>	<i>Group 2002</i>	<i>2003</i>	<i>Company 2002</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Trade debtors	9,134,124	13,328,395	5,950,564	8,810,997
Amounts owed by group undertakings	—	—	2,784,054	4,519,653
Other debtors	323,615	92,959	57,348	92,959
Prepayments and accrued income	168,436	215,714	128,561	120,724
Deferred tax asset (note 16)	12,413	20,190	12,413	11,883
	<u>9,638,588</u>	<u>13,657,258</u>	<u>8,932,940</u>	<u>13,556,216</u>

Notes to the financial statements

at 31 October 2003

13. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2003	2002	2003	2002
	£	£	£	£
Bank loans (note 15)	1,000,000	2,584,665	1,000,000	1,000,000
Trade creditors	10,059,066	12,686,869	10,059,066	12,686,869
Corporation tax	455,377	296,323	264,826	248,756
Other taxes and social security costs	48,221	56,211	48,221	56,211
Accruals and deferred income	868,353	829,037	806,498	699,509
	<u>12,431,017</u>	<u>16,453,105</u>	<u>12,178,611</u>	<u>14,691,345</u>

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

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

	<i>Group</i>		<i>Company</i>	
	2003	2002	2003	2002
	£	£	£	£
Bank loans (note 15)	<u>1,000,000</u>	<u>2,000,000</u>	<u>1,000,000</u>	<u>2,000,000</u>

15. Loans

	<i>Group</i>		<i>Company</i>	
	2003	2002	2003	2002
	£	£	£	£
Amounts repayable:				
In one year or less or on demand	1,000,000	2,584,665	1,000,000	1,000,000
In more than one year but not more than two years	1,000,000	1,000,000	1,000,000	1,000,000
In more than two years but not more than five years	–	1,000,000	–	1,000,000
	<u>2,000,000</u>	<u>4,584,665</u>	<u>2,000,000</u>	<u>3,000,000</u>

Notes to the financial statements

at 31 October 2003

16. 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>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	£	£	£	£
Decelerated capital allowances	12,413	11,883	-	-
Tax losses carried forward	-	-	1,500	-
Other timing differences	-	8,307	-	-
	<u>12,413</u>	<u>20,190</u>	<u>1,500</u>	<u>-</u>

£

Recognised at start of year	20,190
Deferred tax charge in profit and loss account for the year	(7,777)

Recognised at end of year	<u>12,413</u>
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<i>Company</i>	<i>Recognised</i>		<i>Not recognised</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	£	£	£	£
Decelerated capital allowances	12,413	11,883	1,500	-

£

Recognised at start of year	11,883
Deferred tax charge in profit and loss account for the year	530

Recognised at end of year	<u>12,413</u>
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Notes to the financial statements

at 31 October 2003

17. Share capital

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>No.</i>	<i>No.</i>	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

18. 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 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
Exchange adjustment	–	(58,964)	(58,964)
Profit for the year	–	2,151,888	2,151,888
At 31 October 2003	1,000	6,472,847	6,473,847

<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 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
Profit for the year	–	1,332,429	1,332,429
At 31 October 2003	1,000	6,314,189	6,315,189

19. Pension commitments

The company makes contributions into the personal pension schemes of its directors and staff. The pension cost during the year was £130,198 (2002 - £289,361).

Notes to the financial statements

at 31 October 2003

20. Other financial commitments

At 31 October 2003 the company had annual commitments under non-cancellable operating leases set out as follows:

	<i>Land and buildings</i>		<i>Other</i>
	2003	2002	2003
	£	£	£
Operating leases which expire:			
within one year	—	—	47,714
in two to five years	178,500	166,500	16,869
	<u>178,500</u>	<u>166,500</u>	<u>64,583</u>
			<u>67,760</u>

21. Notes to the group statement of cash flows

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

	2003	2002
	£	£
Operating profit	3,097,168	3,128,828
Depreciation of tangible fixed assets	43,504	30,409
Decrease in stocks	1,231,154	2,291,673
Decrease/ (increase) in debtors	4,010,893	(2,317,177)
Decrease in creditors	(2,596,478)	(46,598)
Loss on write off of fixed asset investment	5,000	—
Loss on sale of tangible fixed assets	1,640	—
Exchange loss on cash, liquid resources and loans	(58,963)	—
Net cash inflow from operating activities	<u>5,733,918</u>	<u>3,087,135</u>

(b) Analysis of changes in net (debt)/funds

	<i>At</i>	<i>Cash</i>	<i>At</i>
	<i>31 October</i>	<i>flow</i>	<i>31 October</i>
	<i>2002</i>	<i>2003</i>	<i>2003</i>
	£	£	£
Cash at bank and in hand	147,217	2,338,257	2,485,474
Short term bank loans	(2,584,665)	1,584,665	(1,000,000)
Long term bank loans	(2,000,000)	1,000,000	(1,000,000)
	<u>(4,437,448)</u>	<u>4,922,922</u>	<u>485,474</u>

22. Ultimate controlling party

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