

USBORNE PUBLISHING LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended
31 January 2021



USBORNE PUBLISHING LIMITED

DIRECTORS AND ADVISERS

DIRECTORS

T.P. Usborne
N. Usborne
I. Lucchese

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

Co-Counsel
7 Lambolle Place
Belsize Park
London NW3 4PD

COMPANY'S REGISTERED NUMBER

01124359

USBORNE PUBLISHING LIMITED

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USBORNE PUBLISHING LIMITED

STRATEGIC REPORT

The directors present the strategic report for Usborne Publishing Limited for the year ended 31 January 2021.

Activities

The principal activity of the company continued to be publishing.

Review of business and future developments

The company has had a strong year to 31 January 2021, well exceeding its budgets. This has largely been driven by the strength of many of our markets in responding to particularly increased demand as a result of Covid-19 conditions (for example, schools being closed around the world and parents seeking quality materials for at home learning). In the opinion of the directors, the results for the year ended 31 January 2021 greatly exceeded expectations and are anticipating a return to normal growth for the year ended 31 January 2022 more in line with the growth shown in the financial year to 31 January 2020. Currently the Revenue and profit before tax KPIs are tracking ahead of the financial year 2022 budgets.

Financial Key Performance Indicators:

- a) Year on year turnover growth is a 28.70% increase in 2021 against a 3.07% increase in 2020
- b) Gross profit margin is 41.36% in 2021 against 43.43% in 2020
- c) Return on capital is 26.28% in 2021 against 19.21% in 2020
- d) Sales per employee are £451,769 in 2021 against £353,339 in 2020
- e) Average salary per employee is £47,811 in 2021 against £44,761 in 2020
- f) Current ratio of assets to liabilities is 3.46 in 2021 against 3.78 in 2020
- g) Debtor collection period (in days) is 109 in 2021 against 85 in 2020
- h) Stock turnover period (in months) is 4.2 in 2021 against 6.1 in 2020

Non-financial Key Performance Indicators:

- a) New titles added to the list in the year are 289 in 2021 against 336 in 2020
- b) Recycling of paper was 94,000 litres in 2021 and 335,000 in 2020
- c) Recycling of packaging decreased in 2021 to 396 tons from 571 tons in 2020
- d) Hazardous waste (IT equipment) of 0kg in 2021 compared with 0kg in 2020 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.

USBORNE PUBLISHING LIMITED

STRATEGIC REPORT (continued)

Due to the uncertainty surrounding Brexit and Covid-19, the company 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.

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 financial statements have been prepared on a going concern basis.

The Directors have reviewed the company's forecasted trading and cash position since the year end and for a period up to 12 months from the date of approval of these financial statements. The Directors have a reasonable expectation that the company is on track to achieve the forecasted position for the financial year ended 31 January 2022 and beyond. The Directors have also considered suitable sensitivities and conclude the entity has adequate resources to ensure it is able to 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

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. In addition, we continue to have success in our trading in the USA during 2021.

On the 24th May 2021, the company declared and paid a dividend of £4,000,000.

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 Companies Act 2006

The board of directors of Usborne Publishing Limited have considered both collectively and individually, that they have acted in a way they consider, in good faith, would be most likely to promote the success of the company for its members and stakeholders as a whole. The directors have considered the requirements of Section 172(1) as follows:

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.

USBORNE PUBLISHING LIMITED

STRATEGIC REPORT (continued)

The interests of the company's employees

The success of our business depends on attracting, retaining and motivating employees.

To ensure 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 company is constantly adding new titles to its product range to meet their future as well as current demands.

The impact of the company's operations on the community and the environment


The Directors are committed to minimising our environmental 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 accept 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 14 October 2021 signed on their behalf by:


Nicola Usborne (Oct 14, 2021 15:25 GMT+1)

N. Usborne
Director

USBORNE PUBLISHING LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 January 2021. 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 £18,569,926 (2020: £11,661,852). On 10th April 2020, the company declared and paid a final dividend of £2,500,000 in relation to the results for the year ended 31st January 2020 recognised in 2021 (2020: £3,000,000), of which £1,843,750 (2020: £2,212,500) was in respect of the 'A' ordinary shares and the balance of £656,250 (2020: £787,500) was in respect of the 'B' ordinary shares. Post year end, On the 24th May 2021, the company declared and paid a dividend of £4,000,000.

Directors

The directors of the company during the year and up to date of signing this report were:

T.P. Usborne
N. Usborne
R.M. Robinson (resigned 6 June 2021)
I. Lucchese (appointed 23 June 2021)

Charitable donations

During the year the company made donations for charitable purposes amounting to £207,366 (2020: £148,586).

Shooting Star Children's Hospice was chosen by Usborne staff as the main charity for 2021, with fundraising events planned throughout the year.

We regularly donate free books and money to children's charities - and in 2020 we donated to 60 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.

Other charities supported were Show racism the red card, and the Trussel Trust

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.

USBORNE PUBLISHING LIMITED

DIRECTORS' REPORT (continued)

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, retaining 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.

To ensure 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.

Energy and carbon reporting

Usborne Publishing Limited is reporting on its energy and emissions for the year to 31st January 2021 for the first time this year and as such information is only provided for one year, in future accounts prior year information will also be provided. This year the Board have calculated the company's environmental impact across the required scope 1, 2 and 3 emission sources. The company's emissions are presented on both a location and market basis:

- On a location basis (which converts the amount of Kwh used on the UK grid emissions intensity rate, which is the number of grams of carbon dioxide it takes to power one unit of electricity for the UK grid) the company's emissions are 139tCO₂e, which is an average impact of 0.52tCO₂e per FTE and 0.02tCO₂e per m²;
- On a market basis (which converts the amount of Kwh used on a more specific rate based on the energy attributes agreed with the company's suppliers) the company's emissions are 71 tCO₂e.

The Board calculated the emission intensity metrics on a per FTE and per m² basis, which we will monitor to track performance in the company's subsequent environmental disclosures.

The methodology used to calculate the greenhouse gas (GHG) emissions is in accordance with the requirements of the following standards:

- World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol (revised version)
- DEFRA Environmental Reporting Guidelines: including Streamlined Energy and Carbon Reporting requirements (March 2019)
- UK office emissions have been calculated using DEFRA 2020 issue of the conversion factor repository.

USBORNE PUBLISHING LIMITED

DIRECTORS' REPORT (continued)

Emissions and energy usage		Emissions
	Energy Source	(Location basis - tCO ₂ e)
Scope 1	Natural Gas	46
	Company and leased cars	5
	Refrigerant	<u>7</u>
Total Scope 1		<u>58</u>
Scope 2	Electricity	<u>75</u>
Total Scope 2		<u>75</u>
Scope 3	Electricity transmission and Distribution	6
Total Scope 3		<u>6</u>
Total (market based)		71
Total (location based)		139
Total Energy usage (kWh)		591,522

The company has considered the emissions from owned vehicles and the Directors consider the emissions to be immaterial, and therefore these emissions are not included in this report.

Usborne Publishing has undertaken the following emissions and energy reduction initiatives:

- Thermostatic radiator valve (TRV) installation with broken or no control valves were fitted with TRVs allowing for locally controlled heating as and when required
- LED light installation - fluorescent tubes were replaced with LED bulbs thus saving 368kWh per month.
- Boiler optimisation - boiler run times were reduced to a minimum when sites had been empty for extended periods during the COVID-19 pandemic.

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.

USBORNE PUBLISHING LIMITED

DIRECTORS' REPORT (continued)

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 14 October 2021 signed on their behalf

Nicola Usborne

Nicola Usborne (Oct 14, 2021 15:25 GMT+1)

N. Usborne

Director

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.

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 2021 which comprise the Statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows, and the notes to the financial statements, including 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 2021 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

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF USBORNE PUBLISHING LIMITED (continued)**Opinions 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 10, 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.

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

We obtained a general understanding of the company's legal and regulatory framework through inquiry of management concerning:

- their understanding of relevant laws and regulations; and
- the entity's policies and procedures regarding compliance; and
- how they identify, evaluate and rectify any instances of non-compliance.

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

We also drew on our existing understanding of the company's industry and regulation. We understand that the company complies with the framework through:

- ensuring contracts with customers and suppliers are obtained;
- engaging advisors who deal with any copyright law requirements; and
- outsourcing relevant activities including corporation tax compliance to external experts and making changes to procedures and controls as is necessary.

In the context of the audit, we considered those laws and regulations:

- which determine the form and content of the financial statements;
- which are central to the company's ability to conduct its business; and
- where failure to comply could result in material penalties.

We identified the following laws and regulations as being of significance in the context of the company:

- the Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements;

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The areas identified in this discussion were:

- manipulation of the financial statements, in particular in relation to revenue recognition and stock valuation via fraudulent journal entries.

These areas were communicated to the other members of the engagement team not present at the discussion. The procedures we carried out to gain evidence in the above areas included:

- testing of revenue transactions to underlying documentation;
- testing journal entries, focusing particularly on postings to unexpected or unusual accounts including unexpected double entries; and
- reviewing and challenging estimates made by management.

Overall, the senior statutory auditor was satisfied that the engagement team collectively had the appropriate competence and capabilities to identify or recognise irregularities. In particular, both the senior statutory auditor and the audit senior manager have a number of years' experience in dealing with companies with similar risk profiles.

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

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

Timothy Adams
14 October 2021

Senior Statutory Auditor, for and on behalf of

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
25 Moorgate
London
EC2R 6AY

USBORNE PUBLISHING LIMITED

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 January 2021

	Notes	2021	2020
		£	£
Turnover	3	120,961,080	93,988,165
Cost of sales		(70,932,279)	(53,172,269)
Gross profit		50,028,801	40,815,896
Distribution costs		(3,475,952)	(3,633,767)
Administrative expenses		(23,397,151)	(22,869,580)
Other operating income	4	9,706	6,244
Operating profit	7	23,165,404	14,318,793
Interest receivable		7,593	78,397
Interest payable	8	(228)	-
Profit before taxation		23,172,769	14,397,190
Taxation	9	(4,602,843)	(2,735,338)
Profit and total comprehensive income for the financial year		18,569,926	11,661,852

Profit and total comprehensive income is attributable to the shareholders.

The notes on pages 20 to 34 form part of the financial statements.

BALANCE SHEET as at 31 January 2021

	Notes	2021	2020
		£	£
Fixed assets			
Tangible	11	22,337,858	22,937,116
Investments	12	21,370	21,370
		<hr/>	<hr/>
		22,359,228	22,958,486
		<hr/>	<hr/>
Current assets			
Stocks	13	25,038,670	27,029,411
Debtors	14	36,862,113	22,976,226
Investments	15	234,194	101,917
Cash at bank and in hand		31,264,499	17,481,745
		<hr/>	<hr/>
		93,399,476	67,589,299
		<hr/>	<hr/>
Creditors: amounts falling due within one year	16	(27,016,948)	(17,875,955)
		<hr/>	<hr/>
Net current assets		66,382,528	49,713,344
		<hr/>	<hr/>
Total assets less current liabilities		88,741,756	72,671,830
		<hr/>	<hr/>
Provisions for liabilities	17	(563,104)	(563,104)
		<hr/>	<hr/>
Net assets		88,178,652	72,108,726
		<hr/>	<hr/>
Capital and reserves			
Share capital	18	10,000	10,000
Share premium		2,448,469	2,448,469
Capital reserve	19	1,000	1,000
Capital redemption reserve	19	9,950	9,950
Retained earnings		85,709,233	69,639,307
		<hr/>	<hr/>
		88,178,652	72,108,726
		<hr/>	<hr/>

The accounts were approved and authorised for issue by the Board of Directors on 14 October 2021 and were signed on its behalf by:

Nicola Osborne
Nicola Osborne (Oct 14, 2021 15:25 GMT+1)

N. Osborne
Director

The notes on pages 20 to 34 form part of the financial statements.

USBORNE PUBLISHING LIMITED

STATEMENT OF CHANGES IN EQUITY for the year ended 31 January 2021

	Share capital £	Share premium £	Capital reserve £	Capital redemption and reserve £	Retained earnings £	Total equity £
Balance at 1 February 2019	10,000	2,448,469	1,000	9,950	60,977,455	63,446,874
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
Profit and total comprehensive income for the year	-	-	-	-	18,569,926	18,569,926
Transactions with owners: Dividends	-	-	-	-	(2,500,000)	(2,500,000)
Balance at 31 January 2021	10,000	2,448,469	1,000	9,950	85,709,233	88,178,652

USBORNE PUBLISHING LIMITED

STATEMENT OF CASH FLOWS for the year ended 31 January 2021

	Notes	2021 £	2020 £
Net cash generated from operating activities	(a)	17,066,628	11,845,089
Investing activities			
Interest received		7,593	78,397
Purchases of tangible assets		(798,239)	(22,795,009)
Proceeds received on disposal of tangible assets		7,000	-
Purchase of investments		-	(21,355)
Net cash used in investing activities		(783,646)	(22,737,967)
Financing activities			
Interest paid		(228)	-
Dividends paid		(2,500,000)	(3,000,000)
Net cash used in financing activities		(2,500,228)	(3,000,000)
Net increase/(decrease) in cash and cash equivalents		13,782,754	(13,892,878)
Cash and cash equivalents at beginning of the year		17,481,745	31,374,623
Cash and cash equivalents at end of end of year		31,264,499	17,481,745

USBORNE PUBLISHING LIMITED**NOTES TO STATEMENT OF CASH FLOWS for the year ended 31 January 2021**

a) Net cash generated from operating activities	2021 £	2020 £
Operating profit	23,165,404	14,318,793
Depreciation	1,387,272	318,728
Decrease/(increase) in stocks	1,990,741	(2,493,776)
Decrease/(increase) in debtors	(13,885,888)	1,891,026
(Decrease)/increase in creditors	10,186,899	(73,849)
Loss on disposal of fixed assets	3,225	-
Fair value movement on asset investments	(132,278)	40,924
Movement in provisions	-	113
	<hr/>	<hr/>
Cash generated from continuing operations	22,715,375	14,001,959
Tax paid	(5,648,747)	(2,156,870)
	<hr/>	<hr/>
Net cash generated from operating activities	<u>17,066,628</u>	<u>11,845,089</u>

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 (registered company number 01124359) 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 German Branch in March 2018 to enhance the services provided to our sole German distributor. In May 2020 the branch was incorporated as Usborne Verlag GmbH. See note 12 for further details.

The financial statements of the subsidiary Usborne Verlag GmbH is not included in the current year financial results of the company but appear as an investment in the company's financial statements, see note 12. In the opinion of the directors, the inclusion is not material for the purpose of giving a true and fair view, however £340,000 (2020: nil) of recharges is recognised in the company's results.

Going concern

The financial statements have been prepared on a going concern basis.

The Directors have reviewed the company's forecasted trading and cash position since the year end and for a period up to 12 months from the date of approval of these financial statements. The Directors have a reasonable expectation that the company is on track to achieve the forecasted position for the financial year ended 31 January 2022 and beyond. The Directors have also considered suitable sensitivities and conclude the entity has adequate resources to ensure it is able to 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 around COVID-19 have eased significantly and trading levels in the company's key markets of the UK, USA, Europe and Far East, as well as many other important markets, have continued to improve to normal trading levels.

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. In addition, we continue to have success in our trading in the USA during 2021.

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.

1 Accounting policies (continued)

- 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 and royalties 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.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 January 2021 (continued)

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 £36,008,683 (2020: £21,931,480) are recorded in the company’s Balance Sheet, they include a reduction relating to a provision for bad debts of £2,487,470 (2020: £3,136,181). A full line by line review of trade debtors is carried out at the end of each month to assess the likelihood of recoverability of the debtor balance. 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 of £5,956,446 (2020: £4,763,605) 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.

	2021 £	2020 £
Turnover from book publishing activities	119,577,030	87,765,537
Royalty income	1,384,050	6,222,628
	120,961,080	93,988,165

Geographical analysis of turnover:

	2021 £	2020 £
U.K.	37,408,933	30,838,368
Overseas	83,552,147	63,149,797
	120,961,080	93,988,165

USBORNE PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 January 2021 (continued)

4	Other operating income	2021	2020
		£	£
	Dividends receivable	9,706	6,244
		<u> </u>	<u> </u>

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, 2021	268	12,801,494	1,311,607	1,268,117	15,381,218
Year ended 31 January, 2020	266	11,906,417	1,216,514	1,187,534	14,310,465

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

	2021 No.	2020 No.
Administration	24	23
Editorial and production	150	146
Sales	94	97
	<u> </u>	<u> </u>
	268	266
	<u> </u>	<u> </u>

6 Directors' emoluments

	2021 £	2020 £
Aggregate emoluments	426,768	407,337
	<u> </u>	<u> </u>
Highest paid director	£	£
Emoluments	196,088	166,069
Other emoluments	50,000	50,000
Pension contribution	11,376	9,210
	<u> </u>	<u> </u>
	257,464	225,279
	<u> </u>	<u> </u>

USBORNE PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 January 2021 (continued)

7	Operating profit is stated after charging:	2021 £	2020 £
	Operating lease rentals		
	- Hire of plant and machinery	56,679	19,652
	- Other	1,413,300	705,697
	Auditors' remuneration		
	-Audit	56,500	55,000
	-Taxation compliance (paid to related company of the auditors)	9,270	9,000
	-Taxation advisory (paid to related company of the auditors)	7,335	8,080
	Bad debt (impairment reversal)/expense	(261,915)	747,599
	Depreciation	1,387,272	318,728
	Impairment of stock	1,648,568	1,790,679
	Foreign exchange (gain)/loss	(113,829)	290,142
	Stock taken to cost of sales	<u>59,454,857</u>	<u>42,716,585</u>
8	Interest payable	2021 £	2020 £
	Bank interest	228	-
9	Taxation	2021 £	2020 £
	<i>Current tax</i>		
	UK corporation tax at 19.00% (2020: 19.00%)	4,565,751	2,666,237
	Adjustment in respect of prior years	<u>(372,282)</u>	<u>-</u>
		4,193,469	2,666,237
	Double taxation relief	<u>(30,975)</u>	<u>(161,791)</u>
	After double taxation relief	4,162,494	2,504,446
	Foreign taxation	30,975	161,791
	Adjustments in respect of prior periods (Foreign taxation)	<u>376,339</u>	<u>-</u>
	Total current tax charge	<u>4,569,808</u>	<u>2,666,237</u>
	<i>Deferred tax (see note 21)</i>		
	Origination and reversal of timing differences	23,331	69,101
	Adjustments in respect of prior periods	(827)	-
	Effect of tax rate change on opening balance	<u>10,531</u>	<u>-</u>
	Total deferred tax charge	<u>33,035</u>	<u>69,101</u>
	Tax on profit on ordinary activities	<u>4,602,843</u>	<u>2,735,338</u>

The tax assessed for the year is higher than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 January 2021 (continued)

9	Taxation (continued)	2021 £	2020 £
	Tax reconciliation		
	Profit on ordinary activities before tax	23,172,769	14,397,190
	Tax on profit on ordinary activities at standard corporation tax rate of 19.00% (2020: 19%)	4,402,826	2,735,466
	Tax effects of:		
	Fixed asset differences	190,876	2,570
	Expenses not deductible for tax purposes	2,224	9,750
	Income not taxable for tax purposes	(1,844)	(1,186)
	Adjustment to tax charge in respect of prior years	4,057	-
	Adjustment to tax charge in respect of prior years - deferred tax	(827)	-
	Adjust rate of opening deferred tax to average rate of 19%	-	(2,501)
	Adjust rate of closing deferred tax to average rate of 19%	-	(5,531)
	Remeasurement of deferred tax to average rate of 19%	5,531	-
	Total current tax charge	<u>4,602,843</u>	<u>2,735,338</u>

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the statement of financial position date, as a result deferred tax balances as at 31 December 2020 continue to be measured at 19%.

10	Dividends paid	2021 £	2020 £
	£290 dividend per 'A' ordinary share	1,843,750	2,212,500
	£290 dividend per 'B' ordinary share	656,250	787,500
		<u>2,500,000</u>	<u>3,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 January 2021 (continued)

11 Tangible fixed assets

	Computer equipment	Furniture and fittings	Motor vehicles	Freehold Property	Total
	£	£	£	£	£
Cost					
At 1 February 2020	1,284,707	417,435	142,082	22,107,547	23,951,771
Additions	238,919	458,109	-	101,211	798,239
Disposals	(10,225)	-	(36,408)	-	(46,633)
At 31 January 2021	1,513,401	875,544	105,674	22,208,758	24,703,377
Depreciation					
At 1 February 2020	602,857	310,056	101,742	-	1,014,655
Charge for year	303,291	62,148	17,220	1,004,613	1,387,272
Disposals	-	-	(36,408)	-	(36,408)
At 31 January 2021	906,148	372,204	82,554	1,004,613	2,365,519
Net book value					
At 31 January 2021	607,253	503,340	23,120	21,204,145	22,337,858
At 31 January 2020	681,850	107,379	40,340	22,107,547	22,937,116

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.

USBORNE PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 January 2021 (continued)

12	Investments held as fixed assets	Shares in group undertakings - subsidiaries £
	At 31 January 2020	21,370
	At 31 January 2021	21,370

At 31 January 2021 the company had the following subsidiary undertakings:

Company	Country of incorporat ion	Activity	Proportion of ordinary shares held	Aggregate amount of share capital and reserves	Profit/(loss) for the year
Usborne Verlag GmbH	Germany	Administration	100%	£22,321	24,555
Usborne Publishing Inc	U.S.A	Dormant	100%	(£66,523)	-
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. Usborne Verlag GmbH recharged £340,000 for services, included in overhead costs of Usborne Publishing Limited. The registered address is in Kurt-Schumacher Str. 18-20, 53113 Bonn, Germany.

USBORNE PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 January 2021 (continued)

12 Investments held as fixed assets (continued)

Additional information in respect of Usborne Publishing Inc.	£
Share of undistributed post incorporation losses at 1 February 2020	(66,523)
Loss retained in the year	-
	<hr/>
Balance at 31 January 2021	(66,523)
	<hr/>

Additional information in respect of Usborne Verlag GmbH.	£
Share of undistributed post incorporation losses at 1 February 2020	(42,765)
Profit retained in the year	24,555
	<hr/>
Balance at 31 January 2021	(18,210)
	<hr/>

13 Stocks	2021	2020
	£	£
Work in progress	8,853,993	5,335,162
Finished goods	16,184,677	21,694,249
	<hr/>	<hr/>
	25,038,670	27,029,411
	<hr/>	<hr/>

Finished goods include a stock provision of £5,956,446 (2020: £4,763,605).

14 Debtors	2021	2020
	£	£
Trade debtors	36,008,964	21,931,480
Other debtors	276,278	481,368
Prepayments and accrued income	576,871	563,378
	<hr/>	<hr/>
	36,862,113	22,976,226
	<hr/>	<hr/>

Trade debtors includes bad debt provision of £2,487,470 (2020: £3,136,181) and returns provision of £1,501,249 (2020: £1,501,249).

15 Investments	2021	2020
	£	£
Listed investments - at market value	234,194	101,917
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 January 2021 (continued)

16 Creditors: amounts falling due within one year	2021 £	2020 £
Trade creditors	21,010,257	12,339,836
Corporation tax	112,991	1,251,229
Other creditors	2,955,530	2,037,057
Social security and other taxation	359,117	294,117
Accruals and deferred income	2,455,677	1,863,375
Deferred tax (note 21)	123,376	90,341
	<hr/>	<hr/>
	27,016,948	17,875,955
	<hr/>	<hr/>

17 Provisions for liabilities	2021 £	2020 £
Dilapidations provision		
As at 1 February	563,104	562,991
Increase in provision	-	113
	<hr/>	<hr/>
As at 31 January	563,104	563,104
	<hr/>	<hr/>

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	2021 £	2020 £
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
	<hr/>	<hr/>
	10,000	10,000
	<hr/>	<hr/>

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 January 2021 (continued)

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 (2020: £1,000) is a non-distributable reserve.

Capital redemption reserve

The capital redemption reserve of £9,950 (2020: £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	2021 £	2020 £
Due:		
Within one year	728,220	714,314
Within two to five years	2,246,852	2,043,575
After five years	-	-
	<u>2,975,072</u>	<u>2,757,889</u>

21 Deferred taxation

The amount of recognised deferred tax liability is as follows:

	2021 £	2020 £
Accelerated capital allowances	(187,595)	(111,591)
Other timing differences	64,219	21,250
	<u>(123,376)</u>	<u>(90,341)</u>

Movement in deferred taxation

At 1 February 2020	(90,341)
Profit and loss account (note 9)	<u>(33,035)</u>
At 31 January 2021 (note 16)	<u>(123,376)</u>

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.

	2021 £	2020 £
Total compensation to key management personnel	426,768	407,337
	<hr/>	<hr/>
	2021 £	2020 £
Dividends paid to key management personnel	1,843,750	2,212,500
	<hr/>	<hr/>

At 31 January 2021 the ultimate controlling party was T.P. Usborne, a shareholder and director of the company.

Usborne Verlag GmbH recharged £340,000 for services, included in overhead costs of Usborne Publishing Limited.

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.

USBORNE PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 January 2021 (continued)

24 Post balance sheet events

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. In addition, we continue to have success in our trading in the USA during 2021.

On the 24th May 2021, the company declared and paid a dividend of £4,000,000.