USBORNE PUBLISHING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended

31 JANUARY 2020

USBORNE PUBLISHING LIMITED

DIRECTORS AND ADVISERS

DIRECTORS	T.P. Usborne N. Usborne R.M. Robinson
SECRETARY	A. Parsons
REGISTERED OFFICE	Usborne House 83-85 Saffron Hill London EC1N 8RT
BANKERS	National Westminster Bank plc 1 Princes Street London EC2R 8PA
AUDITORS	Nexia Smith & Williamson Audit Limited 25 Moorgate London EC2R 6AY
ACCOUNTANTS AND TAX ADVISERS	Smith & Williamson LLP Accountants 25 Moorgate London EC2R 6AY
SOLICITORS	Davenport Lyons 1 Old Burlington Street London W1X 1LA
COMPANY'S REGISTERED NUMBER	01124359

CONTENTS

USBORNE PUBLISHING LIMITED

STRATEGIC REPORT

The directors present the strategic report for Usborne Publishing Limited for the year ended 31 January 2020.

Activities
The principal activity of the company continued to be publishing.

Review of business and future developments
The company has had a positive year in 2020 compared to budget and, in the opinion of the directors, the state of the company's affairs thus far in the year ended 31 January 2021 and its future prospects are ahead of budgets.

Financial Key Performance Indicators:

a) Year on year turnover growth is a 3.07% increase in 2020 against a 25.33% increase in 2019

b) Gross profit margin is 43.43% in 2020 against 42.16% in 2019

c) Return on capital is 19.21% in 2020 against 24.22% in 2019

d) Sales per employee are £353,339 in 2020 against £354,807 in 2019

e) Average salary per employee is £44,761 in 2020 against £44,143 in 2019

f) Current ratio of assets to liabilities is 3.78 in 2020 against 4.66 in 2019

g) Debtor collection period (in days) is 85 in 2020 against 98 in 2019

h) Stock turnover period (in months) is 6.1 in 2020 against 5.5 in 2019

Non-financial Key Performance Indicators:

a) New titles added to the list in the year are 336 in 2020 against 336 in 2019

b) Recycling of paper was 335,000 litres in 2020 and 292,000 in 2019

c) Recycling of packaging increased in 2020 to 571 tons from 439 tons in 2019

d) Hazardous waste (IT equipment) of 0kg compared with 0kg in 2019 was recycled

The principal risks and uncertainties facing the company are considered to be the following:

a) Demographic - falls in birth rates may affect the overall size of the markets in which the company operates.

b) The company aims to replace a certain proportion of its product list each year and, in a very competitive market, the new product may not be successful.

c) A significant proportion of the company's product is sourced and sold overseas and costs and revenues are therefore at risk from adverse currency exchange movements.

d) Books are a mature leisure market and aim to compete with an ever-increasing electronic leisure sector, so publishing may attract a lower share of leisure expenditure.

e) The major physical raw material is paper which can be subject to cyclical variation in availability and competing requirements from sectors other than book publishing.

Due to the uncertainty surrounding Brexit and Covid-19, it is not currently possible to fully evaluate all its potential implications on the company's trade, customers and suppliers. The company has already entered into the necessary discussions with customers and suppliers to work together to mitigate risks caused by changes in export procedures. The directors will continue to monitor this as the situation evolves.

Review of business and future developments (continued)
The company reviews the following key performance indicators to aid assessment of the performance of the business. As shown, the company has had a good year in all respects and is in a good position at the end of the year.

Going concern
The directors have reviewed the company's forecasts, trading and cash position since the year end and have a reasonable expectation that the company has adequate resources to achieve these forecasts for the financial year ended 31 January 2021 and, with suitable sensitivities, has adequate resources to pay and meet its liabilities as and when they fall due for a period of not less than twelve months from the approval of these financial statements.

Post balance sheet events
Details of material post-balance sheet events are set out at note 24.

In addition to the matters referenced there, since the year end, Government restrictions and retail closures have been imposed in all of the company's key markets of the UK, USA, Europe and Far East, as well as many other important markets.

It is not possible to estimate the extent of the impact on the company's earnings for the year ending 31 January 2021 as there are mostly unknowns for the company, as for the world as a whole.

The impact may be substantial; the extent will depend on the changing positions of the Group's major wholesale print customers and Government restrictions and, in particular, their impact on retailers.

Since the year end, the company has taken measures to strengthen its balance sheet and increase liquidity to ensure it has sufficient working capital to weather the impact of coronavirus and avoid damaging the Company's business in the long-term. The key actions have been cost savings, extending our supplier terms and no declaration of an annual dividend. In addition we have been very successful in our trading in the USA during 2020.

Covid-19 has been identified as a non-adjusting post balance sheet event.

Financial risk management
Details of the company's financial instruments and its policies with regard to financial risk management are given in note 23 to the financial statements.

Section 172(1) statement
In discharging their duty to promote the interests of the company under section 172 Companies Act 2006, the directors of the company have regard to a number of factors for its members and stakeholder interests.

Long term consequences of business decisions
The company operates in a sector characterised by long term relationships between stakeholders be they book distributors, authors, booksellers, printers and readers.

As a privately-owned company, the Board considers that the interests of the company and its shareholders are aligned in seeking sustainable value creation over the longer term through the Company's operation.

The interests of the company's employees
The success of our business depends on attracting, retraining and motivating employees.

From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

The Board continued in the year to engage with all employees, seeking regular feedback through performance reviews, team and staff meetings. Presentations to employees about the performance of the company and future plans were made throughout the year and staff were consulted on various enhancements to pay and conditions.

Training programmes in the year included subjects of working from home, diversity, mental health and Covid-19 related training, and the company encourages staff to participate in the activities provided by Vitality Health.

The latest Gender Pay gap report is published on the Company's websites.

Fostering the company's business relationships with suppliers, customers and others
Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers and others.

The Directors maintain strong relationships through participation in industry groups and gatherings such as book fairs. In particular it pays attention to the experience of suppliers which seeks to improve the print quality, and the distribution of our books to our customers.

The impact of the company's operations on the community and the environment
The Directors are committed to minimising our environment impact and engaging in practices that will improve our stewardship of natural resources. At a minimum, we aim to comply with the laws, rules and regulations that pertain to the environment, but we except we will often exceed legally mandated standards. Our goal as a company is to reduce our carbon usage significantly, which will require active participation by all employees. This means using existing resources wisely and looking for ways to lessen our usage or find sustainable alternatives. We evaluate vendors based on cost, services offered and their commitment to sustainable business practices.

The company commits to support various charities on an annual basis.

Maintaining the reputation for high standards of business conduct
Maintaining a reputation for high standards of business conduct is vital and the company expects all members of the supply chain to always act with integrity, acting openly, honestly and ethically. The Directors have a zero tolerance to fraud and consistently maintains effective oversight and scrutiny processes, executed with independence and impartiality. Integrity is underpinned with policies in relation to bribery and corruption, data protection, equality, diversity and inclusion, modern slavery, fraud and whistleblowing, each of which is reinforced through appropriate training. In addition to the company's core values, all employees must comply with these requirements and when taken together with the company's corporate responsibility commitments, they provide the framework within which the company operates internally and in the marketplace. Suppliers and contractors are also expected to behave in a consistent manner.

Approved by the Board of Directors on 1 December 2020 signed on their behalf by:

A Parsons
Secretary

USBORNE PUBLISHING LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 January 2020. Usborne Publishing Limited is a company incorporated in England and Wales, company number 01124359, with its principal place of business and registered office at 83-85 Saffron Hill, London, EC1N 8RT.

Results for the year and dividends
The profit for the year after taxation was £11,661,852 (2019: £12,554,139). On 10th April 2019, the company declared and paid a final dividend of £3,000,000 in relation to the results for the year ended 31st January 2019 recognised in 2020 (2019: £5,000,000), of which £2,212,500 (2019: £3,687,500) was in respect of the 'A' ordinary shares and the balance of £787,500 (2019: £1,312,500) was in respect of the 'B' ordinary shares. No dividend has been declared for the year ended 31 January 2020.

Directors
The directors of the company at 31 January 2020, were:

T.P. Usborne
N Usborne
R.M. Robinson

Charitable donations
During the year the company made donations for charitable purposes amounting to £148,586 (2019: £157,028).

Shooting Star Children's Hospice was chosen by Usborne staff as the main charity for 2019, with fundraising events planned throughout the year.

We regularly donate free books and money to children's charities - and in 2019 we donated to 90 charities, mainly working to help children around the world. Usborne is a corporate sponsor of Ministry of Stories and a sponsor of the Booktrust Children's Laureate. We also support various Booktrust book gifting programmes in England and Scotland including Bookstart, Bookbug, Bookbuzz and Letterbox.

For several years, our direct sales division, Usborne Books at Home, has had a working relationship with the charity School Aid, gifting over 25,000 books to schools and libraries in Africa or to local causes in the UK. Usborne Books at Home now work with a similar enterprise, REACT, a humanitarian charity that works to empower disabled children throughout Ghana.

Usborne also supports staff who want to work with the reading charity Beanstalk, where adults listen to children reading out loud to them, particularly children with reading difficulties. Staff also fundraise for children's charities of their choice, and the company matches their total.

Subsequent events and future developments
The intention of the directors is to continue the development of the company using existing strategies.

Employment of disabled persons
The company gives full consideration to applications for employment from disabled persons where the candidates particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the company's policy to provide continuing employment whenever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Business relationships
Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers and others, as outlined in the s172 statement of the strategic report.

The company maintains strong relationships through participation in industry groups and gatherings such as book fairs. In particular it pays attention to the experience of suppliers which seeks to improve the print quality, and the distribution of our books to our customers.

Employee engagement
The success of our business depends on attracting, retraining and motivating employees. The company has a policy of providing employees with information about the company, and employees are encouraged to present their suggestions and views on the company's performance. Regular meetings are held between management and employees to allow a free flow of information.

From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

The Board continued in the year to engage with all employees, seeking regular feedback through performance reviews, team and staff meetings. Presentations to employees about the performance of the company and future plans were made throughout the year and staff were consulted on various enhancements to pay and conditions.

Training programmes in the year included subjects of working from home, diversity, mental health and Covid related training, and the company encourages staff to participate in the activities provided by Vitality Health.

The latest Gender Pay gap report is published on the Company's websites.

Disclosure of information to the auditors
In the case of each person who was a director at the time this report was approved:

- So far as that director was aware there was no relevant audit information of which the company's auditors were unaware; and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors were aware of that information.

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

Financial risk management
Details of the company's financial instruments and its policies with regard to financial risk management are given in note 23 to the financial statements.

Auditors
A resolution for the re-appointment of Nexia Smith & Williamson will be proposed at the next Annual General Meeting.

Approved by the Board of Directors on 1 December 2020 signed on their behalf

A Parsons
Secretary

Registered office:
Usborne House
83-85 Saffron Hill
London
EC1N 8RT

USBORNE PUBLISHING LIMITED

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF USBORNE PUBLISHING LIMITED

Opinion
We have audited the financial statements of Usborne Publishing Limited (the 'company') for the year ended 31 January 2020 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows, the notes to the 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 United Kingdom Accounting Standards, including FRS 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 January 2020 and of its profit 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 UK, including the FRC'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
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The other information comprises the information included in the Strategic report and the Directors' report, other than the Report and Financial statements and our Auditor's Report thereon. The directors are responsible for the other information. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF USBORNE PUBLISHING 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 where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the Directors' Responsibilities Statement set out on page 8, 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.

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.

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.

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF USBORNE PUBLISHING LIMITED (continued)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nexia Smith & Williamson
Nexia Smith & Williamson (Dec 1, 2020 16:34 GMT)

Timothy Adams
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

1 December 2020

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 JANUARY 2020

	Notes	2020	2019
		£	£
Turnover	3	93,988,165	91,185,287
Cost of sales		(53,172,269)	(52,737,535)
Gross profit		40,815,896	38,447,752
Distribution costs		(3,633,767)	(3,427,955)
Administrative expenses		(22,869,580)	(19,659,585)
Other operating income	4	6,244	3,789
Operating profit	7	14,318,793	15,364,001
Interest receivable		78,397	100,761
Interest payable	8	-	(2,978)
Profit before taxation		14,397,190	15,461,784
Taxation	9	(2,735,338)	(2,907,645)
Profit and total comprehensive income for the financial year		11,661,852	12,554,139

Profit and total comprehensive income is attributable to the shareholders.

The notes on pages 17 to 31 form part of the financial statements.

USBORNE PUBLISHING LIMITED — Registered number 01124359

BALANCE SHEET as at 31 JANUARY 2020

	Notes	2020	2019
		£	£
Fixed assets			
Tangible	11	22,937,116	460,834
Investments	12	21,370	15
		22,958,486	460,849
Current assets			
Stocks	13	27,029,411	24,535,635
Debtors	14	22,976,226	24,867,252
Investments	15	101,917	142,841
Cash at bank and in hand		17,481,745	31,374,623
		67,589,299	80,920,351
Creditors: amounts falling due within one year	16	(17,875,955)	(17,370,994)
Net current assets		49,713,344	63,549,357
Total assets less current liabilities		72,671,830	64,010,206
Provisions for liabilities	17	(563,104)	(562,991)
Net assets		72,108,726	63,447,215
Capital and reserves			
Share capital	18	10,000	10,000
Share premium		2,448,469	2,448,469
Capital reserve		1,000	1,000
Capital redemption reserve		9,950	9,950
Retained earnings		69,639,307	60,977,796
		72,108,726	63,447,215

The accounts were approved and authorised for issue by the Board of Directors on 1 December 2020 and were signed on its behalf by:

T P Usborne

T P Usborne (Dec 1, 2020 10:02 GMT)

T.P. Usborne
Director

The notes on pages 17 to 31 form part of the financial statements.

USBORNE PUBLISHING LIMITED

STATEMENT OF CHANGES IN EQUITY for the year ended 31 January 2020

	Share capital £	Share premium	Capital reserve £	Capital redemption and reserve £	Retained earnings £	**Total equity**
Balance at 1 February 2018	10,000	2,448,469	1,000	9,950	53,423,657	55,893,076
Profit and total comprehensive income for the year	-	-	-	-	12,554,139	12,554,139
Transactions with owners: Dividends	-	-	-	-	(5,000,000)	(5,000,000
Balance at 31 January 2019	10,000	2,448,469	1,000	9,950	60,977,796	63,447,215
Profit and total comprehensive income for the year	-	-	-	-	11,661,852	11,661,852
Transactions with owners: Dividends	-	-	-	-	(3,000,000)	(3,000,000
Balance at 31 January 2020	10,000	2,448,469	1,000	9,950	69,639,307	72,108,726

USBORNE PUBLISHING LIMITED

STATEMENT OF CASH FLOWS for the year ended 31 JANUARY 2020

	Notes	2020 £	2019 £
Net cash generated from operating activities	(a)	11,845,089	8,983,345
Investing activities			
Interest received		78,397	100,761
Purchases of tangible assets		(22,795,009)	(244,617)
Purchase of investments		(21,355)	-
Net cash used in investing activities		(22,737,967)	(143,856)
Financing activities			
Interest paid		-	(2,978)
Dividends paid		(3,000,000)	(5,000,000)
Net cash used in financing activities		(3,000,000)	(5,002,978)
Net (decrease)/increase in cash and cash equivalents		(13,892,878)	3,836,511
Cash and cash equivalents at beginning of the year		31,374,623	27,538,112
Cash and cash equivalents at end of end of year		17,481,745	31,374,623

USBORNE PUBLISHING LIMITED

NOTES TO STATEMENT OF CASH FLOWS for the year ended 31 JANUARY 2020

a) **Net cash generated from operating activities**

	2020 £	2019 £
Operating profit	14,318,793	15,364,001
Depreciation	318,728	235,806
Increase in stocks	(2,493,776)	(2,886,412)
Decrease/(increase) in debtors	1,891,026	(3,125,432)
(Decrease)/increase) in creditors	(73,849)	2,672,603
(Profit) on disposal of fixed assets	-	(12,820)
Fair value movement on current asset investments	40,924	(132,936)
Movement in provisions	113	101,236
Cash generated from continuing operations	14,001,959	12,216,046
Tax paid	(2,156,870)	(3,232,701)
Net cash generated from operating activities	11,845,089	8,983,345

No external debt is held within the Company and thus no reconciliation of net debt has been produced.

1 Accounting policies

The principal accounting policies are summarised below.

Basis of preparation

Usborne Publishing Limited is a private limited company, limited by shares, incorporated in England and Wales. The address of the registered office is Usborne House, 83-85 Saffron Hill, London, EC1N 8RT.

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

The accounts have been prepared under the historical cost convention as monitored by the revaluation of certain assets in accordance with the company's accounting policies. The presentation and functional currency is £ sterling.

The directors of Usborne Published Limited established a Germany Branch in March 2019 to enhance the services provided to our sole German distributor. In May 2019 the branch was incorporated. The activity of the operation is not included the current year financial results. See note 12 for further details.

Going concern

The directors have reviewed the company's forecasts, trading and cash position since the year end and have a reasonable expectation that the company has adequate resources to achieve these forecasts for the financial year ended 31 January 2021 and, with suitable sensitivities, has adequate resources to pay and meet its liabilities as and when they fall due for a period of not less than twelve months from the approval of these financial statements.

Covid-19

The directors have been closely monitoring the potential impacts of the Covid-19 pandemic on the company.

Government restrictions and retail closures have been imposed in all of the company's key markets of the UK, USA, Europe and Far East, as well as many other important markets.

It is not possible to estimate the extent of the impact on the company's earnings for the year ended 31 January 2021 as there are mostly unknowns for the company, as for the world as a whole.

The impact may be substantial; the extent will depend on the changing positions of the Group's major wholesale print customers and Government restrictions and, in particular, their impact on retailers.

Since the year end, the company has taken measures to strengthen its balance sheet and increase liquidity to ensure it has sufficient working capital to weather the impact of coronavirus and avoid damaging the Company's business in the long-term. The key actions have been cost savings, extending our supplier terms and no declaration of an annual dividend. In addition we have been very successful in our trading in the USA during 2020.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business and net of discounts, VAT and other sales related taxes.

i) Revenue from book publishing is recognised when title passes to the customer. A provision for anticipated returns is made based primarily on historical return rates in each territory. If these do not reflect actual returns in future periods then revenues could be understated or overstated for a particular period.

ii) Revenue from sale of consignment stock is recognised on notification of the customer, and is recognised as a sale at the same point as the customer.

iii) Revenue from e-book sales is recognised when content is delivered.

Foreign currency

Transactions in foreign currencies are recorded at the currency rates ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All differences are taken to the statement of comprehensive income.

Taxation

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

The current tax charge is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of

income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is recognised in respect of all timing differences between taxable profits and total comprehensive income that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1 **Accounting policies (continued)**

Tangible assets

Tangible assets comprise freehold property, fixtures & fittings, computer equipment and motor vehicles and are stated at cost less accumulated depreciation and any recognised impairment in value. Provision is made for depreciation on all classes of assets, other than freehold land, at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

Freehold land	not depreciated
Freehold building	25 years
Furniture and fittings	20 to 33.3% straight line
Computer equipment	25% straight line
Motor vehicles	20% to 25% straight line

Land and buildings are initially recognised at cost. Freehold land and buildings are subsequently carried at the revalued amount less impairment losses and accumulated building depreciation.

Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The directors from time to time obtain professional valuations where they believe a material change has occurred.

Increases in carrying amounts arising from revaluation, are recognised in the other comprehensive income, unless they offset previous decreases in the carrying amounts of the same asset, in which case, they are recognised in profit or loss.

Decreases in carrying amounts that offset previous increases of the same asset are recognised against the other comprehensive income. All other decreases in carrying amounts are recognised in the profit and loss for the year.

Impairment of non-financial assets

At each balance sheet date, tangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Investments

Investments held as fixed assets are stated at cost less provisions for any impairment in value. Those held as current assets are stated at the lower of cost and net realisable value.

Investments in listed shares are initially measured at transaction price and subsequently measured at fair value, if this is a substantial movement; the changes in fair value are recognised in the Statement of Comprehensive Income. Fair value is determined using the quoted bid prices at the balance sheet date.

1 Accounting policies (continued)

Stocks and work in progress

Stocks and work in progress have been valued at the lower of cost and net realisable value after making allowance for obsolete or slow-moving items. Cost is defined as direct publication costs, together with a proportion of relevant overheads and directly attributable origination costs. Assets held by suppliers, but which are deemed in substance to be assets of the company have been included in stocks.

The company authorises a number of consignment stock arrangements. Consignment stock located at retailers stores and warehouses is included within the stock balance at year end. Once consignment stock has been sold by this customer, the customer notifies the company of the sale and the company records revenue in that accounting period.

Financial instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the company become a party to the contractual provisions of the instrument.

Investments in listed shares are classified as basic financial instruments. They are initially measured at transaction price and subsequently measured at fair value, if this is a substantial movement; the changes in fair value are recognised in the Statement of Comprehensive Income. Fair value is determined using the quoted bid prices at the balance sheet date.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. A provision is established when there is objective evidence that the company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank.

Financial liabilities and equity instruments issued by the company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Employee benefits

Short term employee benefits including holiday pay and annual bonuses are accrued as services are rendered. Contributions to defined contribution pension schemes are charged to profit or loss as they become payable in the year in accordance with the rules of the scheme. Differences between contributions payable in the year and those actually paid are shown as either accruals or prepayments in the Balance Sheet.

2 Key sources of estimation uncertainty and judgment

The preparation of accounts in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Judgments

Financial instruments classification

The classification of financial instruments as "basic" or "other" requires judgment as to whether all the applicable conditions for classification as basic are met. This includes consideration of the form of the instrument and its return.

Key sources of estimation uncertainty

Bad debt provision

Trade debtors' balances of £21,931,480 (2019: £24,364,652) are recorded in the company's Balance Sheet. A full line by line review of trade debtors is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

Stocks and work in progress provision

Provision is made against the carrying value of stocks and work in progress £4,763,605 (2019: £5,407,226) based upon the age and the amount of stock held. Whilst every attempt is made to ensure that stocks and work in progress is valued at the lower of cost and net realisable value, there remains a risk that it may be valued at more than the lower of cost and net realisable value.

3 Turnover

Turnover represents the value of goods and services delivered to customers during the period, less returns, and is stated net of value added tax.

	2020 £	2019 £
Turnover from book publishing activities	87,765,537	88,394,748
Royalty income	6,222,628	2,790,539
	93,988,165	91,185,287

Geographical analysis of turnover:

	2020 £	2019 £
U.K	30,838,368	27,863,325
Overseas	63,149,797	63,321,962
	93,988,165	91,185,287

4 Other operating income

	2020 £	2019 £
Dividends receivable	6,244	3,789

5 Employees

The average weekly number of employees, excluding directors, of the company during the year and their aggregate remuneration were as follows:-

	Number	Wages and salaries £	Social security £	Pension costs £	Total £
Year ended 31 January, 2020	266	11,906,417	1,216,514	1,187,534	14,310,465
Year ended 31 January, 2019	257	11,344,857	1,137,501	1,091,699	13,574,057

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

	2020 No.	2019 No.
Administration	23	22
Editorial and production	146	141
Sales	97	94
	266	257

6 Directors' emoluments

	2020 £	2019 £
Aggregate emoluments	407,337	231,002

Highest paid director	£	£
Emoluments	166,069	132,870
Other emoluments	50,000	45,000
Pension contribution	9,210	5,855
	225,279	183,725

7 Operating profit

is stated after charging:

	2020 £	2019 £
Operating lease rentals		
- Hire of plant and machinery	19,652	31,829
- Other	705,697	603,178
Auditors' remuneration - audit	55,000	50,000
- taxation compliance (paid to related company of the auditors)	9,000	8,500
- taxation advisory (paid to related company of the auditors)	8,080	26,291
Bad debt expense	747,599	227,663
Depreciation	318,728	235,806
Impairment of stock	1,790,679	2,692,016
Foreign exchange loss	290,142	141,055
Stock taken to cost of sales	42,716,585	42,779,001

8 Interest payable

	2020 £	2019 £
Bank interest	-	2,978

9 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax at 19.00% (2019: 19.00%)	2,666,237	2,932,030
Adjustment in respect of prior years	-	(35,632)
	2,666,237	2,896,398
Double taxation relief	(161,791)	(125,775)
After double taxation relief	2,504,446	2,770,623
Foreign taxation	161,791	125,775
Total current tax charge	2,666,237	2,896,398
Deferred tax (see note 21)		
Origination and reversal of timing differences	69,101	11,484
Adjustments in respect of prior periods	-	(237)
Total deferred tax charge	69,101	11,247
Tax on profit on ordinary activities	2,735,338	2,907,645

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

9 Taxation (continued)

	2020	2019
	£	£
Tax reconciliation		
Profit on ordinary activities before tax	14,375,864	15,461,784
Tax on profit on ordinary activities at standard corporation tax rate of 19.00% (2019: 19%)	2,731,414	2,937,739
Tax effects of:		
Fixed asset differences	3,494	4,790
Expenses not deductible for tax purposes	9,750	3,057
Income not taxable for tax purposes	(1,192)	(720)
Adjust rate of opening deferred tax to average rate of 19%	(2,501)	(3,852)
Adjust rate of closing deferred tax to average rate of 19%	(5,628)	2,501
Adjustment to tax charge in respect of prior years	-	(35,633)
Adjustment to tax charge in respect of prior years - deferred tax	-	(237)
Total current tax charge	2,735,338	2,907,645

10 Dividends paid

	2020	2019
	£	£
£290 dividend per 'A' ordinary share	2,212,500	3,687,500
£290 dividend per 'B' ordinary share	787,500	1,312,500
	3,000,000	5,000,000

11 Tangible fixed assets

	Computer equipment	Furniture and fittings	Motor vehicles	Freehold Property	Total
	£	£	£	£	£
Cost					
At 1 February 2019	810,742	419,803	95,843	-	1,326,388
Additions	624,223	17,000	46,239	22,107,547	22,795,009
Disposals	(150,258)	(19,368)	-	-	(169,626)
At 31 January 2020	1,284,707	471,435	142,082	22,107,547	23,951,771
Depreciation					
At 1 February 2019	515,252	265,780	84,522	-	865,554
Charge for year	229,763	63,644	17,220	-	310,627
Disposals	(142,158)	(19,368)	-	-	(161,526)
At 31 January 2020	602,857	310,056	101,742	-	1,014,655
Net book value					
At 31 January 2020	681,850	107,379	40,340	22,107,547	22,937,116
At 31 January 2019	295,490	154,023	11,321	-	460,834

Freehold land estimated at a value of £7m is included in freehold property. Land is stated at fair value less accumulated impairment and is not depreciated. Buildings are stated at fair value less accumulated depreciation.

12 Investments held as fixed assets

	Shares in group undertakings - subsidiaries £
At 31 January 2019	15
Acquisition of Usborne Verlag GmbH	21,355
At 31 January 2020	21,370

At 31 January 2020 the company had the following subsidiary undertakings:

Company	Country of incorporation	Activity	Proportion of ordinary shares held	Aggregate amount of share capital and reserves	Profit/(loss) for the year
Usborne Verlag GmbH	Germany	Administration	100%	£21,410	(£42,765)
Usborne Publishing Inc	U.S.A	Dormant	100%	(£87,517)	-
Usborne Books at Home Limited	England	Dormant	100%	£2	-
Usborne Music Publishing Limited	England	Dormant	100%	£2	-
Usborne Reference Publishing Limited	England	Dormant	100%	£2	-
Usborne Education Limited	England	Dormant	100%	£2	-

Usborne Books at Home Limited, Usborne Music Publishing Limited, Usborne Reference Publishing Limited and Usborne Education Limited have not traded. The registered address is 83-85 Saffron Hill, London, EC1N 8RT.

These entities have been dormant for the current and previous periods and therefore no consolidated set of accounts have been prepared including these entities.

Usborne Publishing Inc has not been consolidated since in the opinion of the Directors, its inclusion is not material for the purpose of giving a true and fair view. Usborne Publishing Inc has ceased trading. The registered address is 801 Adlai Stevenson Drive, Springfield, Illinois, 62703-4261 Sangamon.

Usborne Verlag GmbH has not been consolidated since in the opinion of the Directors, its inclusion is not material for the purpose of giving a true and fair view. The registered address is in Kurt-Schumacher Str. 18-20, 53113 Bonn, Germany.

12 Investments held as fixed assets (continued)

Additional information in respect of Usborne Publishing Inc.	£
Share of undistributed post incorporation losses at 1 February 2019	(87,517)
Loss retained in the year	-
Balance at 31 January 2020	(87,517)

Additional information in respect of Usborne Verlag Gmbh.	£
Loss retained in the year	(42,765)
Balance at 31 January 2020	(42,765)

13 Stocks

	2020	2019
	£	£
Work in progress	5,335,162	4,942,076
Finished goods	21,694,429	19,593,559
	27,029,411	24,535,635

Finished goods include a stock provision of £4,763,605 (2019: £5,407,226)

14 Debtors

	2020 £	2019 £
Trade debtors	21,931,480	24,364,652
Other debtors	481,368	256,149
Prepayments and accrued income	563,378	246,451
	22,976,226	24,867,252

Trade debtors includes bad debt provision of £3,136,181 (2019: £3,243,893) and returns provision of £1,501,249 (£1,807,125).

15 Investments

	2020 £	2019 £
Listed investments - at market value	101,917	142,841

16 **Creditors:** amounts falling due within one year	2020 £	2019 £
Trade creditors	12,339,836	11,914,868
Corporation tax	1,251,229	682,563
Other creditors	2,037,057	2,631,491
Social security and other taxation	294,117	286,680
Accruals and deferred income	1,863,375	1,834,152
Deferred tax (note 21)	90,341	21,240
	17,875,955	17,370,994

17 **Provisions for liabilities**	2020 £	2019 £
Dilapidations provision		
As at 1 February	562,991	461,755
Increase in provision	113	101,236
As at 31 January	563,104	562,991

The provision relates to the company's office sites and amounts that may be payable on cessation of the leases in order to make good the properties in question. This represents the directors best estimate of the cost of dilapidations.

18 **Called up share capital**	2020 £	2019 £
Allotted and fully paid		
7,375 'A' Ordinary shares of £1 each	7,375	7,375
2,625 'B' Ordinary shares of £1 each	2,625	2,625
	10,000	10,000

The 'A' shares and 'B' shares rank pari passu in all respects.

19 Reserves

A description of each reserve is set out below.

Share premium

The share premium account is used to record the aggregate amount or value of premiums paid when the company's shares are issued at an amount in excess of nominal value.

Capital reserve

The capital reserve of £1,000 (2019 £1,000) is a non-distributable reserve.

Capital redemption reserve

The capital redemption reserve of £9,950 (2019 £9,950) represents the nominal value of the shares which were cancelled and redeemed out of distributable profits.

Retained earnings

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

20 Operating lease commitments

At the balance sheet date the company had total lease payments under non-cancellable leases as follows:

Property	2020 £	2019 £
Due:		
Within one year	714,341	624,034
Within two to five years	2,043,575	2,453,613
After five years	-	579,440
	2,757,889	3,657,087

21 Deferred taxation

	2020 £	2019 £
The amount of recognised deferred tax liability is as follows:		
Accelerated capital allowances	(111,591)	(45,063)
Other timing differences	21,250	23,823
	(90,341)	(21,240)

Movement in deferred taxation

At 1 February 2019	(21,240)
Profit and loss account (note 9)	(69,101)
At 31 January 2020 (note 16)	(90,341)

22 Related party transactions

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the company. In the opinion of the board the company's key management are the directors.

	2020	2019
	£	£
Total compensation to key management personnel	407,337	250,604

	2020	2019
	£	£
Dividends paid to key management personnel	2,212,500	3,687,500

At 31 January 2020 the ultimate controlling party was T.P. Usborne, a shareholder and director of the company.

23 Financial instruments

The company's financial instruments comprise cash and items such as trade creditors and trade debtors which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the company's operations.

The company's operations expose it to a variety of financial risks including credit risk, liquidity risk and foreign currency exchange rate risk.

Credit risk

The company's credit risk is primarily attributable to its trade debtors. The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is regularly considered by the board.

The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk

The company maintains sufficient funds for its operations.

The company's financial liabilities comprise trade creditors. They are measured at amortised cost.

Foreign currency exchange rate risk

The company is exposed to foreign exchange rate risk as a result of trade debtors and trade creditors which will be settled in foreign currencies. The company has no material financial exposure to foreign exchange gains and losses on financial assets and liabilities at the year end and does not hedge any of its trading activities.

24 Post balance sheet events

Since the year end, Government restrictions and retail closures have been imposed in all of the company's key markets of the UK, USA, Europe and Far East, as well as many other important markets.

It is not possible to estimate the extent of the impact on the company's earnings for the year ended 31 January 2021 as there are mostly unknowns for the company, as for the world as a whole.

The impact may be substantial; the extent will depend on the changing positions of the Group's major wholesale print customers and Government restrictions and, in particular, their impact on retailers.

Since the year end, the company has taken measures to strengthen its balance sheet and increase liquidity to ensure it has sufficient working capital to weather the impact of coronavirus and avoid damaging the Company's business in the long-term. The key actions have been cost savings, extending our supplier terms and no declaration of an annual dividend. In addition we have been very successful in our trading in the USA during 2020.

Covid-19 has been identified as a non-adjusting post balance sheet event.