

Company No: 3120147

PROFILE BOOKS LIMITED

REPORT AND ACCOUNTS

31 MARCH 2005

JOHNSON & CO
Registered Auditor



PROFILE BOOKS LIMITED
REPORT OF THE DIRECTORS

DIRECTORS:

G N Perren (Chairman)
A C Franklin S P Brough
N A J Franklin S H Franks
D Gordon K Griffin
O D Stanley

SECRETARY:

S P Brough

The directors submit their report and the audited accounts of the Company for the year ended 31 March 2005.

PRINCIPAL ACTIVITY

The principal activity of the Company during the year under review continued to be to carry on business as a publisher of business and other non-fiction books.

DIRECTORS AND THEIR INTERESTS

The directors at 31 March 2005 and who held office throughout the year or since the date of their appointment, together with their interests in the share capital of the Company (all beneficially held, except those marked with an asterisk which are family interests), were as follows:

	At 31 March 2005	At 1 April 2004
	Ordinary Shares	
A C Franklin	67,912	67,912
S P Brough	5,000	25,000
	20,000*	-
N A J Franklin	71,358	71,958
S H Franks	14,391	14,391
D Gordon	12,698	12,698
O D Stanley	71,958	71,958
K Griffin	4,000	4,000
G N Perren (Appointed 30 April 2004)	5,026	5,026**

** At date of appointment

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the directors are required to:

1. select suitable accounting policies and then apply them consistently;
2. make judgments and estimates that are reasonable and prudent;
3. follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts.
4. prepare the accounts on the going-concern basis unless it is inappropriate to presume that the Company will continue in business.

PROFILE BOOKS LIMITED
REPORT OF THE DIRECTORS

DIRECTORS' RESPONSIBILITIES (Cont'd)

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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CLOSE COMPANY STATUS

In the opinion of the directors the Company is a Close Company within the definition of Section 404 of the Income and Corporation Taxes Act 1988.

AUDITORS

The auditors, Messrs Johnson & Co, having signified their willingness to continue in office, will be proposed for re-election at the next Annual General Meeting.

In preparing the above report, the directors have taken advantage of the special provisions of Part VII of the Companies Act 1985 relating to small Companies.

BY ORDER OF THE BOARD

3A Exmouth House
Pine Street, Exmouth Market
London EC1R 0JH

S P Brough

Secretary

Approved by the Board *28 July* 2005



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
PROFILE BOOKS LIMITED**

We have audited the financial statements of Profile Books Limited on pages 4 to 11. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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.


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 judgments 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.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



JOHNSON & CO

Registered Auditors

318A Stafford Road
Croydon
Surrey CRO 4NH

10 August 2005

PROFILE BOOKS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2005

		2005	2004
	Note	£	£
<u>TURNOVER</u>	2	6,676,828	5,063,961
Cost of sales		4,337,493	3,476,030
		<hr/>	<hr/>
<u>GROSS PROFIT</u>		2,339,335	1,587,931
Distribution costs		(405,831)	(385,933)
Administrative costs and other operating expenses		(955,302)	(824,242)
		<hr/>	<hr/>
<u>OPERATING PROFIT/(LOSS)</u>	3	978,202	377,756
Other interest receivable and similar income		38,014	3,413
Interest payable		-	(521)
		<hr/>	<hr/>
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		1,016,216	380,648
<u>TAXATION</u>	4	299,505	87,663
		<hr/>	<hr/>
<u>PROFIT FOR THE YEAR AFTER TAXATION</u>		716,711	292,985
Dividend : proposed		80,454	43,100
		<hr/>	<hr/>
<u>RETAINED PROFIT FOR THE YEAR</u>		£636,257	£249,885
		=====	=====

CONTINUING OPERATIONS

None of the Company's activities were acquired or discontinued during the above financial periods.

TOTAL RECOGNISED GAINS AND LOSSES

The Company has no recognized gains or losses other than the profit or loss for the above financial periods.

PROFILE BOOKS LIMITED

BALANCE SHEET

31 MARCH 2005

	Note	2005 £	2004 £
<u>FIXED ASSETS</u>			
Intangible assets	5	23,442	33,141
Tangible assets	6	21,371	10,886
		<u>44,813</u>	<u>44,027</u>
<u>CURRENT ASSETS</u>			
Stock and work in progress		555,951	482,818
Debtors	7	775,576	2,628,371
Bank and cash balances		2,662,880	509,090
		<u>3,994,407</u>	<u>3,620,279</u>
<u>CREDITORS: Amounts falling due within one year</u>	8	<u>1,754,308</u>	<u>2,016,061</u>
<u>NET CURRENT ASSETS</u>		<u>2,240,099</u>	<u>1,604,218</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		<u>2,284,912</u>	<u>1,648,245</u>
Provision for liabilities and charges	9	683,625	683,215
<u>NET ASSETS</u>		<u>£1,601,287</u>	<u>£965,030</u>
<u>FINANCED BY:</u>			
<u>CAPITAL AND RESERVES</u>			
Called-up share capital	10	28,734	28,734
Share premium account	11	496,391	496,391
Profit and loss account		1,076,162	439,905
<u>SHAREHOLDERS' FUNDS</u>	12	<u>£1,601,287</u>	<u>£965,030</u>

The Accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small Companies.

G N Perren)
A C Franklin) Directors

Approved by the Board 28/7/2005

NOTES TO THE ACCOUNTS

1. **ACCOUNTING POLICIES**

a. Accounting Convention

The accounts have been prepared under the historical cost convention.

b. Turnover

Turnover represents the value of goods and services invoiced to customers net of Value Added Tax.

c. Depreciation and Amortisation

Depreciation is provided on all tangible assets at rates calculated to write-off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Plant and Equipment : 33.33% per annum on a straight line basis

Amortisation on intangible assets is provided in equal annual instalments over their estimated economic life of 5 years.

d. Deferred Taxation

The charge for taxation is based on the profit for the year as adjusted for tax purposes. The Company adopted Financial Reporting Standard 19, Deferred Tax, which required a change in accounting policy. In accordance with the Standard, full provision is made at current rates for taxation deferred in respect of all timing differences. Deferred tax balances are not discounted.

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

e. Stock and Work in Progress

(i) Stock of Books

Stocks held by distributors are valued on a title by title basis at the lower of manufacturing cost and net realisable value. The anticipated life of a book is one year for titles published under the Company's own imprint and two years for books published under The Economist imprint.

(ii) Advances to Authors

Advances paid to authors are included within work-in-progress until the titles are published, at which date they are written-off. Where a paperback version is to be published following a hardback edition, the directors may allocate a proportion of the advance to be treated as work-in-progress until publication of the paperback edition.

f. Provision for Returns

The Company sells books to some customers on a 'sale or return' basis. During the course of succeeding periods some of those books will be returned and some sales made in one accounting period will be returned in the next. The Company has an enforceable obligation to make a full refund against those returns and, in accordance with the requirements of Financial Reporting Standard 12, provisions are made for the costs involved based on the historical trend of returns modified, where necessary, by the directors' evaluation of each title and after taking into consideration actual returns received after the year-end.

NOTES TO THE ACCOUNTS

g. Foreign Currencies

All differences are taken to the profit and loss account.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Contributions in respect of employees' personal pension schemes are charged to the profit and loss account for the year in which they are payable to the scheme. Differences between contributions payable and contributions actually paid in the year are shown as either accruals or prepayments at the year-end.

Turnover attributable to geographical markets outside the United Kingdom amounted to 30.05% (2004 – 14.3%).

Operating profit is stated after charging:

	2005	2004
	£	£
Directors' remuneration	298,663	219,751
Auditors' remuneration	5,200	6,100
Depreciation of tangible assets	13,322	8,371
Operating lease rentals: land and buildings	22,000	21,125
: equipment	1,107	2,222
Amortisation of intangible assets	9,700	9,700

Directors' remuneration consists of emoluments, other than fees, excluding pension costs.

PROFILE BOOKS LIMITED
NOTES TO THE ACCOUNTS

4. TAXATION

The Company has adopted FRS 19, Deferred tax. The impact on current year's profits is to increase them by £383.

a) *Analysis of current period tax charge*

	2005 £	2004 £
Current tax		
UK Corporation Tax on profits for the year	299,767	86,400
Adjustments in respect of previous year	121	260
	<hr/>	<hr/>
Deferred tax	299,888	86,600
Origination and reversal of timing differences	(383)	1,003
	<hr/>	<hr/>
	£299,505	£ 87,663
	=====	=====

b) *Factors affecting current period tax charge*

	2005 £	2004 £
Profit on ordinary activities before tax	1,016,216	380,648
	=====	=====
Current tax on profit on ordinary activities calculated at 30% less marginal relief	292,553	84,378
Expenses not deductible for tax purposes	6,846	3,255
Capital allowances for period in excess of depreciation	368	(1,233)
Adjustment to tax charge in respect of previous period	121	260
	<hr/>	<hr/>
Current tax charge for period	£ 299,888	£86,660
	=====	=====

5. INTANGIBLE ASSETS

	Goodwill and Intellectual Property £
Cost:	
At 1 April 2004	48,499
Additions	-
	<hr/>
At 31 March 2005	48,499
	<hr/>
Amortisation:	
At 1 April 2004	15,357
Charge for the year	9,700
	<hr/>
At 31 March 2005	25,057
	<hr/>
Net Book Value	
31 March 2005	£23,442
	=====
31 March 2004	£33,141
	=====

PROFILE BOOKS LIMITED
NOTES TO THE ACCOUNTS

INTANGIBLE ASSETS (Cont'd)

During 2004, the Company purchased the HarperCollins Business Book List, part of the consideration for which was for the acquisition of Goodwill therein, all rights and interests in specified Publishing Agreements and Subsidiary Rights Contracts and the Intellectual Property Rights relating exclusively to the Titles and Business Assets transferred.

The total cost attributed to these amounted to £48,499 and has been included as Intangible Assets.

6. TANGIBLE FIXED ASSETS

	Plant and Equipment £
Cost:	
At 1 April 2004	44,500
Additions	23,807
Disposals and retirement	-

At 31 March 2005	68,307

Depreciation:	
At 1 April 2004	33,614
Charge for period	13,322
Eliminated on disposal and retirement	-

At 31 March 2005	46,936

Net Book Value at 31 March 2005	£21,371 =====
Net Book Value 31 March 2004	£10,886 =====

7. DEBTORS

	2005 £	2004 £
Trade debtors	618,320	2,497,315
Other debtors	116,568	118,916
Prepayments	40,688	12,140
	-----	-----
	£ 775,576 =====	£2,628,371 =====

PROFILE BOOKS LIMITED
NOTES TO THE ACCOUNTS

8. CREDITORS DUE WITHIN ONE YEAR

	2005 £	2004 £
Bank overdraft	536,246	523,112
Current Corporation Tax	293,603	85,339
Trade creditors	502,061	1,182,458
Other taxes and Social Security	-	12,548
Other creditors	534	111
Accruals	341,410	169,393
Proposed dividend	80,454	43,100
	<hr/>	<hr/>
	£1,754,308	£2,016,061
	=====	=====

9. PROVISION FOR LIABILITIES AND CHARGES

	£	2005 £	£	2004 £
Provision for returns:				
Balance at 1 April 2004	681,954		105,525	
Increase/(Decrease) in provision for year	793		576,429	
	<hr/>		<hr/>	
Balance at 31 March 2005		682,747		681,954
Deferred Tax – Accelerated Capital Allowances:				
Balance at 1 April 2004	1,261		258	
Charge for the year	(383)		1,003	
	<hr/>		<hr/>	
Balance at 31 March 2005		878		1,261
		<hr/>		<hr/>
		£683,625		£683,215
		=====		=====

Provision has been made for books sold in the current year which will be returned in subsequent years in accordance with the accounting policy set out in Note 1(f). Deferred tax has been provided in respect of capital allowances arising in advance of depreciation.

PROFILE BOOKS LIMITED

NOTES TO THE ACCOUNTS

10. **SHARE CAPITAL**

	2005	2004
Authorised		
1,000,000 Ordinary Shares of 10p each	£100,000 =====	£100,000 =====
Allotted, called-up and fully paid		
287,334 Ordinary Shares of 10p each	£28,734 =====	£28,734 =====

During 2004, 4,000 Ordinary Shares of 10p each were allotted for cash at a premium of £1.18 per Share.

These shares were allotted to an employee who exercised an option for shares held in accordance with the Company's share option scheme.

11. **SHARE PREMIUM ACCOUNT**

	2005 £	2004 £
At 1 April 2004	496,391	491,671
Proceeds from issue of shares	-	4,720
	-----	-----
At 31 March 2005	£496,391 =====	£496,391 =====

12. **RECONCILIATION OF MOVEMENT ON SHAREHOLDERS' FUNDS**

	2005 £	2004 £
Profit for the financial year after tax	716,711	292,985
New share capital subscribed and premium thereon	-	5,120
Dividend proposed	(80,454)	(43,100)
	-----	-----
	636,257	255,005
Opening shareholders' funds at 1 April 2004	965,030	710,025
	-----	-----
Closing shareholders' funds at 31 March 2005	£1,601,287 =====	£965,030 =====