

FLB Group Limited

Report and Financial Statements

31 January 2012

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COMPANIES HOUSE

FLB Group Limited

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 2012 the Group generated operating profits of £3.24m. This compares to £5.3m for the period to 31st January 2011 and represents a 6.1% return on sales compared to 9.5% last year. This marks the third consecutive year of very tough trading for the Group across its global operations. Since the global economic events in 2008, retail sales and promotional product sales have been under pressure with costs of raw materials, commodities and Far East procured products increasing significantly. 2009 saw the first severe downturn in consumer demand. Although there was a slight uplift in early 2010 with retailers replenishing depleted stock levels, this was not matched by a corresponding uplift in consumer purchases. General retail stock levels in early 2011 were therefore higher than expected with the resultant slowdown in retailer stock purchases. Consumer confidence in the UK throughout 2011 was extremely fragile and unexpectedly we then witnessed a similar situation emerging in our main Eurozone markets from midway through Q3 as the Greek financial crisis became more and more acute. Our previously robust businesses in France and Germany experienced a downturn at this time with retailers putting the brakes on purchasing of stock through Q4.

Pre-tax profits generated in the year were £2.13m compared to prior year at £4.2m. This result was achieved after charging £1.12m of interest costs compared to £1.13m last year. The business however continues to be cash generative with cash inflows of £3.0m compared to £4.8m last year. During the year we repaid £7.1m of our senior debt compared to a budget of £2.8m, our scheduled repayments of £1.4m and prior year of £5.1m.

Sales of £52.9m were 5.1% lower than sales in the previous 12 month trading period. Like for like sales were 2% ahead of prior year in Letts and 6.7% behind in Filofax. In Filofax the main problem areas were in the UK, Japan, Australia, Greece and Denmark. France and Italy were solid until mid way through Q3 with sales in Germany flat to last year. Growth was generated in Sweden, USA, Russia, Switzerland, Singapore and the UAE. Sales of wallets, leather goods and bags declined with conference folders growing. Refills sales also declined in the year. Demand for case bound books remained strong however with Letts overseas sales +9%. Our new Flex by Filofax range generated over £1m of sales in its first year. Again this demonstrates a robust core demand for our paper based products which make up 90% of Group sales with personal accessories contributing 2% and writing instruments 8% (including third party distribution for Lamy in the USA and Cross in Scandinavia). Internet sales now account for 10% of Group revenues and are an increasingly significant channel for the business.

In the Letts business sales were 2% up overall year on year. Another year of significant growth in our overseas retail markets was offset by a slightly softer UK retail market and a continued but marginal decline in promotional sector sales. Our new Noteletts range of products was launched.

Margins in the Group came under pressure with costs of raw materials increasing by around 5%. Costs of outsourced products from the Far East continued to increase by high single digit percentages as the cost of materials continued to escalate along with the significant increases in labour rates in Southern China. The differentials between producing certain product lines in China compared to our UK facility have narrowed and in 2012 we will bring production of around half a million books back to the Letts plant in Dalkeith.

Operating expenses and overheads were £558k higher than prior year at £31.8m. This was due to increased costs of marketing in Filofax, all of which were linked to PR spend on 'Project Relevance' in the UK. This has resulted in Filofax collaborating with the famous UK based designer, Alice Temperley to launch ranges of products in 2012.

Although labour costs were flat to prior year we took a layer of senior management out of Filofax during Q4 for cost reduction purposes. This resulted in exceptional redundancy costs of £249k and provides us with a leaner and flatter team to enable quicker commercial decision taking and more efficient execution of our business plans in the UK.

Capital expenditure of £1.23m was committed during the year on a wide variety of key projects across the subsidiary network. This spend compares to £487k in the previous year.

Chief executive's report (continued)

Our business plans for the 2011/12 financial year were over optimistic. Retailer and consumer confidence did not improve and we have assumed 'more of the same' for 2012/13. With that in mind we have set a 'flat' sales and profit budget for the new financial year. We have taken several senior managers out of the cost equation and have a number of structural cost saving measures being evaluated on the basis that the top line Group sales level is going to be difficult to grow significantly over the next couple of years. We have plenty of new product ideas and initiatives in the pipeline to generate 'new sales'. However some of our product lines and channels are in decline along with our retail base where small specialist independent retailers are going out of business. E commerce activity becomes even more important for the Group and more resource and investment is planned for this area which has shown its ability to grow significantly year on year.

2012/13 will be another challenging year for the global retail sector overall. We need to control costs, continue to innovate and also be prepared to change course as regularly as required to suit the ever changing economic conditions which face us.

Gordon A Presly

Group Executive Chairman

29 March 2012

Registered No. SC295049

Directors' report

The directors present their report and the group financial statements for the year ended 31 January 2012.

Results and dividends

The group profit for the year after taxation amounted to £873,000 (2011 – profit of £2,548,000). The directors do not recommend a final dividend (2011 – £nil).

Principal activity and review of the business

The principal activity of the company is that of a parent undertaking. 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.

Principal risks and uncertainties

The company has identified the principal risks that it faces as:

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.

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.

Directors' report (continued)

Principal risks and uncertainties (continued)

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.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future and be able to meet its liabilities as they fall due.

The directors have set out their due consideration of going concern in note 1 to the financial statements.

Directors

The directors who served the company during the year were as follows:

G Presly	D Gregson
G Raw	T Ashlin

Disabled employees

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.

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.

Policy and practice on payment of creditors

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.

Disclosure of information to the auditors

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

On behalf of the Board

A handwritten signature in black ink, appearing to be 'G Raw', written in a cursive style.

G Raw
Director

29 March 2012

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial 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 company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 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 2012 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Statement Cash Flows, and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 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 undertaking's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the 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 parent undertaking's affairs as at 31 January 2012 and of its group's profits 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.

Emphasis of matter - Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

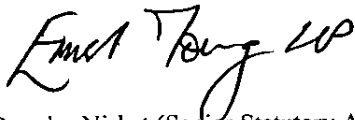
Independent auditors' report

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, 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.



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

29 March 2012

Group profit and loss account

for the year ended 31 January 2012

	Notes	2012 £000	2011 £000
Turnover	2	52,874	55,689
Change in stocks of finished goods and work in progress		<u>2,236</u>	<u>(130)</u>
		55,110	55,559
Net operating expenses before exceptional items	3	(51,573)	(50,247)
Exceptional items	3	<u>(299)</u>	<u>—</u>
Operating Profit	3	3,238	5,312
Loss on disposal of fixed assets		<u>—</u>	<u>(1)</u>
		3,238	5,311
Profit on ordinary activities before interest		13	14
Interest receivable and similar income			
Interest payable and similar charges	6	<u>(1,119)</u>	<u>(1,129)</u>
		2,132	4,196
Profit on ordinary activities before taxation			
Tax	7	<u>(1,259)</u>	<u>(1,648)</u>
Profit for the financial year	19	<u>873</u>	<u>2,548</u>

All amounts relate to continuing activities.

Group statement of total recognised gains and losses

for the year ended 31 January 2012

	Note	2012 £000	2011 £000
Profit for the financial year		873	2,548
Currency translation differences on foreign currency investments	19	<u>(308)</u>	<u>239</u>
Total recognised gains and losses		<u>565</u>	<u>2,787</u>

Group balance sheet

at 31 January 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Goodwill	9	20,275	21,786
Tangible assets	10	7,242	6,890
		<u>27,517</u>	<u>28,676</u>
Current assets			
Stocks	12	9,714	7,603
Debtors	13	7,431	9,445
Cash at bank and in hand		1,744	5,180
		<u>18,889</u>	<u>22,228</u>
Creditors: amounts falling due within one year	14	(12,114)	(11,533)
Net current assets		<u>6,775</u>	<u>10,695</u>
Total assets less current liabilities		34,292	39,371
Creditors: amounts falling due after one year	15	(15,700)	(21,321)
Provisions for liabilities	17	(304)	(327)
Net assets		<u>18,288</u>	<u>17,723</u>
Capital and reserves			
Called up share capital	18	1,000	1,000
Other reserves	19	16,543	16,851
Profit and loss account	19	745	(128)
Shareholders' funds	19	<u>18,288</u>	<u>17,723</u>



G Raw
Director

29 March 2012

Company balance sheet

at 31 January 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Investments	11	46,420	46,420
Current assets			
Debtors	13	26,065	25,921
Cash at bank and in hand		—	1,672
		26,065	27,593
Creditors: amounts falling due within one year	14	(524)	(1,261)
Net current assets		25,541	26,332
Total assets less current liabilities		71,961	72,752
Creditors: amounts falling due after more than one year	15	(50,198)	(50,190)
Net assets		21,763	22,562
Capital and reserves			
Called up share capital	18	1,000	1,000
Profit and loss account	19	5,763	6,562
Other reserve	19	15,000	15,000
Shareholders' funds	19	21,763	22,562

Approved by the Board



G Raw
Director
29 March 2012

Group statement of cash flows

for the year ended 31 January 2012

	Notes	2012 £000	2011 £000
Net cash inflow from operating activities	20(a)	6,586	7,718
Returns on investments and servicing of finance	20(b)	(881)	(1,004)
Tax			
Corporation tax paid		(1,122)	(1,037)
Overseas tax paid		(385)	(403)
Capital expenditure and financial investment	20(b)	(1,233)	(487)
Acquisitions and disposals	20(b)	—	—
Net cash inflow before management of liquid resources and financing		2,965	4,787
Financing			
Repayment of long-term loans		(7,095)	(5,135)
Decrease in cash	20(c)	<u>(4,130)</u>	<u>(348)</u>

Reconciliation of net cash flow to movement in net debt

	Notes	2012 £000	2011 £000
Decrease in cash		(4,130)	(348)
Repayment of long-term loans		7,095	5,135
Change in net debt resulting from cash flows	20(c)	2,965	4,787
Amortisation of finance costs		(219)	(110)
Exchange difference		118	26
		<u>2,864</u>	<u>4,703</u>
Opening net debt at 1 February 2011	20(c)	(17,421)	(22,124)
Closing net debt at 31 January 2012	20(c)	<u>(14,557)</u>	<u>(17,421)</u>

Notes to the financial statements

at 31 January 2012

1. Accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future and be able to meet its liabilities as they fall due.

Due to the seasonal nature of the company's business, revolving banking facilities are in place with a limit of £13m, upon which the company is dependent in order to meet its liabilities to fund its ongoing operating costs and seasonal working capital. The facility is not required around the financial year end in January. Typically, utilisation of the facility builds up over the summer and autumn months, with a peak in borrowing requirements around September each year. Utilisation then reduces in the following months in line with the height of the company's trading activity. The existing facility is due to expire at the end of January 2013.

The directors are yet to enter into negotiations with regard to securing a similar facility beyond 31 January 2013. Nevertheless, the directors have a reasonable expectation that the company has adequate available funds to meet its forecast cash requirements and meet all banking covenant requirements for at least the next 12 months from the date of approval of these financial statements. The consolidated group continues to be a consistently profit making business, demonstrably generating a cash surplus after the service of debt, and the directors believe it will continue to be so for the 2012-13 financial year.

The directors of FLB Group Limited have acknowledged that, due to the seasonal nature of the company's business and its typical impact on working capital requirements, it is appropriate to consider a period extending beyond 12 months after the date of approving the financial statements. This is consistent with the terms of FRS18 and the FRC guidance (Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009). On this basis, the fact that the company has not, at present, secured a working capital facility beyond 31 January 2013 requires the directors to currently conclude that there exists a material uncertainty that may cast significant doubt upon the ability of the company to continue as a going concern if the company was unable to negotiate a renewed working capital facility prior to March 2013. Nevertheless, on the basis of the factors outlined above, the directors believe that the company will be able to continue in operational existence for the foreseeable future and meet its liabilities as they fall due. For these reasons, the directors believe it is appropriate to continue to adopt a going concern basis of accounting in preparing the financial statements.

These financial statements do not include any adjustments that might arise if the going concern basis for the preparation of the financial statements was not appropriate.

Group financial statements

The group financial statements incorporate the financial statements of the company and its subsidiaries for the year to 31 January 2012. 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.

Notes to the financial statements

at 31 January 2012

1. Accounting policies (continued)

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
Flex display stands	–	3 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.

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.

Notes to the financial statements

at 31 January 2012

1. Accounting policies (continued)

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.

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.

Notes to the financial statements

at 31 January 2012

1. Accounting policies (continued)

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.

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:

	2012 £000	2011 £000
America	5,212	5,490
Europe	20,130	20,830
Far East	747	1,005
United Kingdom	25,197	26,741
Rest of world	1,588	1,623
	<u>52,874</u>	<u>55,689</u>

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

Notes to the financial statements

at 31 January 2012

3. Operating profit

This is stated after charging/(crediting):

	2012	2011
	£000	£000
Auditors' remuneration		
– group audit services	128	128
– company audit services	5	5
– non-audit services	47	49
Depreciation and other amounts written off tangible and intangible fixed assets	2,376	2,237
Raw materials and consumables	17,476	16,947
Other external charges	12,117	11,002
	17,704	17,845
Rentals under operating leases		
– plant and machinery	459	533
– other	1,492	1,644
Gain on foreign exchange translation	(219)	(131)
Release of government grant	(12)	(12)
	<u>51,573</u>	<u>50,247</u>
Exceptional items		
Termination costs	249	-
Strategic review	50	-
	<u>299</u>	<u>-</u>

4. Directors' remuneration

	2012	2011
	£000	£000
Remuneration	327	314
Directors' fees	50	50
Pension contributions	44	43
	<u>421</u>	<u>407</u>

Directors' remuneration includes salaries, bonuses, taxable allowances and benefits in kind.

	2012	2011
	£000	£000
Remuneration of highest paid director:		
Remuneration	195	184
Pension contributions	27	25
	<u>222</u>	<u>209</u>

Notes to the financial statements

at 31 January 2012

4. Directors' remuneration (continued)

	2012 No.	2011 No.
Members of defined contribution pension schemes	<u>2</u>	<u>2</u>

Directors' fees were paid to Phoenix Equity Partners Limited in respect of the services of D Gregson – £25,000 (2011 – £25,000) and T Ashlin – £25,000 (2011 – £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

	2012 £000	2011 £000
Wages and salaries	15,180	15,270
Social security costs	2,076	2,114
Pension costs	448	461
	<u>17,704</u>	<u>17,845</u>

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

	No.	No.
Production	264	267
Sales and distribution	126	136
Administration	98	95
	<u>488</u>	<u>498</u>

6. Interest payable and similar charges

	2012 £000	2011 £000
Bank loans and overdrafts	856	961
Amortisation of finance costs	219	110
Other	44	58
	<u>1,119</u>	<u>1,129</u>

Notes to the financial statements

at 31 January 2012

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2012 £000	2011 £000
<i>Current tax:</i>		
UK corporation tax on the profit for the year	1,078	1,433
Adjustments in respect of prior years	(10)	(8)
Double taxation relief	(61)	(80)
Total	1,007	1,345
Overseas tax	272	331
Total current tax (note 7(b))	1,279	1,676
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(17)	(28)
Effect of changes in tax rates on opening balance	(3)	–
Tax on profit on ordinary activities	1,259	1,648

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 26.3% (2011 – 28%). The differences are explained below:

	2012 £000	2011 £000
Profit on ordinary activities before tax	2,132	4,196
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.3% (2011 – 28%)	561	1,175
<i>Effects of:</i>		
Expenses not deductible for tax purposes	458	625
Decelerated capital allowances	12	13
Other timing differences	–	1
Double taxation relief	–	(80)
Excess foreign tax on overseas income	260	–
Other	(2)	–
Tax losses utilised	–	(56)
ADP dividend	–	6
Adjustments in respect of prior years	(10)	(8)
Current tax for the year (note 7(a))	1,279	1,676

Notes to the financial statements

at 31 January 2012

7. Tax (continued)

(c) Factors that may affect future tax charges

It was announced in the Budget of 21 March 2012 that the UK corporation tax rate will be reduced by a further 2% from 1 April 2012, and by a further 1% per year from 1 April 2013 for two years, bringing the corporation tax rate down from 28% to 22% from 1 April 2014. The reduction to 25% was enacted in the Finance Act 2011. 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 undertaking profit and loss account

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the parent undertaking is not presented as part of these financial statements. The loss dealt with in the financial statements of the parent undertaking is £799,000 (2011 – profit of £9,243,000).

9. Intangible fixed assets

<i>Group</i>	<i>Goodwill £000</i>
Cost:	
At 1 February 2011 and at 31 January 2012	<u>30,246</u>
Accumulated amortisation:	
At 1 February 2011	8,460
Charge for the year	1,511
	<u>9,971</u>
At 31 January 2012	
Net book value:	
At 31 January 2012	<u>20,275</u>
At 1 February 2011	<u>21,786</u>

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 2012

10. Tangible fixed assets

<i>Group</i>	<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 2011	4,300	311	18,849	1,504	24,983
Additions	-	18	1,180	35	1,233
Disposals	-	(9)	(27)	-	(36)
Exchange movement	-	(1)	(31)	(10)	(42)
At 31 January 2012	4,300	319	19,971	1,529	26,138
Accumulated depreciation:					
At 1 February 2011	145	204	16,353	1,372	18,093
Charge for the year	33	20	758	54	865
Disposals	-	(9)	(27)	-	(36)
Exchange movement	-	(1)	(16)	(9)	(26)
At 31 January 2012	178	214	17,068	1,417	18,896
Net book value:					
At 31 January 2012	4,122	105	2,903	112	7,242
At 1 February 2011	4,155	107	2,496	132	6,890

Notes to the financial statements

at 31 January 2012

11. Investments

<i>Company</i>	<i>Subsidiary undertakings £000</i>
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Cost and net book value

At 1 February 2011 and at 31 January 2012

46,420

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

<i>Name of company</i>	<i>Proportion of nominal value of issued share capital held %</i>
------------------------	---

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

Notes to the financial statements

at 31 January 2012

11. Investments (continued)

<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
		Sale of diaries and stationery products in Canada
Charles Letts (Canada) Limited	England	Investment holding
Filofax Group Limited	England	Supply of stationery products
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

12. Stocks

<i>Group</i>	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Raw materials and consumables	841	966
Work in progress	1,179	1,022
Finished goods and goods for resale	7,694	5,615
	<u>9,714</u>	<u>7,603</u>

13. Debtors

	<i>2012</i> <i>Group</i> <i>£000</i>	<i>2012</i> <i>Company</i> <i>£000</i>	<i>2011</i> <i>Group</i> <i>£000</i>	<i>2011</i> <i>Company</i> <i>£000</i>
Trade debtors	5,836	–	7,934	–
Other debtors	828	5	552	–
Prepayments and accrued income	767	–	959	–
	<u>7,431</u>	<u>5</u>	<u>9,445</u>	<u>–</u>
Due after more than one year:				
Amounts owed by group undertakings	–	26,060	–	25,921
	<u>7,431</u>	<u>26,065</u>	<u>9,445</u>	<u>25,921</u>

Notes to the financial statements

at 31 January 2012

14. Creditors: amounts falling due within one year

	2012 Group £000	2012 Company £000	2011 Group £000	2011 Company £000
Bank overdrafts	601	444	25	–
Bank loans (note 16)	–	–	1,255	1,255
Trade creditors	5,874	–	4,524	–
Corporation tax	502	–	727	–
Other taxes and social security costs	1,618	69	1,043	–
Accruals and deferred income	3,519	11	3,959	6
	<u>12,114</u>	<u>524</u>	<u>11,533</u>	<u>1,261</u>

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

	2012 Group £000	2012 Company £000	2011 Group £000	2011 Company £000
Bank loans (note 16)	15,700	15,700	21,321	21,321
Amounts owed to group undertakings	–	34,498	–	28,869
	<u>15,700</u>	<u>50,198</u>	<u>21,321</u>	<u>50,190</u>

16. Loans

<i>Group and company</i>		2012 £000	2011 £000
Bank loans		15,700	22,795
Less arrangement costs		–	(219)
		<u>15,700</u>	<u>22,576</u>
Analysis			
Bank loans	– within one year	–	1,365
	– in one to two years	7,850	1,430
	– in two to five years	7,850	20,000
		<u>15,700</u>	<u>22,795</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 £Nil (2011 – £110,000) and £Nil (2011 – £109,000) respectively.

Notes to the financial statements

at 31 January 2012

17. Provisions for liabilities

<i>Group and company</i>	<i>Deferred tax</i> £000	<i>Dilapidations</i> £000	<i>Total</i> £000
At 1 February 2011	138	189	327
Profit and loss account charge	(32)	9	(23)
At 31 January 2012	106	198	304

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

	2012		2011	
	<i>Provided</i> £000	<i>Not provided</i> £000	<i>Provided</i> £000	<i>Not provided</i> £000
Capital allowances in advance of depreciation	98	(1)	118	(1)
Other timing differences	(11)	(2)	(11)	(2)
Losses carried forward	–	(194)	–	(210)
Deferred tax liability/asset	87	(197)	107	(213)

Included in the balance sheet as follows:

<i>Group and company</i>	2012 £000	2011 £000
Included in debtors (note 13)	(19)	(31)
Included in provisions for liabilities and charges	106	138
	87	107

The deferred tax asset of £19,000 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 2012

18. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>2012 £000</i>	<i>No.</i>	<i>2011 £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 1 February 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 1 February 2011	1,000	13,500	1,500	1,851	(128)	17,723
Profit for the year	—	—	—	—	873	873
Foreign exchange differences on the translation of net equity	—	—	—	(308)	—	(308)
At 31 January 2012	<u>1,000</u>	<u>13,500</u>	<u>1,500</u>	<u>1,543</u>	<u>745</u>	<u>18,288</u>

Notes to the financial statements

at 31 January 2012

19. Reconciliation of shareholders' funds and movements on reserves (continued)

<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 1 February 2010	1,000	13,500	1,500	–	(2,681)	13,319
Profit for the year	–	–	–	–	9,243	9,243
At 1 February 2011	1,000	13,500	1,500	–	6,562	22,562
Loss for the year	–	–	–	–	(799)	(799)
At 31 January 2012	1,000	13,500	1,500	–	5,763	21,763

20. Notes to the statement of cash flows

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

	<i>2012 £000</i>	<i>2011 £000</i>
Operating profit	3,238	5,312
Depreciation and impairment of tangible fixed assets	865	726
Net goodwill amortisation	1,511	1,511
Other non cash movements	(399)	231
Deferred government grants realised	(12)	(12)
Increase in stock	(2,111)	(208)
Decrease/(increase) in debtors	2,002	(1,466)
Increase in creditors	1,492	1,624
Net cash inflow from operating activities.	6,586	7,718

(b) Analysis of cash flows

	<i>2012 £000</i>	<i>2011 £000</i>
Returns on investments and servicing of finance:		
Interest received	13	16
Interest paid	(894)	(1,020)
	(881)	(1,004)
Capital expenditure and financial investment:		
Payments to acquire tangible fixed asset	1,233	487
Proceeds on disposal of fixed assets	–	–
	1,233	487

Notes to the financial statements

at 31 January 2012

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

(c) Analysis of net debt

	<i>At 1 February 2011 £000</i>	<i>Cash flow £000</i>	<i>Exchange £000</i>	<i>Other non- cash movement £000</i>	<i>At 31 January 2012 £000</i>
Cash at bank and in hand	5,180	(3,554)	118	–	1,744
Bank overdraft	(25)	(576)	–	–	(601)
	5,155	(4,130)	118	–	1,143
Debt due within one year	(1,255)	1,365	–	(110)	–
Debt due after one year	(21,321)	5,730	–	(109)	(15,700)
	17,421	2,965	118	(219)	(14,557)

21. Capital commitments

There were no capital commitments at 31 January 2012 (2011 – £nil).

22. Other financial commitments

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

<i>Group</i>	<i>2012</i>		<i>2011</i>	
	<i>Land and buildings £000</i>	<i>Other £000</i>	<i>Land and buildings £000</i>	<i>Other £000</i>
Operating leases which expire:				
Within one year	75	23	154	21
Within two to five years	1,037	366	785	399
Over five years	85	–	243	1
	1,197	389	1,182	421

Company

The company has no operating lease commitments.

23. Related party transactions

The group paid directors' fees of £50,000 (2011 – £50,000) to Phoenix Equity Partners Limited in respect of the services of D Gregson – £25,000 (2011 – £25,000) and T Ashlin – £25,000 (2011 – £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 FRS 8 with regard to the non-disclosure of transactions between group companies.