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Anness Publishing Limited

Report and Financial Statements

31 October 2008



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 2008.

Results and dividend

- Sales revenues were £15.69m, on par with £15.79m the previous year
- Gross Profit for the year was £5.20m, up from £5.17m in 2007, an increase of 0.6%
- At year end the company was holding £2.54m in cash, just under the £2.64m at the end of the previous year
- Profit before tax for the year was £0.95m. Profit before tax in 2007 was £2.01m, so profit was down 53%
- The undistributed reserves of the company at 31 October 2008 totalled £11.9m (in 2007 this was £11.3m, so the year ends 6% up)
- No dividend is proposed for the year (2007 - £nil)

Principal activity and review of the business

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

Review of the business and future developments

Sales

In a tough climate, the decrease in turnover came principally from a moribund performance in the trade publishing division and we also had a poor year in language translation rights sales. In the rights and co-editions activity we are under threat from local production, adverse currency movements, and the globalisation of big publishing groups which generate their own international editions: also during the financial year no less than four of our co-editions rights managers were off on maternity leave at different times.

We had success and growth in our relaunched Peony Press stationery business (up over 600%); in our Book Extra chain of shops (up over 950% on the back of new openings and our first full year); and in Selectabook, our bargain book wholesale company, which more than doubled in size based on our first full year of operations.

The international bargain contract publishing department, Hermes House, grew 5%, a return to form after a flat 2007; and the photo-library Practical Pictures increased sales by 13%.

Margins

Gross margin grew from 32.7% to 33.1%. This growth came from capturing the additional wholesale margin on a higher percentage of sales; from taking advantage of favourable exchange rate movements in overseas manufacturing; from careful management of print contracts and print configuration; and from a very high proportion of licensing and royalty deals that add sales without adding cost.

Overhead

Administrative expense in 2008 was £4.33m, £1.07m up on 2007. This increase in overhead is mainly generated by the acquisition of the Selectabook wholesale business in the UK (which came with the attendant staff and property costs associated with running several UK warehouses), and also comes from the added cost of the premises and retailers needed to run between 8-10 bookshop outlets throughout the year.

On average, 112 people were employed in 2008 versus 62 in 2007.

Directors' report

Funding and cashflow

Cash in the bank at the 2008 year end stood at £2.54 m. At the 2007 year end cash was £2.64m, so cash holdings are down £0.1m.

At the year-end the company had an additional total of £1.5m in bank funding available that was not being utilised, as well as the £2.54m of cash in the bank.

Inventory

The business maintained good controls over inventory levels, starting the year with £3.97m in finished book stocks and ending it with £3.37m in finished book stocks.

Work in progress

The company's valuation formula for creative work in progress remained unchanged. This meant an opening value of £3.48m and a closing value of £4.22m. Though investment levels in new product were kept at the same level as 2007 and 2006, timing issues, mainly an increased number of advanced payments made to third-party creative units, meant that £2.01m in creative cost was brought into the accounts for 2008, up from £1.54m in 2007.

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 3,900 titles in print, and around 660,000 copyright-owned photo-images. Actual investment in new products in 2008 was in the region of £2.0m, which took management's estimate of total creative investment since 1997 to £28.60m, only a small proportion of which is currently carried on the balance sheet as work-in-progress (£4.22m). 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

Trade creditors (the vast majority of which are printers in the Far East) fell from £4.41m in 2007 to £3.83m in 2008 (down 13.2%). Total creditors fell from £5.38m to £4.96m.

Debtors

Trade debtors reduced by £28,000 (half a percent) to £5.52m.

New technology

The company continued the development of its leading-edge digital asset management system. Over 250,000 images are now fully indexed and searchable on our own web-based search engine, and an additional 150,000 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 2007 and 2008.

Retail

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. In 2008 we expanded the Book Extra chain to 10 stores, all with temporary leases, and this has currently been reduced to 8 stores as landlords have found permanent tenants. Book Extra generated £1.03m in sales in the financial year, and we will be taking the opportunity to acquire 2-3 additional temporary premises in spring 2009.

Directors' report

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 (8.55m books were manufactured in 2006; 7.54m books were produced in 2007; and 7.83m books were printed in 2008).

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 years' paper consumption at current levels of book production.

In November 2008 the company created an opportunity to add another plantation to the portfolio, but decided to hold off at that time due to the economic climate and a prudent desire to hold cash. The company is currently compliant with its overall project plan to grow and own trees equivalent to the amount it uses, and will be looking for a new plot in the middle of 2009, provided that the overall economic situation and cashflow allow.

Summary

Though 2008 delivered a poor result for the company compared to the prior year, this is not overwhelmingly disappointing in the context of the tough economy, currency changes, immense volatility in commodities prices which rapidly inflated paper and print prices, and really difficult buying conditions in China, our main supply base, caused by changes in tax, working conditions, and the complete national distraction and loss of commercial focus caused by the Olympic Games. For several months it was almost impossible to get attention and to get anything produced.

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. The 2007 acquisition of Selectabook has been bedded-in very well, and it is making a higher level of sales now than when it was purchased.

We would like to thank everyone in the company and all who worked with us in 2008 for all their great efforts, and we look forward keenly to the prospect of sharing a good year in 2009 with our outstanding authors, editors, designers, photographers, printers, shippers, bankers and auditors, and above all with our patient and loyal customers.

Directors

The directors who served the company during the year are as listed on page 1. In addition, NR Thompson served as a director until his resignation on 9 November 2008.

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 and taking out forward contracts to cover the balance.

The Company's manufacturing suppliers are principally in China and the Far East, and this represents around 60% of all the Company's costs. The Company spreads its print orders across a range of printers to avoid any risks associated with dependency on too few key suppliers.

Some of the Company's main customers are experiencing difficulties in the current economic environment and this is causing issues with the credit ratings of some of these businesses, which in some instances has meant that trade credit insurance cover is being withdrawn on them. The Company is actively monitoring such issues and taking appropriate steps to mitigate the associated risks where credit insurance is no longer available.

Post balance sheet events

On 22 December 2008, the Company purchased the entire share capital of Bookmart Holdings Limited, a publisher and distributor of promotional books, for cash. The acquisition of Bookmart will add new titles to the Company's portfolio, provide additional logistical facilities and overall business synergy that will strengthen the Company's position going forward.

Future developments

Trading conditions are expected to continue to be difficult for the rest of 2009. The company will focus on maintaining its core business and building its retail business where opportunities arise.

Charitable contributions

The Company made donations of £770 during the year.

Directors' statement as to disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is 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
- 9 APR 2009

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; and
- 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 2008 which comprise 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 22. 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 2008 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

Ernst & Young LLP
Registered auditor
London

9 April 2009

Group profit and loss account

for the year ended 31 October 2008

	<i>Notes</i>	<i>2008</i> £	<i>2007</i> £
Turnover	2	15,689,746	15,794,878
Cost of sales		10,493,323	10,626,274
Gross profit		5,196,423	5,168,604
Administrative expenses		4,330,065	3,259,694
Operating profit	3	866,358	1,908,910
Bank interest receivable		90,280	108,158
Interest payable and similar charges	6	(4,993)	(3,790)
Profit on ordinary activities before taxation		951,645	2,013,278
Tax on profit on ordinary activities	7	283,130	615,680
Profit for the year-attributable to parent company	17	668,515	1,397,598

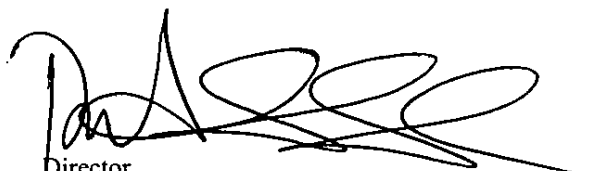
Group statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £668,515 attributable to the shareholders for the year ended 31 October 2008 (2007 – profit of £1,397,598).

Group balance sheet

at 31 October 2008

	Notes	2008 £	2007 £
Fixed assets			
Intangible fixed assets	11	79,346	135,356
Tangible fixed assets	9	103,475	159,935
Investments	10	711,264	459,344
		<u>894,085</u>	<u>754,635</u>
Current assets			
Stocks	12	7,594,177	7,448,609
Debtors	13	5,900,764	5,828,984
Cash at bank and in hand		2,542,500	2,644,942
		<u>16,037,441</u>	<u>15,922,535</u>
Creditors: amounts falling due within one year	14	4,966,051	5,380,210
		<u>11,071,390</u>	<u>10,542,325</u>
Net current assets			
		<u>11,965,475</u>	<u>11,296,960</u>
Total assets less current liabilities			
		<u>11,965,475</u>	<u>11,296,960</u>
Capital and reserves			
Called up share capital	16	1,000	1,000
Profit and loss account	17	11,964,475	11,295,960
		<u>11,965,475</u>	<u>11,296,960</u>
Equity shareholders' funds	17	<u>11,965,475</u>	<u>11,296,960</u>

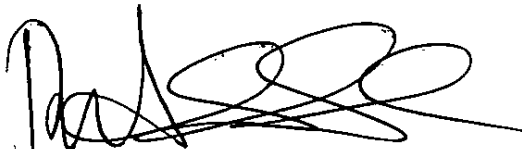

 Director
 Date

- 9 APR 2009

Company balance sheet

at 31 October 2008

	Notes	2008 £	2007 £
Fixed assets			
Intangible fixed assets	11	79,346	135,356
Tangible fixed assets	9	103,475	159,935
Investments	10	711,364	459,444
		<u>894,185</u>	<u>754,735</u>
Current assets			
Stocks	12	7,594,177	7,448,609
Debtors	13	5,963,310	5,907,605
Cash at bank and in hand		2,524,825	2,601,602
		<u>16,082,312</u>	<u>15,957,816</u>
Creditors: amounts falling due within one year	14	4,965,287	5,380,209
		<u>11,117,025</u>	<u>10,577,607</u>
Net current assets			
		<u>12,011,210</u>	<u>11,332,342</u>
Total assets less current liabilities			
		<u>12,011,210</u>	<u>11,332,342</u>
Capital and reserves			
Called up share capital	16	1,000	1,000
Profit and loss account	17	12,010,210	11,331,342
		<u>12,011,210</u>	<u>11,332,342</u>
Equity shareholders' funds	17	12,011,210	11,332,342


Director

Date - 9 APR 2009

Group statement of cash flows

for the year ended 31 October 2008

	<i>Note</i>	<i>2008</i> £	<i>2007</i> £
Net cash inflow from operating activities	20(a)	554,884	2,693,824
Returns on investments and servicing of finance			
Interest received		90,280	108,158
Interest paid		(4,993)	(3,790)
		85,287	104,368
Taxation			
Corporation tax paid		(441,346)	(666,601)
Capital expenditure			
Payments to acquire tangible fixed assets		(49,347)	(59,315)
Investment in fixed asset investment		(251,920)	–
		(301,267)	(59,315)
Acquisitions			
Purchase of business and assets		–	(2,991,211)
Decrease in cash		(102,442)	(918,935)
Reconciliation of net cash flow to movement in net funds			
	<i>Note</i>	<i>2008</i> £	<i>2007</i> £
Decrease in cash in the year		(102,442)	(918,935)
Movement in net funds		(102,442)	(918,935)
Net funds at beginning of the year		2,644,942	3,563,877
Net funds at end of the year	20(b)	2,542,500	2,644,942

Notes to the financial statements

at 31 October 2008

1. Accounting policies

Accounting convention

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

The accounts have been prepared on a going concern basis, which the directors consider appropriate based on their review of the business for the foreseeable future, the group's strong balance sheet and its available cash reserves.

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.

Revenue recognition

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

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 and represent the difference between the purchase price and fair value of the net assets at acquisition. Goodwill is amortised over its economic useful life of 3 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.

Notes to the financial statements

at 31 October 2008

1. Accounting policies (continued)

Deferred taxation

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

- 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 its derivative instruments qualify for hedge accounting when certain criteria are met:

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

The rates under such contracts are used to record the hedged item. 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 2008

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:

	2008 £	2007 £
United Kingdom	7,144,746	6,462,878
Rest of Europe	1,965,000	2,518,000
North America	5,060,000	5,414,000
Asia and Africa	970,000	612,000
Australasia	550,000	788,000
	<u>15,689,746</u>	<u>15,794,878</u>

3. Operating profit

This is stated after charging:

	2008 £	2007 £
Exceptional items – redundancy and termination payments	–	46,322
Depreciation of tangible fixed assets	102,874	91,308
Loss on disposal of tangible fixed assets	2,933	–
Amortisation of goodwill	56,010	32,672
Operating lease rentals – land and buildings	509,259	236,550
– plant and machinery	–	170
Auditors' remuneration – audit services	42,000	40,000
– non-audit services - taxation	5,402	8,000
	<u> </u>	<u> </u>

4. Directors' emoluments

	2008 £	2007 £
Emoluments	<u>566,010</u>	<u>585,804</u>
Company contributions paid to personal pension schemes	<u>95,586</u>	<u>92,762</u>
	2008 No.	2007 No.
Members of personal pension schemes	<u>4</u>	<u>4</u>

Notes to the financial statements

at 31 October 2008

4. Directors' emoluments (continued)

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

	2008 £	2007 £
Emoluments	135,787	124,867
Company contributions paid to personal pension scheme	44,156	43,297

5. Staff costs

	2008 £	2007 £
Wages and salaries	2,537,519	2,018,574
Social security costs	218,125	207,587
Other pension costs	128,601	115,392
	2,884,245	2,341,553

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

	2008 No.	2007 No.
Production and editorial	44	38
Sales, marketing and distribution	57	14
Administration and accounts	11	10
	112	62

6. Interest payable and similar charges

	2008 £	2007 £
Bank loans and overdrafts	4,993	3,790

Notes to the financial statements

at 31 October 2008

7. Tax

(a) Analysis of charge in year:

	2008 £	2007 £
<i>Current tax</i>		
UK corporation tax on the profit for the year	322,386	607,301
Double tax relief	(9,719)	(8,301)
Adjustment in respect of prior years	2,421	2,663
	<u>315,088</u>	<u>601,663</u>
Foreign tax	9,719	8,301
	<u>324,807</u>	<u>609,964</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(41,677)	5,716
	<u>(41,677)</u>	<u>5,716</u>
Total deferred tax (note 15)		
	<u>283,130</u>	<u>615,680</u>

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 28.8% (2007 30%). The differences are explained below:

	2008 £	2007 £
Profit on ordinary activities before tax	951,645	2,013,278
	<u>274,925</u>	<u>603,983</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.8% (2007 – 30%)		
<i>Effects of:</i>		
Expenses not deductible for tax purposes/non taxable income	5,640	1,721
Capital allowances in arrears of depreciation	7,969	1,597
Adjustments in respect of prior years	2,421	2,663
Others	33,852	–
	<u>324,807</u>	<u>609,964</u>

8. Profit attributable to members of the parent company

The Profit dealt with in the financial statements of the parent company was £678,868 (2007 – profit £1,435,415).

Notes to the financial statements

at 31 October 2008

9. Tangible fixed assets

Group and company

	<i>Short leasehold property</i>	<i>Fixtures, fittings and equipment</i>	<i>Computer equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£	£
Cost:					
At 31 October 2007	21,190	217,344	480,042	30,850	749,426
Additions	—	33,960	15,387	—	49,347
Disposals	—	—	(4,400)	—	(4,400)
At 31 October 2008	21,190	251,304	491,029	30,850	794,373
Depreciation:					
At 31 October 2007	10,106	161,480	411,975	5,930	589,491
Charge for the year	4,964	38,798	48,945	10,167	102,874
Disposals	—	—	(1,467)	—	(1,467)
At 31 October 2008	15,070	200,278	459,453	16,097	690,898
Net book value:					
At 31 October 2008	6,120	51,026	31,576	14,753	103,475
At 31 October 2007	11,084	55,864	68,067	24,920	159,935

10. Investments

Group

*Other
unlisted
investments*

	£
Cost:	
At 31 October 2007	459,344
Additions	251,920
At 31 October 2008	711,264

Company

	<i>Shares in subsidiary</i>	<i>Other unlisted investments</i>	<i>Total</i>
	£	£	£
Cost:			
At 31 October 2007	100	459,344	459,444
Additions	—	251,920	251,920
At 31 October 2008	100	711,264	711,364

Notes to the financial statements

at 31 October 2008

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

Other unlisted investments

Approximately 765,000 (2007 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 31 October 2007 and 31 October 2008	168,028
Amortisation:	
At 31 October 2007	32,672
Charge	56,010
At 31 October 2008	88,682
Net book value	
At 31 October 2008	79,346
At 31 October 2007	135,356

12. Stocks

<i>Group and Company</i>	<i>2008 £</i>	<i>2007 £</i>
Finished goods	3,370,910	3,966,709
Work in progress	4,223,267	3,481,900
	<u>7,594,177</u>	<u>7,448,609</u>

Notes to the financial statements

at 31 October 2008

13. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	£	£	£	£
Trade debtors	5,518,640	5,546,933	5,512,843	5,534,420
Amounts owed by group undertakings	—	—	68,579	91,169
Other debtors	127,157	108,005	126,921	107,970
Prepayments and accrued income	199,519	160,275	199,519	160,275
Deferred tax asset (note 15)	55,448	13,771	55,448	13,771
	<u>5,900,764</u>	<u>5,828,984</u>	<u>5,963,310</u>	<u>5,907,605</u>

14. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	£	£	£	£
Trade creditors	3,830,030	4,412,831	3,829,254	4,412,830
Corporation tax	164,506	281,044	164,518	281,044
Other taxes and social security costs	71,181	72,172	71,181	72,172
Accruals and deferred income	900,334	614,163	900,334	614,163
	<u>4,966,051</u>	<u>5,380,210</u>	<u>4,965,287</u>	<u>5,380,209</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>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	£	£	£	£
Decelerated capital allowances	21,708	13,771	1,400	1,400
Other timing differences	33,740	—	—	—
	<u>55,448</u>	<u>13,771</u>	<u>1,400</u>	<u>1,400</u>

The UK tax rate changed from 30% to 28% from 1 April 2008. The reduction in tax rate has reduced deferred tax assets by £3,961.

	£
Recognised at start of year	13,771
Deferred tax credit in profit and loss account for the year	41,677
Recognised at end of year	<u>55,448</u>

Notes to the financial statements

at 31 October 2008

16. Authorised and issued share capital

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>No.</i>	<i>No.</i>	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

17. 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>
At 1 November 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
Profit for the year	–	668,515	668,515
At 31 October 2008	1,000	11,964,475	11,965,475

<i>Company</i>	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total shareholders' funds £</i>
At 1 November 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
Profit for the year	–	678,868	678,868
At 31 October 2008	1,000	12,010,210	12,011,210

18. Pension commitments

The company makes contributions into the personal pension schemes of its directors and staff. The pension cost during the year was £128,601 (2007 – £115,392). There were no amounts prepaid or accrued at the year end.

Notes to the financial statements

at 31 October 2008

19. Other financial commitments

At 31 October 2008 the company had annual commitments under non-cancellable operating leases set out as follows:

	<i>Land and buildings</i>		<i>Plant and machinery</i>	
	2008	2007	2008	2007
	£	£	£	£
Operating leases which expire:				
Within one year	263,000	24,000	—	—
In two to five years	234,500	234,500	—	—
	<u>497,500</u>	<u>258,500</u>	<u>—</u>	<u>—</u>

20. Notes to the statement of cash flows

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

	2008	2007
	£	£
Operating profit	866,358	1,908,910
Depreciation of tangible fixed assets	102,874	91,308
Loss on disposal of tangible fixed assets	2,933	—
Amortisation of intangible fixed assets	56,010	32,672
Increase in stocks	(145,568)	(130,356)
(Increase) /decrease in debtors	(30,103)	589,967
(Decrease)/increase in creditors	(297,620)	201,323
Net cash inflow from operating activities	<u>554,884</u>	<u>2,693,824</u>

(b) Analysis of changes in net funds

	<i>At 31 October 2007</i>	<i>Cash flow</i>	<i>At 31 October 2008</i>
	£	£	£
Cash at bank and in hand	2,644,942	(102,442)	2,542,500

21. Post balance sheet events

On 22 December 2008, the Company purchased the entire share capital of Bookmart Holdings Limited, a publisher and distributor of promotional books, for cash.

22. Controlling party

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