

Anness Publishing Limited 2375310

Report and Financial Statements

31 January 2012

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COMPANIES HOUSE

Directors

P Anness

J Lorenz

S Hill

B Worley

H Sudell

Secretary

J Lorenz

Auditors

Ernst & Young LLP

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London SE1 2AF

Registered Office

Premier House,

Blaby Road

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Leicestershire LE18 4SE

Registered No 2375310

Directors' report

The directors present their report and financial statements for the period ended 31 January 2012

Results and dividends

- The undistributed reserves of the group at 31 January 2012 totalled £12 59m (31 October 2010 – £13 28m)
- At period end the group was holding £1 36m in cash, down from £1 60m at the end of the previous year. The drop in cash is balanced by Creditors being £0 39m down, at £4 06m at 31 January 2012 versus £4 45m at 31 October 2010
- Group sales revenues were £14 38m, down from £16 02m at 31 October 2010
- Group gross profit for the period was £3 98m, down from £5 29m at 31 October 2010
- Group loss after tax for the period was £689,497. Group profit after tax at 31 October 2010 was £467,352
- No dividend is proposed for the period

Principal Activities and Review of the Business

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

Key Events in the Period

During the period, in response to market conditions and in reaction to specific events in the USA, the group devised and implemented a plan to restructure the business in order to create a more profitable business going forward.

This result is a smaller, more balanced business, in which the traditional strengths of high-quality full-priced Trade publishing and Rights sales are returned to the front of the model.

This is already proving itself with Trade sales between February 2012 and June 2012 being increased by over 76% in UK and USA compared to the prior year.

The cost of executing the plan was over £400,000 in the period, but it unlocks future overhead savings of more than £2 0m per annum, starting in the 2012 financial year. The main elements of the reorganisation were:

- The group closed its head-quarters in central London, with a one-off cost over £110,000 in the period but with a saving annually of over £240,000 for the future.
- The group amalgamated its distribution facilities by closing its Devizes warehouse and centring all its activity in Leicester. This cost £90,000 in the period but saves over £370,000 annually in future.
- The group closed nine retail outlets. The shops made sense when the business was leaning more substantially towards the production of bargain books but would struggle to succeed in the new model being created. Closing the shops cost in excess of £90,000 in the period but this saves £500,000 in overhead on an annual basis.
- The group had an average number of employees in the prior year of 130 and entered the summer of 2012 with 60 employees, a reduction of 70 people in less than 18 months (a considerable number of leavers were shop staff in the temporary retail outlets). These changes included the closure of the group's secondary editorial offices in Bath.
- The group paid over £132,000 in redundancy amounts in the period.

Directors' report

Key Events in the Period (continued)

- An overhead rate of £460,000 per month in 2009-2010 has been reduced to £280,000 per month for 2012 and beyond
- In addition investment in new products has been taken down by half over a 1-2 year period to save an additional £50,000 per month. This is possible due to the group's incomparably strong backlist of over 4,000 titles but as soon as realistically possible previous investment levels will be re-established

Borders Group, USA

The year was marked for ourselves and for other publishers with a significant presence in the world of promotional books by events at Borders Inc, which filed for bankruptcy in the summer of 2011

Traditionally the United States' second largest book chain, Borders, with over 600 outlets, had been our group's biggest customer for the past ten years during which time the group made over \$76.5m in sales to their bargain division. Borders' annual buying budget for bargain books was over \$100.0m, and this amount was central to much activity and a large part of the financing of product development for bargain book suppliers all around the globe.

Therefore when Borders closed in the summer of 2011 we lost a customer that typically had contributed 25% of our annual turnover, with a consequent disruption or distortion of workflows, printer contracts, and currency positions in US dollars. APL titles were included in fire sales in USA which glutted our range at under-value prices, created a misleading impression in the market about our costs, and spoiled our sales for the season. The overall scale of the Borders event left dozens of major publishers and wholesalers with unpaid bills creating a huge black hole of illiquidity in the book marketplace, with seemingly no-one stepping up to fill the purchasing void Borders' absence has left.

Other Factors and Challenges

- **US Dollar** The US\$ Traded in a range of \$1.54 to \$1.63 for the majority of the year, compared to a range of \$1.45 to \$1.55 at 31 October 2010 and \$1.55 to \$1.70 in 2009. Given that the group has traditionally purchased around \$12.0m-worth of print in the Far East each year in US dollars, any change in the purchasing power of GBP clearly has a significant impact on the bottom line and this is exacerbated when the group's own receipts from customers in US\$ are under pressure and we have less natural hedging. One of the benefits of the future Trade and Rights-related model is that it demands less than \$9.0m-worth of print purchases in US dollars, so that model increases natural hedging and eases pressure all round.
- **Paper Commodity** Within the print buying budget the group's biggest single area of expenditure is the purchase of the paper to print the books. Between 2009 and 2012 the price of printing paper rose from lows of \$800 to highs close to \$1300 per tonne, potentially representing a 60% increase in the commodity cost of production. The group protected itself from much of the impact by buying forward its paper/print requirement at the most favourable rates available in the period, but nevertheless still suffered some higher costs and also lost sales where deals no longer worked on increased print quotes.
- **Shipping** Global shipping costs commonly rose by over 30% during the course of the year and refused to come back. The group ships up to 6,000,000 units of products from the Far East each year to a wide variety of destinations.

Directors' report

Sales in the Period

- **Trade Publishing** This division had a poor performance, as management was distracted by issues in the bargain market and in the restructuring. Perhaps more significantly three major Far Eastern printers simultaneously let the group down by failing consistently to maintain schedules with the result that Trade publishing was starved of product for a substantial part of the year. As mentioned above, the Trade sales situation is turned round now, based on better suppliers, regular shipping and deliveries, an accent on quality marketing, smart publishing, both new and reuse, and the return to superior freelance sales agents.
- **Rights & Co-Editions** The main feature was the maintenance of previous sales levels while saving over £100,000 in overhead on an annualised level.
- **Promotional Publishing** The story is effectively told above. Perhaps the biggest surprise was not the Borders situation but the global reverberation that their problems had, including the impact on some extremely sizeable companies whom we had felt would collectively go some way to replacing the Borders buying power in the market.
- **eBooks** eBook sales rose over 900% on a monthly basis during the period, though this was from a very low start-up base.

Funding and Cash Flow

Cash in the bank at 31 January 2012 stood at £1.36m. At 31 October 2010 year end cash was £1.60m. The change is balanced by Creditors being £0.39m down, at £4.06m at 31 January 2012 versus £4.45m at 31 October 2010. At the period-end the group had £1.5m in unused overdraft, foreign exchange and trading facilities available from Barclays Bank, in addition to the £1.36m of cash in the bank.

Inventory

The business started the period with £6.0m and ended with £6.5m, which was a decent achievement considering the amount of Borders production that had to be repositioned. The future focus on Trade publishing will enable stocks to be reduced by £1.5m and a consequent release of more cash into the balance sheet.

Work in progress

The group's valuation formula for creative work-in-progress remained unchanged. This meant an opening value of £4.35m and a closing value of £3.74m reflecting the temporary reduction in investment levels.

Investment

The group maintained its dedication to the creation and maintenance of probably the best active illustrated book portfolio in the industry, which now stands at around 4,000 titles in print, and around 430,000 copyright-owned photo-images. Actual investment in new products for the year at 31 January 2012 was in the region of £1.0m.

Management's estimate of total creative investment since 1997 is close to £32m, of which £28m is written off despite the fact that titles from the 1990's are still generating huge revenues annually. The intellectual property of the group is not valued on the balance sheet other than the current work in progress element for books as yet unpublished.

Directors' report

Creditors

Trade and other creditors (the majority of which are printers in the Far East) fell from £4 45m at 31 October 2010 to £4 06m at 31 January 2012. This reflects the reduced level of product needed to make sales due to the sudden absence of the Borders business.

Debtors

Trade and other debtors fell from £5 03m to £4 69m, largely in line with the reduced turnover of the Group.

New technology

The group 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. 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 group up to £1 50m per year in product development costs. Owning these rights and images outright also paves the way for low-cost eBook creation and production as sales platforms develop for illustrated digital books.

Summary

2011-2012 was a battle around the issues of Borders Group, currency, commodity pricing, printer failures and shipping. Focusing on the Trade businesses will ease these stresses, and the group is also looking to reduce the future impacts of some of these big issues by finding print locations closer to destination to reduce the vulnerability to freight costs, by seeking more printers in non-US\$-based manufacturing economies in order to decrease exposure to currency volatility, and by developing more product ranges that contain less paper in order to lower the dependency on a commodity that can change its value so quickly.

Future developments

Most of the future strategies have been introduced in the dialogue above. The business intends to focus on investing in and growing its core higher-margin Trade publishing and Rights business while maintaining the profitable elements of its distribution and wholesale businesses where opportunities arise.

The digitisation of large parts of the book business is accelerating rapidly. In the world of fiction and non-illustrated non-fiction, the market is generally anticipating that at least 30% of sales, and possibly much more, will be made and delivered digitally within the next two years. Development is slower for colour books, picture books and photographic books, because the specialist reading devices are currently black and white, and the general popular tablet and pad devices that can support images have been slower to focus on book-related applications or sales of books. The group has over 3,000 backlist physical book titles suitable to convert to eBooks.

The group is nurturing its new Children's publishing imprint, Armadillo, based on 740 copyrights purchased in the takeover of Bookmart, combined with over 700 existing Anness children's books. Children's titles, especially with novelties, offer a continuing foothold in the world of physical products in the shifting landscape of digitisation, as do the group's stationery and jigsaw products.

Print-On-Demand is also being investigated as a means to keep more than 3000 titles in print for longer periods with lower group inventory investment.

Directors' report

Principal risks and uncertainties

The group 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 group's manufacturing suppliers are principally in China and the Middle East, and this represents around 60% of all the group's costs. The group spreads its print orders across a range of printers to reduce as much as possible the risks associated with dependency on too few key suppliers

Some of the group's main customers continued to experience difficult trading conditions in 2011 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 group 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 group's credit insurers from many book retailers and wholesalers in the UK and abroad

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 long-term foreseeable future, excellent trading at the time of formulating this report, the group's continuing strong balance sheet and its available cash reserves (£1 27m in the bank on 2 September 2012)

Directors

The directors who served during the period were as follows

P Anness
J Lorenz
S Hill
B Worley
H Sudell

Disclosure of information to the auditors

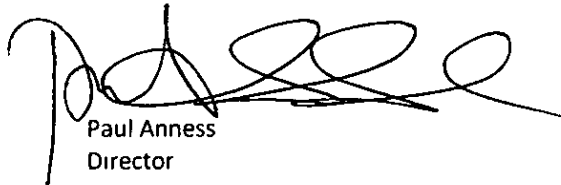
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, 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

Directors' report

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

On behalf of the Board



Paul Anness
Director

18 SEP 2012

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 period. 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 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 are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and 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 the 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 financial statements of Anness Publishing Limited for the period ended 31 January 2012 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board'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 the parent undertaking'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. In addition, we read all the financial and non-financial information in the director's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 of the parent undertaking's affairs as at 31 January 2012 and of the group's loss for the period 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 period 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 undertaking, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent undertaking's 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



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

19 SEP 2012

Group profit and loss account

for the period ended 31 January 2012

		<i>15 months ended 31 January 2012</i>	<i>Year ended 31 October 2010</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Turnover	2	14,380,003	16,023,955
Cost of sales		<u>(10,404,863)</u>	<u>(10,735,336)</u>
Gross profit		3,975,140	5,288,619
Administrative expenses		<u>(5,380,491)</u>	<u>(4,740,984)</u>
Operating (loss)/profit	3	(1,405,351)	547,635
Bank interest receivable		1,545	604
Interest payable and similar charges	6	<u>(2,326)</u>	<u>(9,515)</u>
Profit on disposal of fixed assets investments		407,485	—
(Loss)/profit on ordinary activities before taxation		<u>(998,647)</u>	<u>538,724</u>
Tax on loss on ordinary activities	7	309,151	(71,372)
(Loss)/profit for the financial period	17	<u><u>(689,496)</u></u>	<u><u>467,352</u></u>

All amounts relate to continuing activities

Group statement of total recognised gains and losses

for the period ended 31 January 2012

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £689,497 in the period ended 31 January 2012 (year ended 31 October 2010 – profit of £467,352)

Group balance sheet

at 31 January 2012

		31 January 2012	31 October 2010
	Notes	£	£
Fixed assets			
Negative goodwill	9	–	(48,950)
Tangible assets	10	97,485	96,499
Investments	11	262,920	711,264
		<u>360,405</u>	<u>758,813</u>
Current assets			
Stocks	12	10,237,061	10,340,212
Debtors	13	4,688,029	5,031,886
Cash at bank and in hand		<u>1,361,751</u>	<u>1,603,508</u>
		16,286,841	16,975,606
Creditors amounts falling due within one year	14	(4,057,215)	(4,454,892)
Net current assets		<u>12,229,626</u>	<u>12,520,714</u>
Total assets less current liabilities		<u>12,590,031</u>	<u>13,279,527</u>
Capital and reserves			
Called up share capital	16	1,000	1,000
Profit and loss account	17	12,589,031	13,278,527
Shareholders' funds	17	<u>12,590,031</u>	<u>13,279,527</u>



Paul Anness

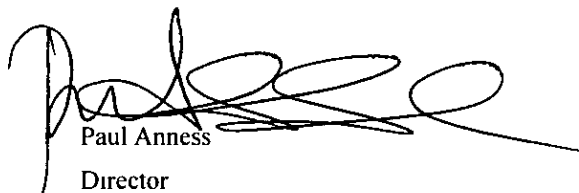
Director

18 SEP 2012

Company balance sheet

at 31 January 2012

		31 January 2012	31 October 2010
	Notes	£	£
Fixed assets			
Tangible assets	10	62,219	38,750
Investments	11	262,920	982,955
		<u>325,139</u>	<u>1,021,705</u>
Current assets			
Stocks	12	10,237,061	8,199,548
Debtors	13	4,905,791	8,095,552
Cash at bank and in hand		1,084,637	1,262,190
		<u>16,227,489</u>	<u>17,557,290</u>
Creditors amounts falling due within one year	14	<u>(3,962,598)</u>	<u>(4,334,656)</u>
Net current assets		12,264,891	13,222,634
Total assets less current liabilities		<u>12,590,030</u>	<u>14,244,339</u>
Capital and reserves			
Called up share capital	16	1,000	1,000
Profit and loss account	17	12,589,030	14,243,339
Shareholders' funds	17	<u>12,590,030</u>	<u>14,244,339</u>


 Paul Anness
 Director

18 SEP 2012

Group statement of cash flows

for the period ended 31 January 2012

	15 months ended 31 January 2012	Year ended 31 October 2010
Note	£	£
Net cash outflow from operating activities	18(a) (965,145)	(2,432,028)
Returns on investments and servicing of finance		
Interest received	1,545	604
Interest paid	(2,326)	(9,515)
	(781)	(8,911)
Taxation		
Corporation tax paid	(53,025)	(286,744)
Capital expenditure		
Payments to acquire tangible fixed assets	(85,871)	(53,164)
Proceeds from disposal of tangible fixed assets	7,236	–
Proceeds on disposal of fixed asset investments	855,829	–
	777,194	(53,164)
Decrease in cash	(241,757)	(2,780,847)

Reconciliation of net cash flow to movement in net funds

	15 months ended 31 January 2012	Year ended 31 October 2010
Note	£	£
Decrease in cash in the period	(241,757)	(2,780,847)
Movement in net funds	(241,757)	(2,780,847)
Net funds at beginning of the period	1,603,508	4,384,355
Net funds at end of the period	18(b) 1,361,751	1,603,508

Notes to the financial statements

at 31 January 2012

1. Accounting policies

Basis of preparation

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

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

Group financial statements

The group financial statements consolidate the financial statements of Anness Publishing Limited and its subsidiary undertakings, Practical Pictures Limited and Book Trade Services Limited (formerly Bookmart Limited), drawn up to 31 January each year. No profit and loss account is presented for the company as permitted by section 408 of the Companies Act 2006

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 when 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

Tangible fixed assets

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 when events or changes in circumstances indicate the carrying value may not be recoverable

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

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

Notes to the financial statements

at 31 January 2012

1. Accounting policies (continued)

Stocks

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 they are 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 exceptions:

- Dividends from subsidiaries
- 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 January 2012

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

	<i>15 months ended 31 January 2012 £</i>	<i>Year ended 31 October 2010 £</i>
United Kingdom	6,632,216	8,370,338
Rest of Europe	1,966,793	1,540,931
North America	3,938,390	4,195,100
Asia and Africa	1,011,931	750,304
Australia	830,673	1,167,282
	<u>14,380,003</u>	<u>16,023,955</u>

3. Operating (loss)/profit

This is stated after charging/(crediting)

	<i>15 months ended 31 January 2012 £</i>	<i>Year ended 31 October 2010 £</i>
Exceptional items – redundancy and termination payments	131,875	36,977
Auditor's remuneration – audit services (parent)	47,000	42,000
– audit services (subsidiaries)	5,000	5,000
– non-audit services – taxation	23,144	17,728
Depreciation of tangible fixed assets	77,649	59,389
Profit on disposal of fixed assets investments	(407,485)	–
Loss on disposal of tangible fixed assets	–	452
Amortisation of goodwill	–	23,336
Amortisation of negative goodwill	(48,950)	(293,694)
Operating lease rentals – land and buildings	832,454	787,181
– plant and machinery	42,080	49,590

Notes to the financial statements

at 31 January 2012

4. Directors' remuneration

	<i>15 months ended 31 January 2012 £</i>	<i>Year ended 31 October 2010 £</i>
Remuneration	711,433	602,460
Company contributions paid to personal pension schemes	95,190	96,448
	<i>No</i>	<i>No</i>
Members of personal pension schemes	4	4
The amounts in respect of the highest paid director are as follows		
	<i>£</i>	<i>£</i>
Remuneration	168,306	143,552
Company contributions paid to personal pension schemes	44,892	44,156

5. Staff costs

	<i>15 months ended 31 January 2012 £</i>	<i>Year ended 31 October 2010 £</i>
Wages and salaries	3,014,202	2,995,865
Social security costs	277,690	262,108
Other pension costs	116,484	121,343
Other costs	72,038	–
	<u>3,480,414</u>	<u>3,379,316</u>

The average monthly number of employees during the period was made up as follows

	<i>No</i>	<i>No</i>
Production and editorial	30	42
Sales, marketing and distribution	48	64
Administration and financial statements	21	24
	<u>99</u>	<u>130</u>

Notes to the financial statements

at 31 January 2012

6. Interest payable and similar charges

	<i>15 months ended 31 January 2012 £</i>	<i>Year ended 31 October 2010 £</i>
Bank loans and overdrafts	2,326	9,515

7. Tax

(a) Tax on (loss)/profit on ordinary activities

The tax (credit)/charge is made up as follows

	<i>15 months ended 31 January 2012 £</i>	<i>Year ended 31 October 2010 £</i>
Current tax		
UK corporation tax on the (loss)/profit for the period	(131,714)	138,609
Double tax relief	–	(6,981)
Adjustment in respect of prior years	5,614	(19,297)
	(126,100)	112,331
Foreign tax	5,130	6,981
Total current tax (note 7(b))	(120,970)	119,312
Deferred tax		
Origination and reversal of timing differences	(188,181)	(47,940)
Total deferred tax (note 15)	(188,181)	(47,940)
Tax on (loss)/profit on ordinary activities	(309,151)	71,372

Notes to the financial statements

at 31 January 2012

7 Tax (continued)

(b) Factors affecting the current tax (credit)/charge for the period

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 26.66% (year ended 31 October 2010 – 28%). The differences are explained below

	<i>15 months ended 31 January 2012 £</i>	<i>Year ended 31 October 2010 £</i>
(Loss)/profit on ordinary activities before tax	<u>(998,649)</u>	<u>538,724</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.66% (year ended 31 October 2010 – 28%)	(266,240)	150,843
<i>Effects of</i>		
Expenses not deductible for tax purposes/(non taxable income)	885	(80,091)
Depreciation in arrears/ (excess) of capital allowances	17,367	(5,396)
Adjustments in respect of prior years	5,614	(19,297)
Difference in tax rates	110	(1,447)
Others	121,294	74,700
Current tax for the period (note 7(a))	<u>(120,970)</u>	<u>119,312</u>

(c) Factors affecting future tax charge

Finance (No 3) Act 2011 included legislation to reduce the main rate of corporation tax to 25% from 1 April 2012. The reported deferred asset has therefore been reduced to reflect the reduction in rate to 25%.

Finance Bill 2012 includes legislation to reduce the main rate of corporation tax to 24% from 1 April 2012 and 23% from 1 April 2013. As this had not been substantively enacted at the balance sheet date, the reported deferred tax asset has not been reduced. The impact of the rate reductions will be reported in the next reporting period following the substantive enactment of the relevant legislation.

The Government has also indicated that it intends to enact a future reduction in the main tax rate to 22% from 1 April 2014.

8. Loss attributable to members of the parent undertaking

The loss dealt with in the financial statements of the parent undertaking was £1,654,309 (year ended 31 October 2010 – profit of £1,138,523).

Notes to the financial statements

at 31 January 2012

9. Intangible fixed assets

Group and Company

(a) Positive goodwill

£

Cost

At 1 November 2010 and 31 January 2012

168,028

Amortisation

(168,028)

At 1 November 2010 and 31 January 2012

—

Net book value

At 31 January 2012

—

At 1 November 2010

—

(a) Negative goodwill

£

Cost

At 1 November 2010 and 31 January 2012

(587,390)

Amortisation

At 1 November 2010

538,440

Credited during the period

48,950

At 31 January 2012

587,390

Net book value

At 31 January 2012

—

At 1 November 2010

(48,950)

Notes to the financial statements

at 31 January 2012

10. 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 2010	31,006	329,782	554,181	30,850	945,819
Additions	–	9,013	75,358	1,500	85,871
Disposals	(21,396)	(236,715)	(347,614)	(30,850)	(636,575)
At 31 January 2012	9,610	102,080	281,925	1,500	395,115
Depreciation					
At 1 November 2010	22,699	265,104	532,146	29,371	849,320
Charge for the period	4,246	32,710	38,620	2,073	77,649
Disposals	(21,396)	(229,343)	(347,614)	(30,986)	(629,339)
At 31 January 2012	5,549	68,471	223,152	458	297,630
Net book value					
At 31 January 2012	4,061	33,609	58,773	1,042	97,485
At 1 November 2010	8,307	64,678	22,035	1,479	96,499

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 2010	31,006	256,685	541,975	30,850	860,516
Additions	–	3,314	72,938	–	76,216
Disposals	(21,396)	(236,715)	(347,614)	(30,850)	(636,575)
At 31 January 2012	9,610	23,284	267,299	–	300,157
Depreciation					
At 1 November 2010	22,699	246,937	522,759	29,371	821,766
Charge for the period	4,246	3,505	36,181	1,615	45,547
Disposals	(21,396)	(229,343)	(347,614)	(30,986)	(629,339)
At 31 January 2012	5,549	21,099	211,326	–	237,974
Net book value					
At 31 January 2012	4,061	2,185	55,973	–	62,219
At 1 November 2010	8,307	9,748	19,216	1,479	38,750

Notes to the financial statements

at 31 January 2012

11. Investments

Group

*Other
unlisted
investments*
£

Cost

At 1 November 2010

711,264

Disposals

(448,344)

At 31 January 2012

262,920

The disposals of £448,344 relates to two areas of forest which were sold during the period

Company

<i>Subsidiary undertakings</i>	<i>Other unlisted investments</i>	<i>Total</i>
£	£	£

Cost

At 1 November 2010

271,691 711,264 982,955

Disposals

– (448,344) (448,344)

Provision for impairment

(271,691) – (271,691)

At 31 January 2012

– 262,920 262,920

The company holds 20% or more of the share capital of the following companies

Name of company

*Proportion of
voting rights
and shares
held*

*Nature of
business*

Holding

Practical Pictures Limited

Ordinary
shares

100%

Image
licensing

Book Trade Services Limited (formerly Bookmart Limited)

Ordinary
shares

100%

Book
wholesaling

Other unlisted investments

Approximately 200,000 trees purchased in accordance with the UK Woodland Assurance Scheme

Notes to the financial statements

at 31 January 2012

12. Stocks

	<i>Group</i>		<i>Company</i>	
	<i>31 January</i>	<i>31 October</i>	<i>31 January</i>	<i>31 October</i>
	<i>2012</i>	<i>2010</i>	<i>2012</i>	<i>2010</i>
	£	£	£	£
Finished goods	6,499,025	5,988,077	6,499,025	3,847,413
Work in progress	3,738,036	4,352,135	3,738,036	4,352,135
	<u>10,237,061</u>	<u>10,340,212</u>	<u>10,237,061</u>	<u>8,199,548</u>

13. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>31 January</i>	<i>31 October</i>	<i>31 January</i>	<i>31 October</i>
	<i>2012</i>	<i>2010</i>	<i>2012</i>	<i>2010</i>
	£	£	£	£
Trade debtors	2,692,580	4,393,129	1,618,167	3,793,870
Amounts owed by group undertakings	–	–	1,381,334	4,009,777
Other debtors	1,275,763	98,265	1,271,546	75,069
Corporation tax recoverable	131,950	–	131,714	–
Prepayments and accrued income	152,535	293,472	67,829	195,191
Deferred tax asset (note 15)	435,201	247,020	435,201	21,645
	<u>4,688,029</u>	<u>5,031,886</u>	<u>4,905,791</u>	<u>8,095,552</u>

14. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>31 January</i>	<i>31 October</i>	<i>31 January</i>	<i>31 October</i>
	<i>2012</i>	<i>2010</i>	<i>2012</i>	<i>2010</i>
	£	£	£	£
Trade creditors	3,336,916	3,815,174	3,251,193	3,724,517
Amounts owed to group undertakings	–	–	403,988	86,842
Corporation tax	–	42,045	–	42,364
Other taxes and social security costs	397,390	79,396	45,888	65,214
Accruals and deferred income	322,909	518,277	261,529	415,719
	<u>4,057,215</u>	<u>4,454,892</u>	<u>3,962,598</u>	<u>4,334,656</u>

Notes to the financial statements

at 31 January 2012

15. Deferred tax asset

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

<i>Group</i>	<i>Recognised</i>		<i>Unrecognised</i>	
	<i>31 January 2012</i>	<i>31 October 2010</i>	<i>31 January 2012</i>	<i>31 October 2010</i>
	£	£	£	£
Decelerated capital allowances	31,797	(28,780)	–	1,350
Other timing differences	–	275,800	–	–
Tax losses	403,404	–	98,309	70,136
	<u>435,201</u>	<u>247,020</u>	<u>98,309</u>	<u>71,486</u>

<i>Company</i>	<i>Recognised</i>		<i>Unrecognised</i>	
	<i>31 January 2012</i>	<i>31 October 2010</i>	<i>31 January 2012</i>	<i>31 October 2010</i>
	£	£	£	£
Decelerated capital allowances	31,797	21,645	–	1,350
Tax losses	403,404	–	–	–
	<u>435,201</u>	<u>21,645</u>	<u>–</u>	<u>1,350</u>

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

	£
Recognised at start of period	247,020
Deferred tax credit in profit and loss account for the period (note 7(a))	188,181
Recognised at end of period	<u>435,201</u>

16. Issued share capital

	<i>31 January 2012</i>	<i>31 October 2010</i>
<i>Allotted, called up and fully paid</i>	<i>No</i> <i>£</i>	<i>No</i> <i>£</i>
Ordinary shares of £1 each	1,000 <u>1,000</u>	1,000 <u>1,000</u>

Notes to the financial statements

at 31 January 2012

17. Reconciliation of shareholders' funds and movements on reserves

Group

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total share- holders' funds</i>
	£	£	£
At 1 November 2009	1,000	12,811,175	12,812,175
Profit for the year	–	467,352	467,352
At 1 November 2010	1,000	13,278,527	13,279,527
Loss for the period	–	(689,496)	(689,496)
At 31 January 2012	1,000	12,589,031	12,590,031

Company

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total share- holders' funds</i>
	£	£	£
At 1 November 2009	1,000	13,104,816	13,105,816
Profit for the year	–	1,138,523	1,138,523
At 1 November 2010	1,000	14,243,339	14,244,339
Loss for the period	–	(1,654,309)	(1,654,309)
At 31 January 2012	1,000	12,589,030	12,590,030

18 Notes to the statement of cash flows

(a) Reconciliation of operating (loss)/profit to net cash outflow from operating activities

	<i>15 months ended 31 January 2012</i>	<i>Year ended 31 October 2010</i>
	£	£
Operating (loss)/profit	(1,405,351)	547,635
Depreciation of tangible fixed assets	77,649	59,389
Loss on disposal of tangible fixed assets	–	452
Amortisation of intangible fixed assets	(48,950)	(270,358)
Decrease/(increase) in stocks	103,151	(675,271)
Decrease in debtors	626,738	360,933
Decrease in creditors	(318,382)	(2,454,808)
Net cash outflow from operating activities	(965,145)	(2,432,028)

Notes to the financial statements

at 31 January 2012

18. Notes to the statement of cash flows (continued)

(b) Analysis of net funds

	<i>At 1 November 2010 £</i>	<i>Cash flow £</i>	<i>At 31 January 2012 £</i>
Cash at bank and in hand	1,603,508	(241,757)	1,361,751

19. Pensions

The group makes contributions into the personal pension schemes of its directors and staff. The pension cost during the period was £116,484 (year ended 31 October 2010 – £121,343). There were no amounts prepaid or accrued at the period end (year ended 31 October 2010 – £nil).

20. Other financial commitments

At 31 January 2012 the group and company had annual commitments under non-cancellable operating leases as set out below

<i>Group</i>	<i>31 January 2012 £</i>	<i>Land and buildings 31 October 2010 £</i>	<i>31 January 2012 £</i>	<i>Plant and machinery 31 October 2010 £</i>
Operating leases which expire				
Within one year	37,500	438,600	–	19,562
In two to five years	40,000	–	–	13,875
Over five years	336,500	336,500	–	–
	<u>414,000</u>	<u>775,100</u>	<u>–</u>	<u>33,437</u>

<i>Company</i>	<i>31 January 2012 £</i>	<i>31 October 2010 £</i>
Operating leases which expire		
Within one year	52,600	438,600
In two to five years	40,000	–
In more than five years	127,500	127,500
	<u>220,100</u>	<u>566,100</u>

The group and company have open forward foreign exchange contracts worth a combined USD 1million maturing in February 2012 (2010 USD 3.6 million maturing in November 2010 and January 2011).

21. Contingent liability

On 15 December 2009 the group entered into an agreement to secure its overdrafts by an all monies debenture over the whole of the group's assets.

Notes to the financial statements

at 31 January 2012

22. Related party transactions

The company has taken advantage of the exemption in FRS 8 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