

Company Registration No. 1015675

The Folio Society Limited

Report and Financial Statements

27 August 2010

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The Folio Society Limited

Report and financial statements 2010

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The Folio Society Limited

Report and financial statements 2010

Officers and professional advisers

Directors

Lord Gavron (Chairman)
C Aris
T Hartwell (appointed 19 October 2010)
D Hayden
R Preece
P Scannell
J Whitlock-Blundell

Secretary

R Preece

Registered Office

44 Eagle Street
London
WC1R 4FS

Bankers

National Westminster Bank Plc
63 Piccadilly
London
W1A 2AG

Solicitors

Osborne Clarke
2 Temple Back East
Temple Quay
Bristol
BS1 6EG

Auditors

Deloitte LLP
Chartered Accountants
London
EC4A 3BZ

The Folio Society Limited

Chairman's statement

I am pleased to report the company met its objectives for 2010 of generating cash and profit whilst maintaining its membership. As a result we ended the period having restored the company's financial position to what it was before the set-back suffered in 2008.

While trading conditions remain challenging, the plan for 2011 is for the company to maintain its turnover and membership, and again generate cash and profit.

We plan to continue to retain cash in the balance sheet as we anticipate further difficulties in the world economy over the next twelve months. Once the economic situation becomes clearer it will give us the opportunity to invest in growing the business.

The company has a loyal membership which in the past has allowed it to trade satisfactorily through past economic downturns. We are confident that the company will further strengthen its position in 2011.


Lord Gavron

29th November 2010

The Folio Society Limited

Directors' report

The directors present their annual report and the audited financial statements for the period ended 27 August 2010

Business review and principal activities

The principal activity of the company is publishing fine edition books, which are sold to a worldwide membership by way of mail order. There have not been any significant changes in the company's principal activities in the period under review. The directors are not aware, at the date of this report, of any likely major changes in the nature of the company's activities in the next year.

As shown in the profit and loss account on page 8, the company's sales have increased during the period by 7.7% to £24.8m. This increase contributed to growth in the profit before taxation to £2.1m compared with a profit of £1.1m for the prior period. The company has achieved a sound footing for managed growth in 2011, coupled with further generation of cash and profit.

During the period the company's membership increased from 116,455 at the end of 2009 to 117,145 at 27 August 2010.

The company's balance sheet on page 9 shows an increase in cash of £2.5m (2009: £2.3m increase) and net assets of £8.5m (2009: £6.8m). The company has no borrowings. Its bank facility was allowed to lapse in July 2010.

No significant events have occurred since the balance sheet date.

The company plans to increase its level of investment in new members in 2011 and continue to generate cash and profit.

Principal risks and uncertainties including financial risk management

The company is exposed to the rising price of oil and its effect on the costs of delivering books to members. Increases in postage prices and paper costs for direct mail campaigns are a continuing risk to the company.

Sales in the United States of America, Canada and Australia are made in the local currency giving an exposure to movements in the pound against the American, Canadian and Australian dollars. The company takes out forward foreign exchange contracts on a twelve month rolling basis to manage these risks.

The company has an exposure to changes in interest rates on its cash balances.

The carrying amounts of cash and bank balances, trade debtors and payables approximate their respective fair values due to the relatively short-term maturing of these financial instruments.

The trade debtors are distributed in a diversified manner such that credit risk is considered minimal.

The company is dependent upon the postal services for the ordering and distribution of its products and there is therefore a risk of disruption due to industrial action. The company is confident that its contingency plans and alternative ordering and distribution methods are sufficient to manage this risk.

The Folio Society Limited

Directors' report

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review above. The company's financial position, cash flows and borrowing facilities are also set out there.

The company is profitable, has considerable financial resources and customers and suppliers across different geographic areas. As a consequence, the directors believe that the company is well placed to manage its business risks despite the current uncertain economic climate.

The directors believe that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Donations

During the period the company made no charitable donations (2009 – £nil).

Dividends

The directors do not recommend the payment of a dividend for the period ended 27 August 2010 (2009 – £nil).

Audit information

Each of the directors, at the date of this report, confirms that

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- The director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditors

A resolution to re-appoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



R Preece
Secretary

29th November 2010

The Folio Society Limited

Statement of directors' responsibilities

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 period. 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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.

Independent auditors' report to the members of The Folio Society Limited

We have audited the financial statements of The Folio Society Limited for the period ended 27 August 2010 which comprise the profit and loss account, the balance sheet, the cash flow statement, the notes to the cash flow statement and the related notes 1 to 14. 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).

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As 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 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 (APB'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.

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 27 August 2010 and of its profit for the period 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report to the members of The Folio Society Limited (continued)

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



Christopher Brough (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

[Date] 6 December 2010

The Folio Society Limited

Profit and loss account Period ended 27 August 2010

	Notes	27 August 2010 £	31 August 2009 £
Turnover	2	24,813,169	23,032,530
Cost of sales		(6,424,635)	(7,184,583)
Gross profit		18,388,534	15,847,947
Distribution costs		(12,501,930)	(11,414,539)
Administrative expenses		(3,493,851)	(3,281,003)
Other operating expenditure		(337,767)	(61,301)
Operating profit	4	2,054,986	1,091,104
Loss on disposal of fixed assets		(151)	(2,639)
Interest receivable and similar income		10,948	8,394
Profit on ordinary activities before taxation		2,065,783	1,096,859
Tax (charge)/credit on profit on ordinary activities	5	(343,632)	146,612
Profit on ordinary activities after taxation	11	1,722,151	1,243,471

There are no recognised gains or losses other than the gain/loss for the current and prior period and accordingly no statement of total recognised gains and losses is presented

The results in the profit and loss account relate solely to continuing operations

The Folio Society Limited

Balance sheet 27 August 2010

	Notes	27 August 2010 £	31 August 2009 £
Fixed assets			
Tangible assets	6	1,229,057	1,348,213
Investments		969	969
		<u>1,230,026</u>	<u>1,349,182</u>
Current assets			
Stocks	7	2,851,229	3,027,206
Debtors	8	3,199,136	3,356,922
Cash at bank and in hand		5,297,431	2,800,088
		<u>11,347,796</u>	<u>9,184,216</u>
Creditors, amounts falling due within one year	9	<u>(4,095,266)</u>	<u>(3,772,993)</u>
Net current assets		<u>7,252,530</u>	<u>5,411,223</u>
Total assets less current liabilities		<u>8,482,556</u>	<u>6,760,405</u>
Capital and reserves			
Called up share capital	10	1,770,000	1,770,000
Profit and loss account		6,712,556	4,990,405
Shareholders' funds	11	<u>8,482,556</u>	<u>6,760,405</u>

The financial statements of The Folio Society Limited (registered number 1015675) were approved by the Board of Directors and authorised for issue on *24th November* 2010

Signed on behalf of the Board of Directors

R Preece

R Preece
Director

The Folio Society Limited

Cash flow statement Period ended 27 August 2010

	Note	27 August 2010		31 August 2009	
		£	£	£	£
Net cash inflow from operating activities					
	A	2,553,554		2,260,453	
Returns on investments and servicing of finance					
Interest received		10,948		8,394	
Taxation					
Corporation tax paid		(3,310)		-	
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(63,849)		(30,956)	
Receipts from sales of fixed assets		-		18,500	
Net cash outflow from capital expenditure		(63,849)		(12,456)	
Increase in cash in the period	B	<u>2,497,343</u>		<u>2,256,391</u>	
Reconciliation of net cash flow to movement in net funds					
Movement in net funds in the period		2,497,343		2,256,391	
Opening net funds		<u>2,800,088</u>		<u>543,697</u>	
Closing net funds	B	<u>5,297,431</u>		<u>2,800,088</u>	

The Folio Society Limited

Notes to the cash flow statement Period ended 27 August 2010

A Reconciliation of operating profit to net cash inflow from operating activities

	27 August 2010	31 August 2009
	£	£
Operating profit	2,054,986	1,091,104
Depreciation	182,854	177,918
Decrease in stocks	175,977	557,258
(Increase)/Decrease in debtors	(185,846)	1,106,864
Increase/(Decrease) in creditors	325,583	(672,691)
Net cash inflow from operating activities	<u>2,553,554</u>	<u>2,260,453</u>

B. Analysis of net funds

	31 August 2009	Cash flows	27 August 2010
	£	£	£
Cash at bank and in hand	<u>2,800,088</u>	<u>2,497,343</u>	<u>5,297,431</u>

The Folio Society Limited

Notes to the accounts

Period ended 27 August 2010

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted, which are consistent with the prior period, are described below.

The company does not produce group financial statements because the company is itself a wholly owned subsidiary of another company incorporated in Great Britain. Accordingly these financial statements present information about this company as an individual undertaking and not as a group.

Accounting convention

The financial statements are prepared under the historical cost convention.

The accounts are prepared on a going concern basis as described in the Directors' report on page 4.

Accounting reference date

The accounts are drawn up to the Friday closest to 31 August.

Tangible fixed assets

Fixed assets are stated at cost less provision for depreciation and any impairment. Depreciation is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Freehold land	No depreciation is provided
Freehold property and improvements	2% - 10%
Computer software and equipment	25% - 33%
Fixtures, fittings and equipment	20%
Motor vehicles	25%

Investments

Investments in subsidiaries are stated at cost less provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials and third party invoiced costs of production.

Taxation

The credit/charge for current tax is provided at the rates of taxation ruling for the accounting period.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

The Folio Society Limited

Notes to the accounts

Period ended 27 August 2010

1. Accounting policies (continued)

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rates. Differences on exchange are taken to the profit and loss account.

Advertising and promotional costs

The costs of promotions and advertising delivered in the current financial period, which relate to the following period's new membership enrolment, are expensed during the current financial period.

Turnover

Turnover represents sales to members, net of discounts and VAT in the current period. Turnover is recognised when goods are despatched.

Pension costs

The company operates a defined contribution pension scheme. Pension costs comprise contributions paid and are charged to the profit and loss account as incurred.

2. Turnover

	27 August 2010 £	31 August 2009 £
The geographical analysis of turnover by destination is as follows		
United Kingdom	9,620,870	9,919,907
North America	8,287,292	7,554,215
Australia	4,709,578	3,312,689
Other overseas	2,195,429	2,245,719
	<u>24,813,169</u>	<u>23,032,530</u>

The directors consider that there is only one business segment, publishing, and therefore an analysis of turnover by segment has not been prepared. All turnover is derived from operations based in the United Kingdom.

The Folio Society Limited

Notes to the accounts

Period ended 27 August 2010

3. Information regarding directors and employees

	27 August 2010 £	31 August 2009 £
Directors' emoluments:		
Emoluments	594,446	566,159
Pension contributions	65,650	45,303
	<u>660,096</u>	<u>611,462</u>
	No.	No.
Number of directors who are members of defined contribution schemes	<u>5</u>	<u>6</u>
	£	£
Remuneration of the highest paid director	<u>135,512</u>	<u>123,629</u>
Pension contribution of the highest paid director	<u>28,471</u>	<u>10,578</u>
	£	£
Employee costs during the period including directors:		
Wages and salaries	3,370,417	3,335,701
Social security costs	368,742	357,676
Other pension costs	221,937	217,223
	<u>3,961,096</u>	<u>3,910,600</u>
	No.	No.
Average number of persons employed during the period including directors:		
Editorial and production	19	20
Sales and distribution	53	55
Administration	24	23
	<u>96</u>	<u>97</u>

4. Operating profit

	27 August 2010 £	31 August 2009 £
Is stated after charging		
Depreciation	182,855	177,918
Fees payable to the company's auditors		
- for the audit of the company's annual accounts	25,500	25,000
- for tax services	5,412	9,000
Pension costs	221,937	217,223
Exchange loss	<u>509,646</u>	<u>198,011</u>

The Folio Society Limited

Notes to the accounts

Period ended 27 August 2010

5. Tax on profit on ordinary activities

(a) Analysis of charge/(credit) in period

	27 August 2010	31 August 2009
	£	£
Current tax		
United Kingdom corporation tax at 28% (2009 – 28%)	317,767	3,388
Adjustment in respect of prior periods	(39)	-
Total current tax (note 5(b))	317,728	3,388
Deferred tax	25,904	(150,000)
Total tax charge/(credit) for the period	343,632	(146,612)

(b) Factors affecting tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 28% (2009 – 28%) The differences are explained below

	27 August 2010	31 August 2009
	£	£
Profit on ordinary activities before tax	2,065,783	1,096,859
Profit on ordinary activities multiplied by standard rate of corporation at 28% (2009 – 28%)	578,419	307,121
Effects of		
Expenses not deductible for tax purposes	73	(582)
Capital allowances in excess of depreciation	(5,558)	(21,571)
Movement in short term timing differences	7,407	(15,530)
Non-qualifying depreciation	6,711	6,667
Utilisation of brought forward unrecognised losses	(269,092)	(272,717)
Double tax relief on foreign income	(193)	-
Adjustment to the tax charge in respect of previous periods	(39)	-
Current tax charge for period (note 5(a))	317,728	3,388

The Folio Society Limited

Notes to the accounts

Period ended 27 August 2010

5. Tax on loss on ordinary activities (continued)

(c) Deferred tax note

	27 August 2010 £	31 August 2009 £
Movement on deferred taxation balance in the period		
Opening balance	150,000	-
(Charge)/credit to profit and loss account	(25,904)	150,000
Closing balance	<u>124,096</u>	<u>150,000</u>
	27 August 2010 £	31 August 2009 £
Analysis of deferred tax balance		
Depreciation in excess of capital allowances	89,128	-
Provisions	34,968	15,530
Losses carried forward	-	134,470
	<u>124,096</u>	<u>150,000</u>

Deferred tax has been recognised to the extent that management believe there will be sufficient future taxable profits against which the losses can be utilised

Unrecognised deferred tax assets in the current period were £nil (2009 £239,968)

The Folio Society Limited

Notes to the accounts Period ended 27 August 2010

6. Tangible fixed assets

	Freehold property and improve- ments £	Computer software and equipment £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost:					
At 1 September 2009	1,837,283	1,411,736	435,515	50,611	3,735,145
Additions	-	62,516	1,334	-	63,850
Disposals	-	-	(239)	-	(239)
At 27 August 2010	1,837,283	1,474,252	436,610	50,611	3,798,756
Accumulated depreciation:					
At 1 September 2009	(770,404)	(1,252,581)	(342,904)	(21,043)	(2,386,932)
Charge for the period	(23,969)	(109,337)	(36,962)	(12,587)	(182,855)
Disposals	-	-	88	-	88
At 27 August 2010	(794,373)	(1,361,918)	(379,778)	(33,630)	(2,569,699)
Net book value:					
At 27 August 2010	1,042,910	112,334	56,832	16,981	1,229,057
At 31 August 2009	1,066,879	159,155	92,611	29,568	1,348,213

Freehold property and improvements includes land valued at cost of £300,000 (2009 £300,000), on which no depreciation is being charged. A charge is held on the freehold property by the company's bankers.

7 Stocks

	27 August 2010 £	31 August 2009 £
Work-in-progress	582,820	601,095
Finished stocks	2,268,409	2,426,111
	<u>2,851,229</u>	<u>3,027,206</u>

There is no material difference between cost and the replacement value of stock.

The Folio Society Limited

Notes to the accounts

Period ended 27 August 2010

8. Debtors due within one year

	27 August 2010 £	31 August 2009 £
Trade debtors	1,626,243	1,500,314
Other debtors	182,804	166,657
Amounts due from group undertakings	986	986
Deferred Tax asset	124,096	150,000
Prepayments and accrued income	1,265,007	1,538,965
	<u>3,199,136</u>	<u>3,356,922</u>

9. Creditors, amounts falling due within one year

	27 August 2010 £	31 August 2009 £
Payments received on account	382,020	269,070
Trade creditors	1,122,007	1,259,829
Amounts owed to group undertakings	534,140	529,839
Corporation tax	324,525	10,105
Other creditors including taxation and social security	21,973	25,913
Accruals and deferred income	1,710,601	1,678,237
	<u>4,095,266</u>	<u>3,772,993</u>

10. Called up share capital

	2010 £	2009 £
Authorised, called up, allotted and fully paid: 1,770,000 ordinary shares of £1 each	<u>1,770,000</u>	<u>1,770,000</u>

11. Reconciliation of movements in shareholders' funds

	2010 £	2009 £
Retained profit for the period	<u>1,722,151</u>	<u>1,243,471</u>
Net increase in shareholders' funds	1,722,151	1,243,471
Opening shareholders' funds	<u>6,760,405</u>	<u>5,516,934</u>
Closing shareholders' funds	<u>8,482,556</u>	<u>6,760,405</u>

The Folio Society Limited

Notes to the accounts

Period ended 27 August 2010

12 Financial commitments

	2010 £'000	2009 £'000
Forward exchange contracts	5,354	4,225

The company is committed to forward foreign exchange contracts taken out to cover a proportion of its forecast foreign currency receipts in the twelve months following the balance sheet date. The particulars of the contracts are

	2010		2009	
	£'000	Rates	£'000	Rates
US Dollars	1,979	1.48-1.66	2,043	1.45-1.82
Canadian Dollars	1,122	1.54-1.77	871	1.78-1.95
Australian Dollars	2,253	1.71-1.89	1,311	2.02-2.57
	<u>5,354</u>		<u>4,225</u>	

13. Related party transactions

No charitable donations were paid to The Robert Gavron Charitable Trust during the period (2009 – £nil). Lord Gavron, who has direct control of Folio Holdings Limited, the parent company, is also the Settlor and one of the Trustees of The Robert Gavron Charitable Trust. Also during the period £7,000 (2009: £7,000) was paid by The Robert Gavron Charitable Trust for the rent of office space in the company's head office building.

14. Ultimate parent company and controlling entity

The company's immediate and ultimate parent company and controlling entity is Folio Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of the group financial statements of Folio Holdings Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ. Folio Holdings Limited is under the control of Lord Gavron.

Folio Holdings Limited is the parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up and of which the reporting company is a member.