

Anness Publishing Limited

Annual Report and Financial Statements

for the Year Ended 31 January 2014

Lambert Chapman LLP
Chartered Accountants and Registered Statutory Auditors
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Anness Publishing Limited
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Anness Publishing Limited

Company Information

Directors

P L Anness
J Lorenz
B J Worley
H Sudell

Company secretary

J Lorenz

Registered office

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Leicester
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Bankers

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Auditors

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Chartered Accountants and Registered Statutory Auditors
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CM7 3GB

Anness Publishing Limited
Strategic Report for the Year Ended 31 January 2014

The directors present their strategic report for the year ended 31 January 2014.

Results and dividends

- At the period end the company was holding £2.26m in cash, £0.65m up on the £1.61m at the end of the previous financial year. The company has no loans, mortgages or overdrafts
- Debtors (amounts owed to the company) were £2.61m at year end, and Creditors (amount owed by the company) were £1.27m
- The undistributed reserves of the company at 31 January 2014 totalled £10.86m, down from £11.43m at the end of the prior year.
- Company sales revenues were £7.72m, down from £10.53m in the previous financial year. Reduced turnover reflects the company budgets and strategy, which are currently built around activities which release cash, reduce physical inventories, and focus on increasing higher margin revenues in traditional trade channels. Many operations which generated high volumes of sales, but slender margins, are gradually being discontinued.
- Company Gross Profit for the period was £2.02m, down from £3.12m in the prior year.
- Overhead is down from £2.66m in the prior year to £2.59m this time. Structural changes made late in the 2013-2014 period will reduce overhead to below £2.0m in the 2014-2015 financial year.
- Company loss after tax for the period was £569,112. Company profit in the prior year was £410,514.
- No dividend is proposed for the period.

Principal Activities and Review of the Business

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

Key Events in the Period

In response to ongoing poor market conditions, rapid shifts in technology and digitisation, the wider economic situation and in reaction to customer failures and closures in Australia, the USA, the UK and elsewhere, the company continued to implement its plan to restructure to become a smaller, more flexible unit generating smaller sales volumes but higher margins. The plan involves reducing overhead in line with decreased sales expectations in the market, while rebalancing the efforts of the business onto full-priced Trade sales and Rights activities and Children's books, phasing down the Promotional (bargain) parts of the business and closing the chain of 12 retail shops that were part of the promotional mix.

By mid-2014, shortly after this year end, the final shop has been closed and overall employee numbers have been reduced from 48 to 30, delivering more than £500,000 additional overhead savings on 2013-2014 levels for the 2014-2015 year.

The 2013-2014 figures include £73,336 in bad and doubtful debts, despite maintaining a very expensive trade credit insurance policy, and over £50,000 in redundancy severance payments.

Work In Progress amortisation in the year was £982,929. As noted below it is the company's greatest challenge to amortise the historic weight of WIP from lower current gross profits and this is the key driver for the loss in the year.

Anness Publishing Limited
Strategic Report for the Year Ended 31 January 2014

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Major Challenges

- **Printing:** Changes in the Chinese economic environment mean this is no longer the ultra-competitively priced option it used to be for our manufacturing, consequently we are developing new print centres such as the Middle East and Europe. 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 also trying to innovate technically to design exciting products with new materials that deliver higher value - bricks and mortar outlets are favouring beautifully manufactured goods to help them create retail excitement and customer loyalty so they can have a unique sales offer in a world of digital delivery. The manufacturing area is an increasingly difficult challenge and historically achievable margins are likely to be threatened over the coming years, especially as perceived values for books and content are also under constant pressure.
- **Market Liquidity:** 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:** Some sections of the markets, including the independent bargain bookshop sector, have been shrinking with a momentum that is going to be hard to reverse. Small booksellers face 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.
- **Work In Progress Asset Amortisation:** The biggest issue confronting the company over the next 3-4 years is how to generate profits while needing to amortise very substantial amounts of historic asset, primarily Work In Progress. Five years ago the company had sales of close to £20.0m per annum and was spending well over £2.0m a year on product development. This created a Work In Progress asset of over £6.0m and annual write-offs approaching £2.0m. The change of scale of the business creates a huge challenge in being able to accommodate amortisation at this level, which is the one of the reasons that losses are being generated while the cash position continues to improve.

Sales in the Period

- **Trade Publishing:** This division had a good performance and was 12% up. Management's strategy was to focus on Trade publishing, with its lower volumes but much higher margins, given the 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 means 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.
- **Rights & Co-Editions:** Sales decreased by 10% from the previous year's £1.26m. Top line sales are impacted by the general transition from finished book contracts to licensing deals, and by customers pushing to take smaller and smaller quantities (so an average deal of 4,000-5,000 five years ago could be 1,500-2,000 now, if technology allows). The biggest influence on Rights sales is the generation of new titles, and this market can be reinvigorated when the company's creative budgets are increased again.
- **Promotional Publishing:** Following the loss of Borders and the complete drying up of liquidity in the bargain marketplace, Promotional sales continued to diminish dramatically. The decreases are accentuated by APL strategically keeping bargain editions away from customers with whom Trade publishing is being nurtured and promoted, resisting selling cheap editions in order to market the best quality versions at the greatest value. Over 85% of the reduction in turnover in the period is in this Promotional sector.
- **eBooks:** eBook sales rose during the period, but are still immaterial financially. Many of the company's eBooks retain high positions in sales charts, yet from 300 eBooks the company generated less than £3,000 per month in revenues. This represents roughly half a percent of the company's sales, compared to figures as high as 30% for black and white titles. There is no sign yet that adoption of illustrated books on eReaders is increasing.
- **Retail:** The company decided to exit the retail business completely and this is one of the factors in the drop in turnover versus last year.

Anness Publishing Limited
Strategic Report for the Year Ended 31 January 2014

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Funding and Cash Flow

Cash in the bank at the end of 31 January 2014 stood at £2.26m, up from £1.62m in 2013 and up from £1.08m at the 2012 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 will continue to accumulate, the company decided not to spend the substantial arrangement fees suggested for a bank overdraft facility that would not be used (together with extra fees for not using it). In fact the company has not used its overdraft for some years and had no plans to use it in the coming period. 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

Inventory began the year at a value of £6.12m and ended at £5.29m, and the reduction in stock was another contributor to the increase in cash on hand. For its decreasing size, the company is still carrying much more stock than it needs to achieve current sales. 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 remained unchanged. This meant an opening value of £2.04m and a closing value of £1.67m reflecting the reduction in investment levels.

Investment

The company maintained its dedication to the creation and maintenance of probably the best active illustrated book portfolio in the industry, which now stands at around 5,000 titles in print, and around 440,000 copyright-owned photo-images. Actual investment in new products for the year at 31 January 2014 was in the region of £600,000.

Management's estimate of total creative investment since 1997 is close to £33.5m, of which £31.85m is written off despite the fact that titles from the 1990s are still generating huge revenues annually. The intellectual property of the company 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 £3.96m at 31 January 2012, to £2.37m on January 31 2013, and now to £1.27m on January 31st 2014. This reflects the greatly reduced level of printed 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 a further adverse element in the changing China printing equation.

Debtors

Debtors ended the year at £2.61m down from £3.71m, reflecting the lower sales levels and the increased generation of licensing amounts, deposits and royalties paid in advance.

New technology

The company continued the development of its digital asset management system. Over 300,000 wholly-owned images are 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 company up to £1.0m 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.

The company is investing in a new customer-facing web-based rights sales system to display complete, fully readable versions of all its 5,000 titles accessible to all clients at all times (a kind of permanent digital trade book fair). Substantial progress has been achieved in 2014 with completion and full implementation anticipated in 2015.

Summary

This was a year where sales fell more quickly than overhead was reduced. The budgeted structural changes were made but took longer than planned, and therefore happened too late in the year to deliver the savings required in the period. The new cost levels will create the opportunity for a more profitable year in 2014-2015.

Focusing on the Trade businesses, with lower volumes and higher prices, has eased the historic stresses caused by currency fluctuations, commodity prices and shipping costs. The core Trade and Children's parts of the business are growing steadily with particularly good performances in the USA.

Anness Publishing Limited
Strategic Report for the Year Ended 31 January 2014

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Cash and the balance sheet are strong, the challenge for the business is to replace customers that are closing or declining with new sales accounts; and to find and develop new channels and markets to replace the traditional channels that are being sidelined and diminished by the digital evolution and new technologies: management is very positive that this can be achieved.

The additional overhead savings created for 2014-2015 will allow a bigger proportion of contribution margin to be invested in refreshing and enlivening the asset portfolio at a faster rate, in new categories, and in new formats: this was vitally necessary if the business was not to stagnate. Now the company can feed the Trade and Rights businesses with a continuously replenished sales offering over the next three to five years and that is the key to regenerating the business.

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 company has well over 3,000 backlist physical book titles suitable to convert to eBooks, and around 300 eBook titles are now made and available on 3-4 different platforms, but the value delivered on a monthly basis is less than half a percent of company sales.

The concern is that the book trade's overwhelming focus on digital delivery is destroying a lot of the old infrastructures in physical book sales, so the illustrated genre is caught between diminishing shelf-space available in traditional bookstores, and an inability to transition to the new methods at the same rate as other publishing sectors. It has been queried when or whether consumers will be happy to pay viable or sustainable amounts for illustrated reference, food and practical content. This raises the question, where will tested, edited, curated professional content come from in future, and who will invest in publishing projects that can cost £100,000 and more for a single title if it is hard to achieve a reasonable payback for generating it. This question is behind the one-off write down in Work In Progress values prudently determined by management.

The company is nurturing its new Children's publishing imprint, Armadillo, built on 740 titles purchased in the takeover of Bookmart, combined with over 700 existing Anness children's books and augmented by 300 children's copyrights purchased from top UK packager Tucker Slingsby to add to this mix in 2013-2014. 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 company'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 company inventory investment. Currently POD pricing is prohibitive in the context of the company's competitive price-point 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 company does not have material exposure to liquidity or investment risks and hedges its main exposure to revenues denominated in foreign currencies by arranging, as far as is practical, to pay for purchases in matching currencies and taking out forward contracts to cover the balance.

The company has minimal exposure to interest rate risk other than in relation to reduced earnings on deposits.

The company's manufacturing suppliers are principally in China and the Middle East, and this represents around 60% of all the company's costs. The company 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 company's main customers continued to experience difficult trading conditions in 2013-2014 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 company has taken appropriate steps to mitigate the associated risks where credit insurance is no longer available but has to operate with a higher degree of risk than in the past because of the wholesale removal of cover by the company's credit insurers from many book retailers and wholesalers in the UK and abroad. The company cancelled all forms of credit insurance in 2013-2014 and will be managing this risk area in more traditional ways for the future but this inevitably will mean a cautious approach to some markets and territories.

Anness Publishing Limited
Strategic Report for the Year Ended 31 January 2014

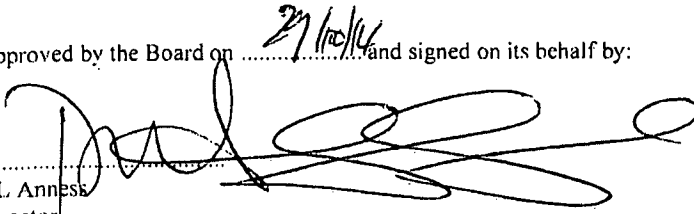
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Going Concern

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 company's continuing strong balance sheet and its available cash reserves (£3.3m in the bank in October 2014).

Approved by the Board on 27/10/14 and signed on its behalf by:

.....
P L Anness
Director

A large, stylized handwritten signature in black ink, written over a horizontal dotted line. The signature is cursive and appears to be 'P L Anness'.

Anness Publishing Limited
Directors' Report for the Year Ended 31 January 2014

The directors present their report and the financial statements for the year ended 31 January 2014.

Directors of the company

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

P L Anness

J Lorenz

B J Worley

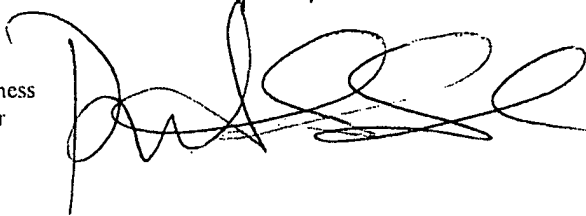
H Sudell

Disclosure of information to the auditor

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 company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditor is unaware of.

Approved by the Board on 29/10/14 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 company and of the profit or loss of the company 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; 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 company's transactions and disclose with reasonable accuracy at any time the financial position of 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 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 2014, set out on pages 10 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 Statement of Directors' Responsibilities (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 (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 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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 company's affairs as at 31 January 2014 and of its loss 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.


Sean Wiegand FCA (Senior Statutory Auditor)
for and on behalf of Lambert Chapman LLP
Statutory Auditor
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Essex
CM7 3GB

Date: 29.10.2014

Anness Publishing Limited
Profit and Loss Account for the Year Ended 31 January 2014

	Note	2014 £	2013 £
Turnover	2	7,724,802	10,526,753
Cost of sales		<u>(5,705,068)</u>	<u>(7,410,654)</u>
Gross profit		2,019,734	3,116,099
Administrative expenses		<u>(2,588,777)</u>	<u>(2,656,541)</u>
Operating (loss)/profit	3	(569,043)	459,558
Other interest receivable and similar income	6	934	5,058
Interest payable and similar charges	7	<u>(35)</u>	<u>(1,414)</u>
(Loss)/profit on ordinary activities before taxation		(568,144)	463,202
Tax on (loss)/profit on ordinary activities	8	<u>(968)</u>	<u>(52,688)</u>
(Loss)/profit for the financial year	16	<u><u>(569,112)</u></u>	<u><u>410,514</u></u>

Turnover and operating profit derive wholly from continuing operations.

Anness Publishing Limited

Statement of Total Recognised Gains and Losses for the Year Ended 31 January 2014

	Note	2014 £	2013 £
(Loss)/profit for the financial year		(569,112)	410,514
Prior year adjustment	18	-	(1,572,794)
Total recognised gains and losses since last annual report		<u>(569,112)</u>	<u>(1,162,280)</u>

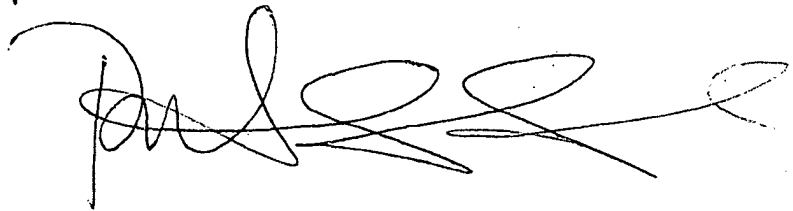
The notes on pages 14 to 23 form an integral part of these financial statements.

Anness Publishing Limited
Balance Sheet as at 31 January 2014

	Note	2014 £	2013 £
Fixed assets			
Tangible fixed assets	10	19,396	47,352
Investments	11	<u>262,920</u>	<u>262,920</u>
		<u>282,316</u>	<u>310,272</u>
Current assets			
Stocks	12	6,965,526	8,164,562
Debtors	13	2,614,833	3,708,523
Cash at bank and in hand		<u>2,262,057</u>	<u>1,616,927</u>
		11,842,416	13,490,012
Creditors: Amounts falling due within one year	14	<u>(1,266,094)</u>	<u>(2,372,534)</u>
Net current assets		<u>10,576,322</u>	<u>11,117,478</u>
Net assets		<u>10,858,638</u>	<u>11,427,750</u>
Capital and reserves			
Called up share capital	15	1,000	1,000
Profit and loss account	16	<u>10,857,638</u>	<u>11,426,750</u>
Shareholders' funds	17	<u>10,858,638</u>	<u>11,427,750</u>

Approved by the Board on 29/10/14 and signed on its behalf by:

P L Anness
Director



Anness Publishing Limited
Cash Flow Statement for the Year Ended 31 January 2014

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

	2014 £	2013 £
Operating (loss)/profit	(569,043)	459,558
Depreciation, amortisation and impairment charges	32,226	46,222
Loss on disposal of fixed assets	-	1,384
Decrease in stocks	1,199,036	499,705
Decrease in debtors	1,092,722	1,010,070
Decrease in creditors	(1,106,440)	(1,590,064)
Net cash inflow from operating activities	<u>648,501</u>	<u>426,875</u>

Cash flow statement

	2014 £	2013 £
Net cash inflow from operating activities	<u>648,501</u>	<u>426,875</u>
Returns on investments and servicing of finance		
Interest received	934	5,058
Interest paid	<u>(35)</u>	<u>(1,414)</u>
	899	3,644
Taxation received	-	134,510
Capital expenditure and financial investment		
Purchase of tangible fixed assets	<u>(4,270)</u>	<u>(32,739)</u>
Net cash inflow before management of liquid resources and financing	<u>645,130</u>	<u>532,290</u>
Increase in cash	<u>645,130</u>	<u>532,290</u>

Reconciliation of net cash flow to movement in net debt

	Note	2014 £	2013 £
Increase in cash		<u>645,130</u>	<u>532,290</u>
Movement in net debt	21	645,130	532,290
Net funds at 1 February	21	<u>1,616,927</u>	<u>1,084,637</u>
Net funds at 31 January	21	<u>2,262,057</u>	<u>1,616,927</u>

Anness Publishing Limited
Notes to the Financial Statements for the Year Ended 31 January 2014

1 Accounting policies

Basis of preparation

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

Exemption from preparing group accounts

As permitted by section 406 of the Companies Act 2006, the two subsidiary undertakings have been excluded from the consolidation of Anness Publishing Limited, as their inclusion is not considered material for the purpose of giving a true and fair view of the parent company's financial statements for the year ended 31st January 2014.

Due to the above, the comparative figures have changed. The comparative figures included in these financial statements are those of Anness Publishing Limited as a company, rather than those of Anness Publishing Limited as a group, as filed for the year ended 31 January 2013.

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 company's strong balance sheet and its available cash reserves.

Turnover

Revenue is recognised to the extent that the company 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.

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. Positive goodwill is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Amortisation

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

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Depreciation method and rate
Leasehold Properties	over the life of the lease
Fixtures, fittings and equipment	25-50% per annum
Computer equipment	25-50% per annum
Motor vehicles	20% per annum

Investments

Fixed asset investments are stated at cost less provision for diminuation 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.

Anness Publishing Limited
Notes to the Financial Statements for the Year Ended 31 January 2014

Deferred tax

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

Deferred tax assets are recognised only to the extent that the directors consider that it more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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.

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.

Financial instruments

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates during the year.

Where a forward currency contract is outstanding at the year end then monetary assets and liabilities relating to the forward contract are translated at the forward contract rate.

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.

2 Turnover

During the year 63.63% of the company's turnover related to exports (2013 - 48.44%).

An analysis of turnover by geographical location is given below:

	2014 £	2013 £
UK	2,809,170	5,427,106
Rest of Europe	1,224,920	1,323,467
North America	2,491,077	2,330,011
Asia and Africa	750,497	669,316
Australia	449,138	776,853
	<u>7,724,802</u>	<u>10,526,753</u>

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Notes to the Financial Statements for the Year Ended 31 January 2014

3 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2014 £	2013 £
Operating leases - plant and machinery	-	5,045
Operating leases - land and buildings	345,507	299,903
Foreign currency losses/(gains)	56,357	(135,114)
Loss on sale of tangible fixed assets	-	1,384
Depreciation of owned assets	32,226	46,222
Auditor's remuneration	19,800	33,000
Auditors remuneration - non audit services	1,487	55
Redundancy costs	<u>77,389</u>	<u>6,001</u>

4 Particulars of employees

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

	2014 No.	2013 No.
Administration and support	16	20
Editorial and production	18	19
Sales, marketing and distribution	<u>14</u>	<u>19</u>
	<u>48</u>	<u>58</u>

The aggregate payroll costs were as follows:

	2014 £	2013 £
Wages and salaries	1,337,575	1,476,011
Social security costs	132,843	138,003
Staff pensions	<u>33,085</u>	<u>76,981</u>
	<u>1,503,503</u>	<u>1,690,995</u>

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5 Directors' remuneration

The directors' remuneration for the year was as follows:

	2014 £	2013 £
Remuneration (including benefits in kind)	382,093	490,231
Company contributions paid to money purchase schemes	<u>22,072</u>	<u>49,663</u>

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

	2014 No.	2013 No.
Accruing benefits under money purchase pension scheme	<u>3</u>	<u>4</u>

In respect of the highest paid director:

	2014 £	2013 £
Remuneration	112,980	115,410
Company contributions to money purchase pension schemes	<u>12,975</u>	<u>12,975</u>

6 Other interest receivable and similar income

	2014 £	2013 £
Bank interest receivable	934	15
Other interest receivable	<u>-</u>	<u>5,043</u>
	<u>934</u>	<u>5,058</u>

7 Interest payable and similar charges

	2014 £	2013 £
Interest on bank borrowings	<u>35</u>	<u>1,414</u>
	<u>35</u>	<u>1,414</u>

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8 Taxation

Tax on (loss)/profit on ordinary activities

	2014 £	2013 £
Current tax		
Adjustments in respect of previous years	-	(2,796)
Deferred tax		
Origination and reversal of timing differences	968	(31,556)
Effect of changes in tax rates	-	87,040
Total deferred tax	968	55,484
Total tax on (loss)/profit on ordinary activities	968	52,688

Factors affecting current tax charge for the year

Tax on (loss)/profit on ordinary activities for the year is higher than (2013 - lower than) the standard rate of corporation tax in the UK of 20% (2013 - 20%).

The differences are reconciled below:

	2014 £	2013 £
(Loss)/profit on ordinary activities before taxation	(568,144)	463,202
Corporation tax at standard rate	(113,629)	92,640
Capital allowances in excess of depreciation	(1,242)	(528)
Non taxable income	-	(444)
Expenses not deductible for tax purposes	1,719	8,835
Adjustments for prior periods	-	(2,796)
General provisions	(2,616)	21,497
Unrelieved tax losses carried forward	115,768	-
Utilisation of tax losses	-	(120,989)
Group relief	-	(1,011)
Total current tax	-	(2,796)

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9 Intangible fixed assets

	Positive Goodwill £	Total £
Cost		
At 1 February 2013	168,028	168,028
At 31 January 2014	168,028	168,028
Amortisation		
At 1 February 2013	168,028	168,028
At 31 January 2014	168,028	168,028
Net book value		
At 31 January 2014	-	-
At 31 January 2013	-	-

10 Tangible fixed assets

	Fixtures and fittings £	Motor vehicles £	Office equipment £	Total £
Cost or valuation				
At 1 February 2013	49,708	541	273,073	323,322
Additions	-	-	4,270	4,270
At 31 January 2014	49,708	541	277,343	327,592
Depreciation				
At 1 February 2013	36,975	108	238,887	275,970
Charge for the year	4,615	217	27,394	32,226
At 31 January 2014	41,590	325	266,281	308,196
Net book value				
At 31 January 2014	8,118	216	11,062	19,396
At 31 January 2013	12,733	433	34,186	47,352

Anness Publishing Limited
Notes to the Financial Statements for the Year Ended 31 January 2014

11 Investments held as fixed assets

	2014 £	2013 £
Other investments	<u>262,920</u>	<u>262,920</u>

The investment was revalued as at 19th July 2014 by FIM Services Limited. The valuation provided states the current value as £335,000.

Other investments

	Other investments £	Total £
Cost		
At 1 February 2013	<u>262,920</u>	<u>262,920</u>
At 31 January 2014	<u>262,920</u>	<u>262,920</u>
Net book value		
At 31 January 2014	<u>262,920</u>	<u>262,920</u>
At 31 January 2013	<u>262,920</u>	<u>262,920</u>

Shares in group undertakings and participating interests

	Subsidiary undertakings £	Total £
Cost		
At 1 February 2013	<u>271,691</u>	<u>271,691</u>
At 31 January 2014	<u>271,691</u>	<u>271,691</u>
Provision for impairment		
At 1 February 2013	<u>271,691</u>	<u>271,691</u>
At 31 January 2014	<u>271,691</u>	<u>271,691</u>
Net book value		
At 31 January 2014	<u>-</u>	<u>-</u>
At 31 January 2013	<u>-</u>	<u>-</u>

Details of undertakings

Details of the investments in which the company 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			
Book Trade Services Ltd	Ordinary	100%	Dormant
Practical Pictures Ltd	Ordinary	100%	Dormant

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12 Stocks

	2014 £	2013 £
Work in progress	1,670,717	2,040,939
Finished goods	5,294,809	6,123,623
	<u>6,965,526</u>	<u>8,164,562</u>

The company has consignment stock agreements with suppliers in the ordinary course of business. In the opinion of the directors the value of such stock at cost, which is excluded from the balance sheet in accordance with the application notes within FRS5, amounted to £251,915 (2013:£726,815).

13 Debtors

	2014 £	2013 £
Trade debtors	2,093,740	3,118,250
Other debtors	25,915	51,153
Deferred tax	378,749	379,717
Prepayments and accrued income	116,429	159,403
	<u>2,614,833</u>	<u>3,708,523</u>

Deferred tax

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

Analysis of deferred tax

	2014 £	2013 £
Difference between accumulated depreciation and amortisation and capital allowances	27,803	28,880
Tax losses available	350,946	350,837
	<u>378,749</u>	<u>379,717</u>

In addition to the taxable losses provided, there are unrecognised taxable losses available to set off against future profits in the sum of £1,896,859.

14 Creditors: Amounts falling due within one year

	2014 £	2013 £
Trade creditors	1,010,894	2,082,168
Other taxes and social security	-	41,316
Other creditors	70,374	143,337
Accruals and deferred income	184,826	105,713
	<u>1,266,094</u>	<u>2,372,534</u>

Barclays Bank Plc holds an all monies debenture over the whole group's assets dated 15 December 2009.

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15 Share capital

Allotted, called up and fully paid shares

	2014		2013	
	No.	£	No.	£
Ordinary of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

16 Reserves

	Profit and loss account £	Total £
At 1 February 2013	11,426,750	11,426,750
Loss for the year	<u>(569,112)</u>	<u>(569,112)</u>
At 31 January 2014	<u>10,857,638</u>	<u>10,857,638</u>

17 Reconciliation of movement in shareholders' funds

	2014 £	2013 £
(Loss)/profit attributable to the members of the company	<u>(569,112)</u>	<u>410,514</u>
Net (reduction)/addition to shareholders' funds	<u>(569,112)</u>	<u>410,514</u>
Shareholders' funds at 1st February 2013	<u>11,427,750</u>	<u>11,017,236</u>
Shareholders' funds at 31st January 2014	<u>10,858,638</u>	<u>11,427,750</u>

18 Prior period adjustments

The prior period adjustment relates 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 increasing the profit 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.

19 Pension schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £33,085 (2013 - £76,981).

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20 Commitments

Operating lease commitments

As at 31 January 2014 the company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	2014 £	2013 £
Land and buildings		
Within one year	69,230	190,313
Within two and five years	64,000	64,000
	<u>133,230</u>	<u>254,313</u>
Other		
Within one year	<u>-</u>	<u>1,440</u>

21 Analysis of net debt

	At 1 February 2013 £	Cash flow £	At 31 January 2014 £
Cash at bank and in hand	1,616,927	645,130	2,262,057
Net funds	<u>1,616,927</u>	<u>645,130</u>	<u>2,262,057</u>

22 Control

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