

Anness Publishing Limited

Report and Financial Statements

31 October 2007

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COMPANIES HOUSE

Anness Publishing Limited

Registered No 2375310

Directors

Mr P Anness

Ms J Lorenz

Mr S Hill

Mr B Worley

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 2007.

Principal activity

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

Results and dividend

- Gross profit for the year was £5.17m, up from £4.58m in 2006, an increase of 12.9%
- Profit before tax for the year was £2.01m. Profit before tax in 2006 was £1.74m, so profit was up 15.5%
- The undistributed reserves of the company at 31 October 2007 totalled £11.3m (2006 was £9.89m, so up 14.3%)
- No dividend is proposed for the year (2006 was £nil)

Review of the business and future developments

Sales

In a tough climate, the decrease in sales turnover was almost exclusively caused by lower sales in the year to major US accounts, by a weaker US dollar, and by a poor year of sales to UK display marketing companies. This was offset by gratifying growth in European language sales and UK trade sales, and by a strong performance in the UK bargain market following the acquisition in April of a key participant in this sector and the consequent extension of the company's business into bargain book wholesaling.

Margins

Gross margin grew by 5% to 32.7%, a year on year increase of 18.1%, and perhaps the most notable achievement of the year. This growth came from capturing the additional wholesale margin on a significant percentage of sales for 7 months in the year; from lower returns levels in the USA, and from taking advantage of favourable exchange rate movements. The strong margin performance was also underpinned by over £400,000 in sales of image rights and royalty licences which have no associated manufacturing costs.

Overhead

Administrative expense in 2007 was £3.26m, £365,000 up on 2006. This increase in overhead is mainly generated by the acquisition of the promotional books wholesale business in the UK and the attendant staff and property costs associated with running several UK warehouses.

On average, 62 people were employed in 2007 versus 58 in 2006.

Funding and cashflow

Cash in the bank at the 2007 year end stood at £2.64m. At the 2006 year end cash was £3.56m, so cash holdings are down £918,935

During the year the company expended its own cash to purchase the goodwill, stock and assets of a bargain book business with a turnover in excess of £5.0m, for a significant sum, as

Directors' report

disclosed in note 11 and in that context the company was very satisfied to end the year with £2.64m in the bank and no loans or mortgages outstanding

At the year-end the company had a total of £1.50m in funding available that was not being utilised in addition to the £2.64m in the bank.

Inventory

The business maintained good controls over inventory levels, starting the year with £2.36m in finished book stocks and ending it with £3.97m in finished book stocks. The increase in physical stocks is solely attributable to the acquisition of the bargain books wholesale company which came with over £1.7m in inventory on hand.

Work in progress

The company's valuation formula for creative work in progress remained unchanged. This meant an opening value of £3.24m and a closing value of £3.48m, though investment levels were kept at the same level as 2006 and 2005.

Investment

The company maintained its dedication to the creation and maintenance of probably the best active illustrated book portfolio in the industry, which now stands at around 3,600 titles in print, and around 630,000 copyright-owned photo-images. Actual investment in new products in 2007 was in the region of £1.5m, which took management's estimate of total creative investment since 1997 to £26.60m, only a small proportion of which is currently carried on the balance sheet as work-in-progress (£3.48m). Given the revenue and contribution streams being palpably generated by the intellectual property, management considers this a highly prudent carrying value for this asset.

Creditors

Creditors increased to £5.38m from £5.24m. Trade creditors (the vast majority of which are printers in the Far East) rose marginally from £4.3m in 2006 to £4.4m in 2007 (up £100,000) and this reflects the timing of Christmas deliveries

Debtors

Debtors increased by £430,000, from £5.40m to £5.83m, due to the acquisition of the wholesale business and the later timing of deliveries to customers referred to above.

New technology

The company continued the development of its leading edge digital asset management system. Over 180,000 images are now fully indexed and searchable and an additional 200,000 further images are available digitally and stored accessibly on system. In 2006 a new company, Practical Pictures Limited, was launched to commercially exploit this asset as a photo-library and picture licensing business: the launch was profitable and close to £100,000 has been generated in revenues in both 2006 and 2007.

Retail

Directors' report

The company opened six temporary retail outlets in October 2007 to take advantage of low rents on empty properties during the peak Christmas sales season, generating over £320,000 in revenues up to Christmas Eve

Ethical and Ecologically Sustainable Trading

In 2006 the company embarked on a forestry project with the intention of acquiring, cultivating, managing and planting as many trees annually as it utilises each year in the paper consumption of its book manufacture (over 8.55m books were manufactured in 2006, and over 7.54m books were produced in 2007).

This programme is being run in accordance with the UK Woodland Assurance Scheme and validated by the internationally recognised Forest Stewardship Council which certifies the type and quality of trees grown and timber produced.

With a new purchase in late 2007, Deveron Forest in north-east Scotland, the company added a further 185 acres of semi-mature woodland to its portfolio, increasing its plantations from around 600,000 trees to around 765,000 trees under cultivation. This volume of forestry approximates to about 3 6 year's paper consumption at current levels of book production

Summary

2007 was a successful year for the company. Management is pleased that the business has, improved profit margins and delivered further growth in its net worth whilst simultaneously investing solidly in new products, advanced technology and ecological sustainability

We would like to thank everyone in the company, and all who worked with us in 2007, for all their great efforts, and we look forward keenly to the prospect of sharing a good year in 2008 with our outstanding authors, editors, designers, photographers, printers, shippers, bankers and auditors, and above all with our patient and loyal customers.

Directors

The directors during the year were as follows:

Mr P Anness	(Managing Director/Chairman)
Ms J Lorenz	(Publisher)
Mr S Hill	(Finance Director)
Mr N Thompson	(Production Director) - Resigned 6 November 2007
Mr B Worley	(IT and Pre-Press Director)
Ms H Sudell	(Editorial Director)

Directors' report

Risk factors

The Company does not have material exposure to interest, liquidity and investment risks and hedges its main exposure to revenues denominated in foreign currencies by arranging as far as is practical to pay for purchases in matching currencies

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the group's auditors, each of these directors confirms that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the group's auditors are unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the group's auditors are aware of that information

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


Director

Date

12/4/2008

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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 and parent company financial statements (the "financial statements") of Anness Publishing Limited for the year ended 31 October 2007 which comprise the primary financial statements such as the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 21. These financial statements have been prepared under 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

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and we 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 International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

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

Independent auditors' report

to the members of Anness Publishing Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 October 2007 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP
Registered auditor
London

Ernst & Young UK
16 April 2008

Group profit and loss account

for the year ended 31 October 2007

		<i>Acquisitions</i>		<i>2007</i>	<i>2006</i>
		£	£	£	£
Turnover	2	13,480,009	2,314,869	15,794,878	16,580,791
Cost of sales		8,897,656	1,728,618	10,626,274	12,002,424
Gross profit		4,582,353	586,251	5,168,604	4,578,367
Administrative expenses		2,904,530	355,164	3,259,694	2,894,141
Operating profit	3	1,677,823	231,087	1,908,910	1,684,226
Interest receivable and similar income				108,158	62,947
Interest payable and similar charges	6			(3,790)	(8,159)
Profit on disposal of fixed asset investment				-	-
Profit on ordinary activities before taxation				2,013,278	1,739,014
Tax on profit on ordinary activities	7			615,680	516,606
Profit for the year- attributable to parent company	17			1,397,598	1,222,408

Group statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £1,397,598 attributable to the shareholders for the year ended 31 October 2007 (2006 - profit of £1,222,408)

Group balance sheet

at 31 October 2007

	Notes	2007 £	2006 £
Fixed assets			
Tangible fixed assets	9	159,935	113,116
Investments	10	459,344	459,344
Intangible fixed assets	11	135,356	—
		<u>754,635</u>	<u>572,460</u>
Current assets			
Stocks	12	7,448,609	5,598,263
Debtors	13	5,828,984	5,400,287
Cash at bank and in hand		2,644,942	3,563,877
		<u>15,922,535</u>	<u>14,562,427</u>
Creditors: amounts falling due within one year	14	5,380,210	5,235,525
		<u>10,542,325</u>	<u>9,326,902</u>
Net current assets			
		<u>11,296,960</u>	<u>9,899,362</u>
Total assets less current liabilities			
		<u>11,296,960</u>	<u>9,899,362</u>
Capital and reserves			
Called up share capital	16	1,000	1,000
Profit and loss account	17	11,295,960	9,898,362
		<u>11,296,960</u>	<u>9,899,362</u>
Equity shareholders' funds	17	11,296,960	9,899,362

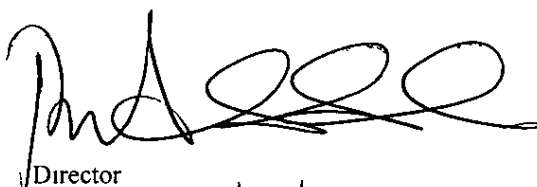

Director

Date 12/4/2008

Company balance sheet

at 31 October 2007

	Notes	2007 £	2006 £
Fixed assets			
Tangible fixed assets	9	159,935	113,116
Investments	10	459,444	459,444
Intangible fixed assets	11	135,356	-
		<u>754,735</u>	<u>572,560</u>
Current assets			
Stocks	12	7,448,609	5,598,263
Debtors	13	5,907,605	5,393,169
Cash at bank and in hand		2,601,602	3,562,779
		<u>15,957,816</u>	<u>14,554,211</u>
Creditors: amounts falling due within one year	14	5,380,209	5,229,844
		<u>10,577,607</u>	<u>9,324,367</u>
Net current assets			
		<u>11,332,342</u>	<u>9,896,927</u>
Total assets less current liabilities			
		<u>11,332,342</u>	<u>9,896,927</u>
Capital and reserves			
Called up share capital	16	1,000	1,000
Profit and loss account	17	11,331,342	9,895,927
		<u>11,332,342</u>	<u>9,896,927</u>
Equity shareholders' funds	17	11,332,342	9,896,927



Director

Date

12/4/2008

Group statement of cash flows

for the year ended 31 October 2007

	<i>Notes</i>	<i>2007</i> £	<i>2006</i> £
Net cash inflow from operating activities	20(a)	2,693,824	3,471,020
Returns on investments and servicing of finance			
Interest received		108,158	62,957
Interest paid		(3,790)	(8,169)
		104,368	54,788
Taxation			
Corporation tax paid		(666,601)	(361,318)
Capital expenditure			
Payments to acquire tangible fixed assets		(59,315)	(87,610)
Investment in fixed asset investment		–	(459,344)
		(59,315)	(546,954)
Acquisitions			
Purchase of business and assets		(2,991,211)	–
Financing			
Movement in short term borrowings		–	–
(Decrease) increase in cash		(918,935)	2,617,536
Reconciliation of net cash flow to movement in net funds			
	<i>Note</i>	<i>2007</i> £	<i>2006</i> £
(Decrease)/increase in cash in the year		(918,935)	2,617,536
Cash outflow from movement in short term borrowings		–	–
Movement in net funds		(918,935)	2,617,536
Net funds at beginning of the year		3,563,877	946,341
Net funds at end of the year	20(b)	2,644,942	3,563,877

Notes to the financial statements

at 31 October 2007

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 consolidate the financial statements of Anness Publishing Limited and its subsidiary undertaking, Practical Pictures Limited, drawn up to 31 October each year. No profit and loss account is presented for the company 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 investments

Fixed asset investments are stated at cost less provision for diminution in value. The carrying values of fixed asset investments are reviewed for impairment 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
Computer equipment	-	50% per annum
Motor vehicles	-	20% per annum

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

Intangible assets

Intangible assets consist of goodwill on acquisitions. It represents the difference between the purchase price and fair value of the net assets at acquisition. Goodwill is amortised over its economic useful life of 2 years. Goodwill is reviewed for impairment 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 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 2007

1. Accounting policies (continued)

Deferred taxation

- 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

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.

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 company uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The company 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 company's operations

The company 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.

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

	2007 £	2006 £
United Kingdom	6,462,878	5,484,791
Rest of Europe	2,518,000	2,426,000
North America	5,414,000	7,179,000
Asia and Africa	612,000	566,000
Australasia	788,000	925,000
	<u>15,794,878</u>	<u>16,580,791</u>

Notes to the financial statements

at 31 October 2007

3. Operating profit

This is stated after charging

	2007 £	2006 £
Exceptional items - redundancy and termination payments	46,322	-
Depreciation of tangible fixed assets	91,308	71,238
Amortisation of goodwill	32,672	-
Operating lease rentals - land and buildings	236,550	167,661
- plant and machinery	170	9,358
Auditors' remuneration - UK audit services	40,000	40,000
- UK non-audit services	8,000	11,450
	<u>2,341,553</u>	<u>2,015,761</u>

4. Staff costs

	2007 £	2006 £
Wages and salaries	2,018,574	1,738,392
Social security costs	207,587	157,542
Other pension costs	115,392	119,827
	<u>2,341,553</u>	<u>2,015,761</u>

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

	2007 No	2006 No
Production and editorial	38	38
Sales, marketing and distribution	14	11
Administration and accounts	10	9
	<u>62</u>	<u>58</u>

5. Directors' emoluments

	2007 £	2006 £
Emoluments	585,804	558,845
Company contributions paid to personal pension schemes	92,762	88,256
	<u>2,341,553</u>	<u>2,015,761</u>
	2007 No	2006 No
Members of personal pension schemes	4	5

Notes to the financial statements

at 31 October 2007

5. Directors' emoluments (continued)

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

	2007 £	2006 £
Emoluments	124,867	117,663
Company contributions paid to personal pension scheme	43,297	40,365

6. Interest payable and similar charges

	2007 £	2006 £
Bank loans and overdrafts	3,790	8,159

7. Tax on profit on ordinary activities

(a) Analysis of charge in year

	2007 £	2006 £
<i>Current tax</i>		
UK corporation tax on the profit for the year	607,301	525,893
Double tax relief	(8,301)	(7,319)
Adjustment in respect of prior years	2,663	(5,300)
	601,663	513,274
Foreign tax	8,301	7,319
Total current tax (see below)	609,964	520,593
<i>Deferred tax</i>		
Origination and reversal of timing differences - UK	5,716	(3,987)
Total deferred tax (note 15)	5,716	(3,987)
Total tax charge for year	615,680	516,606

Notes to the financial statements

at 31 October 2007

7. Tax on profit on ordinary activities (continued)

(b) Factors affecting current tax charge for the year

The tax assessed for the year is higher (2006 - lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below

	2007 £	2006 £
Profit on ordinary activities before tax	2,013,278	1,739,014
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 - 30%)	603,983	521,403
<i>Effects of</i>		
Expenses not deductible for tax purposes/non taxable income	1,721	719
Capital allowances in arrears of depreciation	1,597	3,987
Adjustments in respect of prior years	2,663	(5,300)
Others	–	(216)
Current tax for the year (note 7(a))	609,964	520,593

8. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £1,435,415 (2006 - profit £1,219,973)

9. Tangible fixed assets

Group and company

	Short leasehold property £	Fixtures, fittings and equipment £	Computer equipment £	Motor vehicles £	Total £
Cost					
At 1 November 2006	15,178	161,986	434,135	–	611,299
Additions	6,012	55,358	45,907	30,850	138,127
At 31 October 2007	21,190	217,344	480,042	30,850	749,426
Depreciation					
At 1 November 2006	6,395	139,860	351,928	–	498,183
Charge for the year	3,711	21,620	60,047	5,930	91,308
At 31 October 2007	10,106	161,480	411,975	5,930	589,491
Net book value					
At 31 October 2007	11,084	55,864	68,067	24,920	159,935
At 1 November 2006	8,783	22,126	82,207	–	113,116

Notes to the financial statements

at 31 October 2007

10. Investments

<i>Group and Company</i>	<i>Subsidiary undertakings shares £</i>	<i>Other unlisted investments £</i>	<i>Total £</i>
Cost			
At 1 November 2006	100	459,344	459,444
Additions	—	—	—
At 31 October 2007	100	459,344	459,444

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>
Practical Pictures Limited	United Kingdom	Ordinary shares	100%	Image licensing

Other unlisted investments

Approximately 600,000 trees purchased in accordance with the UK Woodland Assurance Scheme

11. Intangible fixed assets

<i>Group and company</i>	<i>Goodwill £</i>
Cost	
At 1 November 2006	—
Additions	168,028
At 31 October 2007	168,028
Amortisation	
At 1 November 2006	—
Charge	32,672
At 31 October 2007	32,672
Net book value At 31 October 2007	135,356

Notes to the financial statements

at 31 October 2007

11. Intangible fixed assets (continued)

On 31 March 2007, the Group and Company acquired the goodwill, trade and certain assets of a bargain book business. The consideration was as follows

	Book Value	Fair value Adjustments	Fair Value to group
	£	£	£
Fixed Assets	78,813	–	78,813
Stock	1,719,990	(150,088)	1,569,902
Trade Debtors	1,024,380	–	1,024,380
Net assets	2,823,183	(150,088)	2,673,095
Goodwill arising on acquisition			168,028
Total consideration			2,841,123
Discharged by			
Cash			2,823,183
Costs of Acquisition			17,940
			2,841,123

The fair value adjustment to stock represents the unrealised profit included in the book stock acquired

12. Stocks

<i>Group and Company</i>	<i>2007</i>	<i>2006</i>
	£	£
Finished goods	3,966,709	2,358,803
Work in progress	3,481,900	3,239,460
	7,448,609	5,598,263

13. Debtors

	<i>2007</i>	<i>Group</i> <i>2006</i>	<i>2007</i>	<i>Company</i> <i>2006</i>
	£	£	£	£
Trade debtors	5,546,933	5,209,474	5,534,420	5,195,240
Amounts owed by group undertakings	–	–	91,169	6,849
Other debtors	108,005	73,544	107,970	73,811
Prepayments and accrued income	160,275	97,782	160,275	97,782
Deferred tax asset (note 15)	13,771	19,487	13,771	19,487
	5,828,984	5,400,287	5,907,605	5,393,169

Notes to the financial statements

at 31 October 2007

14. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2007	2006	2007	2006
	£	£	£	£
Trade creditors	4,412,831	4,321,837	4,412,830	4,321,837
Corporation tax	281,044	313,274	281,044	312,969
Other taxes and social security costs	72,172	58,585	72,172	58,585
Accruals and deferred income	614,163	541,829	614,163	536,453
	<u>5,380,210</u>	<u>5,235,525</u>	<u>5,380,209</u>	<u>5,229,844</u>

15. Deferred tax assets

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

	<i>Recognised</i>		<i>Not recognised</i>	
	2007	2006	2007	2006
	£	£	£	£
Decelerated capital allowances	13,771	19,487	1,400	1,500
	<u>13,771</u>	<u>19,487</u>	<u>1,400</u>	<u>1,500</u>
				£
Recognised at start of year				19,487
Deferred tax charge in profit and loss account for the year				(5,716)
Recognised at end of year				<u>13,771</u>

16. Share capital

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	2007	2006	2007	2006
	No	No	£	£
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 financial statements

at 31 October 2007

17. Reconciliation of shareholders' funds and movement on reserves

Group

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 1 November 2005	1,000	8,675,954	8,676,954
Profit for the year	–	1,222,408	1,222,408
At 31 October 2006	1,000	9,898,362	9,899,362
Profit for the year	–	1,397,598	1,397,598
At 31 October 2007	1,000	11,295,960	11,296,960

Company

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 1 November 2005	1,000	8,675,954	8,676,954
Profit for the year	–	1,219,973	1,219,973
At 31 October 2006	1,000	9,895,927	9,896,927
Profit for the year	–	1,435,415	1,435,415
At 31 October 2007	1,000	11,331,342	11,332,342

18. Pension commitments

The company makes contributions into the personal pension schemes of its directors and staff. The pension cost during the year was £115,392 (2006 - £119,827).

19. Other financial commitments

At 31 October 2007 the company had annual commitments under non-cancellable operating leases set out as follows

	2007 £	Land and buildings 2006 £	2007 £	Plant and machinery 2006 £
Operating leases which expire within one year	24,000	24,000	–	–
in two to five years	234,500	144,500	–	7,776
	258,500	168,500	–	7,776

Notes to the financial statements

at 31 October 2007

20. Notes to the statement of cash flows

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

	2007	2006
	£	£
Operating profit	1,908,910	1,684,226
Depreciation of tangible fixed assets	91,308	71,238
Amortisation of intangible fixed assets	32,672	–
(Increase)/Decrease in stocks	(130,356)	177,555
Decrease in debtors	589,967	477,720
Increase in creditors	201,323	1,060,281
Net cash inflow from operating activities	<u>2,693,824</u>	<u>3,471,020</u>

(b) Analysis of changes in net funds

	<i>At</i> 31 October 2006 £	<i>Cash</i> <i>flow</i> £	<i>At</i> 31 October 2007 £
Cash at bank and in hand	<u>3,563,877</u>	<u>(918,935)</u>	<u>2,644,942</u>

21. Controlling party

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