

SC295049

FLB Group Limited

Report and Financial Statements

31 January 2011

WEDNESDAY



SQVW0YBI

SCT

12/10/2011

529

COMPANIES HOUSE

Directors

G Presly
G Raw
D Gregson
T Ashlin

Secretary

D M Company Services Limited

Auditors

Ernst & Young LLP
G1 5 George Square
Glasgow
G2 1DY

Bankers

Royal Bank of Scotland
36 St Andrew Square
Edinburgh EH2 2YB

Solicitors

Dickson Minto WS
16 Charlotte Square
Edinburgh EH2 4DF

Registered Office

16 Charlotte Square
Edinburgh
Midlothian
EH2 4DF

Chief Executive's report

For the 12 month period to 31st January 2011 the Group generated operating profits of £5.3m. This compares to £7.2m for the period to 31st January 2010 and represents a 26% reduction year on year and a 9.5% return on sales compared to 12.6% last year. We are disappointed with this financial performance which marks the second consecutive year of decline in sales and profitability. Since the global economic events in 2008 retail sales and promotional product sales have lagged behind expectations and costs of raw materials, commodities and Far East procured products have escalated significantly. The combination of these factors has put pressure on margins and profitability. In the Filofax business we also had some severe supply chain issues due to one of our suppliers in the Far East ceasing to trade at short notice. This put pressure on product availability for several months and as a result affected sales. In addition we incurred significant extra airfreighting and product resource costs. The profit effect of these severe issues we estimate to be in the region of £1m.

Pre-tax profits generated in the year were £4.2m compared to the prior year at £5.9m. This result was achieved after charging £1.1m of interest costs compared to £1.4m of interest costs last year and represents a £1.7m (28%) reduction in pre-tax profits. The business however continues to be highly cash generative with cash inflows from operating activities only £0.5m below prior year. During the year we repaid £5.1m of our senior debt compared to our scheduled repayments of £2.3m.

Sales of £55.7m were 2.7% lower than sales in the previous 12 month trading period. Like for like sales were 1% behind prior year in Letts and 2.7% behind in Filofax. The UK, France, Germany and the USA all held total sales at least level with prior year and Italy, Sweden, Denmark and Canada showed small declines. It was our International distributor division which had the toughest times, Japan and Greece because of external economic factors with Switzerland and Australia suffering with excess inventories preventing purchase levels to be in line with expectations. Russia and the Czech Republic showed good growth. Similarly to prior year it was sales of discretionary items which were disappointing. Sales of wallets, leather goods and bags declined with diary refills sales solid and Letts bound book sales +6%. Again this demonstrates a robust core demand for our paper products.

In the Letts business sales were 1% down overall year on year. Another year of significant growth in our overseas retail markets was offset by a soft UK retail market and a declining promotional sector with companies cutting back on marketing expenditure. In the middle of the year Letts had to rapidly reorganise its distribution arrangements due to BemroseBooth, its UK promotional diary distributor, going into administration.

Margins in the Group came under pressure with paper costs increasing by around 17% year on year. Costs of outsourced products from the Far East increased by over 10% as the cost of materials, labour and shipping all increased quite dramatically. Our supply chain and availability issues led us to spend more year on year on air freight costs. Stocks levels were maintained at prior year levels in terms of working capital. Bad debt exposure was limited to British Book Shops and Borders in the USA (total £74k). Our debt collection overall has again been excellent.

Operating expenses and overheads were controlled well. This financial year marked the first year of direct control of our warehousing operations in Crick (previously subcontracted to Ryder Logistics) with annualised costs of £1m. Like for like operating expenses and overheads were less than prior year.

Capital expenditure of £487k was committed during the year on a wide variety of key projects across the subsidiary network. This compares to £796k in the previous year.

Our business plans were put together for the 2011/12 financial year with the expectation of a form of upswing in consumer confidence. Global events since the turn of the year in New Zealand, Japan and the Middle East have damaged this expectation however and any pending consumer 'feelgood' factor has been lost due to the concern and uncertainty created by these world-changing events. In the UK the current imbalance between pay awards and the rate of inflation is forcing consumers to be even more value conscious than previously and ever more discerning about purchasing discretionary items. On a more positive note however our Group was successful in winning the licence to produce diaries,

Chief Executive's report

organisers and notebooks for the London 2012 Olympics and we have high hopes for the sales potential of this range. In the middle of 2011 our new product concept from Filofax called 'Flex by Filofax' will be launched after two years of development. We anticipate this 'non ringbound' product to grow into a mainstream revenue contributor for the Filofax Group with many of its 'book components' being manufactured in the Letts factory in Dalkeith.

So although we see generally tough economic times ahead and a choppy retail environment, we have continued to innovate and invest in new product development which will generate our sales growth. Our marketing expenditure and brand investment will also increase in 2011 which means that our profit expectations are similar for this year to what we actually achieved in 2010/11.

2011/12 will be another challenging year for the retail sector overall and for FLB Group. We have the plans and resources in place however to remain operationally robust and emerge from these difficult times in strong shape.

Gordon A Presly

Group Executive Chairman

May 2011

Directors' report

The directors present their report and financial statements for the year ended 31 January 2011.

Results and dividends

The group profit for the year after taxation amounted to £2,548,000 (2010 – profit of £3,677,000). The directors do not recommend the payment of a dividend (2010 – £nil).

Principal activity and the review of the business

The principal activity of the company is that of a parent company. The activities of its major subsidiary companies comprise the publication of diaries from origin to sale, the distribution of time management products and the manufacture and sale of stationery products.

A review of developments affecting the group during the year and its prospects for the future appears in the Chief Executive's report on page 2.

Future developments

A review of future prospects for the group appears in the Chief Executive's report on page 2.

Going concern

The group's business activities, together with the factors likely to affect its future development and its financial position are described in the Chief Executive's report on pages 2 to 3. The group's financial risk management policies for managing interest rate, foreign currency and liquidity risks are set out below.

The group has considerable financial resources and a loyal customer base across different geographic areas. As a consequence, the directors believe the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors

The directors who served during the year were as follows:

G Presly
G Raw
D Gregson
T Ashlin

Principal risks and uncertainties

The group's principal financial instruments comprise cash, short term deposits, borrowings and forward currency contracts, the main purpose of which is to provide finance for its normal operations and to reduce the impact of currency exchange rate movements on trading results.

The group has various other financial instruments such as trade debtors and creditors that arise directly from its trading operations.

The main risks arising from the group's financial instruments are interest rate risk, foreign currency risk and liquidity risk. The group has clear policies for managing each of these risks, as summarised below.

Directors' report (continued)

Principal risks and uncertainties (continued)

Interest rate risk

The group holds cash balances on floating rate short-term deposit and maintains borrowings, where this is considered to be commercially appropriate. The group's policy is to monitor the level of these balances to ensure that funds are available as required recognising that interest earnings and costs will be subject to interest rate fluctuations. The group has an interest rate cap on a proportion of the bank loans to limit exposure to increases in interest rates.

Foreign currency risk

The group buys and sells goods denominated in currencies other than sterling. The group manages receipts and payments through the operation of other denominated currency bank accounts. As a result of the value of the group's non-sterling revenues, purchases, financial assets and liabilities, cash flows can be affected significantly by movements in exchange rates.

The group seeks to mitigate its exposure to currency movements by entering into forward currency contracts, denominated in the same currency as the operating funds flow, to match a proportion of the material exposures anticipated in the business. The forward contracts are entered into on the basis of regularly updated forecast information on the level of trading in each denominated currency.

Liquidity risk

The group aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets. Investment is carefully controlled, with authorisation limits operating at different levels up to group board level.

Creditors' payment policy

It is the group policy that payments to suppliers are made in accordance with those terms and conditions agreed between the group and its suppliers, providing that all trading terms and conditions have been complied with.

Employee involvement

As a key part of the group's philosophy, we place great importance on involving our staff in our operations. Regular briefing meetings are held through which we seek to keep staff informed and involved in the progress and performance of the group.

Employment of disabled persons

The group has an established policy of encouraging the employment of disabled persons wherever this is practicable. In compliance with current legislation the group, when undertaking recruitment, seeks to give equal treatment to disabled persons and endeavours to ensure that disabled employees benefit from training and career development programmes in common with all other employees. The group's policy includes, where practicable, the continued employment of those who become disabled during their employment.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware. Having made enquiries of fellow directors and the group's auditors, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Directors' report (continued)

Auditors

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

Approved by the Board



G Raw
Director
Date: 25 May 2011

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 then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 auditors' report

to the members of FLB Group Limited

We have audited the financial statements of FLB Group Limited for the year ended 31 January 2011 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, and the related notes 1 to 24. 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 auditors

As explained more fully in the Directors' Responsibilities Statement 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent 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 Chief Executives Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 January 2011 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.

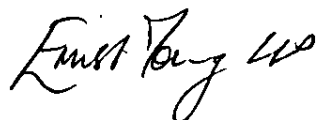
Independent auditors' report

to the members of FLB Group Limited

Matters on which we are required to report by exception

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

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



James Douglas Nisbet (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Glasgow

25 May 2011

Group profit and loss account

for the year ended 31 January 2011

	Notes	2011 £000	2010 £000
Turnover	2	55,689	57,238
Change in stocks of finished goods and work in progress		(130)	(1,526)
		55,559	55,712
Net operating expenses before exceptional items	3	(50,247)	(48,351)
Exceptional items	3	—	(163)
		—	(163)
Operating profit	3	5,312	7,198
(Loss)/Gain on disposal of fixed assets		(1)	5
		5,311	7,203
Profit on ordinary activities before interest		5,311	7,203
Interest receivable and similar income		14	12
Interest payable and similar charges	6	(1,129)	(1,361)
		4,196	5,854
Profit on ordinary activities before taxation		4,196	5,854
Tax	7	(1,648)	(2,177)
		2,548	3,677
Profit for the financial year		2,548	3,677

Group statement of total recognised gains and losses

for the year ended 31 January 2011

	Note	2011 £000	2010 £000
Profit for the financial year		2,548	3,677
Currency translation differences on foreign currency investments	19	239	6
		2,787	3,683
Total recognised gains and losses		2,787	3,683

Group balance sheet

at 31 January 2011

	Notes	2011 £000	2010 £000
Fixed assets			
Goodwill	9	21,786	23,297
Tangible assets	10	6,890	7,131
		<u>28,676</u>	<u>30,428</u>
Current assets			
Stocks	12	7,603	7,395
Debtors	13	9,445	7,990
Cash at bank and in hand		5,180	5,686
		<u>22,228</u>	<u>21,071</u>
Creditors: amounts falling due within one year	14	(11,533)	(10,944)
Net current assets		<u>10,695</u>	<u>10,127</u>
Total assets less current liabilities		<u>39,371</u>	<u>40,555</u>
Creditors: amounts falling due after one year	15	(21,321)	(25,289)
Provisions for liabilities	17	(327)	(330)
Net assets		<u>17,723</u>	<u>14,936</u>
Capital and reserves			
Called up share capital	18	1,000	1,000
Other reserves	19	16,851	16,612
Profit and loss account	19	(128)	(2,676)
Shareholders' funds	19	<u>17,723</u>	<u>14,936</u>

Approved by the Board



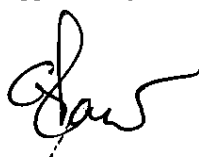
G Raw
Director
Date: 25 May 2011

Company balance sheet

at 31 January 2011

	Notes	2011 £000	2010 £000
Fixed assets			
Investments	11	46,420	46,420
Current assets			
Debtors	13	25,921	15,722
Cash at bank and in hand		1,672	253
		27,593	15,975
Creditors: amounts falling due within one year	14	(1,261)	(2,324)
Net current assets		26,332	13,651
Total assets less current liabilities		72,752	60,071
Creditors: amounts falling due after more than one year	15	(50,190)	(46,752)
Net assets		22,562	13,319
Capital and reserves			
Called up share capital	18	1,000	1,000
Profit and loss account	19	6,562	(2,681)
Other reserve	19	15,000	15,000
Shareholders' funds	19	22,562	13,319

Approved by the Board



G Raw
Director
Date: 25 May 2011

Group statement of cash flows

for the year ended 31 January 2011

	Notes	2011 £000	2010 £000
Net cash inflow from operating activities	20	7,718	8,225
Returns on investments and servicing of finance	21	(1,004)	(1,238)
Tax			
Corporation tax paid		(1,037)	(2,299)
Overseas tax paid		(403)	(436)
Capital expenditure and financial investment	21	(487)	(791)
Acquisitions and disposals	21	—	—
Net cash inflow before management of liquid resources and financing		4,787	3,461
Financing			
Repayment of long-term loans		(5,135)	(4,082)
Decrease in cash	22	(348)	(621)

Reconciliation of net cash flow to movement in net (debt)/funds

	Note	2011 £000	2010 £000
Decrease in cash		(348)	(621)
Repayment of long term loans		5,135	4,082
Change in net debt resulting from cash flows	22	4,787	3,461
Amortisation of finance costs		(110)	(109)
Exchange difference		26	6
Opening net debt at 1 February 2010	22	4,703 (22,124)	3,358 (25,482)
Closing net debt at 31 January 2011	22	(17,421)	(22,124)

Notes to the financial statements

at 31 January 2011

1. Accounting policies

Basis of preparation

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

Group financial statements

The group financial statements incorporate the financial statements of the company and its subsidiaries for the year to 31 January 2011. No profit and loss account is presented for FLB Group Limited as permitted by section 408 of the Companies Act 2006.

Goodwill

Goodwill arising on consolidation, being the excess of the fair value of the purchase consideration over the fair value of the net assets of subsidiaries at the date of acquisition, is capitalised and amortised over twenty years, which is the directors' estimate of its useful economic life. It is reviewed for impairment at the end of the first full year following the acquisition and in other periods if events or changes in circumstances indicate that carrying value may not be recoverable.

Goodwill purchased is amortised over twenty years, which is the directors' estimate of its useful economic life.

Tangible fixed assets

Property, plant and machinery is stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on cost, less the residual value, in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold property	—	40 years
Short leasehold property	—	Over period of lease
Plant and machinery	—	3 to 10 years
Fixtures and fittings	—	5 to 10 years

No depreciation is provided on land.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

Revenue recognition

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods

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.

Dividends

Revenue is recognised when the group's right to receive payment is established.

Notes to the financial statements

at 31 January 2011

1. Accounting policies (continued)

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Current taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted by the balance sheet date.

Deferred taxation

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

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 31 January 2011

1. Accounting policies (continued)

Foreign currencies

Foreign currency transactions are translated at the rate prevailing at the date of the transaction. Gains and losses on translation are taken to the profit and loss account in the period in which they arise. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. Translation differences are dealt with in the profit and loss account.

The financial statements of subsidiary undertakings are translated into sterling on consolidation on the following basis:

- profit and loss account items at the average rate of exchange during the period or, where forward contracts have been taken out to hedge the results of the overseas subsidiary undertakings, at contracted rates; and
- assets and liabilities at the rate ruling at the balance sheet date or, if appropriate, the forward contract rate.

Exchange differences arising on the translation of the opening net investment and the results for the year are recorded as movements on reserves.

Leasing and hire purchase commitments

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Pensions

The group operates Group Personal Pension Plans. Contributions into these defined contribution plans are accounted for as they arise.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Provision for liabilities

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Borrowing costs

Borrowing costs are capitalised and amortised over the term of the loan in equal annual instalments.

Interest rate cap

- The group has an interest rate cap on a proportion of the bank loans to limit exposure to increases in interest rates. The interest rate cap is not re-valued to fair value or shown on the group balance sheet at the year end.

Notes to the financial statements

at 31 January 2011

2. Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the group's ordinary activities after deduction of trade discounts and Value Added Tax.

The analysis of turnover in terms of destination is as follows:

	2011 £000	2010 £000
America	5,490	5,673
Europe	20,830	22,087
Far East	1,005	1,041
United Kingdom	26,741	26,528
Rest of world	1,623	1,909
	<u>55,689</u>	<u>57,238</u>

In the opinion of the directors disclosure by class of business would be seriously prejudicial to the interests of the company.

3. Cost of sales and operating expenses

	2011 £000	2010 £000
Raw materials and consumables	16,947	15,810
Other external charges	11,002	10,824
Staff costs (note 5)	17,845	17,975
Depreciation and other amounts written off tangible and intangible fixed assets	2,237	2,308
Rentals under operating leases – plant and machinery	533	525
– other	1,569	1,081
Auditors' remuneration – Group audit services	128	130
– Company audit services	5	5
– Non-audit services	49	44
– Other services	75	64
Gain on foreign exchange translation	(131)	(403)
Release of government grant	(12)	(12)
	<u>50,247</u>	<u>48,351</u>
Exceptional items		
Termination costs	–	163

4. Directors' emoluments

	2011 £000	2010 £000
Emoluments	314	314
Directors' fees	50	50
Pension contributions	43	42
	<u>407</u>	<u>406</u>

Directors' emoluments include salaries, bonuses, taxable allowances and benefits in kind.

Notes to the financial statements

at 31 January 2011

4. Directors' emoluments (continued)

	2011 £000	2010 £000
Remuneration of highest paid director:		
Emoluments	184	184
Pension contributions	25	25
	<u>209</u>	<u>209</u>
	2011 No.	2010 No.
Number of directors who are members of defined contribution pension scheme	2	2

Directors' fees were paid to Phoenix Equity Partners Limited in respect of the services of D Gregson – £25,000 (2010 – £25,000) and T Ashlin – £25,000 (2010 – £25,000). Phoenix Equity Partners is a related party of the company as it is a named party in the subscription agreement for shares in the company.

5. Staff costs

	2011 £000	2010 £000
Wages and salaries	15,270	15,445
Social security costs	2,114	2,076
Pension costs	461	454
	<u>17,845</u>	<u>17,975</u>

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

	No.	No.
Production	267	258
Sales and distribution	136	142
Administration	95	95
	<u>498</u>	<u>495</u>

6. Interest payable and similar charges

	2011 £000	2010 £000
Bank loans and overdrafts	961	1,192
Amortisation of finance costs	110	109
Other	58	60
	<u>1,129</u>	<u>1,361</u>

Notes to the financial statements

at 31 January 2011

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2011 £000	2010 £000
<i>Current tax:</i>		
UK corporation tax charge for the year	1,433	2,029
Adjustments in respect of prior years	(8)	(4)
Double taxation relief	(80)	(133)
ACT	–	(16)
Total	1,345	1,876
Overseas tax	331	337
Total current tax (note 7(b))	1,676	2,213
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(28)	(36)
Tax on charge on ordinary activities	1,648	2,177

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

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

	2011 £000	2010 £000
Profit on ordinary activities before tax	4,196	5,854
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2010 – 28%)	1,175	1,639
<i>Effects of:</i>		
Expenses not deductible for tax purposes	625	403
Accelerated capital allowances	13	(8)
Other timing differences	1	1
Double taxation relief	(80)	(133)
Overseas income	–	331
ACT written off	–	(16)
Tax losses utilised	(56)	–
ADP dividend	6	–
Adjustments in respect of prior years	(8)	(4)
Current tax for the year	1,676	2,213

Notes to the financial statements

at 31 January 2011

7. Tax (continued)

(c) Factors that may affect future tax charges

It was announced in the Budget of 23 March 2011 that the UK corporation tax rate will reduce by 2% from 1 April 2011 and thereafter by 1% per year from 1 April 2012 for three years, bringing the corporation tax rate down to 23% from 1 April 2014. There is also a proposed reduction in the main and special rates of capital allowances to 18% and 8% respectively for accounting periods ending after April 2012. These changes will affect the amount of future cash tax payments to be made by the company.

8. Parent company profit and loss account

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The profit dealt with in the financial statements of the parent company is £9,243,000 (2010 – £922,000 loss).

9. Intangible fixed assets

<i>Group</i>	<i>Goodwill £000</i>
Cost:	
At 31 January 2010 and 31 January 2011	30,246
Accumulated amortisation:	
At 31 January 2010	6,949
Charge for the year	1,511
At 31 January 2011	8,460
Net book value:	
At 31 January 2011	21,786
At 31 January 2010	23,297

Goodwill arising on the acquisition of Letts Filofax Group Limited is being amortised evenly over the directors' estimate of its useful economic life of 20 years.

Notes to the financial statements

at 31 January 2011

10. Tangible fixed assets

Group

	<i>Freehold property £000</i>	<i>Short leasehold property £000</i>	<i>Plant and machinery £000</i>	<i>Fixtures and fittings £000</i>	<i>Total £000</i>
Cost or valuation:					
At 1 February 2010	4,319	317	18,447	1,445	24,528
Additions	—	—	434	53	487
Disposals	—	(6)	(54)	—	(60)
Exchange movement	—	—	22	6	28
At 31 January 2011	4,319	311	18,849	1,504	24,983
Accumulated depreciation:					
At 1 February 2010	130	187	15,769	1,311	17,397
Charge for the year	34	23	615	54	726
Disposals	—	(6)	(53)	—	(59)
Exchange movement	—	—	22	7	29
At 31 January 2011	164	204	16,353	1,372	18,093
Net book value:					
At 31 January 2011	4,155	107	2,496	132	6,890
At 1 February 2010	4,189	130	2,678	134	7,131

11. Investments

Company

	<i>Shares in subsidiary undertakings £000</i>
Cost and net book value	
At 31 January 2010 and 31 January 2011	46,420

Notes to the financial statements

at 31 January 2011

11. Investments (continued)

Details of the investments in which the group and the company (unless indicated) holds 20% or more of the nominal value of any class of share capital are as follows:

<i>Name of company</i>	<i>Proportion of nominal value of issued share capital held %</i>
Letts Filofax Group Limited	100
FLB Properties Limited	100
Charles Letts Group Limited*	100
Charles Letts (Holdings) Limited**	100
Charles Letts & Co Limited **	100
Charles Letts (Canada) Limited **	100
Filofax Group Limited *	100
Filofax Limited ***	100
Filofax A/S ***	100
Filofax AB ***	100
Filofax GmbH ***	100
Filofax Hong Kong Limited ***	100
Filofax France SARL ***	100
Filofax Italia SRI ***	100
Drakes Office Systems Limited ***	100
Filofax, Inc*	100
Filofax Retail, Inc ****	100
Filofax Via Mail, Inc ****	100

*held indirectly through Letts Filofax Group Limited

** held indirectly through Charles Letts Group Limited

*** held indirectly through Filofax Group Limited

****held indirectly through Filofax, Inc

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
Letts Filofax Group Limited	Scotland	Investment holding
FLB Properties Limited	Scotland	Property holding
Charles Letts Group Limited	Scotland	Investment holding
Charles Letts (Holdings) Limited	England	Investment holding
Charles Letts & Co Limited	Scotland	Publication of diaries from origin to sale
Charles Letts (Canada) Limited	England	Sale of diaries and stationery products in Canada
Filofax Group Limited	England	Investment holding
Filofax Limited	England	Supply of stationery products
Filofax A/S	Denmark	Supply of stationery products
Filofax AB	Sweden	Supply of stationery products
Filofax GmbH	Germany	Supply of stationery products
Filofax Hong Kong Limited	Hong Kong	Supply of stationery products
Filofax France SARL	France	Supply of stationery products
Filofax Italia SRI	Italy	Supply of stationery products
Drakes Office Systems Limited	England	Supply of stationery products
Filofax, Inc	USA	Supply of stationery products
Filofax Retail, Inc	USA	Supply of stationery products
Filofax Via Mail, Inc	USA	Supply of stationery products

Notes to the financial statements

at 31 January 2011

12. Stocks

<i>Group</i>	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
Raw materials and consumables	966	628
Work-in-progress	1,022	995
Finished goods and goods for resale	5,615	5,772
	<u>7,603</u>	<u>7,395</u>

13. Debtors

	<i>2011</i> <i>Group</i> <i>£000</i>	<i>2011</i> <i>Company</i> <i>£000</i>	<i>2010</i> <i>Group</i> <i>£000</i>	<i>2010</i> <i>Company</i> <i>£000</i>
Trade debtors	7,934	–	6,689	–
Other debtors	552	–	462	–
Prepayments and accrued income	959	–	839	1
	<u>9,445</u>	<u>–</u>	<u>7,990</u>	<u>1</u>
Due after more than one year: Amounts owed by group undertakings	–	25,921	–	15,721
	<u>9,445</u>	<u>25,921</u>	<u>7,990</u>	<u>15,722</u>

14. Creditors: amounts falling due within one year

	<i>2011</i> <i>Group</i> <i>£000</i>	<i>2011</i> <i>Company</i> <i>£000</i>	<i>2010</i> <i>Group</i> <i>£000</i>	<i>2010</i> <i>Company</i> <i>£000</i>
Bank overdrafts	25	–	209	–
Bank loans (note 16)	1,255	1,255	2,312	2,312
Trade creditors	4,524	–	3,009	–
Corporation tax	727	–	503	–
Other taxes and social security	1,043	–	1,040	–
Accruals and deferred income	3,959	6	3,871	12
	<u>11,533</u>	<u>1,261</u>	<u>10,944</u>	<u>2,324</u>

15. Creditors: amounts falling due after more than one year

	<i>2011</i> <i>Group</i> <i>£000</i>	<i>2011</i> <i>Company</i> <i>£000</i>	<i>2010</i> <i>Group</i> <i>£000</i>	<i>2010</i> <i>Company</i> <i>£000</i>
Bank loans (note 16)	21,321	21,321	25,289	25,289
Amounts owed to group undertakings	–	28,869	–	21,463
	<u>21,321</u>	<u>50,190</u>	<u>25,289</u>	<u>46,752</u>

Notes to the financial statements

at 31 January 2011

16. Loans

Group and Company

	2011 £000	2010 £000
Bank loans	22,795	27,930
Less arrangement costs	(219)	(329)
	<u>22,576</u>	<u>27,601</u>
Analysis		
Bank loans		
– Within one year	1,365	2,340
– Between one and two years	1,430	2,730
– Between two and five years	20,000	22,860
– After five years	–	–
	<u>22,795</u>	<u>27,930</u>

The bank loans are secured by a standard security, shares pledges, debentures and floating charges over all the assets of the group undertakings registered in England and Scotland except Charles Letts (Canada) Limited. In addition there is a composite guarantee by each group undertaking except Charles Letts (Canada) Limited in favour of the bank.

In notes 14 and 15 the carrying values of the bank loans are stated net of arrangement costs of £110,000 (2010 – £28,000) and £109,000 (2010 – £301,000) respectively, which will be amortised over the term of the bank loan.

17. Provisions for liabilities

Group

	Deferred tax £000	Dilapidations £000	Total £000
Balance at 1 February 2010	176	154	330
Profit and loss account charge	(38)	35	(3)
Balance at 31 January 2011	<u>138</u>	<u>189</u>	<u>327</u>

Notes to the financial statements

at 31 January 2011

17. Provisions for liabilities (continued)

The amounts of deferred taxation provided and unprovided are as follows:

Group

	<i>Provided</i>	<i>2011 Not provided</i>	<i>Provided</i>	<i>2010 Not provided</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Capital allowances in advance of depreciation	118	(1)	136	(1)
Other timing differences	(11)	(2)	(11)	(2)
Losses carried forward	–	(210)	–	(274)
Other	–	–	10	–
Deferred tax liability/(asset)	<u>107</u>	<u>(213)</u>	<u>135</u>	<u>(277)</u>

Included in the balance sheet as follows:

	<i>2011 £000</i>	<i>2010 £000</i>
Included in debtors (note 13)	(31)	(41)
Included in provisions for liabilities and charges	138	176
	<u>107</u>	<u>135</u>

The deferred tax asset of £31,000 is included in debtors as it is likely the Group company will continue to trade profitably in the future and these amounts will be recovered. The unprovided deferred tax asset principally arises from capital losses carried forward which should be available to be recovered against any capital gains in future years.

The deferred tax liability provided is not offset against the unprovided deferred tax asset as the liability arises in one Group company and cannot be offset against the deferred tax asset arising in a different Group company.

Company

There is no provided or unprovided deferred tax in the company.

Dilapidations

The provision for dilapidation payments is for dilapidation claims in respect of premises occupied by subsidiary undertakings. The timing of future payments is uncertain.

Notes to the financial statements

at 31 January 2011

18. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>2011 £'000</i>	<i>No.</i>	<i>2010 £'000</i>
A Ordinary shares of £1 each	822,609	823	822,609	823
B Ordinary shares of £1 each	177,391	177	177,391	177
		<u>1,000</u>		<u>1,000</u>

Any sums that the company may resolve to distribute are apportioned to the A and B Ordinary shareholders on a pro rata basis.

On a return of capital, any surplus is distributed to the A and B Ordinary shareholders on a pro rata basis.

Each holder of the A and B ordinary shares is entitled to one vote per share held, subject to certain provisions for default periods and restrictions defined in the Company's Articles of Association.

19. Reconciliation of shareholders' funds and movements on reserves

<i>Group</i>	<i>Called up equity share capital £000</i>	<i>Share premium £000</i>	<i>Capital redemption reserve £000</i>	<i>Foreign exchange translation £000</i>	<i>Profit and loss account £000</i>	<i>Total share- holders' funds £000</i>
At 31 January 2010	1,000	13,500	1,500	1,612	(2,676)	14,936
Profit for the year	–	–	–	–	2,548	2,548
Foreign exchange differences on the translation of net equity	–	–	–	239	–	239
At 31 January 2011	<u>1,000</u>	<u>13,500</u>	<u>1,500</u>	<u>1,851</u>	<u>(128)</u>	<u>17,723</u>
<i>Company</i>	<i>Called up equity share capital £000</i>	<i>Share premium £000</i>	<i>Capital redemption reserve £000</i>	<i>Foreign exchange translation £000</i>	<i>Profit and loss account £000</i>	<i>Total share- holders' funds £000</i>
At 31 January 2010	1,000	13,500	1,500	–	(2,681)	13,319
Profit for the year	–	–	–	–	9,243	9,243
At 31 January 2011	<u>1,000</u>	<u>13,500</u>	<u>1,500</u>	<u>–</u>	<u>6,562</u>	<u>22,562</u>

Notes to the financial statements

at 31 January 2011

20. Notes to the statement of cash flows

	2011 £000	2010 £000
Operating Profit	5,312	7,198
Depreciation and impairment of tangible fixed assets	726	797
Net goodwill amortisation	1,511	1,511
Other non cash movements	231	(74)
Deferred government grants realised	(12)	(12)
(Increase)/decrease in stock	(208)	1,484
(Increase)/decrease in debtors	(1,466)	800
Increase/(decrease) in creditors	1,624	(3,479)
Net cash inflow from operating activities.	7,718	8,225

21. Analysis of cash flows

	2011 £000	2010 £000
Returns on investments and servicing of finance:		
Interest received	16	14
Interest paid	(1,020)	(1,252)
	(1,004)	(1,238)
Capital expenditure and financial investment:		
Payments to acquire tangible fixed asset	487	796
Proceeds on disposal of fixed assets	-	(5)
	487	791

22. Analysis of net debt

	At 1 February 2010 £000	Cash flow £000	Exchange £000	Other non cash movement £000	At 31 January 2011 £000
Cash at bank and in hand	5,686	(532)	26	-	5,180
Bank overdraft	(209)	184	-	-	(25)
	5,477	(348)	26	-	5,155
Debt due within one year	(2,312)	2,340	-	(1,283)	(1,255)
Debt due after one year	(25,289)	2,795	-	1,173	(21,321)
	(22,124)	4,787	26	(110)	17,421

Notes to the financial statements

at 31 January 2011

23. Other financial commitments

Capital commitments

There were no capital commitments at 31 January 2011 (2010 – £nil).

Operating lease commitments

Group

	2011		2010	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£000	£000	£000	£000
<i>Leases which expire:</i>				
Within one year	154	21	120	66
Within two to five years	785	399	805	359
After more than five years	243	1	111	–
	<u>1,182</u>	<u>421</u>	<u>1,036</u>	<u>425</u>

Company

The company has no operating lease commitments.

24. Related party transactions

The group paid directors' fees of £50,000 (2010 – £50,000) to Phoenix Equity Partners Limited in respect of the services of D Gregson – £25,000 (2010 – £25,000) and T Ashlin – £25,000 (2010 – £25,000). Phoenix Equity Partners is a related party of the company as it is a named party in the subscription agreement for shares in the company.

The company has taken advantage of the exemption available under Financial Reporting Standard 8 with regard to the non-disclosure of transactions between group companies.