

METHUEN PUBLISHING LIMITED

Annual report

for the year ended 30 June 2006

Registered no: 3543167

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METHUEN PUBLISHING LIMITED

Report of the directors for the year ended 30 June 2006

The directors present their report and the financial statements for the year ended 30 June 2006.

Principal activities

The principal activity of the company is the publishing of books for sale in the UK and in the principal English speaking countries of the world.

Review of business and future developments

In the year to 30th June 2006, the company's trading was mixed. Revenue at £2,056,317 (2005 - £2,337,182) was 12.0% down on the previous year but cost savings gave an improved operating profit of £52,139 (2005 - £45,630).

The company's publishing operations in the fields of drama and performing arts, history, travel, biography and sport continued in 2006. We again revived a number of titles from the back catalogue and works by new dramatists were added to the list.

Efforts to restructure the company's finances continued in 2006 but met with no success. In September 2005 Quester VCT Plc demanded repayment of its loans together with premiums payable on redemption of the loans. Quester also demanded redemption of its outstanding cumulative preference shares and accrued dividends and interest thereon from the due dates.

To meet these demands the company reluctantly sold the Drama publishing business to A & C Black (Publishers) Ltd, a subsidiary of Bloomsbury Publishing Plc. The sale proceeds were used to redeem Quester's total interest in the company and that of the ordinary shareholder introduced by them to acquire shares formally held by John Wisden & Co Ltd. After payments to Quester and the other ordinary shareholder and after payments for legal and professional services a small part of the sale proceeds was available to the company. All of these transactions were completed in June 2006 after which Messrs Wilcock and McConnell resigned as directors.

The company has two wholly owned subsidiaries, Politico's Publishing Limited, acquired in 2003, and Westminster Bookshops Limited, formed in 2004. Politico's has passed through a period of transition and sales of its publications have increased and on trading, it is nearing a breakeven position.

The Westminster Bookshop opened for business on 12th October 2004. The venture has been disastrous for Methuen. To June 2006, the business has incurred losses of over £70,000 due to a significant sales shortfall on forecasts contained in the business plan. Since June 2006 staff costs have been cut and losses stemmed.

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Dividends and transfer to reserves

The directors do not propose the payment of a dividend on ordinary shares.

The fixed cumulative dividends on the preference shares have been paid in accordance with the terms of the redemption of the preference shares.

Directors and their interests in shares of the company

The directors of the company who held office during the period, together with their interests in the 'A' ordinary shares of £0.05 each in the company at 30 June 2006 and 30 June 2005 were as follows:

	30 June 2006 Number	30 June 2005 Number
ICS Wilcock	-	-
PE Tummons	79,180	79,180
AS McConnell	-	-
Temple Direct Limited	-	-

The directors do not hold any options to subscribe for shares in the company.

Employee Share Scheme

On 29 June 2000, the company made a loan to the Methuen Publishing Limited Employee Share Scheme of £56,700. The share scheme then purchased 79,180 "A" ordinary shares of £0.05 each in the company. There are outstanding calls on these shares of £22,787.

Charitable and political donations

The company did not make any charitable or political donations during the period.

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Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

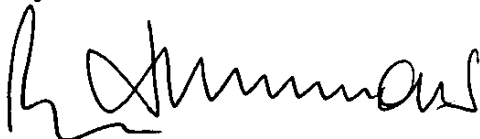
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 June 2006 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements 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.

Auditors

The company is a small company as defined by the Companies Act and is not obliged to appoint auditors.

By order of the board

A handwritten signature in black ink, appearing to read 'PE Tummons', written over a horizontal line.

PE Tummons

Director

29 December 2008

METHUEN PUBLISHING LIMITED

Profit and loss account for the year ended 30 June 2006

	Notes	2006 £	2005 £
Turnover	2	2,056,317	2,338,427
Cost of sales		<u>-955,473</u>	<u>-969,576</u>
Gross profit		1,100,844	1,368,851
Other operating expenses	4	<u>-1,048,705</u>	<u>-1,323,221</u>
Operating profit	3	52,139	45,630
Interest payable and similar charges	7	<u>-30,209</u>	<u>-157,594</u>
Profit/(loss) on ordinary activities before taxation		21,930	-111,964
Surplus on disposal of publishing rights	8	<u>1,043,176</u>	<u>-</u>
Profit/(loss) for the year before taxation		1,065,106	-111,964
Taxation	9	<u>-</u>	<u>-</u>
Profit/(loss) for the year after taxation		1,065,106	-111,964
Appropriations - Dividends on 8% Preference Shares	10	-58,803	-8,000
Profit/(loss) for the year		<u><u>1,006,303</u></u>	<u><u>-119,964</u></u>

All of the above activities represent continuing operations.

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above, and their historical cost equivalents.

There are no recognised gains or losses in the year other than the profits stated above.

METHUEN PUBLISHING LIMITED

Balance sheet as at 30 June 2006

	Notes	2006 £	2005 £
Fixed assets			
Intangible assets	10	42,200	982,616
Tangible assets	11	2,734	1
Investments	12	100,000	100,000
		<u>144,934</u>	<u>1,082,617</u>
Current assets			
Stocks	13	150,963	463,068
Debtors	14	678,523	814,033
Cash		26,346	-
		<u>855,832</u>	<u>1,277,101</u>
Creditors: amounts falling due within one year	15	-911,108	-2,749,289
Net current assets		<u>-55,276</u>	<u>-1,472,188</u>
Total assets less current liabilities		89,658	-389,571
Creditors: amounts falling due after more than one year		-	-
Provisions for liabilities and charges	16	-56,876	-110,718
Net assets/(liabilities)		<u>32,782</u>	<u>-500,289</u>
Capital and reserves			
Called up share capital	19	8,418	118,305
Share premium account	20	-	272,383
Profit and loss account	20	24,364	-890,977
Equity shareholders' deficit		-	-710,761
Non-equity shareholders' funds	19	-	210,472
Shareholders' funds/(deficit)	21	<u>32,782</u>	<u>-500,289</u>

The directors have taken advantage of the Companies Act 1985 in not having these accounts audited under Section 249A(1) (total exemption).

The directors have confirmed that no notice has been deposited under Section 249B(2) of the Companies Act 1985.

The directors have acknowledged their responsibilities for ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985.

The directors have acknowledged their responsibilities for preparing accounts which give a true and fair view of the company and of its profit/loss (whichever is applicable) for the year then ended in accordance with the requirements of Section 226 of the Companies Act 1985 and which otherwise comply with the requirements of this Act relating to accounts, so far as applicable to this company.

The financial statements attached were approved on 29th December 2008 and were signed by:

P E Tummons
Director



Notes to the financial statements for the year ended 30 June 2006

1 Principal accounting policies

The financial statements have been prepared under the historical cost convention, in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

Basis of preparing the financial statements – going concern assumption

The financial statements have been prepared on the going concern basis, which assumes that the company will continue in operational existence for the foreseeable future.

Loan notes and redemption premium, redeemable from 30 June 2005 were redeemed in June 2006. As described in the Directors' report attempts to restructure the finances of the company met with no success and a sale of Methuen Drama was completed on 31st May 2006. Without the sale and without the continued support of the principal preference shareholder and loan note holder prior to the sale, the company would not have had sufficient funds to meet its obligations on the loan notes.

Changes in accounting policies

In 2004 the company adopted UITF 38 'Accounting for ESOP Trusts' in its financial statements. The adoption of this guidance represented a change in accounting policy and the comparative figures for that year were restated accordingly. (See note 20).

Basis of preparing the financial statements – exemption from consolidation.

The company is exempt from preparing consolidated financial statements as the company and its subsidiary undertaking qualify as a small group.

Tangible fixed assets

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual value on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Office equipment	50
Furniture and fittings	25

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Assets and liabilities at the year-end, recorded in foreign currencies are translated at the closing rate of exchange. Differences arising on exchange are taken to the profit and loss account in the period in which they arise.

Turnover

Revenue represents amounts receivable from customers (net of VAT) on the sale of its publications and subsidiary rights income from the use of titles where Methuen Publishing Limited owns the publishing rights.

Amounts receivable from customers on the sale of its publications to booksellers is recognised in full on physical delivery. It is customary in the industry for customers to be allowed to return publications and therefore an appropriate provision is made against sales to reflect the risk of these returns.

Subsidiary rights income is recognised on receipt of the income.

Operating leases

Rental costs in respect of operating leases are charged on a straight-line basis over the term of the lease.

Publishing rights

The company owns publishing rights which extend over the legal term of copyright in the vast majority of its titles. No valuation is given to these rights.

Deferred taxation

FRS19 'Deferred tax' requires deferred tax to be provided on all timing differences, arising from the different treatment for accounts and tax purposes of transactions and events recognised in the financial statements of the current and previous years. Deferred taxation is calculated at the rates at which it is estimated that the tax will arise.

Cash flow statement

The company qualifies as a small company under the provisions of Section 237(2) of the Companies Act 1985. As a consequence it is exempt from the requirement to publish a cash flow statement.

Stocks

Stocks of books are stated at the lower of cost and net realisable value. No overheads are included within the stock value.

A provision for slow moving stocks is made based on the industry knowledge and historic trends associated with different types of publication.

Goodwill

Goodwill arising on the acquisition of businesses is capitalised and amortised over 20 years to reflect the long-term nature of the publishing rights purchased with the businesses.

Provisions

The provision to reflect the risk of customer returns is based on current and historic knowledge with respect to the average length of time for returns and the average percentage of books returned.

2 Turnover

An analysis of turnover by destination is given below:

	2006 £	2005 £
United Kingdom	1,650,922	1,934,182
Rest of Europe	49,680	70,474
USA	223,948	241,215
Rest of World	131,767	92,556
	<u>2,056,317</u>	<u>2,338,427</u>

An analysis of turnover by class of business is given below:

	2006 £	2005 £
Sales of publications	1,870,151	2,172,294
Subsidiary rights sales	186,166	166,133
	<u>2,056,317</u>	<u>2,338,427</u>

3 Operating Profit

	2006 £	2005 £
Operating profit is stated after charging:		
Depreciation of owned tangible fixed assets	2,700	-
Amortisation of goodwill	-	72,000
Operating lease charges - land and buildings	42,000	42,000
Auditors remuneration	-	15,000
		<u>139,000</u>

4 Other operating expenses

	2006 £	2005 £
Distribution costs	318,304	342,893
Administration expenses	730,401	980,328
	<u>1,048,705</u>	<u>1,323,221</u>

5 Directors' emoluments

	2006 £	2005 £
Aggregate emoluments	55,000	66,000
Consideration paid to a third party for services as a Director	4,000	8,000
	<u>59,000</u>	<u>74,000</u>

6 Employee information

	2006 Number	2005 Number
By activity		
Editorial and selling	6	6
Administration	2	2
	<u>8</u>	<u>8</u>

Staff costs for the above were:

	2006 £	2005 £
Wages and salaries	282,900	279,515
Social security costs	23,054	27,744
	<u>305,954</u>	<u>307,259</u>

7 Interest payable and similar charges

	2006 £	2005 £
Loan stock interest payable	-	127,799
Bank interest payable	5,078	11,134
Bank charges	7,485	11,328
Other interest	17,646	7,333
	<u>30,209</u>	<u>157,594</u>

8 Surplus on disposal of business

	2006 £	2005 £
Purchase consideration	2,350,000	-
Goodwill	-940,416	-
Stock	-306,000	-
Authors' advances	-32,787	-
Legal fees	-27,621	-
	<u>1,043,176</u>	<u>-</u>

9 Taxation

	2006 £	2005 £
Charge for the year based on ordinary activities	-	-
Total tax on ordinary activities	<u>-</u>	<u>-</u>

10 Intangible fixed assets

Goodwill

Cost brought forward at 1 July 2005	<u>1,497,680</u>
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Amortisation

As at 1 July 2005	515,064
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Charge for the year	-
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Disposal	940,416
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	<u>1,455,480</u>
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Net book amount at 30 June 2006	<u>42,200</u>
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Net book amount at 30 June 2005	<u>982,616</u>
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11 Tangible fixed assets

Office Equipment	Furniture & Fittings	Total
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£	£	£
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Cost

At 1 July 2005	91,396	22,798	114,194
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Additions	5,435	-	5,435
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At 30 June 2006	<u>96,831</u>	<u>22,798</u>	<u>119,629</u>
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Depreciation

At 1 July 2005	91,395	22,798	114,193
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Charge for the year	2,702	-	2,702
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	<u>94,097</u>	<u>22,798</u>	<u>116,895</u>
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Net book amount at 30 June 2006	<u>2,734</u>	<u>-</u>	<u>2,734</u>
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Net book amount at 30 June 2005	<u>1</u>	<u>-</u>	<u>1</u>
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12 Investments

Investments in Subsidiary Undertakings	£
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Investments at 1 July 2005	100,000
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At 30 June 2006	<u>100,000</u>
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The investments represent ownership of 100% ordinary shares in Politico's Publishing Limited and Westminster Bookshops Limited, companies incorporated in England.

13 Stocks

	2006 £	2005 £
Work in progress	10,010	6,419
Books for resale	140,953	456,649
	<u>150,963</u>	<u>463,068</u>

14 Debtors

Amounts falling due within one year

	2006 £	2005 £
Trade debtors	290,428	441,422
Amounts owed by group undertakings	173,480	85,827
Other debtors	136,631	204,206
Prepayments and accrued income	55,197	59,791
Called up share capital not paid	22,787	22,787
	<u>678,523</u>	<u>814,033</u>

15 Creditors

Amounts falling due within one year

	2006 £	2005 £
Loan notes and bank overdraft	-	1,616,461
Trade creditors	498,701	584,220
Other taxation and social security payable	14,249	16,867
Other creditors	373,511	368,130
Accruals and deferred income	24,647	163,611
	<u>911,108</u>	<u>2,749,289</u>

The bank overdraft was secured by an unscheduled mortgage debenture dated 24 July 1998 incorporating a fixed and floating charge over all current and future assets of the company.

	2006 £	2005 £
Bank overdraft	-	160,680
Loan notes	-	850,583
Redemption premium on Loan Notes	-	605,198
	<u>-</u>	<u>1,616,461</u>

Issue costs applicable to the loan notes of £105,000 were charged to the profit and loss account over five years at a constant rate from July 1998 and were fully amortised at 30 June 2004.

15 Creditors - continued

Amounts falling due within one year - continued

The redemption premium on loan notes was charged to the profit and loss account from July 1998.

On 31 January 2004, the company redeemed the loan note of £173,529 held by John Wisden & Co Ltd. On 31 January 2005, the company made a partial redemption of £79,650 of the loan and redemption premium held by Quester VCT Plc and on 28 February 2005, made a partial redemption of £53,100 of the loan note and redemption premium held by Quester VCT2 Plc. On 29 June 2005 Quester VCT2 Plc was merged with Quester VCT Plc.

On 4 June 2006, the company redeemed the remaining loan note and redemption premium held by Quester VCT Plc. The payment of £1,407,637 was in final settlement of the amount due.

16 Provision for liabilities and charges

	Provision for sales returns £
At 1 July 2005	110,718
Release to profit and loss account	-53,842
At 30 June 2006	<u>56,876</u>

17 Loans and other borrowings

Maturity of debt

	2006 £	2005 £
Due within one year or less or on demand	- 1,616,461	-
Due in more than one year but not more than two	-	-
Due within two to five years	-	-
	<u>- 1,616,461</u>	

18 **Called up share capital**

	2006 Number	2006 £	2005 Number	2005 £
Authorised				
'A' ordinary shares of £0.05 each	168,360	8,418	168,360	8,418
'B' ordinary shares of £0.05 each	238,307	11,915	238,307	11,915
'C' ordinary shares of £0.05 each	100	5	100	5
Preference shares of £1.00 each	323,530	323,530	323,530	323,530
	730,297	343,868	730,297	343,868
Allotted, called up and paid				
'A' ordinary shares of £0.05 each	145,573	7,279	145,573	7,279
'B' ordinary shares of £0.05 each	-	-	197,640	9,882
'C' ordinary shares of £0.05 each	-	-	100	5
Preference shares of £1.00 each	-	-	100,000	100,000
	145,573	7,279	443,313	117,166
Allotted, called up and paid				
'A' ordinary shares of £0.05 each	22,787	1,139	22,787	1,139
'B' ordinary shares of £0.05 each	-	-	-	-
'C' ordinary shares of £0.05 each	-	-	-	-
Preference shares of £1.00 each	-	-	-	-
	22,787	1,139	22,787	1,139
	168,360	8,418	466,100	118,305

The 8 per cent cumulative preference shares, which carried no voting rights were issued in July 1998 at £1.00 per share and redeemed in June 2006 at par together with a premium of 30 per cent.

Cumulative dividends and interest were paid to the preference share holder in June 2006.

On 25 May 2006 Ms D M Cruikshanks exercised an option to purchase a further 14,640 'B' ordinary shares at 10 pence per share and brought her holding to 43,920 'B' ordinary shares.

On 25 May 2006 the company passed a special resolution to approve a buy back of 43,920 'B' ordinary shares held by Ms D M Cruikshanks, 168,360 'B' ordinary shares held by Quester VCT Plc and 100 'C' ordinary shares held by Quester VCT Plc.

18 Called up share capital - continued

The price per share at which the buy back was exercised was £1.8497. Accordingly Ms D M Cruikshanks was paid £81,239.00 on 5 June 2006 and Quester VCT Plc was paid £311,600.00 on 6 June 2006.

Dividend arrears

Arrears of cumulative dividends at the balance sheet date are as follows:

	2006 £	2005 £
Preference shares	-	80,472

Non-equity shareholders' funds

These are represented by the following:

	2006 £	2005 £
Preference shares of £1 each	-	100,000
Arrears of cumulative dividends	-	80,472
Premium on redemption of preference shares	-	30,000
	-	210,472

19 Share premium account and reserves

	Share premium account £	Profit & loss account £
At 1 July 2005	272,383	-890,978
Profit/(loss) for the year		1,016,303
Premium on 14,640 'B' ordinary shares of £0.05 issued at 10 pence per share	732	-
	273,115	125,325
Premium on redemption of loan note		48,144
Premium on redemption of preference shares	-30,000	
Premium on buy back of 43,920 'B' ordinary shares	-50,276	-28,767
Premium on buy back of 168,360 'B' ordinary shares and 100 'C' ordinary shares	-192,839	-110,338
At 30 June 2006	-	34,364

Investment in own shares represents 79,180 'A' ordinary shares of £0.05 each in the capital of the company held by Methuen Publishing Limited Employee Share Scheme. It also includes sundry cash funds of £307.

20	Reconciliation of movements in shareholders' funds/(deficit)		
		2006	2005
		£	£
	Profit/(loss) for the financial period after taxation	1,065,106	-111,964
	Issued share capital - 'B' ordinary shares	732	
	Share premium	732	
	Share premium account	48,144	
	Buy back of 'B' ordinary shares	-81,240	
	Buy back of 'B' ordinary shares	-311,415	
	Buy back of 'C' ordinary shares	-185	
	Redemption of preference shares	-100,000	-
	Premium on redemption of preference shares	-30,000	-
	Preference share dividend appropriation	-58,803	-8,000
	Reversal of Preference share dividend appropriation		8,000
	Net addition/(deduction) from shareholders' funds	533,071	-111,964
	Opening shareholders' deficit	-500,289	-388,325
	Closing shareholders' funds/(deficit)	32,782	-500,289

21 Financial commitments

At 30 June 2006 the company had annual commitments under non-cancellable operating leases as follows:

	2006	2005
	£	£
Land and buildings		
Expiring within one year	42,000	42,000

22 Deferred taxation

The total potential liability/(asset) of deferred taxation unprovided is as follows:

	2006	2005
	£	£
Tax effect of timing differences because of:		
Excess of depreciation over capital allowances	-	-4,023
Losses	-	-55,555
	-	-59,578

23 Related party transactions

Included in debtors is an amount of £22,787 (2005: £22,787) representing unpaid calls on 79,180 'B' ordinary shares due from the MESS.

The amounts owed by group undertakings included in debtors of £173,480 relate to amounts owed by Politico's Publishing Limited and Westminster Bookshops Limited, both wholly owned subsidiaries.