

# **METHUEN PUBLISHING LIMITED**

## **Annual report**

**for the period ended 30 June 1999**

Registered no: 3543167



# **METHUEN PUBLISHING LIMITED**

## **Annual report for the period ended 30 June 1999**

<b>Contents</b>	<b>Pages</b>
<b>Directors and advisers</b>	<b>1</b>
<b>Report of the directors</b>	<b>2 - 4</b>
<b>Report of the auditors</b>	<b>5 - 6</b>
<b>Profit and loss account</b>	<b>7</b>
<b>Balance sheet</b>	<b>8</b>
<b>Notes to the financial statements</b>	<b>9 - 18</b>

## Directors and advisers

### Directors

Iain Wilcock (Chairman)  
Peter Tummons  
Michael Earley

### Solicitors

Withers  
12 Gough Square  
London  
EC4A 3DE

### Secretary and registered office

Temple Secretarial Limited  
12 Gough Square  
London  
EC4A 3DE

### Bankers

National Westminster Bank Plc  
Charing Cross London Branch  
113 Cavell House  
2A Charing Cross Road  
London  
WC2H 0PD

### Registered auditors

PricewaterhouseCoopers  
Hamilton House  
3 Appold Street  
LONDON  
EC2A 2AA

**Report of the directors  
for the period ended 30 June 1999**

The directors present their report and the audited financial statements for the period from incorporation on 8 April 1998 to 30 June 1999.

**Incorporation and change in company name**

The company was incorporated in England and Wales on 8 April 1998 under the name of Temple Co 395 Limited. The company changed its name to Methuen Publishing Limited on 24 July 1998. The company commenced trade on 27 July 1998.

**Principal activities**

The profit and loss account for the period is set out on page 7.

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**

The first year's trading was below forecast mainly because the acquisition process extended three months more than had been expected. This meant delays occurred in the development of the publishing programme for Autumn 1998 and beyond. It also delayed relocation to suitable premises and the recruitment of additional staff needed to develop the business.

Future development plans are focused on the two main strands of the business.

The drama and theatre publishing is well established and has thrived in all its former ownerships. In the next few years we expect to develop academic markets and on-line selling in the UK. In all our major export territories sales agents have been appointed with access to school and college markets as well as to retail and wholesale outlets.

The general publishing activities of the company were purposely reduced by previous owners and we have begun the process of reviving that strand of the business. We plan to expand this activity substantially over the next four to five years.

**Dividends and transfer to reserves**

The directors do not propose the payment of a dividend in this first year of trading.

However, the fixed cumulative preference dividend on the preference shares has been appropriated through the profit and loss account for the year. As the company does not have sufficient distributable reserves in order to pay the dividends, these dividends have been credited back within profit and loss account reserves. The loss for the financial period of £21,879 after taxation but before appropriations, will be transferred to reserves.

**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 of the company at 30 June 1999 were as follows:

		Date of Appointment	30 June 1999 Number
		Number	Number
M Earley	Appointed 24 July 1998	79,180	79,180
P Tummons	Appointed 24 July 1998	79,180	79,180
I Wilcock	Appointed 24 July 1998	-	-
Temple Direct Limited	Appointed 8 April 1998 \	-	-
	Resigned 24 July 1998		

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

**Year 2000**

The directors have carried out a survey of the company's computer and related equipment and software and are satisfied that the company's systems are Year 2000 compliant. Since 1 January 2000 the directors are not aware of any issues that would have a material impact on its operations and financial position.

**Share capital**

The share capital on incorporation was £10,000 divided into 10,000 ordinary shares of £1 each. On 24 July 1998 each share was subdivided into 20 ordinary shares of 5p each resulting in 200,000 ordinary shares. These were made up of 40 issued and 168,320 unissued 'A' ordinary shares and 31,640 unissued 'B' ordinary shares. The authorised share capital was increased from £10,000 to £343,868 by the creation of 206,667 'B' ordinary shares of 5p each, 100 'C' ordinary shares of 5p each and 323,530 Preference shares of £1 each.

**Charitable and political donations**

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

## 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. In preparing those financial statements, the directors are required to:

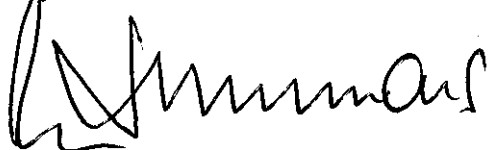
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the 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 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

A resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

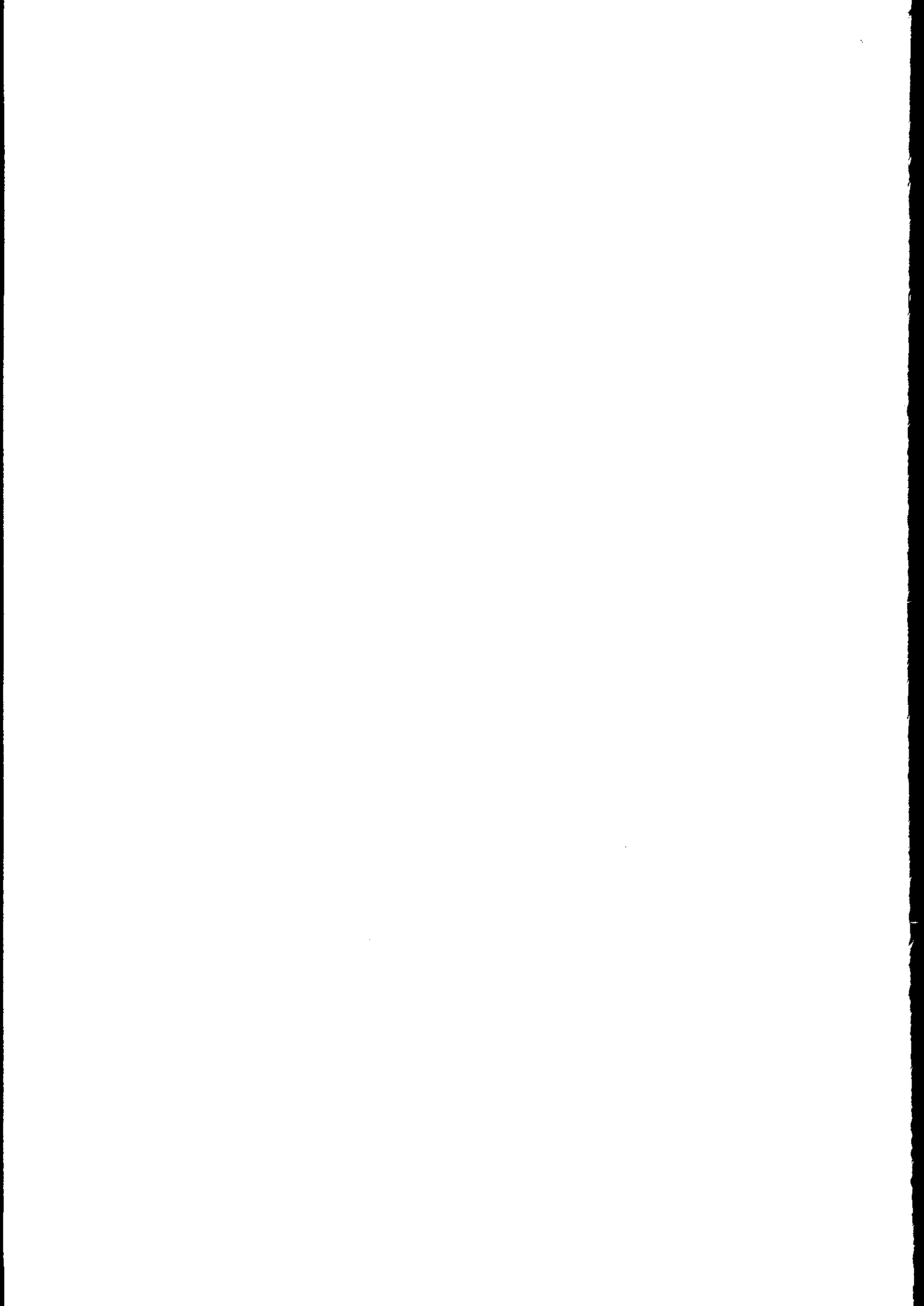
By order of the board



P Tummons

Director

8<sup>th</sup> February 2000



**Report of the auditors to the members of  
Methuen Publishing Limited**

We have audited the financial statements on pages 7 to 18.

**Respective responsibilities of directors and auditors**

*The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.*

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. 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

**Basis of opinion**

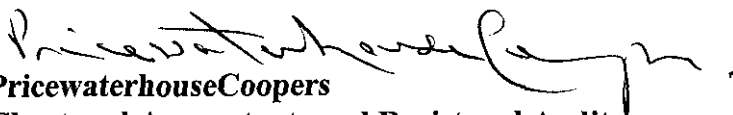
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.



**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 June 1999 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**PricewaterhouseCoopers**

**Chartered Accountants and Registered Auditors**

London

8 February 2000

**Profit and loss account  
for the period ended 30 June 1999**

	Notes	1999 £
<b>Turnover</b>	3	1,545,827
Cost of sales		<u>(767,616)</u>
<b>Gross profit</b>		778,211
Other operating expenses	4	<u>(563,188)</u>
<b>Operating profit</b>		215,023
Interest payable and similar charges	7	<u>(227,833)</u>
<b>Loss on ordinary activities before taxation</b>	8	(12,810)
Taxation on loss on ordinary activities	9	<u>(9,069)</u>
<b>Loss on ordinary activities after taxation</b>		(21,879)
Appropriations - preference share dividend	10	(14,118)
- preference share redemption premium	10	(26,400)
<b>Retained loss for the period</b>	18	<u><u>(62,397)</u></u>

All of the above activities represent continuing operations.

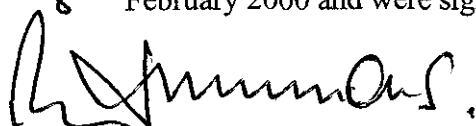
The company has no recognised gains and losses other than those included in the loss above, and therefore no separate statement of total recognised gains and losses has been presented.

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

**Balance sheet  
at 30 June 1999**

	Notes	1999 £
<b>Fixed assets</b>		
Intangible assets	11	1,431,680
Tangible assets	12	47,302
		<u>1,478,982</u>
<b>Current assets</b>		
Stocks	13	236,185
Debtors	14	725,606
Cash at bank and in hand		283,659
		<u>1,245,450</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(1,067,663)</u>
<b>Net current assets</b>		<u>177,787</u>
<b>Total assets less current liabilities</b>		<u>1,656,769</u>
<b>Creditors: amounts falling due after more than one year</b>	16	<u>(1,188,547)</u>
<b>Net assets</b>		<u>468,222</u>
<b>Capital and reserves</b>		
Called up share capital	17	194,776
Share premium account	18	295,325
Profit and loss account	18	(21,879)
Equity shareholders' funds		<u>251,228</u>
Non-equity shareholders' funds		<u>216,994</u>
<b>Shareholders' funds</b>	19	<u>468,222</u>

The financial statements on pages 7 to 18 were approved by the board of directors on 8 February 2000 and were signed on its behalf by:



**P. Tummons  
Director**

**Notes to the financial statements  
for the period ended 30 June 1999****1 Incorporation**

The company was incorporated in England and Wales on 8 April 1998.

**2 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

**Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention.

**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**

The company does not incur any foreign currency exposure as all invoicing is done in sterling.

**Turnover**

Turnover, which excludes value added tax, represents the amounts derived from the provision of goods to customers during the period.

**Operating leases**

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

**Copyrights**

The company owns the copyright to the vast majority of its titles. No valuation is given to these rights.

**Deferred taxation**

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

**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 are stated at the lower of cost and net realisable value.

**Goodwill**

Goodwill arising on the acquisition of the business is capitalised and is being amortised over 20 years.

**3 Turnover**

An analysis of turnover by destination is given below:

	1999 £
United Kingdom	1,383,379
Rest of Europe	33,983
USA	20,332
Rest of World	108,133
	<u>1,545,827</u>

**4 Other operating expenses**

	1999 £
Distribution costs	137,668
Administration expenses	425,520
	<u>563,188</u>

**5 Directors' emoluments**

	1999
	£
Aggregate emoluments	91,666
Consideration paid to a third party for services of director	11,000
	<u>102,666</u>

**6 Employee information**

The average number of persons employed by the company, including executive directors, during the period was as follows:

	1999
	Number
<b>By activity</b>	
Editorial and Selling	4
Administration	1
	<u>5</u>

Staff costs for the above persons were:

	1999
	£
Wages and salaries	169,222
Social security costs	14,622
	<u>183,844</u>

**7 Interest payable and similar charges**

	1999
	£
Redemption premium on loan stock (note 16)	115,685
Loan stock interest payable	90,000
Amortisation of issue costs of loan stock (note 16)	21,000
Bank interest payable	385
Bank charges	2,825
Bank interest receivable	(2,062)
	<u>227,833</u>

**8 Loss on ordinary activities before taxation**

	1999
	£
<b>Loss on ordinary activities before taxation is stated after charging:</b>	
Amortisation of goodwill	66,000
Depreciation of tangible fixed assets	12,000
Charge – other operating leases	27,895
Auditors' remuneration	<u>9,000</u>

**9 Taxation**

	1999
	£
UK Corporation tax at 20.7 % based on loss on ordinary activities for the period	<u>9,069</u>

**10 Appropriations**

	1999
	£
<b>Dividends on non-equity shares:</b>	
Preference shares	14,118
Preference share redemption premium	<u>26,400</u>

In accordance with the provisions of FRS 4, the company appropriated through the profit and loss account the fixed cumulative preference dividends for the period of the company's preference shares. However, as the company does not have sufficient distributable reserves in order to pay such dividends payable on 30 September 1999, these dividends have been credited back within profit and loss account reserves (note 18).

Also in accordance with FRS 4, the premium on redemption of the preference shares amounting to £52,800 and redeemable from 24 July 2000, will be appropriated through the profit and loss account over two years to that date. Accordingly an appropriation of £26,400 has been made in these financial statements. This is credited back within the profit and loss account reserves (note 18).

**11 Intangible fixed assets**

	1999 £
<b>Goodwill</b>	
Cost	
Addition in period	1,497,680
At 30 June 1999	<u>1,497,680</u>
Amortisation	
Charge for the period	66,000
At 30 June 1999	<u>66,000</u>
<b>Net book value at 30 June 1999</b>	<u><u>1,431,680</u></u>

**12 Tangible fixed assets**

	Office Equipment £	Furniture and Fittings £	Total £
<b>Cost</b>			
At 8 April 1998	-	-	-
Additions	39,267	20,035	59,302
At 30 June 1999	<u>39,267</u>	<u>20,035</u>	<u>59,302</u>
<b>Depreciation</b>			
At 8 April 1998	-	-	-
Charge for the year	9,800	2,200	12,000
At 30 June 1999	<u>9,800</u>	<u>2,200</u>	<u>12,000</u>
<b>Net book value</b>			
At 30 June 1999	<u>29,467</u>	<u>17,835</u>	<u>47,302</u>
<b>Net book value</b>			
At 8 April 1998	<u>-</u>	<u>-</u>	<u>-</u>



**13 Stocks**

	1999 £
Work in progress	22,221
Books for resale	213,964
	<u>236,185</u>

**14 Debtors**

	1999 £
<b>Amounts falling due within one year</b>	
Trade debtors	375,583
Other debtors	260,034
Prepayments and accrued income	21,629
Called up share capital not paid	22,786
	<u>680,032</u>
<b>Amounts falling due after more than one year</b>	
Called up share capital not paid	45,574
	<u>725,606</u>

**15 Creditors: amounts falling due within one year**

	1999 £
Trade creditors	267,259
Corporation tax	9,069
Other taxation and social security payable	6,565
Deferred consideration	380,000
Other creditors	70,747
Accruals and deferred income	334,023
	<u>1,067,663</u>

Deferred consideration relates to amounts payable on the purchase of the business, £244,000 payable on 1 July 1999, and £136,000 on 31 December 1999.

**16 Creditors: amounts falling due after more than one year**

	1999
	£
Loan stock	<u>1,188,547</u>

Company unsecured loan stock is stated net of un-amortised issue costs of £84,000. These costs amounting to £105,000 are charged to the profit and loss account over five years at a constant rate from July 1998.

The loan notes bear interest at 8 percent per annum and are redeemable as follows:

		Premium
29 June 2003	£235,294	50%
29 June 2004	£294,118	60%
29 June 2005	£627,451	70%

The total premium on redemption of the loan stock is charged to the profit and loss account from July 1998 to the respective dates of redemption. The premium charged but not paid of £115,685 is included in the creditor above.

**17 Called up share capital**

	1999	1999
	Number	£
<b>Authorised</b>		
'A' ordinary shares of £0.05 each	168,360	8,418
'B' ordinary shares of £0.05 each	238,307	11,915
'C' ordinary shares of £0.05 each	100	5
Preference shares of £1 each	323,530	323,530
	<u>730,297</u>	<u>343,868</u>
	Number	£
<b>Allotted, called up and paid</b>		
'A' ordinary shares of £0.05 each	100,000	5,000
'B' ordinary shares of £0.05 each	197,640	9,882
'C' ordinary shares of £0.05 each	100	5
Preference shares of £1 each	176,471	176,471
	<u>472,211</u>	<u>191,358</u>
<b>Allotted, called up and not paid</b>		
'A' ordinary shares of £0.05 each	68,360	3,418
'B' ordinary shares of £0.05 each	-	-
'C' ordinary shares of £0.05 each	-	-
Preference shares of £1 each	<u>68,360</u>	<u>3,418</u>
	<u>540,571</u>	<u>194,776</u>

The 8 per cent cumulative preference shares, which do not carry any voting rights, were issued in 1998 at £1.00 per share and are redeemable at £1.30 per share at the option of the shareholders anytime after 24 July 2000, but shall in any event be redeemed on 30 September 2002.

Shareholders are entitled to receive dividends at 8 per cent per annum on the par value of these shares on a cumulative basis. These dividends are payable on 30 September each year starting on 30 September 1999.

On a winding up, the preference shares rank above ordinary A and B shares and are entitled to receive £1.40 per share and any dividends accrued but unpaid in respect of their shares.

**Capital repayment**

On a winding up, the surplus assets of the company remaining after the payment of its liabilities shall be applied as follows:

- a) to each preference share an amount equal to 140% of the issue price.
- b) any accruals and/or unpaid amounts of preference dividends
- c) the balance shall be distributed amongst the holders of the A and B ordinary shares *pari passu*.

C ordinary shareholders entitled to receive 0.01p per each share held.

**Conversion**

The holders of B and C shares may convert their shareholding into A ordinary shares up to 24 July 2005. If conversion does not occur prior to 24 July 2005, then C ordinary shares shall immediately be converted into one D ordinary share.

**Dividend arrears**

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

	1999 £
Preference shares	<u>14,118</u>

The arrears relate to the payment due on 30 September 1999.

**18 Share premium account and reserves**

	Share premium account	Profit and loss account
<b>At 8 April 1998</b>		
Premium on shares issued	347,700	-
Acquisition expenses	(52,375)	-
Loss for the period	-	(62,397)
Preference share dividend (note 10)	-	14,118
Preference share redemption premium (note 10)	-	26,400
<b>At 30 June 1999</b>	<b>295,325</b>	<b>(21,879)</b>

**19 Reconciliation of movements in shareholders' funds**

	1999 £
Net proceeds of issue of ordinary share capital	490,101
Loss for the financial period	(21,879)
Preference share dividend appropriation	(14,118)
Preference share premium redemption appropriation	(26,400)
Reversal of non-equity appropriations	40,518
<b>Closing shareholders' funds</b>	<b>468,222</b>

**20 Financial commitments**

At 30 June 1999 the company had annual commitments under non-cancellable operating leases as follows:

	1999 £
<b>Land and building</b>	
Expiring within 2-5 years	35,000
<b>Other</b>	
Expiring within 2 – 5 years	3,900

**21 Deferred taxation**

The total potential liability of deferred taxation unprovided is as follows:

	1999
	£
Tax effect of timing differences because of:	
Excess of capital allowances over depreciation	<u>2,344</u>

**22 Related party transactions**

The directors Messrs P Tummons and M Earley each hold 34,180 'A'ordinary shares which are called up and not paid. Therefore, £34,180 for each director has been included in debtors. Under the terms of the issue these amounts are payable in three equal instalments on 1 July 1999, 1 July 2000 and 1 July 2001, and do not bear interest.

Michael Earley and his wife are joint authors of eight titles contracted with the company and which the company has published. Michael Earley is also a joint author of a further two titles contracted with the company and which the company has published. Royalties paid in the year for all these titles were £4,012 and no balance is outstanding at the year-end. His wife is also contracted with the company as joint author of four other titles, one of which has been published by the company. The company has paid an aggregate advance of £13,750 on these titles.