Company Registration No. 01051118 (England and Wales)

LION HUDSON PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2016

tgs taylorcocks

3 Acorn Business Centre
Northarbour Road
Portsmouth
PO6 3TH

LION HUDSON PLC

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LION HUDSON PLC

COMPANY INFORMATION

Directors	Mrs. C Gregory Mrs. A Lawhead Mr. A Hodder-Williams Ms. S Wilson-Higgins Mr. N Gray
Secretary	Mrs. C Gregory
Company number	01051118
Registered office	Wilkinson House Jordan Hill Road Oxford United Kingdom OX2 8DR
Auditor	tgs taylorcocks 3 Acorn Business Centre Northarbour Road Cosham Portsmouth Hampshire United Kingdom PO6 3TH
Bankers	HSBC - Oxford Commerical Centre Midland House Seacourt Botley Oxford OX2 0PL

The directors present the strategic report for the year ended 31 March 2016.

Fair review of the business

The principal activities during the year were those of tactical publishing in tough market conditions, which were especially challenging in some of our key international markets.

Principal risks and uncertainties

Financial risk management

The Company's operations expose it to a number of financial risks including liquidity risk, interest rate risk, credit risk and capital management risk. There is limited exposure to foreign currency risk through a hedging policy. Exposures to risks are monitored by the Finance Director and where appropriate are discussed at the monthly Exec and quarterly Board meetings. These risks are:

a) Liquidity risk

Undercapitalization is a risk the company faces within the volatile current markets.

b) Interest rate profile

The Company has no financial assets other than sterling cash deposits which are invested at an approximate equivalent to the Bank of England base rate. At 31 March 2016 £239K (2015: £22K) of bank balances were held in accounts which were subject to floating rates of interest.

c) Maturity of financial assets and liabilities

The maturity profile of the Company's financial assets and liabilities as at 31 March 2016 is given in notes 1.10 and 1.11.

The main financial assets are cash and trade receivables. An analysis of cash is shown in (b) above. Credit terms are contract specific which span from cash to a maximum of 150 days from the invoice date. There were trade receivables overdue at 31 March 2016 with a value of £579K (2015: £460K).

The Company would normally expect that sufficient cash is generated in the operating cycle to meet cash flows through effective cash management. The Board is confident that the more than adequate cash resources combined with improving trading conditions will finance future trading.

d) Borrowing facilities

The Company utilizes a sales financing (Invoice Discounting) facility in place at 31 March 2016 or 31 March 2015.

e) Credit risk exposure

Credit risk arises from cash and cash equivalents, deposits with the bank, as well as credit exposures to customers, including outstanding receivables. There were trade receivables of £579K (2015: £460K) that are past due and some provisions have been made against these. External credit ratings are obtained for customers via the sales financing facility credit insurers and debts insured to a determined limit. Company policy is to assess the credit quality of each customer internally prior to any contract being signed or any work being undertaken. Internal checks are performed taking into account their financial position as well as their reputation within the industry and past experience. All potential customers' Annual Report and Accounts are reviewed and high risk customers either rejected or mitigating measures implemented. Invoices are aged monthly and customers with any past due invoices are contacted to arrange for payment.

The Company's maximum exposure to credit risk relating to its financial assets is equivalent to their carrying value as disclosed in note 9. All financial assets have a fair value which is equal to their carrying value.

The Company did not have any financial instruments that would mitigate the credit exposure arising from the financial assets designated at fair value through the profit and loss account in either the current or the preceding financial year.

Capital Management

The Company's objectives when managing capital are:

a) To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

b) To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to increase cash balances.

Other principal risks to the business

The Board considers the other principal risks to the business are as follows:

a. Market conditions
Close working relationships are maintained with both the Company's suppliers and customers in order to monitor market changes. The Directors continually monitor other markets and products that are complementary to the Company's business model and that can be added to the Company's portfolio of products. Economic and interest rate changes are also monitored in relation to the impact they will have on the market conditions for the Company.

b. Product risk
If we do not anticipate and respond to changes in customer demands we may lose market share and our competitiveness may reduce. In order to mitigate against the risk of stock obsolescence the Company continues to innovate with releases of new titles and the frequent updating of existing products. We endeavor to work closely with customers in our product development efforts, to help ensure their relevance and acceptability in our target markets.

c. Intellectual property
The Company always takes prompt action where any breach of its Intellectual Property Rights is suspected and where appropriate takes immediate legal action to protect its position.

d. Destruction of sole office
A detailed Disaster Recovery Plan is in force and reviewed annually during rehearsals for such an event occurring. All staff are able to work from their home base on a continuous basis. Appropriate insurance cover is maintained. A business continuity plan is in force. Business interruption insurance cover is held with a value of £7.2m for duration of two years.

e. Destruction of computer systems
We have adequate business systems and processes in place to ensure business continuity for such an eventuality.

Development and performance

Tough market conditions led to a 4% decrease in turnover, although EU sales saw a positive year-on-year variance being 53% of overall turnover (2015: 41.4%) This was driven by several successful new Bible retellings such as ***The Unofficial Bible for Minecrafters*** and ***The Lion Comic Book Hero Bible***, and a strong range of books in the biographical category, including Andrew White's ***My Journey So Far.***

International sales, which include English language export sales outside the EU and international co-edition sales, unfortunately ended with a negative variance year-on-year being 47% of turnover (2015: 59%). This was driven by fewer and lower value orders from customers, particularly those in key territories with weak economies. These included Brazil for co-editions and South Africa for export sales. In addition export sales to the US year-on-year showed some recovery following the demise of Good Books and trading problems for Family Christian Stores, but sales were lower than budgeted and the returns rate increased.

Unfortunately across all lists our stock to sale ratio did not improve over the year at 310 days (2015: 272 days) and in the current financial year the Board has implemented a tighter stock policy for English language books more closely linked to each title's rate of sale and optimally holding no more than six months stock.

The ongoing cost of our production, spending £3.9m (2015: £4.3m) on £7m turnover, saw a slightly higher GP achieved of 43.96%
(2015: 41.38%), which is representative of the EU sales holding across the lists.

Compared to the prior year there has been a 97% reduction in the loss before taxation, achieved largely due to careful overhead controls and prudent provisions in 2014/2015 for stock and WIP which fell into the projected write off policy. This is represented by a loss of £30K (2015: (£184K)).

Key performance indicators

The Company uses a variety of KPIs in order to monitor business performance. In addition to those quoted above, the level of Debtor days – 101.6 days (2015: 104.7 days) – and creditor days – 249 days (2015: 234 days) – are monitored closely.

New KPIs on productivity and performance are being introduced within this year.

In addition the Company completes a traditional management accounts package every month which includes a profit and loss statement with forecasts for the next reporting period.

Given the nature of the business the Board believes that these KPIs are sufficient to ensure that appropriate action can be taken as necessary.

Other information and explanations

Environmental and social

The Company operates from a single site in premises it leases in Oxford. Every care is taken to ensure that the Company operates in an environmentally friendly way within the limitations imposed by our location and the nature of our operations. In regard to its employees and the local community, the Company allows employees time to take part in their own social responsibilities as necessary.

Future prospects

The outlook for 2016–2017 remains challenging, as key international markets continue to place modest re-orders. As a consequence, the Board has approved a profit improvement programme through tightly controlled operational costs and stock holdings to align with sales.

In the meantime, the Company still maintains a strong balance sheet enabling it to counter the inherent uncertainty in the economy. In the current turbulent economic climate this policy continues to stand us in good stead.

By order of the board

C M Gregory .

Mrs. C Gregory

Secretary

16-9-2016 .

The directors present their annual report and financial statements for the year ended 31 March 2016.

Principal activities

The principal activity of the company continued to be the publishing of Christian books.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mrs. C Gregory	
Mr. N Jones	(Resigned 1 April 2016)
Mrs. A Lawhead	
Mr. A Hodder-Williams	
Ms. S Wilson-Higgins	
Mr. N Gray	
Mr. R McCloughry	(Resigned 30 September 2015)

Results and dividends

The results for the year are set out on page 11.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors' insurance

The company maintains insurance policies on behalf of all the directors against liability arising from negligence, breach of duty and breach of trust in relation to the company.

Auditor

tgs taylorcocks were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Strategic report

In accordance with Section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the Directors have set out in the company's Strategic Report on page 2, such information as required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

By order of the board

C M Gregory.

Mrs. C Gregory

Secretary

16-9-2016.

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

The directors' are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LION HUDSON PLC

We have audited the financial statements of Lion Hudson PLC for the year ended 31 March 2016 which comprise the Statement of Total Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes numbered 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the *financial statements*
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter
In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures concerning the Company's ability to continue as a Going Concern, as shown in notes to the financial statements, section 1.2. The conditions within section 1.2, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Taylorcocks

Mr James Blake ACA (Senior Statutory Auditor)
for and on behalf of

tgs taylorcocks

Chartered Accountants
Statutory Auditor

22/9/2016

3 Acorn Business Centre
Northarbour Road
Cosham
Portsmouth
Hampshire
United Kingdom
PO6 3TH

LION HUDSON PLC

STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £	2015 £
Turnover	3	6,995,627	7,293,654
Cost of sales		(3,968,477)	(4,275,816)
Gross profit		3,027,150	3,017,838
Distribution costs		(343,098)	(430,148)
Administrative expenses		(2,660,137)	(2,720,381)
Operating profit/(loss)	4	23,915	(132,691)
Interest payable and similar charges	8	(53,530)	(51,065)
Loss before taxation		(29,615)	(183,756)
Taxation	9	-	-
Loss for the financial year		(29,615)	(183,756)
Other comprehensive income		-	-
Total comprehensive income for the year		(29,615)	(183,756)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

LION HUDSON PLC

BALANCE SHEET

AS AT 31 MARCH 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Goodwill	**10**		129,405		145,580
Tangible assets	**11**		1,120,869		1,137,252
Investments	**12**		1,000		1,000
			1,251,274		1,283,832
Current assets					
Stocks	**15**	3,121,436		3,182,835	
Debtors	**16**	2,137,946		2,092,892	
Cash at bank and in hand		238,806		22,048	
		5,498,188		5,297,775	
Creditors: amounts falling due within one year	**17**	(3,351,662)		(3,735,207)	
Net current assets			2,146,526		1,562,568
Total assets less current liabilities			3,397,800		2,846,400
Creditors: amounts falling due after more than one year	**18**		(1,081,217)		(500,202)
Net assets			2,316,583		2,346,198
Capital and reserves					
Called up share capital	**23**		857,993		857,993
Share premium account			782,016		782,016
Profit and loss reserves			676,574		706,189
Total equity			2,316,583		2,346,198

The financial statements were approved by the board of directors and authorised for issue on 16.9.2016 and are signed on its behalf by:

Nicholas Gray

Mr. N Gray
Director

Company Registration No. 01051118

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Share capital	Share premium account	Profit and loss reserves	Total
		£	£	£	£
Balance at 1 April 2014		857,993	782,016	889,945	2,529,954
Year ended 31 March 2015:					
Loss and total comprehensive income for the year		-	-	(183,756)	(183,756)
Balance at 31 March 2015		857,993	782,016	706,189	2,346,198
Year ended 31 March 2016:					
Loss and total comprehensive income for the year		-	-	(29,615)	(29,615)
Balance at 31 March 2016		857,993	782,016	676,574	2,316,583

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Cash flows from operating activities					
Cash absorbed by operations	**24**		(100,573)		(57,181)
Interest paid			(53,530)		(51,065)
Income taxes paid			(38,806)		-
Net cash outflow from operating activities			(192,909)		(108,246)
Investing activities					
Purchase of tangible fixed assets		(42,600)		(505,478)	
Net cash used in investing activities			(42,600)		(505,478)
Financing activities					
New borrowings		650,000		-	
Repayment of bank loans		-		(344,124)	
(Payment of)/new finance leases obligations		(206,636)		790,483	
Net cash generated from financing activities			443,364		446,359
Net increase/(decrease) in cash and cash equivalents			207,855		(167,365)
Cash and cash equivalents at beginning of year			(267,172)		(99,807)
Cash and cash equivalents at end of year			(59,317)		(267,172)
Relating to:					
Cash at bank and in hand			238,806		22,048
Bank overdrafts included in creditors payable within one year			(298,123)		(289,220)

1 Accounting policies

Company information

Lion Hudson PLC is a company limited by shares incorporated in England and Wales. The registered office is Wilkinson House, Jordan Hill Road, Oxford, United Kingdom, OX2 8DR.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 March 2016 are the first financial statements of Lion Hudson PLC prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 April 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 25.

The company has taken advantage of the exemption under section 402 of the Companies Act 2006 not to prepare consolidated accounts, as both subsidiary entities are dormant. The financial statements present information about the company as an individual entity and not about its group.

1 Accounting policies **(Continued)**

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and will be able to meet its liabilities as they fall due, for a period of at least twelve months from the date that the financial statements are signed.

In concluding that it is appropriate to adopt the going concern basis in preparing the financial statements, the directors have considered the current and future trading, the cash flow forecasts for the foreseeable future, the facilities provided by the bank over the invoice financing and bank overdraft, the support provided by ZipAddress Limited and the continued support from IBM invoice financing, and have considered the ability for repayment of the loans as they fall due.

The bank invoice financing facilities are in the process of being transferred, the directors anticipate that this will be obtained shortly and agreements in principle have been reached. The facility will then be in place for a period of at least twelve months, securing the facilities over a fixed charge on the assets of the company.

Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements. Should the assumptions referred to above prove to be invalid, the going concern basis may also be invalid and, accordingly, adjustments may have to be made to reduce the value of the assets to their realisable amounts, to provide any further liabilities which might arise and to reclassify all fixed assets and long term liabilities as current assets and liabilities respectively.

1.3 Turnover

Turnover represents amounts invoices to customers, excluding Value Added Tax.

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 20 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1 Accounting policies **(Continued)**

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings & equipment	10% - 50%
Software	20% - 50%
Software	15 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.8 Stocks

Stock and work in progress are valued at the lower of cost and net realisable value. Cost, using the first-in, first-out basis, consists of direct production costs.

Estimated net realisable value is calculated after providing for obsolescence based on the age and saleability of the stocks.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies **(Continued)**

1.10 Financial instruments

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1 Accounting policies **(Continued)**

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

1.16 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Goodwill

Goodwill has arisen on the acquisition of Angus Hudson Limited and the rights to their imprints. These imprints continue to be published under Lion Hudson PLC. As such, the Directors consider the useful economic life of goodwill to be 20 years.

Calculation of stock provisions

The company maintains a stock provision in order to maintain stock at the lower of cost and net realisable value. The Directors review sales reports to determine slow moving titles and forecast sales for the following 12 months. From this analysis, the titles that are not expected to sell are provided for within the accounts.

Credit note provision

At the end of each accounting period, the Directors review the level of credit notes raised over the previous 12 months and use this to estimate the value of credit notes that are expected to be issued in the first two months of the following year.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2016	2015
	£	£
Turnover		
UK	3,707,682	3,018,871
USA	1,608,994	826,760
Other	1,678,951	3,448,023
	6,995,627	7,293,654

4 Operating profit/(loss)

	2016	2015
Operating profit/(loss) for the year is stated after charging/(crediting):	£	£
Exchange gains	(43,046)	(29,478)
Fees payable to the company's auditor for the audit of the company's financial statements	14,800	16,008
Depreciation of owned tangible fixed assets	27,792	24,358
Depreciation of tangible fixed assets held under finance leases	31,190	-
Amortisation of intangible assets	16,175	16,175
Operating lease charges	125,104	139,500

5 Directors' remuneration

	2016	2015
	£	£
Remuneration for qualifying services	332,394	295,392

The number of directors for whom retirement benefits are accruing under money purchase schemes amounted to 4 (2015 - 4).

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	89,841	90,034

The directors are also considered to be key management personnel.

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2016	2015
	Number	Number
Editorial, design and production	25	22
Sales and marketing	29	29
Accounts and computer staff	5	5
	59	56

6 Employees (Continued)

Their aggregate remuneration comprised:

	2016	2015
	£	£
Wages and salaries	1,666,812	1,978,027
Social security costs	156,009	176,766
Pension costs	201,927	195,736
	2,024,748	2,350,529

7 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit and loss in respect of defined contribution schemes was £201,927 (2015 - £195,736).

8 Interest payable and similar charges

	2016	2015
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	16,250	-
Interest on finance leases and hire purchase contracts	13,328	-
	29,578	-
Other finance costs:		
Other interest	23,952	51,065
	53,530	51,065

9 Taxation

The charge for the year can be reconciled to the loss per the profit and loss account as follows:

	2016	2015
	£	£
Loss before taxation	(29,615)	(183,756)
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.00%)	(5,923)	(36,751)
Tax effect of expenses that are not deductible in determining taxable profit	13,315	1,464
(Decrease)/Increase in deferred tax asset not recognised	(7,392)	35,287
Tax expense for the year	-	-

A deferred tax liability on fixed asset timing differences of £179,093 has been netted off an against an unrecognised deferred tax asset of £253,457 regarding losses.

At 31st March 2016 the company has £1,300,000 (2015 - £1,500,000) of tax losses available for future use.

10 Intangible fixed assets

	Publishing Rights
	£
Cost	
At 1 April 2015 and 31 March 2016	323,505
Amortisation and impairment	
At 1 April 2015	177,925
Amortisation charged for the year	16,175
At 31 March 2016	194,100
Carrying amount	
At 31 March 2016	129,405
At 31 March 2015	145,580

11 Tangible fixed assets

	Fixtures, fittings & equipment	Software	Software	Total
	£	£	£	£
Cost				
At 1 April 2015	261,184	312,487	1,125,985	1,699,656
Additions	-	13,270	29,330	42,600
At 31 March 2016	261,184	325,757	1,155,315	1,742,256
Depreciation and impairment				
At 1 April 2015	257,303	305,102	-	562,405
Depreciation charged in the year	3,881	1,765	53,336	58,982
At 31 March 2016	261,184	306,867	53,336	621,387
Carrying amount				
At 31 March 2016	-	18,890	1,101,979	1,120,869
At 31 March 2015	3,881	7,386	1,125,985	1,137,252

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2016	2015
	£	£
Software	670,594	701,784
Depreciation charge for the year in respect of leased assets	31,190	-

12 Fixed asset investments

	Notes	2016	2015
		£	£
Investments in subsidiaries	13	1,000	1,000

The company has taken advantage of the exemption under section 402 of the Companies Act 2006 not to prepare consolidated accounts. The subsidiaries are deemed immaterial for the purposes of giving a true and fair view as they are dormant. The financial statements present information about the company as an individual entity and not about its group.

12 Fixed asset investments (Continued)

Movements in fixed asset investments

	Shares in subsidiary undertakings
	£
Cost or valuation	
At 1 April 2015 & 31 March 2016	1,000
Carrying amount	
At 31 March 2016	1,000
At 31 March 2015	1,000

13 Subsidiaries

Details of the company's subsidiaries at 31 March 2016 are as follows:

Name of undertaking and country of incorporation or residency		Nature of business	Class of shareholding	% Held Direct	% Held Indirect
Angus Hudson Limited	England and Wales	Dormant	Ordinary	100.00	
Aslan Publishing Services Limited	England and Wales	Dormant	Ordinary	100.00	

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Profit/(Loss)	Capital and Reserves
	£	£
Angus Hudson Limited	-	1,000
Aslan Publishing Services Limited	-	2

14 Financial instruments

	2016	2015
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	2,044,210	2,009,277
Carrying amount of financial liabilities		
Measured at amortised cost	4,363,546	4,198,114

15 Stocks

	2016	2015
	£	£
Work in progress	584,157	750,437
Finished goods and goods for resale	2,537,279	2,432,398
	3,121,436	3,182,835

16 Debtors

	2016	2015
Amounts falling due within one year:	£	£
Trade debtors	1,907,024	1,655,010
Corporation tax recoverable	38,806	-
Other debtors	137,186	354,267
Prepayments and accrued income	54,930	83,615
	2,137,946	2,092,892

17 Creditors: amounts falling due within one year

	Notes	2016 £	2015 £
Bank loans and overdrafts	**19**	298,123	289,220
Obligations under finance leases	**20**	152,630	290,281
Trade creditors		2,148,397	2,259,934
Other taxation and social security		69,333	37,295
Other creditors		348,927	324,175
Accruals and deferred income		334,252	534,302
		3,351,662	3,735,207

Included within accruals is an amount of £32,346 (2015: £57,346) relating to the companys obligation to refurbish its former offices.

Included in other creditors is an amount of £140,555 (2015: £192,399) relating to invoice discounting. This is secured by a fixed charge on all debts purchased and a floating charge over all the assets of the company.

The bank overdraft facility is secured by a fixed and floating charge over the assets of the company.

The obligations under finance lease are secured over the assets acquired.

18 Creditors: amounts falling due after more than one year

	Notes	2016 £	2015 £
Obligations under finance leases all in 2-5 years	**20**	431,217	500,202
Other borrowings	**19**	650,000	-
		1,081,217	500,202

The amounts included within other borrowings are owed to ZipAddress Limited and are secured by a floating charge over the assets of the company. Interest is charged at a rate of 2.5% per annum.

The obligations under finance lease are secured over the assets acquired. Interest is charged at a rate of 4.5% per annum.

19 Loans and overdrafts

	2016	2015
	£	£
Bank overdrafts	298,123	289,220
Loans from related parties	650,000	-
	948,123	289,220
Payable within one year	298,123	289,220
Payable after one year	650,000	-

20 Finance lease obligations

	2016	2015
Future minimum lease payments due under finance leases:	£	£
Within one year	180,000	220,000
In two to five years	481,396	661,360
	661,396	881,360
Less: future finance charges	(77,549)	(90,877)
	583,847	790,483

21 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016	2015
	£	£
Within one year	164,600	148,155
Between two and five years	552,955	533,445
In over five years	-	125,104
	717,555	806,704

22 Related party transactions

During the year, the company was advanced £650,000 (2015 - £nil) by Zip Address Limited, a shareholder of the company. At the year end, the company owed Zip Address Limited £650,000 (2015 - £nil). This balance is included within 'Other borrowings' and is due after more than one year. Interest is charged on an arms length basis, during the year interest of £14,375 was paid to ZipAddress Limited.

23 Share capital

	2016	2015
	£	£
Ordinary share capital		
Issued and fully paid		
1,715,986 Ordinary shares of 50p each	857,993	857,993

24 Cash generated from operations

	2016	2015
	£	£
Profit/(Loss) for the year after tax	(29,615)	(183,756)
Adjustments for:		
Finance costs	53,530	51,065
Amortisation and impairment of intangible assets	16,175	16,175
Depreciation and impairment of tangible fixed assets	58,982	24,358
Movements in working capital:		
Decrease/(increase) in stocks	61,400	(239,872)
(Increase)/decrease in debtors	(6,248)	136,788
(Decrease)/increase in creditors	(254,797)	138,061
Cash absorbed by operations	(100,573)	(57,181)

25 Reconciliations on adoption of FRS 102

The effect on the group and company's reported equity and profits on the transition to FRS 102 is reported below. There were no items requiring adjustment on transition.

Reconciliation of equity

	1 April 2014 £	31 March 2015 £
Equity as reported under previous UK GAAP and under FRS 102	2,529,954	2,346,198

Reconciliation of profit or loss

	2015 £
Profit or loss as reported under previous UK GAAP and under FRS 102	(183,756)