

Registration number: 02375310

Amended Accounts

Anness Publishing Limited

Directors' Report and Consolidated Financial Statements

for the Year Ended 31 January 2013

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COMPANIES HOUSE

Lambert Chapman LLP
Chartered Accountants and Registered Statutory Auditors
3 Warners Mill
Silks Way
Braintree
Essex
CM7 3GB

Anness Publishing Limited
Contents

Company Information	1
Directors' Report	2 to 6
Statement of Directors' Responsibilities	7
Independent Auditor's Report	8 to 9
Consolidated Profit and Loss Account	10
Consolidated Statement of Total Recognised Gains and Losses	11
Consolidated Balance Sheet	12
Balance Sheet	13
Consolidated Cash Flow Statement	14 to 15
Notes to the Financial Statements	16 to 31

Anness Publishing Limited

Company Information

Directors	J Lorenz B J Worley P L Anness H Sudell
Company secretary	J Lorenz
Registered office	Premier House Blaby Road Wigston Leicester LE18 4SE
Bankers	Barclays Bank PLC 1 Churchill Place Leicester LE87 2BB
Auditors	Lambert Chapman LLP Chartered Accountants and Registered Statutory Auditors 3 Warners Mill Silks Way Braintree Essex CM7 3GB

Anness Publishing Limited
Directors' Report for the Year Ended 31 January 2013

The directors present their report and the consolidated financial statements for the year ended 31 January 2013.

Directors of the company

The directors who held office during the year were as follows:

J Lorenz

B J Worley

P L Anness

S A Hill (Resigned 15 November 2012)

H Sudell

Principal activity

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.

Business review

Results and dividends

- The undistributed reserves of the group at 31 January 2013 totalled £11.42m, an increase of 3.7% on the 31 January 2012 figure of £11.02m
- At the period end the group was holding £1.62m in cash, 19% up on the £1.36m at the end of the previous financial year.
- Group sales revenues were £10.65m, down from £14.38m in the previous financial year, which was a 15-month period. If 2011 sales are adjusted pro rata for 12-month's trading (£11.50m) then sales are down 7.5%.
- Group gross profit for the period was £3.62m, down from £4.33m in the prior (15-month) year. If gross profit in the prior year is taken pro rata for a 12-month period, then we are up 4.6% in the year (£3.62m v £3.46m prior year).
- Overhead is down from £5.38m in the prior year to £3.16m this time. Adjusted pro rata for the 15-month prior period, this represents a reduction from £4.30m to £3.16m, demonstrating a run-rate reduced by 27% in the year.
- Group profit before tax for the period was £463,201. Restated group loss before tax in the prior year was £647,141.
- No dividend is proposed for the period.

Key Events in the Period

In response to market conditions, the wider economic situation and in reaction to customer failures in the USA and elsewhere, at the end of 2010 the group devised and began to implement a plan to restructure the company in order to safeguard the business and create a stable profitable environment going forward. The plan involved rapidly reducing overhead in line with much decreased sales expectations, while refocusing the efforts of the business onto the full-priced Trade sales and Rights activities, phasing down the Promotional parts of the business, essentially shifting the balance away from low margin high volume sales to low volume higher margin operations, and closing the chain of 12 retail shops that were part of the promotional mix.

2011 was a year of transition and controlled disruption as we shed one warehouse, the headquarters building, and nine retail outlets. In an eighteen-month period employee numbers fell from more than 130 to less than 60 as we adopted a sales outsourcing culture with payment linked to performance, and as we reduced the investment level in new products, and the resources required to make them, in response to the market's current inability to absorb huge amounts of titles.

This has resulted in a smaller, more balanced, more flexible business, in which our traditional strengths of high-quality full-priced Trade publishing and Rights sales are returned to the front of the model. As a consequence of this focus Trade sales grew by 84% between 2011 and 2012.

The cost of executing the plan was over £450,000, but it has unlocked over the two-year period overhead savings of more than £2.0m per annum (from an earlier run-rate of over £5.0m per annum to a future new level of under £3.0m per annum).

Anness Publishing Limited
Directors' Report for the Year Ended 31 January 2013

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These accounts demonstrate the first full-year benefit of the restructuring, illustrated by the improvement from £647,141 in pre-tax losses last time to pre-tax profits of over £400,000 this time.

Other Challenges

- Printing in China: Changes in the Chinese economic environment mean this is no longer the ultra-competitively priced option it used to be for our manufacturing. In addition the company's reduced volumes over the past 3-4 years have made it harder to demand the very low costs that were previously achievable. We are constantly seeking new suppliers in different territories while innovating technically to design exciting products that deliver higher value while using affordable materials and techniques. However the manufacturing area is an increasingly difficult challenge and historically achievable margins are likely to erode over the coming years.
- T.B.Clarke: This customer with whom the company had traded for over 10 years expanded rapidly in 2010-2011 into retail, becoming the largest book retail chain in Australia almost overnight when they purchased the rump of the Angus & Robertson stores operation. Their new buying capacity made them close to 10% of the company's entire trade in some periods, and the company's largest customer at times.
- T.B.Clarke then got into difficulties during the severe retail downturn in Australia in 2011 and went under after the tragic death of their founder, leaving Anness Publishing Ltd (APL) a bad debt of over £120,000 in this financial period, of which a proportion was covered by insurance. APL is likely to be more impacted in the mid-term by the loss of one of its top three customers, and closest strategic allies, than by the bad debt in the short term.
- Credit Control: Many customers are encountering stressful trading conditions and payment problems have arisen in several cases. It is increasingly hard to determine who it is safe to deal with and at what levels, and we have found the Trade Credit Insurance companies are not always a helpful indicator, not uncommonly in our experience pulling or reducing cover very early when the customer is still sustainable or offering very restricted amounts on key accounts.
- Deteriorating Markets: It is undeniable that some sections of some markets, including for example the small independent specialist bargain bookshop sector, have been shrinking with a momentum that is going to be very tough to reverse. Much of this is caused by the 'perfect storm' hitting particularly the bargain book world: a combination of supermarkets that can discount much more aggressively; internet sellers who can compete by offering hugely wider ranges of titles without carrying the expense of bricks and mortar; and eBooks that take the whole channel digital and out of physical form and that are sold direct from publisher to consumer cutting out the middleman.

Sales in the Period

- Trade Publishing: This division had a good performance. Management's strategy was to focus on Trade publishing, with its lower volumes but much higher margins, given the stasis and deterioration in the Promotional market following the collapse of Borders and the loss to the industry of its \$100m per annum bargain buying budget. The new Trade focus meant employing better third-party sales teams, an intensive concentration on catalogues and high quality sales materials, and an increase in trade publishing programmes with strict attention to producing great content, meeting production schedules and delivering better service for the major customers. In the UK and Export markets sales grew from £433,000 in the 15-month prior year to £973,000 in the 12 months. In the USA sales grew from £587,000 in the 15-month prior year to £903,000.
- Rights & Co-Editions: Sales grew to £1.26m in the 12 months versus £1.09m in the previous 15-month year. This was to a large extent driven by the virtues and disciplines shared with the Trade activity – smart full-priced publishing and quality content; good marketing and relentless cataloguing and listing of titles; and using digital channels to advertise, promote and sell to a market growing to over 1000 active contacts in over 80 countries.
- Promotional Publishing: Following the loss of Borders and the complete drying up of liquidity in the bargain marketplace, Promotional sales continued to diminish. The deterioration was accentuated by APL strategically keeping bargain editions away from customers with whom Trade publishing was being nurtured and promoted, resisting selling bargain titles in order to sell the best quality editions at the greatest value.
- eBooks: eBook sales rose over 100% during the period, though this was from a very low base.

Anness Publishing Limited
Directors' Report for the Year Ended 31 January 2013

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Retail: The company decided to exit the retail business and reduced the number of shops it was running from twelve at its highpoint to two at the year end. The sales in this sector therefore dropped from £820,000 to £268,000 - this decrease accounts for a large proportion of the top-line difference between this year and the prior year.

Funding and Cash Flow

Cash in the bank at the end of 31 January 2013 stood at £1.62m up from £1.36m at the previous year end. Due to its strong cash position and budgets indicating that, because of the cautious trimming back on investment and continuing stock reductions, cash would continue to accumulate, the company decided not to spend the usual substantial arrangement fees requested by Barclays to renew the bank overdraft facility it was offering. In fact the company has not used its overdraft for some years and had no plans to use it in the coming period. The company remains with Barclays and has many regular accounts with them. In October 2014 the cash held is £3.3m and the account is forecast to stay at that level through to 2015. The company has no outstanding loans or mortgages.

Inventory

The business started the period with £6.5m in physical book stocks and ended with £6.12m. 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 over the next two years.

Work in progress

The company's valuation formula for creative work-in-progress has been changed. Radical changes in the available sales channels and delivery methods for illustrated content, added to the reduction and disappearance of traditional customers, meant the Director's consider that the amount of asset accumulated on the balance sheet, and the timing of its release, were no longer a prudent or accurate reflection of cautious likely values and outcomes. Work In Progress value has been reduced and restated in a prior period, and is in the balance sheet at year end at £2.04m.

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 4,600 titles in print, and around 430,000 copyright-owned photo-images. Actual investment in new products for the year at 31 January 2013 was in the region of £1.0m.

Management's estimate of total creative investment since 1997 is close to £33m, of which £31m is written off despite the fact that titles from the 1990s 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 which includes only costs on recently published books and for books as yet unpublished.

Creditors

Creditors (the majority of which are printers in the Far East) fell from £4.06m at 31 January 2012 to £2.37m on January 31 2013. This reflects the reduced level of product needed to make sales at higher margins in the Trade business, and also reflects the much lower volumes printed for the Promotional division. Another factor in reducing Creditor figures is shorter payment terms offered by new suppliers, which is another adverse element in the changing China printing equation.

Debtors

Debtors fell from £4.69m at 31 January 2012 to £3.71m on January 31 2013. Whereas creditor amounts have fallen 42% year on year the debtor position is down only 21% which, added to the 19% growth in cash to 31 January 2013, demonstrates a future strengthening liquidity as these debtors are collected.

New technology

The group continued the development of its digital asset management system. Over 300,000 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 in the in-house exploitation, 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 as sales platforms develop for illustrated digital books.

Summary

2012-2013 saw the conclusion of the restructuring plan originated in 2010-2011 along with the first full year of the new strategy to refocus on full-priced Trade publishing and Rights and Co-Edition sales.

Anness Publishing Limited
Directors' Report for the Year Ended 31 January 2013

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Whereas the year 2011-2012 was a year spent dealing with vast changes in the business while also handling the issues of Borders Group's disappearance, a market collapse, a whole industry starved of cash, fluctuating currency values, soaring commodity pricing, printer failures and shipping costs inflated by fuel prices, this year was a return to a more normal set of challenges as we searched for incremental improvements and fought for market share in a landscape where customers were difficult to find and every sale was hard won.

Focusing on the Trade businesses has eased the historic stresses caused by currency, commodity prices and shipping costs, but the company is also looking to reduce the future impacts of some of these big issues by finding closer print locations to reduce freight costs; by seeking printers in non-US\$-based manufacturing economies to decrease exposure to currency; and by developing product ranges that contain less paper in order to lower the vulnerability to commodity pricing.

But the main objective for the business now is to create opportunities for new growth, and some additional savings, in order to free up a bigger proportion of contribution margin to invest in refreshing and enlivening the asset portfolio at a faster rate, so we can feed the Trade and Rights businesses with a continually replenished sales offering over the next three to five years.

Future developments

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, and around 200 eBook titles are now made and available on 3-4 different platforms, but the value delivered on a monthly basis is tiny.

The group is nurturing its new Children's publishing imprint, Armadillo, which is launched and branded, built on 740 copyrights purchased in the takeover of Bookmart combined with over 700 existing Anness children's books. In February 2013 Anness purchased 300 children's titles from UK packager Tucker Slingsby to add to this mix, and these 300 titles will underpin an entire year's publishing with quality titles never before released in the Trade market. 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. Currently POD pricing is prohibitive in the context of the company's competitive pricepoint policy, but it is hoped evolving technology will continue to drive down costs till this might become a genuinely viable option for part of the programme.

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 2013 and this, coupled with credit insurers requiring strong financial performance in order to maintain insurance limits, has 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. The company is increasingly suspicious of the value offered by the trade credit insurers, so as these policies are so expensive, and as the company has no bank facilities that require underwriting by insurance, we will be cancelling all forms of credit insurance at the first opportunity and managing this risk area in more traditional ways for the future.

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, solid trading at the time of formulating this report, the group's continuing strong balance sheet and its available cash reserves (£3.3m in the bank in October 2014).

Anness Publishing Limited
Directors' Report for the Year Ended 31 January 2013

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Disclosure of information to the auditors

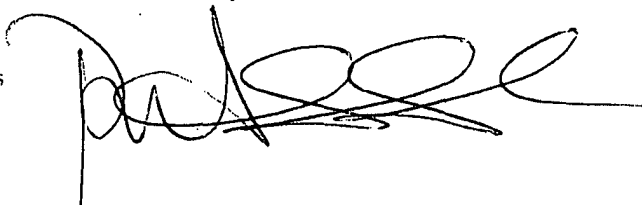
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Reappointment of auditors

The auditors Lambert Chapman LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 28/10/2014 and signed on its behalf by:

P L Anness
Director

A large, stylized handwritten signature in black ink, appearing to be 'P L Anness', written over a horizontal line.

Anness Publishing Limited
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 these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting 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 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 year ended 31 January 2013, set out on pages 10 to 31. 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 Statement of Directors' 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 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 (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. In addition, we read all the financial and non-financial information in the Directors' 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 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 company's affairs as at 31 January 2013 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**

..... continued

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.

Lambert Chapman LLP

Sean Wiegand FCA (Senior Statutory Auditor)
For and on behalf of Lambert Chapman LLP, Statutory Auditor

3 Warners Mill
Silks Way
Braintree
Essex
CM7 3GB

Date: *28.10.2014*

Anness Publishing Limited

Consolidated Profit and Loss Account for the Year Ended 31 January 2013

		Year ended 31 January 2013 £	(As restated) 1 November 2010 to 31 January 2012 £
	Note		
Turnover	2	10,646,087	14,380,003
Cost of sales		<u>(7,026,239)</u>	<u>(10,053,356)</u>
Gross profit		3,619,848	4,326,647
Administrative expenses		<u>(3,155,248)</u>	<u>(5,380,492)</u>
Group operating profit/(loss)	3	464,600	(1,053,845)
Profit on disposal of fixed assets		-	407,485
Other interest receivable and similar income	7	15	1,545
Interest payable and similar charges	8	<u>(1,414)</u>	<u>(2,326)</u>
Profit/(loss) on ordinary activities before taxation		463,201	(647,141)
Tax on profit/(loss) on ordinary activities	9	<u>(52,688)</u>	<u>309,151</u>
Profit/(loss) for the financial year attributable to members of the parent company	17	<u>410,513</u>	<u>(337,990)</u>

The notes on pages 16 to 31 form an integral part of these financial statements.

Anness Publishing Limited
Consolidated Statement of Total Recognised Gains and Losses for the Year Ended 31
January 2013

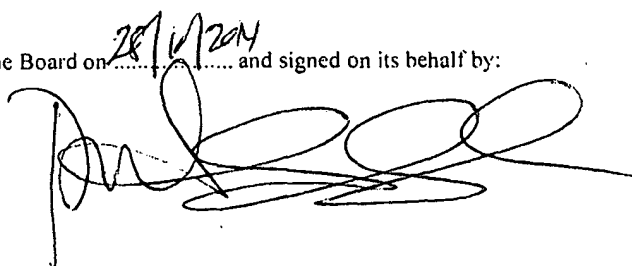
		Year ended 31 January 2013 £	(As restated) 1 November 2010 to 31 January 2012 £
Profit/(loss) for the financial year		410,513	(337,990)
Prior period adjustment	19	<u>(1,572,794)</u>	<u>-</u>
Total recognised gains and losses since last annual report		<u><u>(1,162,281)</u></u>	<u><u>(337,990)</u></u>

Anness Publishing Limited
Consolidated Balance Sheet at 31 January 2013

		31 January 2013		(As restated) 31 January 2012	
	Note	£	£	£	£
Fixed assets					
Tangible fixed assets	11		47,352		97,485
Other investments	12		<u>262,920</u>		<u>262,920</u>
			310,272		360,405
Current assets					
Stocks	13	8,164,562		8,664,267	
Debtors	14	3,708,523		4,688,029	
Cash at bank and in hand		<u>1,616,927</u>		<u>1,361,751</u>	
		13,490,012		14,714,047	
Creditors: Amounts falling due within one year	15	<u>(2,372,534)</u>		<u>(4,057,215)</u>	
Net current assets			<u>11,117,478</u>		<u>10,656,832</u>
Net assets			<u>11,427,750</u>		<u>11,017,237</u>
Capital and reserves					
Called up share capital	16	1,000		1,000	
Profit and loss account	17	<u>11,426,750</u>		<u>11,016,237</u>	
Shareholders' funds	18		<u>11,427,750</u>		<u>11,017,237</u>

Approved by the Board on 28/1/2014 and signed on its behalf by:

P L Anness
Director

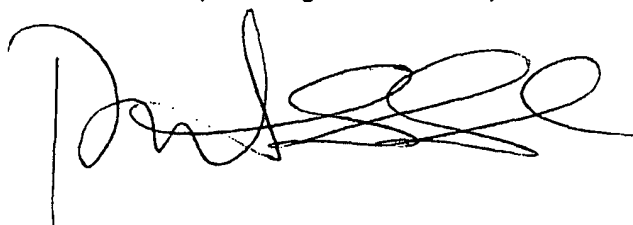


Anness Publishing Limited
(Registration number: 02375310)
Balance Sheet at 31 January 2013

	Note	31 January 2013 £	(As restated) 31 January 2012 £
Fixed assets			
Tangible fixed assets	11	47,352	62,219
Investments	12	<u>262,920</u>	<u>262,920</u>
		<u>310,272</u>	<u>325,139</u>
Current assets			
Stocks	13	8,164,562	8,664,267
Debtors	14	3,708,523	4,905,791
Cash at bank and in hand		<u>1,616,927</u>	<u>1,084,637</u>
		13,490,012	14,654,695
Creditors: Amounts falling due within one year	15	<u>(2,372,534)</u>	<u>(3,962,598)</u>
Net current assets		<u>11,117,478</u>	<u>10,692,097</u>
Net assets		<u>11,427,750</u>	<u>11,017,236</u>
Capital and reserves			
Called up share capital	16	1,000	1,000
Profit and loss account	17	<u>11,426,750</u>	<u>11,016,236</u>
Shareholders' funds	18	<u>11,427,750</u>	<u>11,017,236</u>

28/1/2014
 Approved by the Board on and signed on its behalf by:

P L Anness
 Director



Anness Publishing Limited
Consolidated Cash Flow Statement for the Year Ended 31 January 2013

Reconciliation of operating profit/loss to net cash flow from operating activities

	Year ended 31 January 2013 £	(As restated) 1 November 2010 to 31 January 2012 £
Operating profit/(loss)	464,600	(1,053,845)
Depreciation, amortisation and impairment charges	57,047	28,702
Loss on disposal of fixed assets	1,384	-
Decrease/(increase) in stocks	499,705	(248,357)
Decrease in debtors	792,073	663,988
Decrease in creditors	(1,684,681)	(355,632)
Net cash inflow/(outflow) from operating activities	<u>130,128</u>	<u>(965,144)</u>

Cash flow statement

	Year ended 31 January 2013 £	(As restated) 1 November 2010 to 31 January 2012 £
Net cash inflow/(outflow) from operating activities	<u>130,128</u>	<u>(965,144)</u>
Returns on investments and servicing of finance		
Interest received	15	1,545
Interest paid	(1,414)	(2,326)
	<u>(1,399)</u>	<u>(781)</u>
Tax received/(paid)	<u>134,746</u>	<u>(53,025)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(8,935)	(85,872)
Sale of tangible fixed assets	636	414,721
Sale of investments	-	448,344
	<u>(8,299)</u>	<u>777,193</u>
Net cash inflow/(outflow) before management of liquid resources and financing	<u>255,176</u>	<u>(241,757)</u>
Increase/(decrease) in cash	<u>255,176</u>	<u>(241,757)</u>

Anness Publishing Limited

Consolidated Cash Flow Statement for the Year Ended 31 January 2013

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Reconciliation of net cash flow to movement in net debt

	Note	Year ended 31 January 2013 £	1 November 2010 to 31 January 2012 £
Increase/(decrease) in cash		<u>255,176</u>	<u>(241,757)</u>
Movement in net debt	22	255,176	(241,757)
Net funds at start of period	22	<u>1,361,751</u>	<u>1,603,508</u>
Net funds at end of period	22	<u><u>1,616,927</u></u>	<u><u>1,361,751</u></u>

Anness Publishing Limited

Notes to the Financial Statements for the Year Ended 31 January 2013

1 Accounting policies

Basis of preparation

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

Basis of consolidation

The group financial statements consolidate the financial statements of Anness Publishing Limited and its subsidiary undertakings Practical Pictures Limited and Book Trade Services Limited drawn up to 31 January 2013. No profit and loss account is presented for the company as permitted by section 408 of the Companies Act 2006.

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.

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.

Asset class	Amortisation method and rate
Positive goodwill	Straight line over 3 years
Negative goodwill	Straight line over 2 years

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:

Asset class	Depreciation method and rate
Leasehold properties	over the life of the lease
Fixtures, fittings, office & warehouse equipment	25% - 50% straight line
Computer equipment	25% - 50% straight line
Motor vehicles	20% - straight line

Anness Publishing Limited

Notes to the Financial Statements for the Year Ended 31 January 2013

Stock 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. In the year of acquisition 35% of the cost is taken to the profit and loss account. The remaining 65% of the cost is capitalised and amortised over 7 years, the period of expected revenue generation. The amortisation is charged 73% over 4 years, with 9% per year in the final 3 years.

This is a fundamental change in estimation technique from previous years where the policy was as stated:

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.

The directors are of the opinion that the change of estimation technique is a fundamental adjustment that should have taken place in previous years, due to technological advancements in the digitisation of books within the publishing industry. The amendment has therefore been treated as a prior year adjustment.

Deferred tax

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as required by FRS19.

Deferred tax is measured at the rates that are expected to apply in periods when the timing differences are expected to reverse, based on the rates and law enacted at the balance sheet date.

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.

Foreign currency

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.

Hire purchase and leasing

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Financial 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.

Pensions

The group operates a defined contribution pension scheme. Contributions are recognised in the profit and loss account in the period in which they become payable in accordance with the rules of the scheme.

Anness Publishing Limited

Notes to the Financial Statements for the Year Ended 31 January 2013

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 location is given below:

	Year ended 31 January 2013 £	1 November 2010 to 31 January 2012 £
UK	4,249,895	6,618,324
Rest of Europe	1,489,881	1,980,685
North America	2,368,774	3,938,390
Asia and Africa	892,630	1,011,931
Australia	1,644,907	830,673
	<u>10,646,087</u>	<u>14,380,003</u>

3 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	Year ended 31 January 2013 £	1 November 2010 to 31 January 2012 £
Operating leases - plant and machinery	11,765	42,080
Operating leases - land and buildings	442,734	832,454
Foreign currency gains	(135,114)	(93,070)
Loss on sale of tangible fixed assets	1,384	-
Depreciation of owned assets	57,047	77,650
Amortisation	-	(48,948)
Auditor's remuneration	38,000	62,000
Auditors remuneration - non audit services	55	13,144
Redundancy costs	<u>6,001</u>	<u>131,875</u>

Anness Publishing Limited
Notes to the Financial Statements for the Year Ended 31 January 2013

4 Auditor's remuneration

	Year ended 31 January 2013 £	1 November 2010 to 31 January 2012 £
Audit of the financial statements	38,000	52,000
Fees payable to the group's auditor and its associates for other services:		
Other services	-	10,000
	<u>38,000</u>	<u>62,000</u>

£33,000 (2012 - £47,000) of the fee for auditing the financial statements relates to the company.

5 Particulars of employees

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	Year ended 31 January 2013 No.	1 November 2010 to 31 January 2012 No.
Administration and support	20	21
Production	19	30
Sales, marketing and distribution	19	48
	<u>58</u>	<u>99</u>

The aggregate payroll costs were as follows:

	Year ended 31 January 2013 £	1 November 2010 to 31 January 2012 £
Wages and salaries	1,680,673	3,015,626
Social security costs	152,118	277,690
Staff pensions	77,206	116,484
	<u>1,909,997</u>	<u>3,409,800</u>

Anness Publishing Limited
Notes to the Financial Statements for the Year Ended 31 January 2013

6 Directors' remuneration

The directors' remuneration for the year was as follows:

	Year ended 31 January 2013 £	1 November 2010 to 31 January 2012 £
Remuneration (including benefits in kind)	490,231	711,433
Company contributions paid to money purchase schemes	<u>49,663</u>	<u>95,190</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	Year ended 31 January 2013 No.	1 November 2010 to 31 January 2012 No.
Accruing benefits under money purchase pension scheme	<u>4</u>	<u>4</u>

In respect of the highest paid director:

	Year ended 31 January 2013 £	1 November 2010 to 31 January 2012 £
Remuneration	107,328	168,306
Company contributions to money purchase pension schemes	<u>27,589</u>	<u>44,892</u>

7 Other interest receivable and similar income

	Year ended 31 January 2013 £	1 November 2010 to 31 January 2012 £
Bank interest receivable	<u>15</u>	<u>1,545</u>

8 Interest payable and similar charges

	Year ended 31 January 2013 £	1 November 2010 to 31 January 2012 £
Interest on bank borrowings	<u>1,414</u>	<u>2,326</u>

Anness Publishing Limited
Notes to the Financial Statements for the Year Ended 31 January 2013

9 Taxation

Tax on profit/(loss) on ordinary activities

	Year ended 31 January 2013 £	1 November 2010 to 31 January 2012 £
Current tax		
Corporation tax credit	-	(131,714)
Adjustments in respect of previous years	(2,796)	5,614
UK Corporation tax	(2,796)	(126,100)
 Current tax on income	 -	 5,130
	<u>(2,796)</u>	<u>(120,970)</u>
Deferred tax		
Origination and reversal of timing differences	(31,556)	(188,181)
Effect of changes in tax rates	87,040	-
Group deferred tax	55,484	(188,181)
Total tax on profit/(loss) on ordinary activities	<u>52,688</u>	<u>(309,151)</u>

Factors affecting current tax charge for the year

Tax on profit/(loss) on ordinary activities for the year is lower than (2012 - higher than) the standard rate of corporation tax in the UK of 24.33% (2012 - 26.66%).

The differences are reconciled below:

	Year ended 31 January 2013 £	(As restated) 1 November 2010 to 31 January 2012 £
Profit/(loss) on ordinary activities before taxation	463,201	(647,141)
Corporation tax at standard rate	112,697	(172,528)
Capital allowances in excess of depreciation	(642)	17,367
Expenses not deductible for tax purposes	10,341	885
Adjustments in respect of prior periods	(2,796)	5,614
Changes in provisions	26,151	-
Utilisation of tax losses	(148,547)	-
Variance in tax rates	-	110
Others	-	27,582
Total current tax	<u>(2,796)</u>	<u>(120,970)</u>

Anness Publishing Limited
Notes to the Financial Statements for the Year Ended 31 January 2013

10 Intangible fixed assets

Group

	Goodwill £	Patents £	Total £
Cost			
At 1 February 2012	168,028	(587,390)	(419,362)
At 31 January 2013	168,028	(587,390)	(419,362)
Amortisation			
At 1 February 2012	168,028	(587,390)	(419,362)
At 31 January 2013	168,028	(587,390)	(419,362)
Net book value			
At 31 January 2013	-	-	-
At 31 January 2012	-	-	-

Company

	Goodwill £	Total £
Cost		
At 1 February 2012	168,028	168,028
At 31 January 2013	168,028	168,028
Amortisation		
At 1 February 2012	168,028	168,028
At 31 January 2013	168,028	168,028
Net book value		
At 31 January 2013	-	-
At 31 January 2012	-	-

Anness Publishing Limited

Notes to the Financial Statements for the Year Ended 31 January 2013

11 Tangible fixed assets

Group

	Short leasehold land and buildings £	Fixtures, fittings, office & warehouse equipment £	Motor vehicles £	Computer equipment £	Total £
Cost or valuation					
At 1 February 2012	9,610	102,080	1,500	281,925	395,115
Additions	-	4,654	-	4,281	8,935
Disposals	(9,610)	-	-	(636)	(10,246)
At 31 January 2013	-	106,734	1,500	285,570	393,804
Depreciation					
At 1 February 2012	5,549	68,471	458	223,152	297,630
Charge for the year	2,677	26,031	108	28,232	57,048
Eliminated on disposals	(8,226)	-	-	-	(8,226)
At 31 January 2013	-	94,502	566	251,384	346,452
Net book value					
At 31 January 2013	-	12,232	934	34,186	47,352
At 31 January 2012	4,061	33,609	1,042	58,773	97,485

Anness Publishing Limited
Notes to the Financial Statements for the Year Ended 31 January 2013

Company

	Short leasehold land and buildings £	Fixtures, fittings, office & warehouse equipment £	Motor vehicles £	Computer equipment £	Total £
Cost or valuation					
At 1 February 2012	9,610	23,284	-	267,299	300,193
Additions	-	26,424	541	5,774	32,739
Disposals	(9,610)	-	-	-	(9,610)
At 31 January 2013	-	49,708	541	273,073	323,322
Depreciation					
At 1 February 2012	5,549	21,099	-	211,326	237,974
Charge for the year	2,677	15,876	108	27,561	46,222
Eliminated on disposals	(8,226)	-	-	-	(8,226)
At 31 January 2013	-	36,975	108	238,887	275,970
Net book value					
At 31 January 2013	-	12,733	433	34,186	47,352
At 31 January 2012	4,061	2,185	-	55,973	62,219

12 Investments held as fixed assets

Group

Other investments

	Unlisted investments £	Total £
Cost		
At 1 February 2012	262,920	262,920
At 31 January 2013	262,920	262,920
Net book value		
At 31 January 2013	262,920	262,920

Anness Publishing Limited
Notes to the Financial Statements for the Year Ended 31 January 2013

Company

	31 January 2013 £	31 January 2012 £
Other investments	<u>262,920</u>	<u>262,920</u>

The other unlisted investment relates to approximately 200,000 trees purchased in accordance with the UK Woodland Assurance Scheme. The investment was revalued on 19th July 2013 by FIM Services Limited. The current value is stated as £310,000.

Shares in group undertakings and participating interests

	Subsidiary undertakings £	Total £
Cost		
At 1 February 2012	<u>271,691</u>	<u>271,691</u>
At 31 January 2013	271,691	271,691
Provision for impairment		
At 1 February 2012	<u>271,691</u>	<u>271,691</u>
Net book value		
At 31 January 2013	<u>-</u>	<u>-</u>
At 31 January 2012	<u>-</u>	<u>-</u>

Other investments

	Unlisted investments £	Total £
Cost		
At 1 February 2012	<u>262,920</u>	<u>262,920</u>
At 31 January 2013	<u>262,920</u>	<u>262,920</u>
Net book value		
At 31 January 2013	<u>262,920</u>	<u>262,920</u>
At 31 January 2012	<u>262,920</u>	<u>262,920</u>

Anness Publishing Limited
Notes to the Financial Statements for the Year Ended 31 January 2013

Details of undertakings

Details of the investments in which the group holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings			
Practical Pictures Limited	Ordinary shares	100%	Dormant company
Book Trade Services Limited	Ordinary shares	100%	Book wholesaling. The Company ceased to trade on 30 June 2012

13 Stocks

	Group		Company	
	31 January 2013	(As restated) 31 January 2012	31 January 2013	(As restated) 31 January 2012
	£	£	£	£
Work in progress	2,040,939	2,165,242	2,040,939	2,165,242
Finished goods	6,123,623	6,499,025	6,123,623	6,499,025
	<u>8,164,562</u>	<u>8,664,267</u>	<u>8,164,562</u>	<u>8,664,267</u>

The directors have made a change to the estimation technique in respect of the amortisation of work in progress. This change has resulted in work in progress being reduced from the original value of £3,141,914 to the current value of £2,040,939 at 31st January 2013. Further detail is provided in note 19.

14 Debtors

	Group		Company	
	31 January 2013	31 January 2012	31 January 2013	31 January 2012
	£	£	£	£
Trade debtors	3,118,250	2,692,580	3,118,250	1,618,167
Amounts owed by group undertakings	-	-	-	1,381,334
Corporation tax recoverable	-	131,950	-	131,714
Other debtors	51,153	1,275,763	51,153	1,271,546
Deferred tax	379,717	435,201	379,717	435,201
Prepayments and accrued income	159,403	152,535	159,403	67,829
	<u>3,708,523</u>	<u>4,688,029</u>	<u>3,708,523</u>	<u>4,905,791</u>

Anness Publishing Limited

Notes to the Financial Statements for the Year Ended 31 January 2013

Deferred tax

The movement in the deferred tax asset in the year is as follows:

	Group £	Company £
At 1 February 2012	435,201	435,201
Deferred tax charged to the profit and loss account	<u>(55,484)</u>	<u>(55,484)</u>
At 31 January 2013	<u><u>379,717</u></u>	<u><u>379,717</u></u>

Analysis of deferred tax

Group

	31 January 2013 £	31 January 2012 £
Decelerated capital allowances	28,880	31,797
Tax losses	<u>350,837</u>	<u>403,404</u>
	<u><u>379,717</u></u>	<u><u>435,201</u></u>

Company

	31 January 2013 £	31 January 2012 £
Decelerated capital allowances	28,880	31,797
Tax losses	<u>350,837</u>	<u>403,404</u>
	<u><u>379,717</u></u>	<u><u>435,201</u></u>

In addition to the taxable losses provided, there are unrecognised taxable losses available to set off against future profits in the sum of £1,313,125.

15 Creditors: Amounts falling due within one year

	Group		Company	
	31 January 2013 £	31 January 2012 £	31 January 2013 £	31 January 2012 £
Trade creditors	2,082,168	3,336,917	2,082,168	3,251,193
Amounts owed to group undertakings	-	-	-	403,988
Other taxes and social security	41,316	397,390	41,316	45,888
Other creditors	143,337	-	143,337	-
Accruals and deferred income	<u>105,713</u>	<u>322,908</u>	<u>105,713</u>	<u>261,529</u>
	<u><u>2,372,534</u></u>	<u><u>4,057,215</u></u>	<u><u>2,372,534</u></u>	<u><u>3,962,598</u></u>

Anness Publishing Limited

Notes to the Financial Statements for the Year Ended 31 January 2013

Secured debts

Barclays Bank plc holds a debenture over whole group assets dated 15 December 2009 in respect of all monies outstanding to them. At the balance sheet date there were no monies outstanding.

16 Share capital

Allotted, called up and fully paid shares

	31 January 2013		31 January 2012	
	No.	£	No.	£
Ordinary of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

17 Reserves

Group

	Profit and loss account £	Total £
At 1 February 2012	12,589,031	12,589,031
Prior year adjustment	<u>(1,572,794)</u>	<u>(1,572,794)</u>
At 1 February 2012 as restated	11,016,237	11,016,237
Profit for the year	<u>410,513</u>	<u>410,513</u>
At 31 January 2013	<u><u>11,426,750</u></u>	<u><u>11,426,750</u></u>

Company

	Profit and loss account £	Total £
At 1 February 2012	12,589,030	12,589,030
Prior year adjustment	<u>(1,572,794)</u>	<u>(1,572,794)</u>
At 1 February 2012 as restated	11,016,236	11,016,236
Profit for the year	<u>410,514</u>	<u>410,514</u>
At 31 January 2013	<u><u>11,426,750</u></u>	<u><u>11,426,750</u></u>

Anness Publishing Limited
Notes to the Financial Statements for the Year Ended 31 January 2013

18 Reconciliation of movement in shareholders' funds

Group

	Year ended 31 January 2013 £	(As restated) 1 November 2010 to 31 January 2012 £
Profit/(loss) attributable to the members of the group	410,513	(337,990)
Net addition/(reduction) to shareholders' funds	410,513	(337,990)
Shareholders' funds at start of period (previously £12,590,031 before prior period adjustment of £1,572,794)	11,017,237	11,355,227
Shareholders' funds at end of period	<u>11,427,750</u>	<u>11,017,237</u>

Company

	Year ended 31 January 2013 £	(As restated) 1 November 2010 to 31 January 2012 £
Profit/(loss) attributable to the members of the company	410,514	(1,302,801)
Net addition/(reduction) to shareholders' funds	410,514	(1,302,801)
Shareholders' funds at start of period (previously £12,590,031 before prior period adjustment of £1,572,794)	11,017,236	12,320,037
Shareholders' funds at end of period	<u>11,427,750</u>	<u>11,017,236</u>

19 Prior period adjustments

The prior period adjustments relate to the following:

A change of estimation technique in respect of the amount of amortisation charged with regard to work in progress in the financial statements. The change was necessary because of technological advancements in the digitisation of books within the publishing industry. The adjustment has had the effect of decreasing the loss before tax for the year ended 31st January 2012 by £351,508 and decreasing the work in progress and net assets by £1,572,794.

20 Pension schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £77,206 (2012 - £116,484).

Anness Publishing Limited
Notes to the Financial Statements for the Year Ended 31 January 2013

21 Commitments

Operating lease commitments

Group

As at 31 January 2013 the group had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	31 January 2013 £	31 January 2012 £
Land and buildings		
Within one year	190,313	37,500
Within two and five years	64,000	40,000
Over five years	-	336,500
	<u>254,313</u>	<u>414,000</u>
Other		
Within one year	<u>1,440</u>	<u>-</u>

Company

As at 31 January 2013 the company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	31 January 2013 £	31 January 2012 £
Land and buildings		
Within one year	190,313	37,500
Within two and five years	64,000	40,000
Over five years	-	127,500
	<u>254,313</u>	<u>205,000</u>
Other		
Within one year	1,440	-
Over five years	-	-
	<u>1,440</u>	<u>-</u>

22 Analysis of net debt

	At 1 February 2012 £	Cash flow £	At 31 January 2013 £
Cash at bank and in hand	1,361,751	255,176	1,616,927
Net funds	<u>1,361,751</u>	<u>255,176</u>	<u>1,616,927</u>

Anness Publishing Limited

Notes to the Financial Statements for the Year Ended 31 January 2013

23 Related party transactions

The company has taken advantage of the exemption in FRS 8 not to disclose transactions with wholly owned subsidiaries.

24 Control

The company is controlled by Mr P Anness a director of the company.