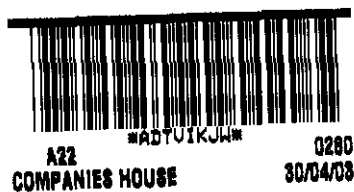


**Phaidon Press Limited**

Report and Financial Statements

18 months Ended 30 June 2002

Registered number: 2525791



# **PHAIDON PRESS LIMITED**

## **Annual report and financial statements for the period ended 30 June 2002**

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Directors

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### **Directors**

A J Price  
A L Renshaw  
F M Johnson  
N J Watts-Morgan  
KD Stein  
JH Booth-Clibborn

### **Secretary and registered office**

N J Watts-Morgan, Regent's Wharf, All Saints Street, London, N1 9PA.

### **Company number**

2525791

### **Auditors**

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL.

## **PHAIDON PRESS LIMITED**

### **Report of the directors for the period ended 30 June 2002**

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The directors present their report together with the audited financial statements for the period ended 30 June 2002.

#### **Results and dividends**

The profit and loss account is set out on page 6 and shows a consolidated loss on ordinary activities after taxation of £1,667,988 for the period ended 30 June 2002 (31 December 2000 – profit of £351,223). The results cover an eighteen month period to reflect a change in the accounting reference date to 30 June. The change in accounting reference date was made so that the financial year-end no longer directly follows the seasonal sales peak.

The 18 month period includes only one peak Christmas selling season. Sales are heavily weighted to this period whereas the overhead base is mainly fixed. Therefore the reported loss does not reflect a proportional loss on an annual basis. However, during 2001 the Group did experience adverse trading conditions, especially in the USA, where returns levels were unprecedentedly high. Despite this, gross margins have been consistently maintained and the business was profitable in the 12 months to 30 June 2002.

The directors do not recommend the payment of a dividend, and the loss after taxation, being the loss for the financial period, will be transferred to reserves.

#### **Principal activities, trading review and future developments**

The principal activity of the Company and Group is the publishing and sale of books on the visual arts.

During the period the Group sold its books under its own imprint worldwide in the English, French and German languages and in other languages to other publishers. A full programme of new titles and reprints is planned for 2003, which will continue to be sold under the Phaidon imprint in all markets worldwide as well as the French and German languages, and will contribute to further sales growth. In addition the company plans to commence Italian language publishing in the forthcoming year.

In early 2003, to reduce its cost base, the company closed its USA distribution facility and transferred this activity to an independent third party.

#### **Directors and their interests**

The current directors, who served during the period, and those in office at 30 June 2002 together with their beneficial interests in the shares of the Company at the start (or date of their appointment if later) and end of the period were:

	<b>30 June 2002</b>	<b>31 December 2000</b>
A J Price	2,625	2,625
A L Renshaw	-	-
F M Johnson	-	-
N J Watts-Morgan	-	-
KD Stein (appointed 22 March 2002)	-	-
J H Booth-Clibborn (appointed 26 April 2002)	-	-

There were no options in the shares of the Company held by any of the directors.

## **PHAIDON PRESS LIMITED**

### **Report of the directors for the period ended 30 June 2002 (*Continued*)**

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#### **Employment policies**

It is the policy of the Company that there should be no unfair discrimination in considering applications for employment, including those from disabled persons. Should any employee become disabled every practical effort will be made to provide continued employment.

The directors are committed and maintain and develop communication and consultation procedures with employees, who in turn are encouraged to become aware of and involve themselves in the performance of the Company.

#### **EMU Impact and Introduction of the Euro**

The board is considering the impact of the single currency on its commercial and financial activities to ensure that the company would be ready to manage the necessary steps should the currency be introduced in the UK and can transact with any of the company's customers or suppliers and make payments in Euros.

#### **Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**PHAIDON PRESS LIMITED**

**Report of the directors for the period ended 30 June 2002 (*Continued*)**

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**Auditors**

BDO Stoy Hayward, who were appointed as auditors of the company by the directors, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

**By order of the Board**

A handwritten signature in black ink, appearing to read 'N J Watts-Morgan', with a stylized flourish at the end.

**N J Watts-Morgan  
Company Secretary**

**5 February 2003**

# **PHAIDON PRESS LIMITED**

## **Report of the independent auditors**

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### **To the shareholders of Phaidon Press Limited**

We have audited the financial statements of Phaidon Press Limited for the period ended 30 June 2002 on pages 6 to 23 which have been prepared under the accounting policies set out on pages 10 and 11.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit opinion*

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**PHAIDON PRESS LIMITED**

**Report of the independent auditors (*Continued*)**

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*Opinion*

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and Group at 30 June 2002 and of the loss of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*BDO Stoy Hayward*

**BDO STOY HAYWARD**

*Chartered Accountants  
and Registered Auditors*

London

**5 February 2003**

**PHAIDON PRESS LIMITED****Consolidated profit and loss account for the period ended 30 June 2002**

	Note	18 months ended 30 June 2002 £	Year ended 31 December 2000 £
Turnover	2	21,188,900	17,608,071
Cost of sales		(11,200,115)	(9,104,041)
<b>Gross profit</b>		<b>9,988,785</b>	<b>8,504,030</b>
Distribution costs		(7,874,937)	(5,642,613)
Administrative expenses		(3,277,105)	(2,037,183)
<b>Operating (loss)/profit</b>	5	<b>(1,163,257)</b>	<b>824,234</b>
Interest receivable	6	3,345	205
Interest payable and similar charges	6	(723,001)	(290,958)
<b>(Loss)/profit on ordinary activities before tax</b>		<b>(1,882,913)</b>	<b>533,481</b>
Tax	7	214,925	(182,258)
<b>(Loss)/profit for the period</b>		<b>(1,667,988)</b>	<b>351,223</b>
Profit and loss account brought forward		2,823,226	2,472,003
<b>Profit and loss account carried forward</b>		<b>1,155,238</b>	<b>2,823,226</b>

Turnover and operating profit derive entirely from continuing operations.

The company has taken advantage of Section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. Of the consolidated loss on ordinary activities after tax of £1,667,988, £1,887,136 is attributable to the holding company.

There are no recognised gains or losses other than those included in the profit and loss account.

The notes on pages 10 to 23 form part of these financial statements.





# PHAIDON PRESS LIMITED

## Consolidated balance sheet at 30 June 2002

	Note	30 June 2002 £	30 June 2002 £	31 December 2000 £	31 December 2000 £
<b>Fixed assets</b>					
Tangible assets	8		1,002,510		1,280,874
<b>Current assets</b>					
Stocks	10	6,645,544		5,391,118	
Debtors	11	5,170,553		7,618,217	
Cash at bank and in hand		211,954		332,904	
		12,028,051		13,342,239	
<b>Creditors: amounts falling due within one year</b>	12	(7,322,823)		(11,707,890)	
<b>Net current assets</b>			4,705,228		1,634,349
<b>Total assets less current liabilities</b>			5,707,738		2,915,223
<b>Creditors: amounts falling due after more than one year</b>	12		(4,500,000)		-
<b>Provision for liabilities and charges</b>	14		-		(39,497)
			1,207,738		2,875,726
<b>Capital and reserves</b>					
Called up share capital	15		52,500		52,500
Profit and loss account			1,155,238		2,823,226
<b>Shareholders' funds</b>	17		1,207,738		2,875,726

The financial statements were approved by the Board on 5 February 2003

  
 A J Price )  
  
 N J Watts-Morgan ) **Directors**

The notes on pages 10 to 23 form part of these financial statements.

# PHAIDON PRESS LIMITED

## Company balance sheet at 30 June 2002

	Note	30 June 2002 £	30 June 2002 £	31 December 2000 £	31 December 2000 £
<b>Fixed assets</b>					
Tangible assets	8		586,538		687,006
Investments	9		20,986		20,986
			<hr/>		<hr/>
			607,524		707,992
<b>Current assets</b>					
Stocks	10	6,626,839		5,391,118	
Debtors	11	4,849,374		8,217,105	
Cash at bank and in hand		15,332		1,746	
		<hr/>		<hr/>	
		11,491,545		13,309,969	
<b>Creditors: amounts falling due within one year</b>	12	(6,428,389)		(11,220,648)	
		<hr/>		<hr/>	
<b>Net current assets</b>			5,063,156		2,389,321
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			5,670,680		3,097,313
<b>Creditors: amounts falling due after more than one year</b>	12		(4,500,000)		-
<b>Provision for liabilities and charges</b>	14		-		(39,497)
			<hr/>		<hr/>
			1,170,680		3,057,816
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	15		52,500		52,500
Profit and loss account			1,118,180		3,005,316
			<hr/>		<hr/>
<b>Shareholders' funds</b>	17		1,170,680		3,057,816
			<hr/>		<hr/>

The notes on pages 10 to 23 form part of these financial statements.

**PHAIDON PRESS LIMITED**

**Cash flow statement for the period ended 30 June 2002**

	Note	18 months ended 30 June 2002 £	18 months ended 30 June 2002 £	Year ended 31 December 2000 £	Year ended 31 December 2000 £
<b>Net cash (outflow)/inflow from operating activities</b>	19		(1,721,078)		401,676
<b>Returns on investments and servicing of finance</b>					
Interest received		3,345		205	
Interest paid		(723,001)		(290,958)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(719,656)		(290,753)
<b>Taxation</b>					
Tax paid			(559,025)		(22,493)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(387,715)		(481,493)	
Sale proceeds of tangible fixed assets		36,525		8,680	
<b>Net cash outflow from capital expenditure and financial investment</b>			(351,190)		(472,813)
<b>Net cash flow before financing activities</b>			(3,350,949)		(384,383)
<b>Financing</b>					
Bank loans received/(repaid)		2,262,540		(414,600)	
Shareholder loan received		1,350,000		350,000	
Repayment of capital portion of finance leases		(8,907)		-	
			3,603,633		(64,600)
<b>Increase/(decrease) in cash</b>	20,21		252,684		(448,983)

The notes on pages 10 to 23 form part of these financial statements.

# PHAIDON PRESS LIMITED

## Notes forming part of the financial statements for the period ended 30 June 2002

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### 1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and are in accordance with applicable accounting standards. The directors consider that the accounting policies set out below are suitable, have been consistently applied and are supportable by reasonable and prudent judgements and estimates.

The following principal accounting policies have been applied:

#### *Basis of consolidation*

The Group financial statements comprise the consolidated financial statements of the company and its subsidiaries Phaidon Press Inc, Phaidon Sarl and Phaidon Verlag GmbH.

#### *Turnover*

Turnover is the sales income receivable by the Group net of value added and other sales tax. Income is recognised at the time of delivery. Books are generally sold on a sale or return basis, and sales are shown net of provisions made at the balance sheet date for potential returns of books recorded as sold.

#### *Depreciation*

Straight line depreciation is provided on tangible fixed assets sufficient to write their cost to their estimated residual value over their estimated useful economic lives. Estimated useful economic lives currently in use are:

Book archive	- 50 years
Fixtures and fittings	- 5 to 10 years
Furniture	- 10 years
Computers and office equipment	- 5 years
Motor vehicles	- 5 years

#### *Stock*

Stock is valued at the lower of cost and net realisable value. For the purpose of determining unit costs of published books all costs associated with the preparation of each individual print run are allocated evenly across books produced in that printing.

## **PHAIDON PRESS LIMITED**

**Notes forming part of the financial statements for the period ended 30 June 2002 (Continued)**

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### **1 Accounting policies (Continued)**

#### *Foreign currency*

Transactions undertaken in a foreign currency are translated to sterling at the exchange rate ruling on the day of the transaction. Assets and liabilities in the balance sheet stated in foreign currencies are translated to sterling at the exchange rate ruling on the balance sheet date.

Revenue items are translated at average rates for the year except when they are covered by forward contracts in which case the forward contract rate is used.

Where it is considered the functional currency of an overseas operation is in sterling, the financial statements are expressed in sterling on the following basis:

- fixed assets are translated into sterling at rates ruling on the date of acquisition.
- monetary assets and liabilities denominated in foreign currency are translated into sterling at the rates at balance sheet dates.
- exchange gain and losses arising on translation are reported as part of operating profit.

#### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

#### *Pension costs*

The Company makes contributions to both employees' personal pension schemes and the company's Group Personal Pension scheme, dependent on the employee's choice. The Group Personal Pension Scheme is a defined contribution scheme.

#### *Leased assets*

Assets held under finance leases are capitalised at fair values and depreciated at the rates described above. The related obligation under these leases is shown as a creditor in the balance sheet. The interest element of payments under finance leases is charged to the profit and loss account over the lease period.

Rentals payable under operating leases are charged to the profit and loss account as incurred over the lease term.

### **2 Turnover**

The group's entire business is the publishing and sale of books and videos.

## PHAIDON PRESS LIMITED

Notes forming part of the financial statements for the period ended 30 June 2002 (*Continued*)

### 3 Employees

	18 months ended 30 June 2002 £	Year ended 31 December 2000 £
Staff costs consist of:		
Wages and salaries	5,180,438	3,544,474
Social security costs	549,514	377,261
Other pension costs	141,573	85,809
	<u>5,871,525</u>	<u>4,007,544</u>

During the period the Group employed an average of 134 people (31 December 2000 – 147).

The following numbers were employed by the Group at the period ends.

	18 months ended 30 June 2002 Number	Year ended 31 December 2000 Number
Book production	38	47
Sales and distribution	70	83
Administration	17	22
	<u>125</u>	<u>152</u>

### 4 Directors

The emoluments, excluding pension contributions, of the directors during the period were £649,719 (31 December 2000 - £390,509). Company contributions paid to personal pension schemes totalled £37,158 (31 December 2000 - £22,168). Four directors were members of personal pension schemes. Compensation for loss of office totalled Nil (31 December 2000 - £20,000).

The amounts in respect of the highest paid director are as follows:

	18 months ended 30 June 2002 £	Year ended 31 December 2000 £
Emoluments	165,703	110,470
Company contributions paid to personal pension schemes	21,502	16,776

# PHAIDON PRESS LIMITED

Notes forming part of the financial statements for the period ended 30 June 2002 (*Continued*)

## 5 Operating (loss)/profit

	18 months ended 30 June 2002 £	Year ended 31 December 2000 £
This has been arrived at after charging:		
Depreciation	627,096	352,848
Auditors' remuneration (all audit services)	29,000	43,500
Loss on exchange translations	194,811	14,356
Operating leases (all motor vehicles)	1,000	1,000

## 6 Interest payable and similar charges

	18 months ended 30 June 2002 £	Year ended 31 December 2000 £
Refinancing charges	(219,145)	-
Interest payable on bank loans and overdrafts repayable within five years	(405,663)	(290,958)
Interest payable on shareholder loans	(96,216)	-
Interest payable on finance leases	(1,977)	-
	(723,001)	(290,958)
Interest receivable on bank deposits	3,345	205

# PHAIDON PRESS LIMITED

Notes forming part of the financial statements for the period ended 30 June 2002 (Continued)

## 7 Taxation

	18 months ended 30 June 2002 £	Year ended 31 December 2000 £
UK corporation tax at 30% (31 December 2000 – 30%):		
On (loss)/profit for the period	(135,383)	195,977
Underprovision in prior periods	1,843	-
	<u>(133,540)</u>	<u>195,977</u>
Deferred taxation:		
On (loss)/profit for the period	(83,921)	(13,719)
Underprovision in prior periods	2,536	-
	<u>(81,385)</u>	<u>(13,719)</u>
Total taxation for the period	<u>(214,925)</u>	<u>182,258</u>

The tax assessed for the period differs from that resulting from applying the standard rate of corporation tax in the UK 30% (31 December 2000 – 30%). The differences are explained below:

	18 months ended 30 June 2002 £	Year ended 31 December 2000 £
(Loss)/profit on ordinary activities before tax	<u>(1,882,913)</u>	<u>533,481</u>
Tax at 30% thereon	(564,874)	160,044
Effects of:		
Expenses not deductible for tax purposes	4,222	20,504
Depreciation in excess of capital allowances	26,713	13,721
Carry forward of UK tax losses	57,534	-
Movement in short term timing differences	(326)	(14,353)
Capitalised revenue expenditure	866	-
Carry forward of overseas tax losses	340,482	16,061
Adjustments in respect of prior years	1,843	-
	<u>(133,540)</u>	<u>195,977</u>
Current tax (credit)/charge for period	<u>(133,540)</u>	<u>195,977</u>



# PHAIDON PRESS LIMITED

Notes forming part of the financial statements for the period ended 30 June 2002 (*Continued*)

## 8 Tangible assets

Group	Motor vehicles £	Office fixtures and equipment £	Warehouse fixtures and equipment £	Total £
<i>Cost</i>				
At 31 December 2000	340,397	1,971,812	266,632	2,578,841
Additions	53,680	231,061	127,774	412,515
Disposals	(76,650)	(233,104)	(102,965)	(412,719)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2002	317,427	1,969,769	291,441	2,578,637
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 31 December 2000	142,502	1,009,632	145,833	1,297,967
Depreciation charge for period	106,876	471,922	48,298	627,096
Disposals	(59,798)	(227,707)	(61,431)	(348,936)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2002	189,580	1,253,847	132,700	1,576,127
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 30 June 2002	127,847	715,922	158,741	1,002,510
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	197,895	962,180	120,799	1,280,874
	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of tangible fixed assets includes an amount of £19,840 (2000 - £Nil) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge was £4,960 (2000 - £Nil).

**PHAIDON PRESS LIMITED**

Notes forming part of the financial statements for the period ended 30 June 2002 (*Continued*)

**8 Tangible assets (*Continued*)**

<b>Company</b>	<b>Motor vehicles £</b>	<b>Office fixtures and equipment £</b>	<b>Warehouse fixtures and equipment £</b>	<b>Total £</b>
<i>Cost</i>				
At 31 December 2000	193,639	1,384,926	167,629	1,746,194
Additions	-	157,977	125,317	283,294
Disposals	(76,650)	(233,104)	(82,257)	(392,011)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2002	116,989	1,309,799	210,689	1,637,477
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 31 December 2000	87,228	861,757	110,203	1,059,188
Depreciation charge for period	40,922	270,519	29,245	340,686
Disposals	(59,798)	(227,706)	(61,431)	(348,935)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2002	68,352	904,570	78,017	1,050,939
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 30 June 2002	48,637	405,229	132,672	586,538
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	106,411	523,169	57,426	687,006
	<hr/>	<hr/>	<hr/>	<hr/>

Future capital expenditure approved by the Board at 30 June 2002 amounted to £Nil (31 December 2000 - £Nil) of which £Nil (31 December 2000 - £Nil) was contracted.

The net book value of tangible fixed assets includes an amount of £19,840 (2000 - £Nil) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge was £4,960 (2000 - £Nil).

# PHAIDON PRESS LIMITED

Notes forming part of the financial statements for the period ended 30 June 2002 (Continued)

## 9 Investments

Included in investments of the company are 100% interests in the ordinary share capital of:

Name	Country of incorporation	Value of investment £
Phaidon Sarl	France	4,960
Phaidon Verlag GmbH	Germany	16,025
Phaidon Press Inc	USA	1
		<hr/>
		20,986
		<hr/>

## 10 Stocks

	Group 30 June 2002 £	Group 31 December 2000 £	Company 30 June 2002 £	Company 31 December 2000 £
Work in progress	806,619	754,881	806,619	754,881
Finished goods and goods for resale	5,838,925	4,636,237	5,820,220	4,636,237
	<hr/>	<hr/>	<hr/>	<hr/>
	6,645,544	5,391,118	6,626,839	5,391,118
	<hr/>	<hr/>	<hr/>	<hr/>

## 11 Debtors

	Group 30 June 2002 £	Group 31 December 2000 £	Company 30 June 2002 £	Company 31 December 2000 £
Trade debtors	4,062,485	6,942,769	1,417,424	1,791,483
Amount owed by group companies	-	-	2,508,168	5,886,293
Unearned royalty advances	440,037	292,107	440,037	292,107
Other debtors	173,516	237,727	75,966	141,973
Corporation tax receivable	175,239	-	144,038	-
Deferred tax (note 14)	41,888	-	41,888	-
Prepayments and accrued income	277,388	145,614	221,853	105,249
	<hr/>	<hr/>	<hr/>	<hr/>
	5,170,553	7,618,217	4,849,374	8,217,105
	<hr/>	<hr/>	<hr/>	<hr/>

# PHAIDON PRESS LIMITED

Notes forming part of the financial statements for the period ended 30 June 2002 (*Continued*)

## 12 Creditors: amounts falling due within one year

	Group 30 June 2002 £	Group 31 December 2000 £	Company 30 June 2002 £	Company 31 December 2000 £
Bank overdraft	2,790,275	3,163,909	2,717,144	3,245,753
Bank loans	500,000	737,460	500,000	737,460
Shareholder loans	-	650,000	-	650,000
Trade creditors	1,921,163	5,068,992	1,800,559	4,845,849
Royalties payable	221,016	396,532	221,016	396,532
Other creditors	631,545	142,519	139,782	77,950
Taxation and social security	52,809	583,517	52,809	583,517
Accruals and deferred income	1,190,122	964,961	981,186	683,587
Obligations under finance leases	15,893	-	15,893	-
	<u>7,322,823</u>	<u>11,707,890</u>	<u>6,428,389</u>	<u>11,220,648</u>

## 12 Creditors: amounts falling due after more than one year

	Group 30 June 2002 £	Group 31 December 2000 £	Company 30 June 2002 £	Company 31 December 2000 £
Bank loans	2,500,000	-	2,500,000	-
Shareholder loans	2,000,000	-	2,000,000	-
	<u>4,500,000</u>	<u>-</u>	<u>4,500,000</u>	<u>-</u>

## 13 Financing arrangements

In August 2001 the Company moved its banking arrangements from National Westminster Bank to Bank of Scotland, at which point all previous loans and overdrafts with National Westminster Bank were repaid. Bank of Scotland has provided both overdraft and loan facilities to provide medium term working capital. The bank overdraft has a repayment date of 31 July 2004. The bank loan has a repayment date of £500,000 on 28 February 2003, £1,250,000 on 28 February 2004 and £1,250,000 on 28 February 2005. As security, Bank of Scotland has a fixed and floating charge over the assets of the group. The Company pays interest at base rate plus 2%. The shareholder loans are unsecured, subordinated to the bank and have no fixed repayment date. The shareholder loans were interest-bearing at a rate of 7.25% per annum until 27 July 2001. From that date the loans are interest free.

# PHAIDON PRESS LIMITED

Notes forming part of the financial statements for the period ended 30 June 2002 (*Continued*)

## 14 Provisions for liabilities and charges

		30 June 2002 £	31 December 2000 £	
<b>Group and company</b>				
<i>Deferred taxation</i>				
Balance brought forward		39,497	53,216	
Credit for the period (note 7)		(81,385)	(13,719)	
Balance carried forward		(41,888)	39,497	
	<b>Unprovided 30 June 2002 £</b>	<b>Unprovided 31 December 2000 £</b>	<b>Provided 30 June 2002 £</b>	<b>Provided 31 December 2000 £</b>
<b>Group</b>				
Capital allowances	-	-	19,022	39,497
Short term timing differences	-	-	(3,376)	-
Unutilised tax losses	(346,000)	(7,000)	(57,534)	-
	(346,000)	(7,000)	(41,888)	39,497
<b>Company</b>				
			<b>Provided 30 June 2002 £</b>	<b>Provided 31 December 2000 £</b>
Capital allowances			19,022	39,497
Short term timing differences			(3,376)	-
Unutilised tax losses			(57,534)	-
			(41,888)	39,497

There are no unprovided amounts in respect of deferred taxation.

**PHAIDON PRESS LIMITED**Notes forming part of the financial statements for the period ended 30 June 2002 (*Continued*)**15 Share capital**

	Authorised			
	30 June 2002 Number	31 December 2000 Number	30 June 2002 £	31 December 2000 £
Ordinary shares of £1 each	55,000	55,000	55,000	55,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	Allotted and fully paid			
	30 June 2002 Number	31 December 2000 Number	30 June 2002 £	31 December 2000 £
Ordinary shares of £1 each	52,500	52,500	52,500	52,500
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**16 Commitments under operating leases**

The Group is committed to make the following payments during the next year in respect of operating leases. The amounts expire as follows (£1,000 of those within one year relate to motor vehicles with the remainder of all other amounts relating to land and buildings):

	30 June 2002 £	31 December 2000 £
Operating leases which expire:		
Within one year	117,337	1,000
Between two to five years	-	-
Over five years	481,626	594,216
	<u>          </u>	<u>          </u>
	598,963	595,216
	<u>          </u>	<u>          </u>

# PHAIDON PRESS LIMITED

Notes forming part of the financial statements for the period ended 30 June 2002 (*Continued*)

## 17 Reconciliation of movements in shareholders' funds

Group	30 June 2002 £	31 December 2000 £
(Loss)/profit for the period/year	(1,667,988)	351,223
Shareholders' funds brought forward	2,875,726	2,524,503
	<hr/>	<hr/>
Shareholders' funds carried forward	1,207,738	2,875,726
	<hr/>	<hr/>
<b>Company</b>		
(Loss)/profit for the period/year	(1,887,136)	404,779
Shareholders' funds brought forward	3,057,816	2,653,037
	<hr/>	<hr/>
Shareholders' funds carried forward	1,170,680	3,057,816
	<hr/>	<hr/>

## 18 Related party transactions

Other income includes £18,000 (31 December 2000 - £12,000) for consultancy services provided to Walbrook Trustees (Jersey) Limited.

Administrative expenses includes a charge of £755,628 (31 December 2000 - £561,960) for consultancy services provided by Phaidon Limited, a company registered in the British Virgin Islands, which is the company's immediate holding company. At the period end the amount owing to Phaidon Limited was £32,095 (31 December 2000 - £13,988).

## 19 Reconciliation of operating profit to net cash inflow from operating activities

	18 months ended 30 June 2002 £	Year ended 31 December 2000 £
Operating (loss)/profit	(1,163,257)	824,234
Loss on disposal of fixed assets	27,258	22,081
Depreciation charge	627,096	352,848
(Increase) in stocks	(1,254,426)	(659,408)
Decrease in debtors	2,664,791	365,733
(Decrease) in creditors	(2,622,540)	(503,812)
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(1,721,078)	401,676
	<hr/>	<hr/>

**PHAIDON PRESS LIMITED****Notes forming part of the financial statements for the period ended 30 June 2002 (Continued)****20 Reconciliation of net cash inflow to movement in net debt**

	<b>18 months ended 30 June 2002 £</b>	<b>Year ended 31 December 2000 £</b>
Decrease/(increase) in cash in the period	<b>252,684</b>	(448,983)
Non cash reclassification from creditors to shareholders loan	-	(300,000)
Cash inflow from increase loans	<b>(3,612,540)</b>	64,600
Cash outflow from decrease in lease financing	<b>8,907</b>	-
	<hr/>	<hr/>
Change in net debt resulting from cash flows	<b>(3,350,949)</b>	(684,383)
New finance lease	<b>(24,800)</b>	-
	<hr/>	<hr/>
Change in net debt	<b>(3,375,749)</b>	(684,383)
Net debt at 1 January 2001	<b>(4,218,465)</b>	(3,534,082)
	<hr/>	<hr/>
Net debt at 30 June 2002	<b>(7,594,214)</b>	(4,218,465)
	<hr/>	<hr/>



# PHAIDON PRESS LIMITED

Notes forming part of the financial statements for the period ended 30 June 2002 (*Continued*)

## 21 Analysis of changes in net debt

	At 1 January 2001 £	Cash flow £	Other £	At 30 June 2002 £
Cash and cash equivalents within one year:				
Cash at bank and in hand	332,904	(120,950)	-	211,954
Overdrafts	(3,163,909)	373,634	-	(2,790,275)
	(2,831,005)	252,684	-	(2,578,321)
Debt due within one year:				
Bank loans	(737,460)	237,460	-	(500,000)
Shareholder loan	(650,000)	-	650,000	-
Finance leases	-	8,907	(24,800)	(15,893)
	(1,387,460)	246,367	625,200	(515,893)
Debt due after more than one year:				
Bank loans	-	(2,500,000)	-	(2,500,000)
Shareholder loan	-	(1,350,000)	(650,000)	(2,000,000)
	-	(3,850,000)	(650,000)	(4,500,000)
Total	(4,218,465)	(3,350,949)	(24,800)	(7,594,214)

## 22 Ultimate parent company

At 30 June 2002, the company's ultimate parent company was Phaidon Limited which owns 95% of the share capital of Phaidon Press Limited.

The beneficial owners of Phaidon Limited are Walbrook Trustees (Jersey) Limited.

Neither Phaidon Limited nor Walbrook Trustees (Jersey) Limited are required to prepare consolidated financial statements.