

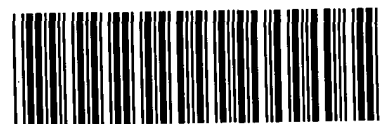
**Phaidon Press Limited**

**Annual report and financial statements**

**For the year ended 30 June 2021**

**Registered number 02525791**

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**Phaidon Press Limited**  
**Annual report and financial statements**  
For the year ended 30 June 2021

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<b>Directors:</b>	K Fox P Ruppel J H Booth-Clibborn B J Wechsler B Cohen B Black
<b>Registered office:</b>	2 Cooperage Yard, London, E15 2QR
<b>Company number:</b>	02525791
<b>Auditors:</b>	BDO LLP, 55 Baker Street, London, W1U 7EU

The directors present their strategic report together with the audited financial statements for the year ended 30 June 2021.

### **Principal activities**

Phaidon Press Limited (the "Company") and its subsidiaries (together, the "Group") are engaged in the publishing and sale of books and digital products on the visual arts, lifestyle and culture throughout the world. There has been no change in the Company's and Group's principal activities in the year under review.

### **Review of the business**

The consolidated statement of profit and loss and other comprehensive income is set out on page 9 and shows turnover for the year of £27.8m (2020 - £25.7m) and an operating profit for the year of £0.5m (2020 – operating loss of £1.3m). The profit before tax increased to £0.3m (2020 –loss before tax of £2.1m).

The gross profit margin for the year was 48% (2020 – 43%). The improvement in the gross profit margin is attributable to a relative reduction in the cost of inventory sold in the year compared to the year ended 30 June 2020.

The results in the year were driven by an increase in revenue of £2.1m (+8%) whilst improving the gross profit margin.

### **Future outlook**

During 2021/22 the Group will continue to publish its high quality books under its own imprint in English and other languages. The business objectives are to build long-term relationships with authors, continue driving future revenue growth with a strong focus on costs and efficiencies within the business.

### **Principal risks and uncertainties**

The Group seeks to manage its exposure to any market and market channel by ensuring that its product range is diverse and that its books are sold in multiple markets and market channels around the world. As a market leader in niche subject areas the directors believe it is well positioned to react effectively to economic conditions.

Sales to markets around the world are predominantly made in the local currency leaving the group exposed to currency shifts, predominantly Sterling to Euros and US Dollar exchange rates. The exposure is managed through natural hedges whereby the printing of books and other costs are matched by currency as closely as possible with expected inflows.

The Group's credit risk is primarily attributable to its trade debtors. Credit risk is managed through maintaining credit limits on all primary customers, dealing predominantly with major distributors worldwide and monitoring payments against contractual agreements.

The Group monitors cash flow as part of its day-to-day control procedures. The Board considers cash flow forecasts on a monthly basis and ensures that appropriate facilities are available to be drawn upon where necessary.

The coronavirus pandemic and the imposition of government restrictions is an ongoing risk which is monitored by management and the directors. At the date of signing these financial statements, retail outlets are open and trading is returning to pre-pandemic levels in our key markets. Specific ongoing risks and uncertainties exist within the supply chain as the Group works with a number of international suppliers located in Europe and China.

#### Key performance indicators

The board utilises a number of key performance indicators to enable a consistent method of analysing performance and to assist in developing strategy.

The main financial KPI used by management is the gross profit margin as it is a strong indicator that the Group's overall pricing strategy is correct and that it is also maintaining strong cost controls in relation to the development and production of its products. The gross profit margin for the year ended 30 June 2021 was 48% (2020 – 43%).

The inventory turnover ratio is an indicator of effective working capital management within the Group. The inventory turnover ratio is an efficiency ratio that measures how many times the average inventory held by the Group is sold during the year. The ratio is calculated using the cost of inventory sold in the year (note 5), divided by the value of inventory for re-sale at the year-end date (note 15). The stock turnover ratio for 2021 was 0.94 (2020 - 0.82).

#### Approval

This strategic report was approved on behalf of the Board.

  
Keith Fox  
Chief Executive Officer

Date: 29/06/2022

**Phaidon Press Limited**  
**Directors' report**  
For the year ended 30 June 2021

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The directors present their report together with the audited financial statements for the year ended 30 June 2021.

**Directors**

The current directors, who served during the year and those in office at 30 June 2021, were:

K L Fox  
J H Booth-Clibborn  
P Ruppel  
B J Wechsler  
B Cohen  
B Black

Carol Lynton was appointed as director on 10 May 2022.

**Directors' interests**

As at 30 June 2021, B J Wechsler owns 100% interest in EFS Member LLC which is the ultimate controlling company of Phaidon Press Limited.

**Dividends**

The directors do not recommend payment of a dividend (2020 - £Nil).

**Strategic report**

The Strategic report on the preceding pages provides information regarding the future developments of the Group, risks and uncertainties and key performance indicators.

**Directors' responsibilities**

The directors are responsible for preparing the Strategic report, the Directors' 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 Group and Company financial statements in accordance with International Accounting Standards. 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 Group and Company and of the profit or loss of the Group for that year.

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 they have been prepared in accordance with International Accounting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

**Phaidon Press Limited**  
**Directors' report**  
For the year ended 30 June 2021 (*continued*)

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**Directors' responsibilities (*continued*)**

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.

**Employment policies**

It is the policy of the Company that there should be no unfair discrimination in considering applications for employment, including those from disabled persons. Should any employee become disabled every practical effort will be made to provide continued employment.

The directors are committed to maintain and develop communication and consultation procedures with employees, who in turn are encouraged to become aware of and involve themselves in the performance of the Company.

**Going concern**

The directors prepare detailed cash flow projections to support their assessment of the Company's going concern.

The impact of the conflict in Ukraine was considered when preparing the cash flow projections. The Company has no material customers in either Ukraine or Russia and do not believe the conflict will have an impact on the Company's future revenues.

The significant increase in inflation in many western economies and the increase in the cost of oil is forecast to increase the costs of production and distribution. The impact on the Company's profit and cash flow have been incorporated in the Company's projections.

The directors have reviewed the Group's cash flow forecasts for the period to June 2023. Phaidon Press Limited has sufficient funds and facilities in place to finance the business. JMWTL LLC, a related party, has indicated that it will support the Group for a period of at least 12 months from the date the financial statements for the year ended 30 June 2021 are signed. As a result, the directors consider the business to have adequate access to finance, and consider the business to be a going concern.

**Auditors**

All of the current directors as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is not aware.

BDO LLP has expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

**On behalf of the Board**

  
Keith Fox  
Chief Executive Officer

Date: 29/06/2022

**Phaidon Press Limited**  
**Independent auditor's report**  
For the year ended 30 June 2021

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS PHAIDON PRESS LIMITED**

**Qualified opinion on the financial statements**

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Phaidon Press Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 30 June 2021 which comprise the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company statement of financial position, the company statement of changes in equity, the company statement of cash flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

**Basis for qualified opinion**

With respect to inventory having a carrying value of £11,881,000 in the consolidated statement of financial position and £11,488,000 in the company statement of financial position, at 30 June 2020, the audit evidence available to us was limited because, given the global COVID-19 pandemic and the restrictions imposed by local governments, no inventory count was undertaken and we did not observe the physical count as at 30 June 2020. As a result, we were unable to obtain sufficient appropriate audit evidence regarding the inventory quantities at the end of that year. Consequently, we were unable to determine whether any adjustments to this amount at 30 June 2020 was necessary, and therefore, whether there was any consequential effect on the cost of sales for the year ended 30 June 2021.

In addition, were any adjustment to the inventory balance to be required, the strategic report would also need to be amended.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Phaidon Press Limited**  
**Independent auditor's report**  
For the year ended 30 June 2021

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*Independence*

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the inventory quantities held at 30 June 2020 and whether there was any consequential effect on the cost of sales for the year ended 30 June 2021. We have concluded that where the other information refers to these balances, it may be materially misstated for the same reason.

**Other Companies Act 2006 reporting**

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.



**Phaidon Press Limited**  
**Independent auditor's report**  
For the year ended 30 June 2021

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Arising from the limitation of our work referred to above we have not obtained all of the information and explanations that we considered necessary for the purpose of our audit.

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

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

**Responsibilities of Directors**

As explained more fully in the Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

*Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework, employment regulations and relevant tax regulations;
- We understood how the Group is complying with those legal and regulatory frameworks by making enquiries to management. We corroborated our enquiries through our review of board minutes and discussion with management;

**Phaidon Press Limited**  
**Independent auditor's report**  
For the year ended 30 June 2021

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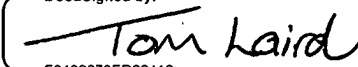
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by our enquiries with the management and component auditors from various parts of the business to understand where it is considered there was a susceptibility of fraud;
- Our audit planning identified fraud risks in relation to management override and inappropriate or incorrect revenue recognition. We obtained an understanding of the processes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors the processes and controls;
- With regards to the fraud risk in management override, our procedures included journal transaction testing, with a focus on large or unusual transactions, unusual accounts combination and unusual words based on our knowledge of the business. We also performed an assessment on the appropriateness of key judgements and estimates which are subject to management's judgement and estimation, and could be subject to potential bias; and
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it. In addition, the extent to which the audit was capable of detecting irregularities, including fraud was limited by the matter described in the basis for qualified opinion section of our report.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **Use of our report**

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
  
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**Tom Laird** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK

Date: 12 July 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**Phaidon Press Limited**  
**Consolidated statement of profit and loss and other comprehensive income**  
For the year ended 30 June 2021

	Note	2021 £'000	2020 £'000
Revenue	4	27,825	25,730
Cost of sales	5	(14,473)	(14,742)
<b>Gross profit</b>		<b>13,352</b>	<b>10,988</b>
Distribution costs	6	(7,404)	(7,019)
Administrative expenses	7	(4,883)	(5,480)
Foreign exchange (losses)/gains	8	(614)	191
<b>Operating profit/(loss)</b>		<b>451</b>	<b>(1,320)</b>
Finance expense	9	(856)	(774)
Finance income	9	746	1
<b>Net finance (cost)</b>		<b>(110)</b>	<b>(773)</b>
<b>Profit/(loss) before tax</b>		<b>341</b>	<b>(2,093)</b>
Tax credit/(expense)	13	355	(108)
<b>Profit/(loss) for the year</b>		<b>696</b>	<b>(2,201)</b>
<b>Items that will or may be reclassified to profit or loss:</b>			
Exchange gains/(losses) arising on translation of foreign operations		567	(126)
<b>Total comprehensive income/(expense) for the year attributable to the owners of the Company</b>		<b>1,263</b>	<b>(2,327)</b>

Turnover and operating profit/(loss) derive entirely from continuing operations.

The notes on pages 17 to 50 form part of these financial statements.

**Phaidon Press Limited**  
**Consolidated statement of financial position**  
For the year ended 30 June 2021

	Note	2021 £'000	2020 £'000
<b>Assets</b>			
Inventories	15	10,731	11,881
Trade and other receivables	16	7,470	6,556
Cash and cash equivalents	17	6,010	2,435
<b>Total current assets</b>		<b>24,211</b>	<b>20,872</b>
Property, plant and equipment	18	247	280
Right-of-use assets	19	1,351	1,506
Intangible assets	22	1,043	1,170
Long-term receivables	16	761	486
Deferred tax asset	24	444	-
<b>Total non-current assets</b>		<b>3,846</b>	<b>3,442</b>
<b>Total assets</b>		<b>28,057</b>	<b>24,314</b>
<b>Liabilities</b>			
Trade and other payables	25	11,126	9,773
Lease liabilities	19	213	-
<b>Total current liabilities</b>		<b>11,339</b>	<b>9,773</b>
Loans and borrowings	26	6,731	6,179
Lease liabilities	19	1,295	1,311
<b>Total non-current liabilities</b>		<b>8,026</b>	<b>7,490</b>
<b>Total liabilities</b>		<b>19,365</b>	<b>17,263</b>
<b>NET ASSETS</b>		<b>8,692</b>	<b>7,051</b>
<b>Issued capital and reserves</b>			
Share capital	27	60	60
Share premium		20,187	20,187
Shareholder contribution	28	2,345	2,447
Foreign exchange reserve		(226)	(793)
Accumulated losses		(13,674)	(14,850)
<b>TOTAL EQUITY</b>		<b>8,692</b>	<b>7,051</b>

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

Keith Fox - Chief Executive Officer

Date: 29/06/2022

The notes on pages 17 to 50 form part of these financial statements.

**Phaidon Press Limited**  
**Consolidated statement of changes in equity**  
For the year ended 30 June 2021

	Share capital £'000	Share premium £'000	Shareholder contribution £'000	Foreign exchange reserve £'000	Accumulated losses £'000	Total equity £'000
<b>Balance at 1 July 2019</b>	<b>60</b>	<b>20,187</b>	<b>1,300</b>	<b>(667)</b>	<b>(12,868)</b>	<b>8,012</b>
Comprehensive loss for the year	-	-	-	-	(2,201)	(2,201)
Exchange differences arising on translation of foreign operations	-	-	-	(126)	-	(126)
Shareholder contribution (note 28)	-	-	1,366	-	-	1,366
Capital contribution expense to deficit	-	-	(219)	-	219	-
<b>Balance at 30 June 2020</b>	<b>60</b>	<b>20,187</b>	<b>2,447</b>	<b>(793)</b>	<b>(14,850)</b>	<b>7,051</b>
Comprehensive profit for the year	-	-	-	-	696	696
Exchange differences arising on translation of foreign operations	-	-	-	567	-	567
Shareholder contribution (note 28)	-	-	378	-	-	378
Capital contribution expense to deficit	-	-	(480)	-	480	-
<b>Balance at 30 June 2021</b>	<b>60</b>	<b>20,187</b>	<b>2,345</b>	<b>(226)</b>	<b>(13,674)</b>	<b>8,692</b>

The shareholder contribution represents the difference between the cash amount of loans received from related parties and the present value of that amount discounted at the market rate of interest (see note 28).

The notes on pages 17 to 50 form part of these financial statements.

**Phaidon Press Limited**  
**Consolidated statement of cash flows**  
For the year ended 30 June 2021

	Note	2021 £'000	2020 £'000
<b>Cash flows from operating activities</b>			
Profit/(loss) for the year		696	(2,201)
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	18	64	63
Amortisation of right of use assets	19	155	42
Amortisation of intangible assets	22	79	32
Finance cost	9	856	524
Finance income	9	(746)	(1)
Income tax (credit)/expense	13	(355)	108
Net increase in stock provision	15	974	1,168
Increase in expected credit loss	16	17	117
Decrease in sales returns provision	25	(45)	(460)
Increase in royalty provision	16	198	243
Unrealised currency translation losses/(gains)		747	(120)
		<b>2,640</b>	<b>(485)</b>
Decrease/(increase) in inventories	15	131	(1,027)
(Increase)/decrease in trade and other receivables	16	(1,745)	962
Increase/(decrease) in trade and other payables	25	2,121	(1,166)
		<b>3,147</b>	<b>(1,716)</b>
<b>Cash generated from/(used in) operating activities</b>		<b>3,147</b>	<b>(1,716)</b>
Income taxes paid	13	(89)	(108)
		<b>3,058</b>	<b>(1,824)</b>
<b>Net cash generated from/(used in) operating activities</b>		<b>3,058</b>	<b>(1,824)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	18	(45)	(123)
Purchase of right-of-use assets	19	-	(186)
Purchase of intangible assets	22	(78)	-
Purchase of Monacelli net assets	21	(52)	(827)
Interest received	9	-	1
		<b>(175)</b>	<b>(1,135)</b>
<b>Net cash used in investing activities</b>		<b>(175)</b>	<b>(1,135)</b>
<b>Financing activities</b>			
Increase in shareholder loan	26	1,016	3,369
		<b>1,016</b>	<b>3,369</b>
<b>Net cash from financing activities</b>		<b>1,016</b>	<b>3,369</b>
<b>Net increase in cash and cash equivalents</b>		<b>3,899</b>	<b>410</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>2,435</b>	<b>2,016</b>
<b>Exchange (losses)/gains on cash and cash equivalents</b>		<b>(324)</b>	<b>9</b>
		<b>6,010</b>	<b>2,435</b>
<b>Cash and cash equivalents at the year end</b>		<b>6,010</b>	<b>2,435</b>

The notes on pages 17 to 50 form part of these financial statements.

**Phaidon Press Limited**  
**Company statement of financial position**  
For the year ended 30 June 2021

<b>Company number 02525791</b>	<b>Note</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
<b>Assets</b>			
Inventories	15	10,248	11,488
Trade and other receivables	16	6,259	4,991
Cash and cash equivalents	17	4,382	1,214
<b>Total current assets</b>		<b>20,889</b>	<b>17,693</b>
Property, plant and equipment	18	155	143
Right-of-use assets	19	1,351	1,506
Intangible assets	22	59	-
Investments	20	101	101
Long-term receivables	16	761	486
Deferred tax asset	24	444	-
<b>Total non-current assets</b>		<b>2,871</b>	<b>2,236</b>
<b>Total assets</b>		<b>23,760</b>	<b>19,929</b>
<b>Liabilities</b>			
Trade and other payables	25	6,911	5,419
Lease liabilities	19	213	-
Income tax payable		-	-
<b>Total current liabilities</b>		<b>7,124</b>	<b>5,419</b>
Loans and borrowings	26	6,731	6,179
Lease liabilities	19	1,295	1,311
<b>Total non-current liabilities</b>		<b>8,026</b>	<b>7,490</b>
<b>Total liabilities</b>		<b>15,150</b>	<b>12,909</b>
<b>NET ASSETS</b>		<b>8,610</b>	<b>7,020</b>
<b>Issued capital and reserves</b>			
Share capital	27	60	60
Share premium		20,187	20,187
Shareholder contribution	28	2,345	2,447
Accumulated losses		(13,982)	(15,674)
<b>TOTAL EQUITY</b>		<b>8,610</b>	<b>7,020</b>

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

Kelth Fox - Chief Executive Officer



Date: 29/06/2022

The notes on pages 17 to 50 form part of these financial statements.

**Phaidon Press Limited**  
**Company statement of changes in equity**  
For the year ended 30 June 2021

	Share capital £'000	Share premium £'000	Shareholder contribution £'000	Accumulated losses £'000	Total equity £'000
<b>Balance at 1 July 2019</b>	<b>60</b>	<b>20,187</b>	<b>1,300</b>	<b>(13,421)</b>	<b>8,126</b>
Total comprehensive loss for the year	-	-	-	(2,472)	(2,472)
Shareholder contribution (note 28)	-	-	1,366	-	1,366
Capital contribution expense to deficit	-	-	(219)	219	-
<b>Balance at 30 June 2020</b>	<b>60</b>	<b>20,187</b>	<b>2,447</b>	<b>(15,674)</b>	<b>7,020</b>
Total comprehensive profit for the year	-	-	-	1,212	1,212
Shareholder contribution (note 28)	-	-	378	-	378
Capital contribution expense to deficit	-	-	(480)	480	-
<b>Balance at 30 June 2021</b>	<b>60</b>	<b>20,187</b>	<b>2,345</b>	<b>(13,982)</b>	<b>8,610</b>

The shareholder contribution represents the difference between the cash amount of loans received from related parties and the present value of that amount discounted at the market rate of interest (see note 28).

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not presented its own income statement in the financial statements. Of the consolidated profit before tax of £341,000 (2020 – loss before tax of £2,093,000), a profit before tax of £852,000 (2020 - loss before tax of £2,369,000) is attributable to the Company.

The notes on pages 17 to 50 form part of these financial statements.



**Phaidon Press Limited**  
**Company statement of cash flows**  
For the year ended 30 June 2021

	Note	2021 £'000	2020 £'000
<b>Cash flows from operating activities</b>			
Profit/(loss) for the year		1,212	(2,472)
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	18	21	16
Amortisation of right-of-use assets	19	155	42
Amortisation of intangible assets	22	19	-
Finance income		(746)	(1)
Finance expense		856	524
Income tax (credit)/expense		(360)	108
Net increase in stock provision	15	635	1,114
Increase in expected credit loss	16	17	117
Decrease in sales returns provision	25	(45)	(460)
Increase in royalty provision	16	198	243
Unrealised currency translation (gains)/losses		169	184
		<b>2,131</b>	<b>(585)</b>
Decrease/(increase) in inventories	15	559	(883)
Increase in trade and other receivables	16	(1,980)	(621)
Increase/(decrease) in trade and other payables	25	1,734	(1,219)
		<b>2,444</b>	<b>(3,308)</b>
<b>Cash generated from/(used in) operating activities</b>			
Income taxes paid		(84)	(108)
		<b>2,360</b>	<b>(3,416)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	18	(33)	(120)
Purchase of right-of-use assets	19	-	(186)
Purchase of intangible assets	22	(78)	-
Interest received		-	1
		<b>(111)</b>	<b>(305)</b>
<b>Net cash used in investing activities</b>			
<b>Financing activities</b>			
Increase in shareholder loan	26	1,016	3,369
		<b>1,016</b>	<b>3,369</b>
<b>Net cash from financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,265</b>	<b>(352)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>1,214</b>	<b>1,593</b>
<b>Exchange losses on cash and cash equivalents</b>		<b>(97)</b>	<b>(27)</b>
		<b>4,382</b>	<b>1,214</b>
<b>Cash and cash equivalents at the year end</b>			

The notes on pages 17 to 50 form part of these financial statements.

**Phaidon Press Limited**  
**Index to notes forming part of the financial statements**  
For the year ended 30 June 2021

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**1. Basis of preparation**

Phaidon Press Limited (the "Company") is a company incorporated and domiciled in the UK.

The Group financial statements comprise the consolidated financial statements of the Company and its subsidiaries which have been consolidated using the acquisition method of accounting.

There is no requirement to prepare consolidated accounts for the Group as they are included in the accounts for the parent company, JMWTL Limited. However, the directors believe that the consolidated accounts show a fairer view of the finances of the organisation and provide additional information to the user of the accounts.

The financial statements are presented in pounds Sterling, which is also the Company's functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The accounting policies adopted in the preparation of the financial statements are set out in note 33. The policies have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Directors have considered the Group's principal risks and uncertainties. Based on these assessments, the Directors believe that the Group has adequate resources to continue in operational existence for a period of no less than 12 months from the date of approval of these financial statements. JMWTL LLC, a related party, has indicated that it will support the Group for a period of at least 12 months from the date the financial statements for the year ended 30 June 2021 are approved.

***Basis of measurement***

The financial statements have been prepared on a historical cost basis except for the following items (refer to individual accounting policies for details).

- Related party loans – fair value through profit and loss

**1. Basis of preparation (*continued*)**

***Changes in accounting policies***

***a) New standards, interpretations and amendments effective from 1<sup>st</sup> July 2020***

The following amendments and interpretations were introduced to accounting standards relevant to the Group during the year ended 30 June 2021. The standards and amendments have not had a material impact on the Company or Group.

- IAS 1 *Presentation of Financial Statements* (Amendment)
- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment)
- IFRS 3 *Business Combinations* (Amendment)

***b) New standards, interpretations and amendments not yet adopted***

There are no new standards, amendments to standards, and interpretations that are effective in future accounting periods that have material impact in the financial statements.

## **2. Critical accounting estimates and judgements**

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### ***Estimates and judgements***

- Revenue recognition – provision for the allowable return of books sold on a sale or return basis (see note 4)
- Inventories – provision for slow moving and obsolete inventory (see note 15)
- Trade customer receivables – expected credit loss for trade customer receivables that are not collectible or are at risk of not being collectible (see note 16)
- Royalty advances – provision for royalty advances not being utilised or recoverable (see note 16)
- The determination of the incremental borrowing rate used to measure lease liabilities (see note 19)
- The valuation of separately identified intangible assets on business combination (see note 21)
- Impairment of goodwill – estimate of future cash flows and determination of the discount rate (see note 23)
- Fair value measurement – a number of assets and liabilities included in the financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the liability utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the “fair value hierarchy”)

- *Level 1:* Quoted prices in the active markets for identical items

- *Level 2:* Observable direct or indirect inputs other than Level 1 inputs

- *Level 3:* Unobservable inputs (i.e. not derived from market data)

### 3. Financial instruments – risk management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Foreign exchange risk
- Liquidity risk
- Market risk

In common with all other business, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

#### Categories of financial instruments

	<b>Group 2021 £'000</b>	<b>Group 2020 £'000</b>	<b>Company 2021 £'000</b>	<b>Company 2020 £'000</b>
<b>Loans and receivables</b>				
Cash and cash equivalents (note 17)	6,010	2,435	4,382	1,214
Trade and other receivables (note 16)	6,489	5,785	5,536	4,423
Accrued income (note 16)	281	271	161	137
<b>Total financial assets</b>	<b>12,780</b>	<b>8,491</b>	<b>10,079</b>	<b>5,774</b>
<b>Financial liabilities measured at amortised cost</b>				
Trade and other payables (note 25)	7,368	6,579	5,587	4,760
Loans and borrowings (note 26)	6,731	6,179	6,731	6,179
Lease liabilities (note 19)	1,508	1,311	1,508	1,311
<b>Total financial liabilities at amortised cost</b>	<b>15,607</b>	<b>14,069</b>	<b>13,826</b>	<b>12,250</b>

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates their fair value.

### 3. Financial instruments – risk management (*continued*)

#### **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations.

Management has a credit policy in place and the exposure to risk is monitored on an on-going basis. Credit checks are performed on all new customers requiring credit before entering contracts. A credit insurance policy is in place to minimise exposure to credit risk.

Purchase limits are established for each customer in conjunction with our credit insurer, which represents the maximum open amount without requiring approval from the management of the Company. The credit insurer will inform the Group if there are any changes in a customer's credit status and the appropriate action will be decided by management.

There have been no changes in the Group's exposure or management of credit risk from the previous period.

#### **Foreign currency risk**

The Group has exposure to transactional foreign currency risk from trading in currencies other than the functional currency of individual group entities and also exposure to translational foreign currency risk from the translation of its foreign operations.

The Group aims to reduce the foreign currency risk by minimising its exposure through natural hedges whereby expenses in overseas currencies are matched with expected inflows.

The Group is predominantly exposed to currency risk on the USD loan and purchases made from major suppliers based in Hong Kong.

As of 30 June the Group's net exposure to foreign exchange risk was as follows:

#### **Net foreign currency financial assets/(liabilities)**

	2021 £'000	2020 £'000
Euro	1,711	944
Australian Dollar (AUD)	417	128
United States Dollar (USD)	(7,209)	(8,133)
Hong Kong Dollar (HKD)	(1,229)	(943)
	<hr/>	<hr/>
Total net exposure	(6,310)	(8,004)
	<hr/>	<hr/>

#### **Foreign currency sensitivity**

The following table demonstrates the Group's sensitivity to a 10% strengthening and weakening of Sterling at the reporting date against the main foreign currencies in which the Group has an exposure to risk, assuming all other variables held constant. A positive number indicates an increase in profit whereas a negative figure indicates a comparable impact on profit.

**3. Financial instruments – risk management (*continued*)**

Foreign currency exposure	2021	2021	2020	2020
	+10%	-10%	+10%	-10%
	£'000	£'000	£'000	£'000
Euro	(156)	190	(86)	105
Australian Dollar (AUD)	(38)	46	(12)	14
United States Dollar (USD)	655	(801)	739	(904)
Hong Kong Dollar (HKD)	112	(137)	86	(105)
	<hr/>	<hr/>	<hr/>	<hr/>
Total net exposure	573	(702)	727	(890)
	<hr/>	<hr/>	<hr/>	<hr/>

***Liquidity risk***

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. Management reviews rolling 12 month cash flow projections on a monthly basis as well as information regarding cash balances. JMWTL LLC, a related party, has indicated that it will support the company for the foreseeable future.

The net trade receivables are current and expected to be settled within 3 months. Trade and other payables are current and repaid within 3 months. Cash outflows for the related party loans are equal to their principal amounts plus interest accrued as disclosed in note 26.

***Market risk***

Market risk arises from the Group's use of variable rate loans for financing (note 26). It is the risk that the fair value of future cash flows will fluctuate because of changes in interest rates.

The impact on the profit and net assets of a 2.0% movement in the applicable rate of interest (being the maximum reasonable expectation of changes in interest rates) would result in an annual increase/decrease in interest payments of £155,000 based on the current loans in place as at 30 June 2021 (2020 – £163,000).



**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2021 (continued)

<b>4. Revenue</b>		
	<b>2021</b>	<b>2020</b>
<b>Group</b>	<b>£'000</b>	<b>£'000</b>
Sale of goods	27,690	25,633
Sale of services	135	97
	<hr/>	<hr/>
	<b>27,825</b>	<b>25,730</b>
	<hr/>	<hr/>

***Estimates and assumptions***

Books are generally sold on a sale or return basis. Revenue is recorded in the financial statements when the books are delivered to the final customer, less an appropriate provision for returns. The provision for returns is based on historical experience. The provision for returns for the year ended 30 June 2021 is £450,000 (2020 – £540,000).

<b>5. Cost of sales</b>		
	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Cost of inventory sold in the period	8,948	9,059
Royalties payable on sales in the period	1,797	1,405
Direct production overheads	2,556	2,890
Increase in inventory provisions (note 15)	974	1,145
Increase in royalty provision (note 16)	198	243
	<hr/>	<hr/>
	<b>14,473</b>	<b>14,742</b>
	<hr/>	<hr/>

The cost of sales includes the costs of all inventory recorded as a sale in the year, royalties' payable to the authors of the books sold in the period and overheads directly associated with the production of books. Movements in provisions relating to inventory and author royalty advances are recorded as a cost of sale.

<b>6. Distribution costs</b>		
	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Distribution costs	4,247	3,508
Marketing costs	402	867
Staff costs for sales, marketing and distribution functions	2,755	2,644
	<hr/>	<hr/>
	<b>7,404</b>	<b>7,019</b>
	<hr/>	<hr/>

Distribution costs include the costs of distributing books to customers, all external marketing costs and all staff costs directly related to the sales, marketing and distribution on the books.

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2021 (*continued*)

<b>7. Administrative expenses</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
Administration overheads	3,228	3,566
Short-term operating lease costs	491	957
Depreciation of property, plant and equipment (note 18)	64	63
Amortisation of right-of-use assets (note 19)	155	42
Amortisation of intangible assets (note 22)	79	32
Auditors' remuneration		
- statutory audit	72	72
- tax services	27	27
- other services	24	18
Increase in bad debt provision (note 16)	17	117
Other professional fees	726	586
	<b>4,883</b>	<b>5,480</b>

Administration costs include the costs of general management of the Group, the costs of maintaining the administration buildings and all professional fees.

<b>8. Foreign exchange (losses)/gains - operating</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
Net foreign exchange (losses)/gains (note 14)	(614)	191

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement under other gains/(losses), with the exception of foreign exchange gains and losses that relate to borrowings which are presented in the income statement within "finance income or cost" (note 9).

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2021 (*continued*)

**9. Finance income and expense**

Recognised in the profit or loss	2021 £'000	2020 £'000
<b>Finance income</b>		
Interest received on bank deposits	-	1
Foreign exchange gain from financing activities (note 14)	746	-
<b>Total finance income</b>	<b>746</b>	<b>1</b>
<b>Finance expenses</b>		
Interest expense on lease liabilities (note 19)	(197)	(49)
Interest expense on loans	(659)	(475)
Foreign exchange losses from financing activities (note 14)	-	(250)
<b>Total finance expense</b>	<b>(856)</b>	<b>(774)</b>
<b>Net finance (cost) recognised in profit and loss</b>	<b>(110)</b>	<b>(773)</b>

**10. Employees**

	Group 2021	Group 2020	Company 2021	Company 2020
The following numbers were employed at the year ends:				
Book production	38	38	26	27
Sales and distribution	33	34	17	19
Administration	17	19	12	11
	<b>88</b>	<b>91</b>	<b>55</b>	<b>57</b>

During the year the Group employed an average of 86 people (2020 – 91). The Company employed an average of 55 people (2020 – 60).

## 11. Directors' remuneration

The emoluments, excluding pension contributions, of the directors during the year were £1,466,000 (2020 - £1,213,000). Group contributions paid to personal pension schemes totalled £28,000 (2020 - £31,000). Three directors were members of personal pension schemes (2020 – three). Three directors received no emoluments during the year (2020 – three).

The amounts paid in respect of the highest paid director are as follows:

	2021 £'000	2020 £'000
Emoluments	931	750

## 12. Employee benefit expenses

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Employee benefit expenses (including directors) comprise:				
Wages and salaries	5,971	5,736	2,677	2,653
Short-term non-monetary benefits	308	276	41	49
Social security costs	628	614	309	290
Pension costs	222	248	106	121
Severance	25	48	25	48
	<u>7,154</u>	<u>6,922</u>	<u>3,158</u>	<u>3,161</u>

For the year ended 30 June 2021, wages and salaries have been reduced by a net amount of £98,000 (2020: £94,000), which represents Government grants received under the UK Coronavirus Job Retention Scheme and similar Government schemes in France and Germany.

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2021 (*continued*)

**13. Taxation**

**Recognised in the income statement**

	2021 £'000	2020 £'000
<b>Current tax expense</b>		
Foreign taxation	89	108
<b>Total current tax</b>	<b>89</b>	<b>108</b>
<b>Deferred tax credit</b>		
Recognition of deferred tax asset (note 24)	(444)	-
<b>Total deferred tax</b>	<b>(444)</b>	<b>-</b>
<b>Total tax (credit)/expense</b>	<b>(355)</b>	<b>108</b>

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the United Kingdom of 19.00% (2020 – 19.00%). The differences are explained below:

	2021 £'000	2020 £'000
Profit/(loss) for the year	696	(2,201)
Income tax (credit)/expense	(355)	108
<b>Profit/(loss) before taxation</b>	<b>341</b>	<b>(2,093)</b>
Tax at 19.00% (2020 – 19.00%) thereon	65	(398)
Expenses not deductible for tax purposes	189	56
UK tax losses carried forward to future periods	-	247
Overseas tax losses carried forward	58	100
Foreign tax credits	84	103
Movement in deferred tax not recognised	(291)	-
Recognition of deferred tax asset	(444)	-
Other permanent difference	(16)	-
<b>Current tax (credit)/charge for the year</b>	<b>(355)</b>	<b>108</b>

A deferred tax asset (see note 24) of £444,000 was recognised in the year ended 30 June 2021 (2020 – Nil).

**Changes in tax rates and factors affecting the future tax charge**

The effect of any future changes will affect the Company's future tax charges and related assets/liabilities accordingly.

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2021 (*continued*)

**14. Net foreign exchange gains/(losses)**

	2021 £'000	2020 £'000
Foreign exchange (losses)/gains from operating activity (note 8)	(614)	191
Foreign exchange gains/(losses) from financing activities (note 9)	746	(250)
	<u>132</u>	<u>(59)</u>

**15. Inventories**

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Work in progress	1,170	835	1,067	748
Finished goods and goods for resale	9,561	11,046	9,181	10,740
	<u>10,731</u>	<u>11,881</u>	<u>10,248</u>	<u>11,488</u>

Inventories are shown net of a provision for slow moving and obsolete items. The provision is based on an estimated net realisable value. The estimate is derived from historical experience and available market information.

At 30 June 2021, the stock provision amounted to £4,870,000 (2020 - £3,896,000). This provision relates wholly to finished goods.

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
At 1 July	3,896	2,728	3,842	2,728
Provision released in the year	(793)	(373)	(793)	(373)
Increase in provision in the year	1,767	1,541	1,428	1,487
	<u>4,870</u>	<u>3,896</u>	<u>4,477</u>	<u>3,842</u>

The movement in the stock provision is recorded under cost of sales in the income statement (note 5).

The provision for stock is released in the year when the stock items that the provision relates to are sold.

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2021 (*continued*)

**16. Trade and other receivables**

<b>Group</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
Trade receivables due from trade customers	5,464	4,850
Less: provision for impairment of trade receivables	(55)	(130)
<b>Net trade receivables</b>	<b>5,409</b>	<b>4,720</b>
Receivables from related parties	1,080	1,065
<b>Total financial assets other than cash and cash equivalents classified as loans and receivables</b>	<b>6,489</b>	<b>5,785</b>
Royalty advances	1,309	898
Prepayments	152	88
Accrued income	281	271
<b>Total trade and other receivables</b>	<b>8,231</b>	<b>7,042</b>
<b>Less: non-current receivables</b>		
Royalty advances	698	423
Other receivables	63	63
<b>Total non-current receivables</b>	<b>761</b>	<b>486</b>
<b>Total current receivables</b>	<b>7,470</b>	<b>6,556</b>

The gross royalty advances as at 30 June 2021 are £3,121,000 (2020 - £2,512,000). The provision for royalty advances that will not be utilised as at 30 June 2021 is £1,812,000 (2020 - £1,614,000).

Non-current royalty advances are due within five years from the end of the reporting period.

Non-current other receivables are due within 10 years of the reporting date.

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2021 (*continued*)

**16. Trade and other receivables (*continued*)**

<b>Company</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
Trade receivables due from trade customers	2,706	3,052
Less: provision for impairment of trade receivables	(55)	(130)
<b>Net trade receivables</b>	<b>2,651</b>	<b>2,922</b>
Receivables from parent company	273	233
Receivables from related parties	2,612	1,268
<b>Total financial assets other than cash and cash equivalents classified as loans and receivables</b>	<b>5,536</b>	<b>4,423</b>
Royalty advances	1,207	864
Prepayments	116	53
Accrued income	161	137
<b>Total trade and other receivables</b>	<b>7,020</b>	<b>5,477</b>
<b>Less: non-current receivables</b>		
Royalty advances	698	423
Other receivables	63	63
<b>Total non-current receivables</b>	<b>761</b>	<b>486</b>
<b>Total current receivables</b>	<b>6,259</b>	<b>4,991</b>

The gross royalty advances as at 30 June 2021 are £3,019,000 (2020 - £2,478,000). The provision for royalty advances that will not be utilised as at 30 June 2021 is £1,812,000 (2020 - £1,614,000).

Non-current royalty advances are due within five years from the end of the reporting period.  
Non-current other receivables are due within 10 years of the reporting date.

***Expected credit loss of trade receivables***

Movements in the expected credit loss for trade receivables are as follows:

<b>Group and Company</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
At 1 July	130	30
Increase during the year	17	117
Receivable written off during the year as uncollectible	(92)	(17)
Unused amounts reversed	-	-
	<b>55</b>	<b>130</b>



**16. Trade and other receivables (*continued*)**

An expected credit loss for trade receivables is made with reference to specific bad debts, past default experience and the current economic environment.

The Group regularly reviews the ageing profile of the trade receivables and actively seeks to collect any amounts that have fallen outside the defined credit terms.

***Provision for impairment of royalty advances***

Movements in the impairment provision for royalty advances are as follows:

<b>Group and Company</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
At 1 July	1,614	1,371
Increase during the year	198	243
	<u>1,812</u>	<u>1,614</u>

The royalty advances paid to authors of books are impaired if it is estimated, based on historical sales information, that the advance will not be utilised in the near future. The movement in the royalty provision is recorded under cost of sales in the income statement (see note 5).

**17. Cash and cash equivalents**

	<b>Group 2021 £'000</b>	<b>Group 2020 £'000</b>	<b>Company 2021 £'000</b>	<b>Company 2020 £'000</b>
Cash on hand	-	1	-	1
Cash at bank	6,010	2,434	4,382	1,213
	<u>6,010</u>	<u>2,435</u>	<u>4,382</u>	<u>1,214</u>

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2021 (*continued*)

**18. Property, plant and equipment**

<b>Group</b>	<b>Leasehold improvements</b>	<b>Furniture, fittings and equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>			
At 1 July 2019	167	1,995	2,162
Additions	-	123	123
Disposals	-	(579)	(579)
Foreign exchange movements	5	13	18
<b>At 30 June 2020</b>	<b>172</b>	<b>1,552</b>	<b>1,724</b>
At 1 July 2020	172	1,552	1,724
Additions	-	45	45
Disposals	-	(6)	(6)
Foreign exchange movement	(19)	(44)	(63)
<b>At 30 June 2021</b>	<b>153</b>	<b>1,547</b>	<b>1,700</b>
<b>Accumulated depreciation and impairment</b>			
At 1 July 2019	94	1,853	1,947
Depreciation	18	45	63
Disposals	-	(579)	(579)
Foreign exchange movements	3	10	13
<b>At 30 June 2020</b>	<b>115</b>	<b>1,329</b>	<b>1,444</b>
At 1 July 2020	115	1,329	1,444
Depreciation	16	48	64
Disposals	-	(6)	(6)
Foreign exchange movements	(12)	(37)	(49)
<b>At 30 June 2021</b>	<b>119</b>	<b>1,334</b>	<b>1,453</b>
<b>Net Book Value</b>			
At 30 June 2019	73	142	215
At 30 June 2020	57	223	280
At 30 June 2021	34	213	247

There were no contracted capital commitments at 30 June 2021 and 30 June 2020.

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2021 (*continued*)

**18. Property, plant and equipment (*continued*)**

<b>Company</b>	<b>Furniture, fittings and equipment</b>
	<b>£'000</b>
<b>Cost or valuation</b>	
At 1 July 2019	1,526
Additions	120
Disposals	(579)
	<hr/>
<b>At 30 June 2020</b>	<b>1,067</b>
	<hr/>
At 1 July 2020	1,067
Additions	33
Disposals	-
	<hr/>
<b>At 30 June 2021</b>	<b>1,100</b>
	<hr/>
<b>Accumulated depreciation and impairment</b>	
At 1 July 2019	1,487
Depreciation	16
Disposals	(579)
	<hr/>
<b>At 30 June 2020</b>	<b>924</b>
	<hr/>
At 1 July 2020	924
Depreciation	21
Disposals	-
	<hr/>
<b>At 30 June 2021</b>	<b>945</b>
	<hr/>
<b>Net Book Value</b>	
At 30 June 2019	39
At 30 June 2020	143
At 30 June 2021	155
	<hr/>

There were no contracted capital commitments at 30 June 2021 and 30 June 2020.

## 19. Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily available, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term.

The right-of-use assets are initially measured at the amount of the lease liability and increased for:

- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

The Group entered into a lease for the London head office for a period of 10 years from 24 March 2020. Rental payments are fixed with a rent review on the 5<sup>th</sup> anniversary of the lease start date. The rent increase on this date is based on the increase in the consumer price index from the commencement of the lease.

### Right-of-use assets

	2021 £'000	2020 £'000
At 1 July	1,506	-
Additions	-	1,548
Amortisation	(155)	(42)
	<hr/>	<hr/>
<b>At 30 June</b>	<b>1,351</b>	<b>1,506</b>
	<hr/>	<hr/>

At inception, the right-of-use asset is equal to the sum of the lease liability at inception of £1,262,000, the initial direct costs associated with the lease of £186,000 and a provision for expected future dilapidation costs of £100,000.

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2021 (*continued*)

**19. Leases (*continued*)**

<b>Lease liabilities</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
At 1 July	1,311	-
Additions	-	1,262
Interest expense	197	49
	<hr/>	<hr/>
<b>At 30 June</b>	<b>1,508</b>	<b>1,311</b>
	<hr/>	<hr/>

The lease liability at inception was £1,262,000 based on the present value of the lease payments, discounted at the group's incremental borrowing rate of 14%.

No lease payments for the London office were made in the year ending 30 June 2021. The first lease payment is payable on 25 December 2021.

**The amounts recognised in the consolidated income statement are as follows:**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation of right-of-use assets	155	42
Expenses relating to short-term leases	491	686
Expenses relating to leases of low-value assets	-	-
	<hr/>	<hr/>
<b>Operating profit impact</b>	<b>646</b>	<b>728</b>
Interest on lease liabilities (note 9)	197	49
	<hr/>	<hr/>
<b>Profit before taxation impact</b>	<b>843</b>	<b>777</b>
	<hr/>	<hr/>

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2021 (*continued*)

**19. Leases (*continued*)**

The maturities of the Group's lease liabilities are as follows:

	2021 £'000	2020 £'000
Less than one year	236	-
One to five years	1,630	1,528
More than five years	829	1,167
	<hr/>	<hr/>
<b>Total undiscounted lease liability</b>	<b>2,695</b>	<b>2,695</b>
	<hr/>	<hr/>
Total lease liabilities included in the balance sheet	1,508	1,311
Current	213	-
Non-current	1,295	1,311

**20. Investments**

Included in investments of the Company, and consolidated into the Group financial statements using the acquisition method of accounting, are 100% interests in the ordinary share capital of:

Name	Country of incorporation	Nature of business
<b>Subsidiary undertakings held directly by Phaidon Press Limited</b>		
Phaidon Srl	France	Sale of books
Phaidon Verlag GmbH	Germany	Sale of books
Phaidon Press Inc.	USA	Sale of books
Phaidon Kabushiki Kaisha	Japan	Sale of books
Phaidon Press SRL	Italy	Sale of books
Phaidon Press Pty Limited	Australia	Sale of books
Phaidon Press Denmark ApS	Denmark	Sale of books
PH Art AG	Switzerland	Design Services
Marylebone Retail Limited	UK	Retail
<b>Subsidiary undertakings held indirectly through a subsidiary company</b>		
Phaidon Retail Inc.	USA	Retail

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2021 (*continued*)

**20. Investments (*continued*)**

The registered offices of all of the subsidiaries are as follows:

<b>Name</b>	<b>Registered office address</b>
Phaidon Sarl	55 Rue Traversiere, 75012 Paris, France
Phaidon Verlag GmbH	Maybachufer 24, 12047 Berlin, Germany
Phaidon Press Inc.	65 Bleecker Street, New York, USA
Phaidon Kabushiki Kaisha	1-5-6, Kudan-Minami Chiyoda-Ku, Tokyo, 102-0074, Japan
Phaidon Press SRL	Viale Monte Nero 84, 20135 Milano, Italy
Phaidon Press Pty Limited	C/O Grant Thornton, 383 Kent Street, Sydney, NSW 2000, Australia
Phaidon Press Denmark ApS	C/O BDO, Havneholmen 29, 1561 Kobenhavn V, Denmark
PH Art AG	C/O BDO AG, Industriestrasse 53, 6312 Steinhausen
Marylebone Retail Limited	2 Cooperage Yard, London, E15 2QR
Phaidon Retail Inc.	65 Bleecker Street, New York, USA

	<b>2021 £'000</b>	<b>2020 £'000</b>
<b>Cost</b>		
<b>At 1 July</b>	<b>154</b>	<b>154</b>
	<hr/>	<hr/>
<b>At 30 June</b>	<b>154</b>	<b>154</b>
	<hr/>	<hr/>
<b>Provision for impairment</b>		
<b>At 1 July</b>	<b>53</b>	<b>53</b>
	<hr/>	<hr/>
<b>At 30 June</b>	<b>53</b>	<b>53</b>
	<hr/>	<hr/>
<b>Net book value</b>		
<b>At 1 July</b>	<b>101</b>	<b>101</b>
<b>At 30 June</b>	<b>101</b>	<b>101</b>
	<hr/>	<hr/>

The provision for impairment of £53,191 relates to the Company's investment in Phaidon Kabushiki Kaisha, Japan.

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2021 (*continued*)

**21. Business combinations**

On 31 January 2020, the Group entered into an asset purchase agreement to acquire certain assets and liabilities of The Monacelli Press LLC, a company whose principal activity was the publishing of illustrative books. The principle reason for this acquisition was to secure the rights to the publications of The Monacelli Press LLC.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value £'000	Adjustments £'000	Fair value £'000
Copyrights	-	443	443
Trademark	-	176	176
Inventory	666	(363)	303
Receivables	43	-	43
Payables	(592)	-	(592)
	<hr/>	<hr/>	<hr/>
<b>Total net assets</b>	<b>117</b>	<b>256</b>	<b>373</b>
	<hr/>	<hr/>	<hr/>
<b>Fair value of consideration paid</b>			<b>£'000</b>
Cash			827
Contingent cash consideration (paid 17 September 2020)			52
			<hr/>
<b>Total consideration</b>			<b>879</b>
			<hr/>
<b>Goodwill (note 23)</b>			<b>506</b>
			<hr/>

As part of the asset purchase agreement, the Group assumed liability for the payables balance of The Monacelli Press LLC. An additional contingent cash consideration would become payable if the business executed contracts for new books to be published in the forthcoming year, as stipulated in the purchase agreement. The additional consideration of £52,000 was paid on 17 September 2020.

The identifiable intangible assets relating to copyrights and trademarks were valued based on the projected cash flows over a 10 year period at a discount rate of 12.2%. The discount rate used was the estimated weighted average cost of capital for the company.

The goodwill arising on acquisition of £506,000 is attributed to the workforce in place and the synergies expected to arise after acquisition.

Acquisition costs incurred of £5,000 as a result of the transaction were recognised as part of the administrative expenses in the statement of comprehensive income for the year ended 30 June 2020.



**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2021 (*continued*)

**22: Intangible assets**

<b>Group</b>	<b>Goodwill</b>	<b>Trademarks and copyrights</b>	<b>Web development</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>				
At 1 July 2019	-	-	-	-
Acquired through business combination	506	619	-	1,125
Foreign exchange movements	33	39	-	72
<b>At 30 June 2020</b>	<b>539</b>	<b>658</b>	<b>-</b>	<b>1,197</b>
At 1 July 2020	539	658	-	1,197
Additions	-	-	78	78
Foreign exchange movements	(59)	(71)	-	(130)
<b>At 30 June 2021</b>	<b>480</b>	<b>587</b>	<b>78</b>	<b>1,145</b>
<b>Accumulated amortisation and impairment</b>				
At 1 July 2019	-	-	-	-
Amortisation charge	-	32	-	32
Foreign exchange movements	-	(5)	-	(5)
<b>At 30 June 2020</b>	<b>-</b>	<b>27</b>	<b>-</b>	<b>27</b>
At 1 July 2020	-	27	-	27
Amortisation charge	-	60	19	79
Foreign exchange movements	-	(4)	-	(4)
<b>At 30 June 2021</b>	<b>-</b>	<b>83</b>	<b>19</b>	<b>102</b>
<b>Net Book Value</b>				
At 30 June 2019	-	-	-	-
At 30 June 2020	539	631	-	1,170
At 30 June 2021	480	504	59	1,043

The Group has no contractual commitments for the acquisition of intangible assets at 30 June 2021 and 30 June 2020.

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2021 (*continued*)

**22. Intangible assets (*continued*)**

Company	Web development £'000
<b>Cost</b>	
At 1 July 2020	-
Additions	78
Disposals	-
	<hr/>
<b>At 30 June 2021</b>	<b>78</b>
	<hr/>
<b>Accumulated amortisation and impairment</b>	
At 1 July 2020	-
Amortisation charge	19
Disposals	-
	<hr/>
<b>At 30 June 2021</b>	<b>19</b>
	<hr/>
<b>Net Book Value</b>	
At 30 June 2020	-
At 30 June 2021	59
	<hr/>

**23. Goodwill and impairment**

The Group is required to test, on an annual basis, whether the goodwill has suffered any impairment. The recoverable amount is determined based on the value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

The goodwill has been reviewed for impairment and the Directors believe that no impairment is required for the year ended 30 June 2021.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends based on historical data from both internal and external sources.

**23. Goodwill and impairment (*continued*)**

The key assumptions for calculating the value in use are:

	2021 %	2020 %
Discount rate	11.0	13.0
Annual revenue growth rate	5.0	4.0
Annual cost inflation rate	2.0	2.5

A sensitivity analysis has been performed and management concluded that no reasonably foreseeable change in the key assumptions would result in an impairment of the goodwill.

**24. Deferred tax asset**

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
<b>Deferred taxation</b>				
Balance brought forward	-	-	-	-
Movement for the year	444	-	444	-
Exchange differences	-	-	-	-
	<u>444</u>	<u>-</u>	<u>444</u>	<u>-</u>
 <b>Un-provided deferred tax asset</b>	 Group 2021 £'000	 Group 2020 £'000	 Company 2021 £'000	 Company 2020 £'000
Capital allowances	214	145	214	165
Short term timing differences	6	4	6	4
Unutilised tax losses	3,265	3,303	2,872	2,744
	<u>3,485</u>	<u>3,452</u>	<u>3,092</u>	<u>2,913</u>

Deferred tax assets are recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe that it is probable that these assets will be recovered. The directors believe it to be prudent to recognise the deferred tax asset if it is recoverable within the next three years (2020 – three years).

A deferred tax asset of £444,000 has been recognised for the year ended June 2021 (June 2020 - Nil). The Directors believe there is sufficient visibility that it will be recovered within the next three years. A recoverability test is performed on an annual basis.

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2021 (*continued*)

**25. Trade and other payables**

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Trade payables	4,103	3,392	3,561	2,885
Royalties payable	701	563	672	538
Payables to related parties	-	77	129	235
Accrued liabilities	2,114	2,007	775	562
Provision for sales returns	450	540	450	540
<b>Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost</b>	<b>7,368</b>	<b>6,579</b>	<b>5,587</b>	<b>4,760</b>
Short-term loans	2,174	2,439	-	-
Tax and social security payables	98	48	84	37
Prepayments received	1,340	526	1,098	451
Other payables	146	181	142	171
	<b>11,126</b>	<b>9,773</b>	<b>6,911</b>	<b>5,419</b>

All trade and other payables are expected to be settled no more than 12 months after the reporting period.

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value

**26. Loans and borrowings**

	Book value 2021 £'000	Fair value 2021 £'000	Book value 2020 £'000	Fair value 2020 £'000
<b>Group</b>				
Related party loans	8,873	6,731	8,696	6,179
	<b>8,873</b>	<b>6,731</b>	<b>8,696</b>	<b>6,179</b>
<b>Company</b>				
Related party loans	8,873	6,731	8,696	6,179
	<b>8,873</b>	<b>6,731</b>	<b>8,696</b>	<b>6,179</b>

The fair value of the related party loans are based on cash flows discounted using rates based on borrowing rate of 11.00% (2020 – 13.0%) and are within level 2 of the fair value hierarchy.

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2021 (*continued*)

**26. Loans and borrowings (*continued*)**

**Related party loans**

<b>Maturity date</b>	<b>Provider</b>	<b>Currency</b>	<b>Rate of Interest</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
31 December 2024	Phaidon Global LLC	USD	Libor + 2.5%	2,966	3,251
18 December 2024	JMWT LLC	USD	Libor + 2.5%	5,907	5,445
<b>Total related party loans</b>				<b>8,873</b>	<b>8,696</b>

The related party loans are denominated in USD and are un-secured.

The movement in the book value of the related party loans is as follows:

<b>Group</b>	<b>Book value 2021 £'000</b>	<b>Book value 2020 £'000</b>
As at 1 July	8,696	4,828
Loans received in the year	1,016	3,369
Interest charged on loans	221	250
Exchange revaluation of USD loans	(1,060)	249
As at 30 June	<b>8,873</b>	<b>8,696</b>

**27. Share capital**

	<b>2021 Number</b>	<b>2020 Number</b>	<b>Authorised and fully paid 2020 £</b>	<b>2020 £</b>
Ordinary A shares of 50p each	52,500	52,500	26,250	26,250
Ordinary B shares of 50p each	52,502	52,502	26,251	26,251
Ordinary C shares of 50p each	15,000	15,000	7,500	7,500
Preference shares of 0.1p each	7,110	7,110	7	7
	<b>127,112</b>	<b>127,112</b>	<b>60,008</b>	<b>60,008</b>

All ordinary shares rank *pari passu* with regards to voting rights. The ordinary B and C shares are not entitled to a dividend. On liquidation or winding up, the ordinary A shares rank ahead of the ordinary B shares and C shares. The preference shares carry no fixed coupon or redemption date and no contractual right to dividends.

## 28. Shareholder contribution

The Group has received loans from related parties below the market rate of interest. The shareholder contribution represents the difference between the cash amount of the loans received during the year of £1,016,000 and the present value of that amount discounted at the market rate of interest of 13%.

	<b>£'000</b>
<b>Balance at 1 July 2019</b>	1,300
Shareholder contribution	1,366
Capital contribution expense to deficit	(219)
	<hr/>
<b>Balance at 30 June 2020</b>	2,447
Shareholder contribution	378
Capital contribution expense to deficit	(480)
	<hr/>
<b>Balance at 30 June 2021</b>	<b>2,345</b>
	<hr/>

## 29. Reserves

The following describes the nature and purpose of each reserve within equity:

<b>Reserve</b>	<b>Description and purpose</b>
Share premium	Amount subscribed for share capital in excess of nominal value.
Foreign exchange reserve	Gains/losses arising on retranslating the net assets of overseas operations into pounds sterling.
Shareholder contribution	Amount relating to the benefit received from the shareholder providing loans below the market rate of interest.
Retained earnings/deficit	All other net gains and losses and transactions with owners not recognised elsewhere.

**30. Related party transactions**

Phaidon Global LLC, a company owned by a trust in which a director of Phaidon Press Limited has a beneficial interest, has provided the Group with an interest bearing loan (see note 26). As at 30 June 2021 the amount repayable on the loan was £2,608,000 (balance owed by the Company at 30 June 2020 - £2,927,000). Interest payable on the loan at 30 June 2021 is £358,000 (30 June 2020 - £324,000). There was no loan repayments in the year ended 30 June 2021.

JMWT LLC, a related party, has provided the Group with an interest bearing loan (see note 26). JMWT LLC provided a loan of £1,016,000 in the year ended 30 June 2021 (30 June 2020 - £3,369,000). As at 30 June 2021 the amount repayable on the loan was £5,571,000 (30 June 2020 - £5,234,000). Interest payable on the loan at 30 June 2021 is £336,000 (30 June 2020 - £211,000). There was no loan repayments in the year ended 30 June 2021.

Phaidon Global LLC was charged by the Group an amount of £159,000 (2020 - £237,000) in the year ended 30 June 2021. The charges related to shared administrative costs of the US Office. The outstanding debtor balance as at 30 June 2021 was £672,000 (2020 - £682,000).

Artspace LLC, a company of which a director of Phaidon Press Limited is a Director, was charged by the Group an amount of £256,000 in the year ended 30 June 2021 (2020 - £232,000). The charges related to shared administrative costs of the US office and professional services. The outstanding debtor balance as at 30 June 2021 was £135,000 (2020 - £150,000).

Artspace LLC charged the Group an amount of £76,000 for inventory in the year ended 30 June 2021. The outstanding creditor balance as at 30 June 2021 was Nil (2020 - £76,000).

JMWT Limited, a company registered in the UK and direct owner of Phaidon Press Limited, was charged £40,000 (2020 - £46,000) in respect of professional fees. The outstanding debtor balance as at 30 June 2021 was £273,000 (2020 - £233,000).

**31. Ultimate parent company and controlling party**

At 30 June 2021, the company's controlling party was its parent company JMWT Limited, a company registered in the UK which is ultimately controlled by Bradley Wechsler, an individual who controls EFS Member LLC.

At 30 June 2021, the company's ultimate controlling parent company was EFS Member LLC, a company registered in the United States of America, which owns 100% of the share capital of Phaidon LLC, a company also registered in the United States of America, which directly owns 100% of the share capital of JMWT Limited.

At 30 June 2021, the largest group of which the company was a member, and for which group financial statements are prepared and will be filed with the Registrar of Companies in due course, was JMWT Limited, a company registered in the UK.

**32. Subsequent events**

Phaidon Kabushiki Kaisha, a wholly owned subsidiary of the Company, was closed on 22<sup>nd</sup> April 2022.

**33. Accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

***Revenue***

Most of the group's revenue is derived from selling books with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods have been delivered to the customer. However, for export sales, control might also be transferred when delivered either to the port of departure or port of arrival, depending on the specific terms of the contract with the customer.

The revenue is represented by the invoiced value of goods delivered (excluding VAT) less an estimate for the expected value of returns made under sale or return arrangements. A provision is made against sales for the expected future returns of books that have not occurred by the end of an accounting period. The provision for returns is based on historical experience.

IFRS 15 Revenue from Contracts with Customers provides a five-step model to be applied to all sales contracts. It is based on the transfer of control of goods and services to customers. There is a requirement to identify and assess the delivery of each performance obligation in contracts in order for the revenue to be recognised.

***Inventories and work in progress***

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value.

Cost comprises all external costs of development, production and costs in bringing the inventories to their present location and condition. For the purpose of determining the unit cost of a book, the costs are allocated evenly over each individual book produced in that printing.

Provisions are made for slow-moving and obsolete inventory.

***Royalties***

Advances of royalties paid to authors are included within current receivables when the advance is paid. The royalty advance is expensed at the contracted royalty rate as the related revenues are earned.

A provision is made against the advances if they are not expected to be fully earned from the expected future revenues of a title.

***Finance income and costs***

Financing expenses comprises of interest payable on loans, the interest charge on lease liabilities and net foreign exchange losses that are recognised in the income statement. Financing income comprises interest receivable on funds invested and net foreign exchange gains.

Interest income or expense is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.



**33. Accounting policies (*continued*)**

***Foreign currencies***

Items included in the financial statements of the Company and the Group are measured using the currency of the primary economic environment in which the Company/Group operates ("the functional currency"). The statements are presented in pounds Sterling.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance income or cost". All other foreign exchange gains and losses are presented in the income statement within "Other gains/ (losses)".

***Leases***

The Group accounts for a contract as a lease when it conveys the right to use an asset for a period of time in exchange for consideration.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily available, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term.

The right-of-use assets are initially measured at the amount of the lease liability and increased for:

- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

The Company does not have any finance leases.

**33. Accounting policies (*continued*)**

***Business combinations***

Business combinations are accounted for using the acquisition method as at the date of acquisition, which is the date that control is transferred to the Group.

The Group measures goodwill at acquisition as the fair value of consideration transferred less the fair value of the identifiable assets and liabilities acquired.

Transaction costs that the Group incurs in connection with the business combination are expensed as incurred.

***Employee pension schemes***

All employee pension schemes are defined contribution schemes. Contributions to defined contribution pension schemes are charged to the statement of comprehensive loss in the year to which they relate.

***Property, plant and equipment***

Items of property, plant and equipment are initially recorded at cost.

Depreciation is provided on cost on a straight-line basis intended to write off the assets carrying value over their expected useful economic lives. It is provided at the following rates:

Fixtures and fittings	20% per annum straight line
Computer equipment	33% per annum straight line
Leasehold improvements	over the period of the lease

***Intangible assets***

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of the intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Valuation method
Copyrights	10 years	Estimated discounted cash flow
Trademarks	10 years	Estimated discounted cash flow
Web development	3 years	Historical cost

**33. Accounting policies (*continued*)**

***Non-derivative financial instruments***

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

***a) Trade and other receivables***

These assets are non-derivative financial assets with fixed or determinable payments. They arise principally through the provision of goods and services to customers (e.g. trade receivables). Due to their short-term nature, the carrying value of these assets approximates their fair value.

Applying IFRS 9 Financial Instruments, provisions for bad and doubtful debts are based on the expected credit loss model.

***b) Trade and other payables***

Trade payables and other short-term monetary liabilities are initially recognised at cost. Due to their short-term nature, the carrying value of these assets approximates their fair value.

***c) Cash and cash equivalents***

Cash and cash equivalents include cash in hand and deposits held at call with banks.

***d) Loans and borrowings***

Loans and borrowings are recognised at fair value at inception and subsequently carried at amortised cost using the effective interest rate method. The fair value of loans is estimated by discounting the future cash flows at the current market interest rates. The difference between the transaction value and the fair value is recorded as a capital contribution.

***Provisions***

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

***Provision for inventory***

A provision for slow moving and obsolete inventory is recorded at the year-end date. Any excess inventory, defined as inventory that is not forecast to be sold in the next five years, will be written down to its net realisable value.

***Provision for royalties***

A provision for royalty advances is recorded at the year-end date. Advances are provided for if it is forecast that the advances paid are not recoverable within five years.

***Sales returns provision***

Books are generally sold on a sale or return basis. Revenue is recorded in the financial statements when the books are delivered to the final customer, less an appropriate provision for returns. The provision for returns is based on historical experience.

**33. Accounting policies (*continued*)**

***Taxation***

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised as equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

***Government grants***

Government grants are recognised where there is reasonable assurance that the grant will be received and all conditions attaching to the grant will be complied with. Government grants that compensate the Group for expenses incurred are recognised in the income statement as a deduction against the related expense for which the grant is intended to compensate, over the periods necessary to match the grant with the related costs. Any repayment of grants is charged to the income statement to reverse the deduction against the related expense, at the point when management has taken the decision to repay the amount to the government and the intention to repay has been communicated to the government.

***Share capital***

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

***Share premium***

The share premium is the amount subscribed for share capital in excess of the nominal value.

***Shareholder contribution***

Gains/losses arising on the fair value adjustment to the shareholder loans.