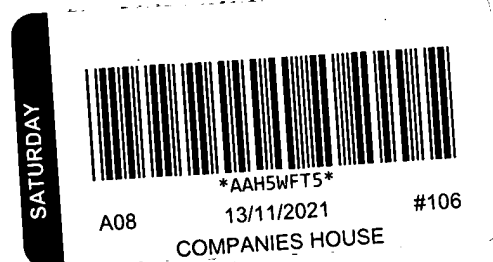


Registered number: 02625229

CARLTON BOOKS LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**



CARLTON BOOKS LIMITED

COMPANY INFORMATION

Directors	Marcus Leaver Mark Smith
Registered number	02625229
Registered office	20 Mortimer Street London W1T 3JW
Independent auditor	SRLV Audit Limited Chartered Accountants and Statutory Auditor Elsley Court 20-22 Great Titchfield Street London W1W 8BE

CARLTON BOOKS LIMITED

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CARLTON BOOKS LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

The directors present their report and financial statements for the year ended 31 December 2020.

Business review

The directors are pleased to report that, despite the global pandemic, the company further progressed its key strategic goal of changing from having a short-term co-edition focus to an emphasis on sustainable trade revenues. It was also able to continue to invest in intellectual property to ensure its long-term growth.

In the first full year of trading since the company became part of the Welbeck Publishing Group, the directors report turnover at £12.3m, gross profit at £5.5m and operating loss at £0.5m. Net assets of the company at £6.8m are shown on page 11. Although these results were below expectations due to the impact of COVID-19, the directors are pleased to report that earnings before interest, tax, depreciation, amortisation and exceptional administrative expenses show a small loss of £91k. Despite the pandemic, the directors expect a return to normal levels of trading in 2021 and beyond.

The company has retained existing customers from the previous owners and actively seeks to attract new customers by designing and timing its publications to fit and meet its customer expectations.

The company continues to invest in the creation of new titles and formats. The directors regard continuous investment as a prerequisite for the company's medium to long term performance. The company considers that this performance will be enhanced by placing more focus on trade sales and by expanding into adult and children's fiction and narrative non-fiction formats.

Financial key performance indicators

The company uses a number of performance indicators to monitor and manage the business effectively. The key performance indicators for the year ended 31 December 2020, with comparatives for the year ended 31 December 2019, are set out below.

	2020 £000's	2019 £000's	Variance %
Turnover	12,332	13,882	(11.2)
Gross profit	5,492	5,784	(5)
Earnings before interest, tax, depreciation, amortisation and exceptional administrative expenses	(92)	992	(109)
Operating (loss)/ profit	(544)	763	(171)
Net assets	6,798	7,329	(7.2)

Principal risks and uncertainties

The directors principally manage the risks in the business via a risk management programme. This enables the directors to monitor and manage those risks that have an impact on the financial assets and liabilities of the company with the aim of limiting any adverse effects on its overall performance.

In addition to this, detailed management accounts, cash flow analysis and budgets are reviewed by the directors on a regular basis. The operations of the company expose it to a number of financial risks including credit risk, price risk, liquidity risk and currency rate risk. These risks are included in the risk management programme and the directors have implemented the necessary procedures to effectively mitigate the company's exposure.

In relation to credit risk, the company has made arrangements for credit insurance. The directors also regularly review the amounts due from trade debtors and customer credit limits. The company mitigates its exposure to price risk by agreeing publishing costs in advance with its suppliers.

The company mitigates its exposure to price risk by agreeing publishing costs in advance with its suppliers.

CARLTON BOOKS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

The cash flow of the company is managed on a daily basis and cash and bank reconciliations are reviewed regularly. Stock levels are updated daily by a stock management system. The directors monitor stock levels and its impact on cash regularly in order to mitigate the exposure to liquidity risk

The company has addressed the risk of currency rate fluctuations, which affect both its turnover and supply costs, with the use of foreign currency bank accounts and derivative financial instruments in the form of contracts for the forward purchase of US Dollars and Euros. The directors regularly review factors involved with currency rate risk based on information available on the financial markets and appropriate action is taken where necessary.

The directors managed the impact of COVID-19 in 2020 by using a variety of cost-saving measures in order to protect cash and profit. These included the following:

- Secured a £2.5m Coronavirus Business Interruption loan provided by the group's bank, HSBC
- Extended payment terms with key suppliers with no resulting impact on the supply chain
- Allowing extended payment terms to a limited number of customers to ensure minimal bad debts
- PAYE/NI holiday
- Rates holiday with City of Westminster
- Renegotiated a new lease on the group's offices in Central London
- Overhead savings initiatives
- Allowing and enabling all staff to work from home, whilst keeping the office open to enable some office working in accordance with government guidelines

As a result of the above measures, the business has continued its publishing strategy and the directors are confident that these will ensure a significant rise in turnover and profit in 2021, together with the long-term success of the business.

This report was approved by the board on

and signed on its behalf.


Marcus Leaver
Director

21/10/21

CARLTON BOOKS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Principal activity

The principal activity of the company continued to be that of the publication of books.

Results and dividends

The loss for the year, after taxation, amounted to £531,134 (2019 - profit £582,761).

No interim or final dividend is recommended during the year (2019 - £NIL)

Directors

The directors who served during the year were:

Marcus Leaver
Mark Smith

Future developments

The directors are confident that by pursuing the management policies the company will achieve continued successes in the years ahead.

Matters covered in the strategic report

The principal risks and uncertainties facing the company and key financial performance indicators have been considered in the strategic report.

Disclosure of information to auditor

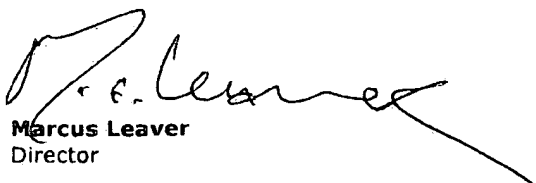
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Under section 487(2) of the Companies Act 2006, SRLV Audit Limited will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 21/10/21 and signed on its behalf.


Marcus Leaver
Director

CARLTON BOOKS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to 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.

CARLTON BOOKS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARLTON BOOKS LIMITED

Opinion

We have audited the financial statements of Carlton Books Limited (the 'company') for the year ended 31 December 2020, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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 are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 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 other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. 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.

We have nothing to report in this regard.

CARLTON BOOKS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARLTON BOOKS LIMITED (CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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 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 company or to cease operations, or have no realistic alternative but to do so.

CARLTON BOOKS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARLTON BOOKS LIMITED (CONTINUED)

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.

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:

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the entity's industry and sector, control environment, business performance and management incentives
- the results of our specific enquiries of management and those charged with governance about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of noncompliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: the recognition of revenue and stock valuation, including the valuation of work in progress. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override of controls.

We also obtained an understanding of the legal and regulatory frameworks in which the company operates, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

Audit response to risks identified

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
 - enquiring of management concerning actual and potential litigation and claims;
 - performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
 - reading minutes of meetings of those charged with governance; and
-

CARLTON BOOKS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARLTON BOOKS LIMITED (CONTINUED)

- in addressing the risk of fraud through management override of controls: testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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.

Whilst the procedures above describe the extent to which our procedures are capable of detecting irregularities, including fraud, there are inherent limitations in these audit procedures. The further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, 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, misrepresentation or through collusion. We are not responsible for preventing irregularities, including fraud, or non-compliance with laws and regulations and cannot be expected to detect all irregularities or non-compliance with all laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

SRLV Audit Limited

Richard Gilbert (Senior Statutory Auditor)

for and on behalf of
SRLV Audit Limited

Chartered Accountants and Statutory Auditor

Elsley Court
20-22 Great Titchfield Street
London
W1W 8BE

10 November 2021

CARLTON BOOKS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Turnover	4	12,332,238	13,882,400
Cost of sales		<u>(6,840,146)</u>	<u>(8,098,143)</u>
Gross profit		5,492,092	5,784,257
Administrative expenses		<u>(5,784,396)</u>	<u>(5,343,444)</u>
Exceptional administrative expenses	5	<u>(402,946)</u>	<u>(150,800)</u>
Other operating income	6	<u>150,979</u>	<u>472,685</u>
Operating (loss)/profit	7	(544,271)	762,698
<i>Earnings before interest, tax, depreciation, amortisation and exceptional administrative expenses</i>		<i>(91,556)</i>	<i>991,232</i>
Interest receivable and similar income	11	429	4,800
Interest payable and similar charges	12	<u>(62,924)</u>	<u>-</u>
(Loss)/profit before tax		(606,766)	767,498
Tax on (loss)/profit	13	<u>75,632</u>	<u>(184,737)</u>
(Loss)/profit for the financial year		<u>(531,134)</u>	<u>582,761</u>

There was no other comprehensive income for 2020 (2019 - £NIL).

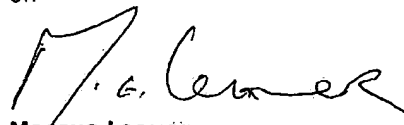
The notes on pages 12 to 27 form part of these financial statements.

CARLTON BOOKS LIMITED
REGISTERED NUMBER:02625229

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	14	<u>352,919</u>	<u>330,501</u>
		352,919	330,501
Current assets			
Stocks	15	3,226,406	2,206,886
Debtors: amounts falling due within one year	16	12,765,503	9,584,598
Cash at bank and in hand	17	<u>464,273</u>	<u>607,306</u>
		16,456,182	12,398,790
Creditors: amounts falling due within one year	18	<u>(7,798,995)</u>	<u>(5,370,847)</u>
Net current assets		8,657,187	7,027,943
Total assets less current liabilities		9,010,106	7,358,444
Creditors: amounts falling due after more than one year	19	(2,183,827)	-
Provisions for liabilities			
Deferred tax	23	<u>(28,316)</u>	<u>(29,347)</u>
		(28,316)	(29,347)
Net assets		6,797,963	7,329,097
Capital and reserves			
Called up share capital	24	37,752	37,752
Profit and loss account	25	<u>6,760,211</u>	<u>7,291,345</u>
		6,797,963	7,329,097

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

 21/10/21
Marcus Leaver
 Director

The notes on pages 12 to 27 form part of these financial statements.

CARLTON BOOKS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2019	37,752	6,708,584	6,746,336
Comprehensive income for the year			
Profit for the year	-	582,761	582,761
Total comprehensive income for the year	-	582,761	582,761
At 1 January 2020	37,752	7,291,345	7,329,097
Comprehensive income for the year			
Loss for the year	-	(531,134)	(531,134)
Total comprehensive income for the year	-	(531,134)	(531,134)
At 31 December 2020	37,752	6,760,211	6,797,963

CARLTON BOOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

The principal activity of the company is that of the publication of books.

The company is a private company limited by shares, incorporated in England and Wales. The address of its registered office and principal place of business is 20 Mortimer Street, London, W1T 3JW.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Welbeck Publishing Group Limited as at 31 December 2020 and these financial statements may be obtained from 20 Mortimer Street, London, W1T 3JW.

2.3 Going concern

The directors are assessing, on a daily basis, the impact of the significant uncertainty arising from the COVID-19 virus. The directors appreciate that there is significant uncertainty surrounding the future economic climate. They have considered the position of the company as at the period end as well as at the date of signature of the financial statements. The directors are satisfied that the company will be able to satisfy its financial obligations for at least 12 months from the date of signature of the financial statements, which have been prepared on the going concern basis.

CARLTON BOOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is pound sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.5 Revenue

Revenue represents amounts receivable for services net of VAT and trade discounts. Revenue comprises the sale of books, income from publishing rights and royalty income.

Revenue from the sale of books is recognised at the point of delivery which is when the significant risks and rewards of the ownership of the books has passed to the customer.

Income from the grant of publishing rights to third parties is recognised from the date of the signed contract.

Royalty earnings are recognised on the third party sales performance of a book.

2.6 Operating leases: the company as lessor

Rental income from operating leases is credited to the statement of comprehensive income on a straight line basis over the term of the relevant lease.

2.7 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

2.8 Leased assets: the company as lessee

Assets obtained under finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

CARLTON BOOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.9 Sale and leaseback

Where a sale and leaseback transaction results in a finance lease, no gain is immediately recognised for any excess of sales proceeds over the carrying amount of the asset. Instead, the proceeds are presented as a liability and subsequently measured at amortised cost using the effective interest method.

2.10 Government grants

Government grants are measured at the fair value of the asset received or receivable. Grants are accounted under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the statement of comprehensive income in the same period as the related expenditure.

2.11 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.12 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.14 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

2.15 Employee benefits

Short term employee benefits, including termination benefits, are recognised as an expense in the period in which they are incurred or when the company has a demonstrable commitment to incur the liability.

CARLTON BOOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.17 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

2.18 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

CARLTON BOOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.18 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Long-term leasehold property	- Straight line over life of lease
Plant and machinery	- 20 - 40% straight line
Fixtures and fittings	- 20 - 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.19 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell.

The cost of each publication in production is included in stock and charged to the statement of comprehensive income pro-rata to the sales of the respective books.

Origination expenditure, representing the cost of design and development of future publications, is written off over the period in which the relevant publication is expected to be sold, subject to making provision for irrecoverable expenditure.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

2.20 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.21 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.22 Creditors

Short term creditors are measured at the transaction price.

CARLTON BOOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.23 Financial instruments

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of derivatives are recognised in the statement of comprehensive income. The company does not currently apply hedge accounting for foreign exchange derivatives.

Other than derivatives, the company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable and other third parties and loans to related parties.

Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets that are measured at cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In applying the company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying value of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made and are based on historical experience and other factors that are considered to be applicable. Due to the inherent sensitivity involved in making judgements, estimates and assumptions, the actual results and outcomes may differ.

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

Critical judgements in applying the company's accounting policies

Assessing indicators of impairment of property, plant and equipment

In assessing whether there have been any indicators of impairment to assets, the directors have considered both external and internal sources of information such as market conditions and experience of recoverability.

Key accounting estimates and assumptions

Determining residual values and useful economic lives of property, plant and equipment

The company depreciates tangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historical performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by the directors. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied by the directors when determining the residual values for tangible fixed assets. When determining the residual value, the directors aim to assess the amount that the company would

CARLTON BOOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Judgements in applying accounting policies (continued)

currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life.

Provisions against slow moving inventory

The company establishes a provision for slow moving inventory. When determining the provision, the directors consider factors such as the amount of the inventory holding and subsequent sales.

4. Turnover

An analysis of turnover by class of business is as follows:

	2020 £	2019 £
Sale and publication of books	12,332,238	13,882,400

A geographical analysis of turnover is as follows:

	2020 £	2019 £
United Kingdom	4,269,320	3,534,863
Rest of Europe	2,831,785	3,574,002
Rest of the world	5,231,133	6,773,535
	12,332,238	13,882,400

5. Exceptional items

	2020 £	2019 £
Redundancy costs	346,650	150,800
Aborted acquisition costs	56,296	-
	402,946	150,800

The redundancy costs incurred by the company of £346,650 in the current year arose as a result of the cost saving measures taken due to Covid 19. The cost incurred in prior year arose following reorganisations as a result of the acquisition of the parent company, Mortimer Books Ltd by Welbeck Publishing Group Limited.

Costs of £56,296 (2019 - £NIL) were incurred in relation to an aborted acquisition.

CARLTON BOOKS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

6. Other operating income

	2020	2019
	£	£
Net rents receivable	59,000	49,957
Government grants receivable	91,979	-
Fees receivable	-	422,728
	150,979	472,685

During the year, the company received £33,812 (2019 - £NIL) under the Coronavirus Job Retention Scheme, a government grant that allows employers to place staff on temporary leave and claim the cost of up to 80% of employees' payroll cost. There are no unfulfilled conditions or other contingencies attached to the grant.

The company also received a Coronavirus Business Interruption Loan during the year, which has been guaranteed by the Government and which interest of £58,167 (2019 - £NIL) was borne by the Government.

7. Operating (loss)/profit

The operating (loss)/profit is stated after charging/(crediting)::

	2020	2019
	£	£
Exchange differences	(27,177)	31,105
Other operating lease rentals	442,000	442,000

8. Auditor's remuneration

	2020	2019
	£	£
Fees payable to the company's auditor for the audit of the company's annual financial statements	60,000	55,000

CARLTON BOOKS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

9. Employees

Staff costs, including directors' remuneration, were as follows:

	2020	2019
	£	£
Wages and salaries	1,782,291	2,639,337
Social security costs	176,792	244,032
Cost of defined contribution scheme	85,006	123,334
	2,044,089	3,006,703

The average monthly number of employees, including the directors, during the year was as follows:

	2020	2019
	No.	No.
Management	2	3
Administration	39	56
	41	59

10. Directors' remuneration

	2020	2019
	£	£
Directors' emoluments	-	101,665
Company contributions to defined contribution pension schemes	-	2,592
	-	104,257

Compensation for loss of office totalling £NIL (2019 - £79,500) was paid to directors as part of the consideration paid by Welbeck Publishing Group Limited on the acquisition of the company's parent company, Mortimer Books Ltd., in the prior period.

11. Interest receivable

	2020	2019
	£	£
Other interest receivable	429	4,800

CARLTON BOOKS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

12. Interest payable and similar charges

	2020 £	2019 £
Bank loan interest payable	58,168	-
Finance lease interest	4,756	-
	<u>62,924</u>	<u>-</u>

13. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	-	140,622
Adjustments in respect of previous periods	(74,601)	-
	<u>(74,601)</u>	<u>140,622</u>
Double taxation relief	-	(61,595)
	<u>(74,601)</u>	<u>79,027</u>
Foreign tax		
Foreign tax on income for the year	-	93,350
	<u>-</u>	<u>93,350</u>
Total current tax	<u>(74,601)</u>	<u>172,377</u>
Deferred tax		
Origination and reversal of timing differences	(1,031)	12,360
Total deferred tax	<u>(1,031)</u>	<u>12,360</u>
Taxation on (loss)/profit on ordinary activities	<u>(75,632)</u>	<u>184,737</u>

CARLTON BOOKS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

13. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020	2019
	£	£
(Loss)/profit on ordinary activities before tax	(606,766)	767,498
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(115,286)	145,825
Effects of:		
Expenses not deductible for tax purposes	15,080	13,531
Fixed assets timing differences	3,281	8,662
Adjust deferred tax to the average rate	-	(6,861)
Deferred tax not recognised	4,544	(8,175)
Foreign tax not recoverable	-	31,755
Other permanent differences	(11,372)	-
Group relief	28,121	-
Total tax charge for the year	(75,632)	184,737

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

CARLTON BOOKS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

14. Tangible fixed assets

	Long-term leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 January 2020	267,310	165,023	505,793	938,126
Additions	70,424	24,153	42,449	137,026
Disposals	(6,538)	-	(21,855)	(28,393)
At 31 December 2020	<u>331,196</u>	<u>189,176</u>	<u>526,387</u>	<u>1,046,759</u>
Depreciation				
At 1 January 2020	69,040	85,408	453,177	607,625
Charge for the year	39,498	36,771	31,668	107,937
Disposals	(6,538)	-	(15,184)	(21,722)
At 31 December 2020	<u>102,000</u>	<u>122,179</u>	<u>469,661</u>	<u>693,840</u>
Net book value				
At 31 December 2020	<u>229,196</u>	<u>66,997</u>	<u>56,726</u>	<u>352,919</u>
At 31 December 2019	<u>198,270</u>	<u>79,615</u>	<u>52,616</u>	<u>330,501</u>

Sale and leaseback

Included in long-term leasehold property are assets under finance lease with a net book value of £39,828 (2019 - £NIL) after a depreciation charge of £7,353 (2019 - £NIL).

Included in fixtures and fittings are assets under finance lease with a net book value of £6,615 (2019 - £NIL) after a depreciation charge of £2,146 (2019 - £NIL).

Included in computer equipments are assets under finance lease with a net book value of £7,244 (2019 - £NIL) after a depreciation charge of £6,492 (2019 - £NIL).

15. Stocks

	2020 £	2019 £
Work in progress	297,892	647,752
Finished goods and goods for resale	2,928,514	1,559,134
	<u>3,226,406</u>	<u>2,206,886</u>

CARLTON BOOKS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

16. Debtors

	2020	2019
	£	£
Trade debtors	4,924,764	4,295,256
Amounts owed by group undertakings	6,448,545	4,742,768
Other debtors	1,149,437	244,318
Prepayments and accrued income	242,757	240,661
Tax recoverable	-	61,595
	<u>12,765,503</u>	<u>9,584,598</u>

17. Cash and cash equivalents

	2020	2019
	£	£
Cash at bank and in hand	464,273	607,306
Less: bank overdrafts	(15,144)	-
	<u>449,129</u>	<u>607,306</u>

18. Creditors: Amounts falling due within one year

	2020	2019
	£	£
Bank overdrafts	15,144	-
Bank loans	364,597	-
Trade creditors	4,305,670	3,444,971
Amounts owed to group undertakings	603,170	-
Corporation tax	37,924	140,622
Other taxation and social security	458,136	103,930
Obligations under finance lease	35,056	-
Other creditors	73,417	18,082
Accruals and deferred income	1,905,881	1,663,242
	<u>7,798,995</u>	<u>5,370,847</u>

CARLTON BOOKS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

19. Creditors: Amounts falling due after more than one year

	2020 £	2019 £
Bank loans	2,135,403	-
Net obligations under finance leases	48,424	-
	<u>2,183,827</u>	<u>-</u>

20. Loans

Analysis of the maturity of the loan is given below:

	2020 £	2019 £
Amounts falling due within one year		
Bank loans	364,597	-
	<u>364,597</u>	<u>-</u>
Amounts falling due 1-2 years		
Bank loans	1,249,992	-
	<u>1,249,992</u>	<u>-</u>
Amounts falling due 2-5 years		
Bank loans	885,411	-
	<u>885,411</u>	<u>-</u>
	<u>2,500,000</u>	<u>-</u>

The bank loans are secured by a fixed and floating charge over the assets of the company. The bank loans include a Coronavirus Business Interruption Loan of £2,500,000 drawn down in May 2020. Repayments of this loan commences 12 months after the loan was drawn down. The loan bears interest at 3.99% above the Bank of England Base Rate.

21. Finance leases

Minimum lease payments under finance purchase fall due as follows:

	2020 £	2019 £
Within one year	46,500	-
Between 1-2 years	50,375	-
	<u>96,875</u>	<u>-</u>

CARLTON BOOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

22. Financial instruments

The company is party to foreign exchange financial instruments in the management of exchange rate exposure. At the balance sheet date, the company's purchase commitment under outstanding forward exchange contracts totalled was £NIL (2019: \$400,000).

23. Deferred taxation

	2020 £	2019 £
At beginning of year	29,347	16,987
Charged to profit or loss	(1,031)	12,360
At end of year	28,316	29,347

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Fixed asset timing differences	28,316	29,347
	28,316	29,347

24. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
37,752 ordinary shares of £1 each	37,752	37,752

There is a single class of ordinary share. There are no restrictions on the distributions of dividends and the repayment of capital.

25. Reserves

Profit and loss account

Profit and loss account includes all current and prior period retained profits and losses which are all distributable.

26. Contingent liabilities

The company has entered into a corporate cross guarantee, together with Welbeck Publishing Group Limited, Andre Deutsch Limited and Mortimer Books Ltd, to secure its banking arrangements. At the balance sheet date, the indebtedness under this arrangement amounted to £2.5m. There are fixed and floating charges over the intellectual property, property, assets and rights of the company in relation to this cross guarantee.

CARLTON BOOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

27. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

The contributions payable by the company in the year were £85,006 (2019 - £123,334). Contributions totalling £73,417 (2019 - 18,082) were payable to the fund at the balance sheet date and are included in creditors.

28. Commitments under operating leases

At 31 December 2020 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	442,000	442,000
Later than 1 year and not later than 5 years	1,768,000	1,768,000
Later than 5 years	221,000	663,000
	<u>2,431,000</u>	<u>2,873,000</u>

The company renegotiated the terms of its lease with effect from 6 January 2021. No payments are due under the new lease until June 2021.

29. Related party transactions

No disclosure has been made of transactions with other wholly owned group companies in accordance with FRS 102 Section 33 paragraph 33.1A as the company is a wholly owned subsidiary of Welbeck Publishing Group Limited.

During the year, company provided a working capital loan to a fellow subsidiary of £23,525 (2019 - NIL). At the balance sheet date the amount due to the company was £23,525 (2019 - £ NIL).

During the year, the company made an advance of £NIL (2019 - £20,000) to a director. At the balance sheet date the amount outstanding on this advance was £NIL (2019 - £NIL).

30. Ultimate parent undertaking and controlling party

The parent of the smallest and largest group for which consolidated accounts are prepared of which the company is a member is Welbeck Publishing Group Limited, a company registered in England and Wales. The immediate parent undertaking is Mortimer Books Ltd and the ultimate parent undertaking is Welbeck Publishing Group Limited. A copy of the consolidated financial statements may be obtained from its registered office.

The directors do not consider there to be one ultimate controlling party by virtue of the shareholdings held.