

Company No: 3120147

**PROFILE BOOKS LIMITED**

**REPORT AND ACCOUNTS**

**31 MARCH 2004**



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JOHNSON & CO  
Registered Auditor

**PROFILE BOOKS LIMITED**  
**REPORT OF THE DIRECTORS**

**DIRECTORS:**

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

**SECRETARY:**

S P Brough

The directors submit their report and the audited accounts of the Company for the year ended 31 March 2004.

**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 2004 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), were as follows:

	At 31 March 2004	At 1 April 2003
	Ordinary Shares	
A C Franklin	67,912	67,912
S P Brough	25,000	25,000
N A J Franklin	71,958	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	-
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.

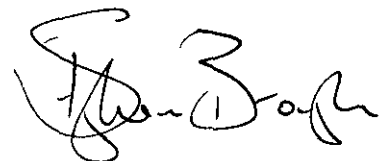
**CLOSE COMPANY STATUS**

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

58A Hatton Garden  
London EC1N 8LX

S P Brough

Secretary

Approved by the Board 30 July 2004

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**

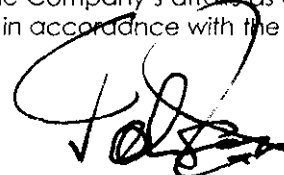
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

318A Stafford Road  
Croydon  
Surrey CRO 4NH



**JOHNSON & CO**

Registered Auditors

02 August 2004

PROFILE BOOKS LIMITED  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2004

		2004	2003
	Note	£	£
<u>TURNOVER</u>	2	5,063,961	2,377,324
Cost of sales		3,476,030	1,672,110
		<hr/>	<hr/>
<u>GROSS PROFIT</u>		1,587,931	705,214
Distribution costs		(385,933)	(177,231)
Administrative costs and other operating expenses		(824,242)	(529,819)
		<hr/>	<hr/>
<u>OPERATING PROFIT/(LOSS)</u>	3	377,756	(1,836)
Other interest receivable and similar income		3,413	9,764
Interest payable		(521)	(2,196)
		<hr/>	<hr/>
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		380,648	5,732
<u>TAXATION</u>	4	87,663	3,491
		<hr/>	<hr/>
<u>PROFIT FOR THE YEAR AFTER TAXATION</u>		292,985	2,241
Dividend : proposed		43,100	-
		<hr/>	<hr/>
<u>RETAINED PROFIT FOR THE YEAR</u>		£249,885	£2,241
		=====	=====

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

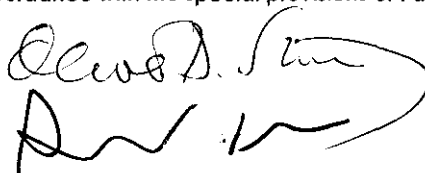
BALANCE SHEET

31 MARCH 2004

	Note	2004 £	2003 £
<u>FIXED ASSETS</u>			
Intangible assets	5	33,141	42,841
Tangible assets	6	10,886	5,676
		<hr/> 44,027	<hr/> 48,517
<u>CURRENT ASSETS</u>			
Stock and work in progress		482,818	398,475
Debtors	7	2,628,371	908,368
Bank and cash balances		509,090	7,887
		<hr/> 3,620,279	<hr/> 1,314,730
<u>CREDITORS: Amounts falling due within one year</u>	8	2,016,061	547,439
<u>NET CURRENT ASSETS</u>		<hr/> 1,604,218	<hr/> 767,291
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		<hr/> 1,648,245	<hr/> 815,808
Provision for liabilities and charges	9	683,215	105,783
<u>NET ASSETS</u>		<hr/> £965,030 =====	<hr/> £710,025 =====
<u>FINANCED BY:</u>			
<u>CAPITAL AND RESERVES</u>			
Called-up share capital	10	28,734	28,334
Share premium account	11	496,391	491,671
Profit and loss account		439,905	190,020
		<hr/>	<hr/>
<u>SHAREHOLDERS' FUNDS</u>	12	<hr/> £965,030 =====	<hr/> £710,025 =====

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

O D Stanley )  
A C Franklin ) Directors



Approved by the Board 30/1/2004

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.

**PROFILE BOOKS LIMITED**

## NOTES TO THE ACCOUNTS

### ACCOUNTING POLICIES (Cont'd)

g. Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

#### h. Leasing and Hire Purchase Commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

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

i. Pension Costs

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.

## 2. TURNOVER

Turnover attributable to geographical markets outside the United Kingdom amounted to 14.3% (2003 – 31%).

3. OPERATING PROFIT

Operating profit is stated after charging:

	2004	2003
	£	£
Directors' remuneration	219,751	157,587
Auditors' remuneration	6,100	3,050
Depreciation of tangible assets	8,371	9,373
Operating lease rentals: land and buildings	21,125	18,500
: equipment	2,222	2,222
Amortisation of intangible assets	9,700	5,658

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



4. **TAXATION**

The Company has adopted FRS 19, Deferred tax. The impact on current year's profits is to reduce them by £1,103.

a) **Analysis of current period tax charge**

	2004 £	2003 £
<b>Current tax</b>		
UK Corporation Tax on profits for the year	86,400	3,267
Adjustments in respect of previous year	260	(34)
	<hr/>	<hr/>
<b>Deferred tax</b>	86,600	3,233
Origination and reversal of timing differences	1,003	258
	<hr/>	<hr/>
	£ 87,663	£ 3,491
	=====	=====

b) **Factors affecting current period tax charge**

	2004 £	2003 £
Profit on ordinary activities before tax	380,648	5,732
	=====	=====
Current tax on profit on ordinary activities calculated at 30% less marginal relief	84,378	788
Expenses not deductible for tax purposes	3,255	1,829
Capital allowances for period in excess of depreciation	(1,233)	650
Adjustment to tax charge in respect of previous period	260	(34)
	<hr/>	<hr/>
Current tax charge for period	£86,660	£ 3,233
	=====	=====

5. **INTANGIBLE ASSETS**

	Goodwill and Intellectual Property £
Cost:	
At 1 April 2003	48,499
Additions	-
	<hr/>
At 31 March 2004	48,499
	<hr/>
Amortisation:	
At 1 April 2003	5,658
Charge for the year	9,700
	<hr/>
At 31 March 2004	15,358
	<hr/>
Net Book Value	
31 March 2004	£33,141
	=====
31 March 2003	£42,841
	=====

**PROFILE BOOKS LIMITED**  
**NOTES TO THE ACCOUNTS**

**INTANGIBLE ASSETS** (Cont'd)

During 2003, 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 2003	41,337
Additions	13,580
Disposals and retirement	(10,417)
	-----
At 31 March 2004	44,500
	-----
Depreciation:	
At 1 April 2003	35,661
Charge for period	8,104
Eliminated on disposal and retirement	(10,151)
	-----
At 31 March 2004	33,614
	-----
Net Book Value at 31 March 2004	£10,886
	=====
Net Book Value 31 March 2003	£ 5,676
	=====

**7. DEBTORS**

	2004 £	2003 £
Trade debtors	2,497,315	832,849
Other debtors	118,916	55,739
Prepayments	12,140	19,780
	-----	-----
	£2,628,371	£908,368
	=====	=====

8. CREDITORS DUE WITHIN ONE YEAR

	2004 £	2003 £
Bank overdraft	523,112	71,054
Current Corporation Tax	85,339	2,023
Trade creditors	1,182,458	451,616
Other taxes and Social Security	12,548	10,612
Other creditors	111	504
Accruals	169,393	11,630
Proposed dividend	43,100	-
	<hr/>	<hr/>
	£2,016,061	£547,439
	=====	=====

9. PROVISION FOR LIABILITIES AND CHARGES

	£	2004 £	£	2003 £	£
Provision for returns:					
Balance at 1 April 2003		105,525		71,154	
Increase/(Decrease) in provision for year		576,429		34,371	
		<hr/>		<hr/>	
Balance at 31 March 2004		681,954		105,525	
Deferred Tax – Accelerated Capital Allowances:					
Balance at 1 April 2003	258		-		
Charge for the year	1,003		258		
	<hr/>		<hr/>		
Balance at 31 March 2004		1,261		258	
		<hr/>		<hr/>	
		£683,215		£105,783	
		=====		=====	

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**

	2004	2003
Authorised		
1,000,000 Ordinary Shares of 10p each	£100,000 =====	£100,000 =====
Allotted, called-up and fully paid		
287,334 (2003 – 283,334) Ordinary Shares of 10p each	£28,734 =====	£28,334 =====

During the year 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**

	2004 £	2003 £
At 1 April 2003	491,671	295,000
Proceeds from issue of shares	4,720	196,671
	<hr/>	<hr/>
At 31 March 2004	£496,391 =====	£491,671 =====

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

	2004 £	2003 £
Profit for the financial year after tax	292,985	2,241
New share capital subscribed and premium thereon	5,120	200,005
Dividend proposed	(43,100)	-
	<hr/>	<hr/>
Opening shareholders' funds at 1 April 2003	255,005 710,025	202,246 507,779
	<hr/>	<hr/>
Closing shareholders' funds at 31 March 2004	£965,030 =====	£710,025 =====