

Anness Publishing Limited

Report and Financial Statements

31 October 2009

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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 2009

Results and dividend

- At year end the Group was holding £4 38m in cash, up from £2 54m at the end of the previous year
- Sales revenues were £18 22m, up £2 53m from £15 69m the previous year (16% up)
- Gross profit for the year was £5 70m, up from £5 20m in 2008, an increase of 9%
- Profit before tax for the year was £1 06m Profit before tax in 2008 was £0 95m, so profit was 11% higher
- The undistributed reserves of the company at 31 October 2009 totalled £12 8m (in 2008 this was £11 9m, so the year ends 7% up)
- No dividend is proposed for the year (2008 - £nil)

Principal activity and review of the business

The principal activity of the company remained that of publishing and book production in the United Kingdom and overseas, combined with book wholesaling and distribution and designing and manufacturing stationery

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

Review of the business and future developments

Sales

- **Trade Publishing** Higher-priced books tended to fare badly in a tough economy, and this category was therefore particularly impacted by a reduction in sales On the upside, margins improved by 5% as a cautious approach to quantities resulted in lower returns levels and fewer remainders The company moved its Trade distribution from a third-party facility to its own logistics centre in the year without disruption, and this will capture more than 9% additional margin for future years
- **Rights & Co-Editions** This sales division was up over 12% in the year based mainly on a major promotion with a close partner in Holland But the overall trend is still downwards, as this traditional area of activity continues to be under threat from indigenous production, adverse currency movements, and the globalisation of big publishing groups which now generate their own international editions
- **Promotional Publishing** The contract publishing department, Hermes House, grew over 15% Selectabook, the UK promotional book wholesale company, fell off by 10% at the sales line in its first full year of normal trading – the top-line in the previous year had been flattered by a flurry of disposals and stock realignments after the acquisition Bookmart added sales immediately, bringing in new customers, and creating new channels for the future, including a stronger expanded platform in childrens' publishing
- **Stationery** The Peony Press stationery business delivered a year of 20% growth It is building a distinct and characterful brand, differentiated from the standard lines traditionally marketed in the highly price-competitive mass market stationery industry Contribution from this activity was up 35%

Directors' report

Review of the business and future developments (continued)

- Retail Sales at the Book Extra bookshop chain were down 6%, at just under £1 0m, with the change in sales levels primarily correlated to having fewer stores open at various times. The shops are a great channel for the group's overstocks and hurt books, adding margin and efficiency to the end of the product life cycle. It should be stressed that all retail outlets are taken on a temporary basis, which allows maximum flexibility for fine-tuning and eliminates any potential for long-term drag on the business in a rapidly changing economy.

Margins

Gross margin fell from 33.1% to 31.3%. The reduction came partly from structural changes in the business, with wholesaling now contributing a larger proportion of total sales, and partly from disadvantageous exchange rate movements in overseas manufacturing costs.

Overhead

Administrative expenses in 2009 were £4.6m, £0.3m up on 2008. This increase in overheads is mainly caused by the acquisition of Bookmart (which came with the attendant staff and property costs associated with running a warehouse), offset by gains on currency exchange and the partial amortisation of the discount to book value represented by the acquisition price of Bookmart.

On average, 133 people were employed in 2009 versus 112 in 2008. Of these numbers approximately 30% of employees are associated with the retail activity, some on very short weekly hours, and all on short-term agreements because of the temporary status of the shops.

Funding and cashflow

Cash in the bank at the 2009 year end stood at £4.38m. At the 2008 year end cash was £2.54m, so cash holdings are up £1.84m. This is attributable in part to shorter payment terms in some areas of activity, engendered by the wide-spread inability to obtain trade credit insurance on some good customers and therefore working with them on mutually agreeable risk-reducing payment systems which tend to foreshorten conventional payment schedules.

This is a fine performance on cash management considering a 16% growth in sales, a £1.4m growth in inventory, and the fact that Bookmart was purchased for cash.

At the year-end the company had an additional total of £1.0m in bank funding available that was not being utilised, as well as the £4.38m of cash in the bank.

Inventory

The business increased inventory levels as a consequence of the acquisition of Bookmart, starting the year with £3.37m in finished book stocks and ending it with £4.77m 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 £4.22m and a closing value of £4.89m. Though investment levels in new product were kept at the same level as 2008, the acquisition of Bookmart brought in an additional £0.4m of work in progress.

Directors' report

Review of the business and future developments (continued)

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 4,100 titles in print, and around 650,000 copyright-owned photo-images. Actual investment in new products in 2009 was in the region of £1.7m, which took management's estimate of total creative investment since 1997 to over £30.0m, only a small proportion of which is currently carried on the balance sheet as work-in-progress (£4.89m). Given the revenue and contribution streams visibly being generated by the intellectual property, management considers this a highly prudent carrying value for this asset.

Creditors

Trade creditors (the majority of which are printers in the Far East) increased from £3.83m in 2008 to £6.07m in 2009. This reflects the 16% turnover growth in the Group, a different pattern of later deliveries by Far Eastern suppliers compared to the previous year, and the specific timing of despatching October monthly payments to suppliers at the year end in October.

Debtors

Despite the higher sales levels, Trade debtors reduced by £0.7m to £4.83m. This demonstrates good credit control in the year, and no bad debts, it also reflects in a large part the more prompt third-party collection cycles mentioned above, and also the new mix of customers and channels, including increases in inter-company trading, which again means quicker cash collections and faster payments from wholesale and retail trading.

New technology

The company continued the development of its digital asset management system. Over 280,000 wholly-owned 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 successful and over £330,000 has been generated in revenue through to October 2009.

Changes in the image licensing and digital environments have challenged the traditional model of picture sales and photo-libraries in recent years, and it has to be recognised that the big advantage created by the development of this asset is likely to be in the in-house use, which is estimated to save the company up to £1.5m per year in product development costs.

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, 7.83m books were printed in 2008, 8.76m books were produced in 2009).

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.

Directors' report

Review of the business and future developments (continued)

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

This increased its plantations from around 600,000 trees to around 765,000 trees under cultivation. This volume of forestry currently owned approximates to about 3.6 years' paper consumption at current levels of book production.

For the future, an agreement in principle has been made to acquire just over 570 acres of unplanted land near Kilchrenan in Argyll for the establishment of a quality forest with the assistance of grants from the Scottish Government over 10 years. Applications are in progress and the final purchase is subject to these being successful. This newly created forest, should the processes all be successfully navigated, would eventually consist of over half a million trees.

Summary

2009 delivered a decent result for the company, especially in the context of the tough economy, currency changes, and volatility in paper and print prices.

Management is pleased that the business has achieved 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 the new purchase of Bookmart creates some exciting opportunities, as does the growth in the stationery business.

We would like to thank everyone in the company and all who worked with us in 2009 for all their great efforts, and we look forward keenly to the prospect of sharing a good year in 2010 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.

Risk factors

The Company does not have material exposure to liquidity or 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 group has minimal exposure to interest rate risk other than in relation to reduced earnings on deposits.

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 continued to experience difficult trading conditions in 2009 and this coupled with credit insurers requiring strong financial performance in order to maintain insurance limits led to a lot of credit insurance cover being withdrawn. The Company has taken appropriate steps to mitigate the associated risks where credit insurance is no longer available but has to operate with a higher degree of risk than in the past because of the wholesale removal of cover by the Company's credit insurers from many book retailers and wholesalers in the UK and abroad.

Future developments

Trading conditions are expected to continue to be difficult for the rest of 2010. 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' report

Going Concern

The financial statements 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

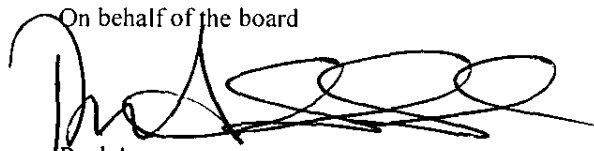
Directors' statement as to disclosure of information to auditors

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



Paul Anness
Director
15 July 2010

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company 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 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 adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's 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 2009 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group Reconciliation of Shareholders' Funds, the Group and Company Balance Sheets, the Group Statement of Cash Flows, and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Statement of Director's Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 October 2009 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report

to the members of Anness Publishing Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Michael Wansbury (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

20 July 2010

Group profit and loss account

for the year ended 31 October 2009

	Notes	2009 £	2008 £
Turnover			
Continuing operations		14,382,409	15,689,746
Acquisition – Bookmart Limited		3,842,217	–
Group turnover	2	18,224,626	15,689,746
Cost of sales		12,523,147	10,493,323
Gross profit		5,701,479	5,196,423
Administrative expenses		4,630,584	4,330,065
Operating profit	3	1,070,895	866,358
Continuing operations		1,229,033	866,358
Acquisition – Bookmart Limited		(158,138)	–
Operating profit		1,070,895	866,358
Bank interest receivable		2,153	90,280
Interest payable and similar charges	6	(12,036)	(4,993)
Profit on ordinary activities before taxation		1,061,012	951,645
Tax on profit on ordinary activities	7	(214,312)	(283,130)
Profit for the year - attributable to parent undertaking	17	846,700	668,515

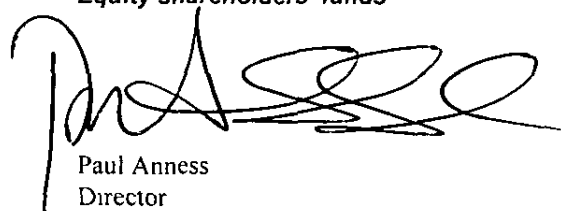
Group statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £846,700 attributable to the parent undertaking for the year ended 31 October 2009 (2008 – profit of £668,515)

Group balance sheet

at 31 October 2009

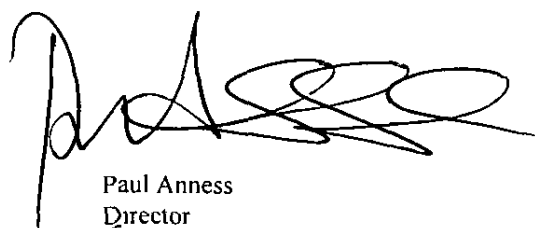
		2009	2008
	Notes	£	£
Fixed assets			
Goodwill	11	23,336	79,346
Negative goodwill	11	(342,644)	–
Net goodwill		(319,308)	79,346
Tangible fixed assets	9	103,176	103,475
Investments	10	711,264	711,264
		<u>495,132</u>	<u>894,085</u>
Current assets			
Stocks	12	9,664,941	7,594,177
Debtors	13	5,344,879	5,900,764
Cash at bank and in hand		4,384,355	2,542,500
		<u>19,394,175</u>	<u>16,037,441</u>
Creditors: amounts falling due within one year	14	7,077,132	4,966,051
Net current assets		<u>12,317,043</u>	<u>11,071,390</u>
Total assets less current liabilities		<u>12,812,175</u>	<u>11,965,475</u>
Capital and reserves			
Called up share capital	16	1,000	1,000
Profit and loss account	17	12,811,175	11,964,475
Equity shareholders' funds	17	<u>12,812,175</u>	<u>11,965,475</u>


 Paul Anness
 Director
 15 July 2010

Company balance sheet

at 31 October 2009

	Notes	2009 £	2008 £
Fixed assets			
Intangible fixed assets	11	23,336	79,346
Tangible fixed assets	9	60,350	103,475
Investments	10	982,955	711,364
		<u>1,066,641</u>	<u>894,185</u>
Current assets			
Stocks	12	8,269,021	7,594,177
Debtors	13	6,877,610	5,963,310
Cash at bank and in hand		3,640,824	2,524,825
		<u>18,787,455</u>	<u>16,082,312</u>
Creditors: amounts falling due within one year	14	6,748,280	4,965,287
		<u>12,039,175</u>	<u>11,117,025</u>
Net current assets			
		<u>13,105,816</u>	<u>12,011,210</u>
Total assets less current liabilities			
		<u>13,105,816</u>	<u>12,011,210</u>
Capital and reserves			
Called up share capital	16	1,000	1,000
Profit and loss account	17	13,104,816	12,010,210
		<u>13,105,816</u>	<u>12,011,210</u>
Equity shareholders' funds	17	13,105,816	12,011,210



Paul Anness
Director
5 July 2010

Group statement of cash flows

for the year ended 31 October 2009

	<i>Note</i>	2009 £	2008 £
Net cash inflow from operating activities	21(a)	2,960,227	554,884
Returns on investments and servicing of finance			
Interest received		2,153	90,280
Interest paid		(12,036)	(4,993)
		(9,883)	85,287
Taxation			
Corporation tax paid		(312,973)	(441,346)
Capital expenditure			
Payments to acquire tangible fixed assets		(59,597)	(49,347)
Investment in fixed asset investment		–	(251,920)
Proceeds on disposal of fixed assets		10,452	–
		(49,145)	(301,267)
Acquisitions			
Purchase of subsidiary		(271,591)	–
Net overdraft acquired with subsidiary		(474,780)	–
Increase/(decrease) in cash		1,841,855	(102,442)

Reconciliation of net cash flow to movement in net funds

	<i>Note</i>	2009 £	2008 £
Increase/(decrease) in cash in the year		1,841,855	(102,442)
Movement in net funds		1,841,855	(102,442)
Net funds at beginning of the year		2,542,500	2,644,942
Net funds at end of the year	21(b)	4,384,355	2,542,500

Notes to the financial statements

at 31 October 2009

1. Accounting policies

Basis of preparation

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

The financial statements 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 undertakings, Practical Pictures Limited, Bookmart Holdings Limited and Bookmart Limited drawn up to 31 October each year. No profit and loss account is presented for the company as permitted by section 480 of the Companies Act 2006

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

Goodwill

Intangible assets consist of goodwill on acquisitions and represent the difference between the purchase price and fair value of the net assets at acquisition

Positive goodwill is capitalised, classified as an asset on the balance sheet and is amortised over its useful economic life of 3 years. Positive goodwill is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable

Negative goodwill is capitalised, classified as an asset on the balance sheet and is amortised over its useful economic life of 2 years

Notes to the financial statements

at 31 October 2009

1. Accounting policies (continued)

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 7 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 4 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 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 2009

2. Turnover

Turnover represents amounts invoiced to third parties, stated net of value added tax 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

	2009 £	2008 £
United Kingdom	8,477,054	7,144,746
Rest of Europe	2,591,357	1,965,000
North America	5,558,718	5,060,000
Asia and Africa	778,018	550,000
Australasia	819,479	970,000
	<u>18,224,626</u>	<u>15,689,746</u>

3. Operating profit

This is stated after charging/(crediting)

	2009 £	2008 £
Exceptional items – redundancy and termination payments	25,150	–
Depreciation of tangible fixed assets	105,274	102,874
(Profit)/loss on disposal of tangible fixed assets	(10,000)	2,933
Amortisation of goodwill	56,010	56,010
Amortisation of negative goodwill	(244,746)	–
Operating lease rentals – land and buildings	677,356	509,259
– plant and machinery	51,635	–
Auditor's remuneration – audit services (parent)	49,500	42,000
– audit services (subsidiary)	7,500	–
– audit services (subsidiary, previous auditor)	1,843	–
– non-audit services - taxation	15,000	5,402
	<u> </u>	<u> </u>

4. Directors' emoluments

	2009 £	2008 £
Emoluments	598,732	566,010
	<u> </u>	<u> </u>
Company contributions paid to personal pension schemes	96,315	95,586
	<u> </u>	<u> </u>
	2009 No	2008 No
Members of personal pension schemes	4	4
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 October 2009

4. Directors' emoluments (continued)

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

	2009 £	2008 £
Emoluments	141,430	135,787
Company contributions paid to personal pension scheme	44,156	44,156

5. Staff costs

	2009 £	2008 £
Wages and salaries	2,922,091	2,537,519
Social security costs	256,575	218,125
Other pension costs	119,420	128,601
	3,298,086	2,884,245

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

	2009 No	2008 No
Production and editorial	40	44
Sales, marketing and distribution	69	57
Administration and accounts	24	11
	133	112

6. Interest payable and similar charges

	2009 £	2008 £
Bank loans and overdrafts	12,036	4,993

Notes to the financial statements

at 31 October 2009

7. Tax

(a) Analysis of charge in year

	2009 £	2008 £
<i>Current tax</i>		
UK corporation tax on the profit for the year	357,944	322,386
Double tax relief	(3,218)	(9,719)
Adjustment in respect of prior years	–	2,421
	<u>354,726</u>	<u>315,088</u>
Foreign tax	3,218	9,719
	<u>357,944</u>	<u>324,807</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(143,632)	(41,677)
	<u>(143,632)</u>	<u>(41,677)</u>
Total deferred tax (note 15)		
	<u>(143,632)</u>	<u>(41,677)</u>
Total tax charge for year	<u>214,312</u>	<u>283,130</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 28.0% (2008 28.8%). The differences are explained below

	2009 £	2008 £
Profit on ordinary activities before tax	1,061,012	951,645
	<u>1,061,012</u>	<u>951,645</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.0% (2008– 28.8%)	297,083	274,925
<i>Effects of</i>		
Expenses not deductible for tax purposes/(non taxable income)	(77,755)	5,640
Depreciation in excess of Capital allowances	676	7,969
Adjustments in respect of prior years	–	2,421
Difference in tax rates	(4,359)	–
Others	142,299	33,852
	<u>357,944</u>	<u>324,807</u>
Current tax for the year (note 7(a))	<u>357,944</u>	<u>324,807</u>

8. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent undertaking was £1,094,606 (2008 – profit £678,868)

Notes to the financial statements

at 31 October 2009

9. Tangible fixed assets

Group

	<i>Short leasehold property</i>	<i>Fixtures, fittings and equipment</i>	<i>Computer equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£	£
Cost					
At 1 November 2008	21,190	251,304	491,029	30,850	794,373
Additions	–	15,938	43,659	–	59,597
Acquisition of subsidiary undertaking		31,969	13,861	–	45,830
Disposals	–	(851)	(4,026)	–	(4,877)
At 31 October 2009	21,190	298,360	544,523	30,850	894,923
Depreciation					
At 1 November 2008	15,070	200,278	459,453	16,097	690,898
Charge for the year	3,046	44,799	49,129	8,300	105,274
Disposals	–	(851)	(3,574)	–	(4,425)
At 31 October 2009	18,116	244,226	505,008	24,397	791,747
Net book value					
At 31 October 2009	3,074	54,134	39,515	6,453	103,176
At 1 November 2008	6,120	51,026	31,576	14,753	103,475

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 1 November 2008	21,190	251,304	491,029	30,850	794,373
Additions	–	5,345	42,470	–	47,815
At 31 October 2009	21,190	256,649	533,499	30,850	842,188
Depreciation					
At 1 November 2008	15,070	200,278	459,453	16,097	690,898
Charge for the year	3,046	38,097	41,497	8,300	90,940
At 31 October 2009	18,116	238,375	500,950	24,397	781,838
Net book value					
At 31 October 2009	3,074	18,274	32,549	6,453	60,350
At 1 November 2008	6,120	51,026	31,576	14,753	103,475

Notes to the financial statements

at 31 October 2009

10. Investments

Group

*Other
unlisted
investments
£*

At 1 November 2008 and 31 October 2009

711,264

Company

	<i>Subsidiary undertakings £</i>	<i>Other unlisted investments £</i>	<i>Total £</i>
Cost			
At 1 November 2008	100	711,264	711,364
Additions	271,591	–	271,591
At 31 October 2009	271,691	711,264	982,955

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
Bookmart Holdings Limited	United Kingdom	Ordinary shares	100%	Holding company
Bookmart Limited*	United Kingdom	Ordinary shares	100%	Book wholesaling

*Held by Bookmart Holdings Limited

Other unlisted investments

Approximately 765,000 trees purchased in accordance with the UK Woodland Assurance Scheme

Notes to the financial statements

at 31 October 2009

10. Investments (continued)

On 22 December 2008, the group acquired Bookmart Holdings Limited and Bookmart Limited for a consideration of £250,000 paid in cash. The investment in Bookmart Holdings Limited has been included in the company's balance sheet at its fair value at the date of acquisition.

Analysis of the acquisition

Net assets at date of acquisition

	<i>Book value</i> £	<i>Revaluation adjustments</i> £	<i>Fair value to group</i> £
Tangible fixed assets	45,827	–	45,827
Stocks	1,373,855	(18,950)	(a) 1,354,905
Debtors (including deferred taxation of £48,480)	1,445,880	(48,480)	(b) 1,397,400
Bank overdraft	(474,780)	–	(474,780)
Creditors due within one year	(1,464,371)	–	(1,464,371)
Net assets	926,411	(67,430)	858,981
Negative goodwill on acquisition			(587,390)
			271,591
Discharged by			
Fair value of the shares acquired			250,000
Costs associated with the acquisition			21,591
			271,591

Adjustments

(a) reassessment of recoverable values of stock

(b) reassessment of the likelihood of recoverability of deferred tax assets

Bookmart Limited absorbed £421,604 of the group's net operating cash flows, paid £18,671 in respect of servicing finance and utilised £11,331 for capital expenditure.

Bookmart Limited generated a loss after tax of £378,165 in the seventeen months ended 31 October 2009 (£24,209 in year ended 31 May 2008). The summarised profit and loss for the period from 1 June 2008 to the effective date of acquisition is as follows:

	£
Turnover	3,890,263
Operating loss	(157,008)
Net interest payable	(25,400)
Loss before tax	(182,408)
Taxation	–
Loss for the seven months ended 22 December 2008	(182,408)

There were no recognised gains or losses in the period to 22 December 2008 other than the loss of £181,408 above.

Notes to the financial statements

at 31 October 2009

11. Intangible Fixed Assets

a) Positive Goodwill

<i>Group and company</i>	£
Cost	
At 1 November 2008 and 31 October 2009	168,028
Amortisation	
At 1 November 2008	88,682
Provided during the year	56,010
At 31 October 2009	(144,692)
Net book value	
At 31 October 2009	23,336
At 1 November 2008	79,346

Positive goodwill arose on the acquisition of the trade and assets of Selectabook in 2007

b) Negative Goodwill

<i>Group</i>	£
Cost	
At 1 November 2008	—
Additions	(587,390)
At 31 October 2009	(587,390)
Amortisation	
At 1 November 2008	—
Credited during the year	244,746
At 31 October 2009	244,746
Net book value	
At 31 October 2009	(342,644)

Negative goodwill arose on the acquisition of Bookmart Limited on 22 December 2008, as detailed in Note 10

Notes to the financial statements

at 31 October 2009

12. Stocks

	2009	Group 2008	2009	Company 2008
	£	£	£	£
Finished goods	4,771,307	3,370,910	3,417,471	3,370,910
Work in progress	4,893,634	4,223,267	4,851,550	4,223,267
	<u>9,664,941</u>	<u>7,594,177</u>	<u>8,269,021</u>	<u>7,594,177</u>

13. Debtors

	2009	Group 2008	2009	Company 2008
	£	£	£	£
Trade debtors	4,832,139	5,518,640	3,722,260	5,512,843
Amounts owed by group undertakings	—	—	2,858,097	68,579
Other debtors	49,613	127,157	40,845	126,921
Prepayments and accrued income	264,047	199,519	182,942	199,519
Deferred tax asset (note 15)	199,080	55,448	73,466	55,448
	<u>5,344,879</u>	<u>5,900,764</u>	<u>6,877,610</u>	<u>5,963,310</u>

14. Creditors: amounts falling due within one year

	2009	Group 2008	2009	Company 2008
	£	£	£	£
Trade creditors	6,074,724	3,830,030	5,889,022	3,829,254
Amounts owed to group undertakings	—	—	69,935	—
Corporation tax	209,477	164,506	208,572	164,518
Other taxes and social security costs	83,682	71,181	69,893	71,181
Accruals and deferred income	709,249	900,334	510,858	900,334
	<u>7,077,132</u>	<u>4,966,051</u>	<u>6,748,280</u>	<u>4,965,287</u>

Notes to the financial statements

at 31 October 2009

15. 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>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Decelerated capital allowances	23,041	21,708	1,400	1,400
Other timing differences	176,039	33,740	–	–
Tax losses	–	–	16,365	–
	<u>199,080</u>	<u>55,448</u>	<u>17,765</u>	<u>1,400</u>
<i>Company</i>				
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Decelerated capital allowances	23,041	21,708	1,400	1,400
Other timing differences	176,039	33,740	–	–
	<u>199,080</u>	<u>55,448</u>	<u>1,400</u>	<u>1,400</u>

Tax losses in a subsidiary undertaking have not been recognised as there is not sufficient certainty over future taxable profits to do so

	<i>£</i>
Recognised at start of year	55,448
Deferred tax credit in profit and loss account for the year	143,632
Recognised at end of year	<u>199,080</u>

16. Issued share capital

	<i>Allotted, called up and fully paid</i>	
	<i>2009</i>	<i>2008</i>
	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Notes to the financial statements

at 31 October 2009

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 2007	1,000	11,295,960	11,296,960
Profit for the year	–	668,515	668,515
At 1 November 2008	1,000	11,964,475	11,965,475
Profit for the year	–	846,700	846,700
At 31 October 2009	1,000	12,811,175	12,812,175

<i>Company</i>	<i>Share capital</i> £	<i>Profit and loss account</i> £	<i>Total shareholders' funds</i> £
At 1 November 2007	1,000	11,331,342	11,332,342
Profit for the year	–	678,868	678,868
At 1 November 2008	1,000	12,010,210	12,011,210
Profit for the year	–	1,094,606	1,094,606
At 31 October 2009	1,000	13,104,816	13,105,816

18. Pension commitments

The group makes contributions into the personal pension schemes of its directors and staff. The pension cost during the year was £119,420 (2008 – £128,601). There were no amounts prepaid or accrued at the year end. Company pension contributions during the year were £114,852 (2008 – £128,601).

Notes to the financial statements

at 31 October 2009

19. Other financial commitments

At 31 October 2009 annual commitments under non-cancellable operating leases were as follows

Group

	<i>Land and buildings</i>		<i>Plant and machinery</i>	
	2009	2008	2009	2008
	£	£	£	£
Operating leases which expire				
Within one year	383,876	263,000	8,397	—
In two to five years	144,500	234,500	35,203	—
In more than five years	336,500	—	—	—
	<u>864,876</u>	<u>497,500</u>	<u>43,600</u>	<u>—</u>

Company

	<i>Land and buildings</i>	
	2009	2008
	£	£
Operating leases which expire		
Within one year	383,876	263,000
In two to five years	144,500	234,500
In more than five years	127,500	—
	<u>655,876</u>	<u>497,500</u>

The group and company have one open forward foreign exchange contract with a value of €1,000,000, which matures in January 2010 (2008 £Nil)

20. Contingent liability

The group has a £1 million overdraft facility with Barclays Bank plc, secured by fixed and floating charge over the assets of Anness Publishing Limited and Bookmart Limited

Notes to the financial statements

at 31 October 2009

21. Notes to the statement of cash flows

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

	2009	2008
	£	£
Operating profit	1,070,895	866,358
Depreciation of tangible fixed assets	105,274	102,874
(Profit)/loss on disposal of tangible fixed assets	(10,000)	2,933
Amortisation of intangible fixed assets	(188,737)	56,010
Increase in stocks	(715,859)	(145,568)
Decrease/(increase) in debtors	2,096,918	(30,103)
Increase/(decrease) in creditors	601,736	(297,620)
Net cash inflow from operating activities	2,960,227	554,884

(b) Analysis of changes in net funds

	At 1 November 2008	Cash flow	At 31 October 2009
	£	£	£
Cash at bank and in hand	2,542,500	1,841,855	4,384,355

22. Related party transactions

The company has taken advantage of the exemption in FRS8 not to disclose transactions with wholly owned subsidiaries

23. Controlling party

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