

Guinness World Records Limited

Strategic report, directors' report and
financial statements

Registered number 0541295

For the year ended 31 December 2019

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Strategic Report

The directors present their strategic report on the Company for the year ended 31 December 2019.

Principal activities

The Company is engaged in the publication and licensing of intellectual property created through the adjudication of world records. These activities include publishing the main "Guinness World Records" book, licensing content for television and other forms of media, and providing business and brand marketing solutions through consultancy services.

Business review

The profit for the year ended 31 December 2019 was £6.0 million (2018: £4.3 million). Turnover for the year was £22.4 million (2018: £22.2 million) giving an operating margin/profit of 21.5%/£4.8 million (2018: 26.4%/£5.8 million); a gross margin of 73.7%/£16.5 million (2018: 75.2%/£16.7 million); and days sales outstanding of 47 days (2018: 43 days).

These key performance indicators are in line with directors' expectation.

Business environment

The Company operates a brand that has a strong history dating back to 1954. The main book sells 2.3 million copies annually worldwide in 25 languages. The publishing market continues to be challenging with bricks and mortar stores being replaced by online stores, the fastest growing marketplace. Retailers are dedicating less space to books and shopping habits have changed, which is also having a negative impact. Customers leave it later to do their Christmas shopping driven by the ease and speed of online shopping. Despite these challenges our annual book continues to be in the Top 10 seller list and the Company is committed to retaining sales levels.

In addition to publishing, the Company has developed a strong consultancy business. This business has grown out of the sales of adjudications and licensing services and Guinness World Records provides consulting services, including brand and content licensing, to help clients develop marketing and public relations campaigns that leverage world record attempts and achievements. Guinness World Records is the global leader in collecting, confirming and presenting World Records.

Principal risks and uncertainties

The publishing business is still highly dependent on doing business through traditional bookstores and retailers which are themselves under threat from the rise of the online marketplace. Following the UK's departure from the EU, the economic outlook remains uncertain and businesses are more cautious around investment decisions. The impact of this can be seen on the UK consultancy sales, however growing overseas consultancy sales have gone some way to negate that impact.

The Company has been involved for many years in a litigation case in India. In June 2019, the final hearing took place and the court found in the Company's favour. The other party has the option to appeal and no award or settlement can be awarded until that option has expired. Due to the nature of the Indian judicial system, the time frame within which to make an appeal is unclear, but the Company is of the opinion that the other party will lodge an appeal prior to the deadline.

Guinness World Records Limited has successfully expanded its business geographically over the last few years and now has offices in Japan, China, and the Middle East, in addition to the United Kingdom.

The COVID-19 pandemic is having a significant impact on the nature and mix of the Company's consultancy business. The pandemic has prevented the Company from carrying out physical adjudications and events that require gatherings of people in the same place. In addition, companies are reducing their investment in advertising and marketing spend to conserve cash, and this will also have a direct impact on our consultancy business and Company could lose between

40-60% in consultancy revenue in 2020 as a result. In Publishing it is less clear what the impact of COVID-19 will be as the book is a low value product which can be bought online and so purchase does not require any physical interactions and less impacted by changes in the economy. Most businesses have reopened, including bookstores and initial indications are strong with sell-in volumes in-line or better than expectations. The book, however, does not go on sale until September so any impact will only be known at the end of 2020 but it is likely that book revenue will be higher than consultancy revenue in the forthcoming year.

Strategy

The main challenge for the Company has been to seek ways to diversify its business. This remains one of the principal strategies but is currently overshadowed by the COVID-19 pandemic and seeking ways to mitigate the business impact. Publishing revenue has steadily declined over the years. The Company has also decided not to publish smaller titles and focus only on the annual book. The Company is focused on growing consulting businesses. The approach that the Company has taken is to restructure internally to put more resources behind these business lines and by expanding geographically, and to introduce additional online products which fits with the overall digital strategy but also gives clients an alternative to doing physical events. The consultancy business is more labour intensive so growth requires a significant investment in people and it generates a lower operating margin (as a percentage of turnover) than the publishing business.

The Company has been growing the turnover realized from selling advertising space on its digital properties, and there is a new focus on creating and adjudicating digital and online records.

Over the last few years, the UK economy has been weak and sterling has suffered as a result but this has benefitted the Company in its overseas markets. The approach that the Company has taken to currency risk over this period is via natural hedging, seeking to cover its foreign debts by bringing in cash in the same currency from foreign debtors. The Company will continue to monitor foreign exchange risk using a combination of natural hedging and forward contracts.

Future Outlook

Despite the challenges faced due to COVID-19, the Company is finding new ways to do business and remains positive about its future. The Guinness World Records brand remains strong and the directors feel that by adopting the strategies described, the Company will continue to retain and grow its market share. Costs increased in prior years as the Company increased its infrastructure to support new business lines and new geographic areas, and the benefits will be realized in future years. Diversification in both geography and business lines will provide further stability for the Company, and the Company's strong balance sheet will provide resilience during the expected short-term impact of COVID-19.

By order of the board



Allison Ozanne

Director

12th Floor South Quay Building, 189 Marsh Wall,
London E14 9SH
20 October 2020

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2019.

Dividends

On 16 April 2019 the Company paid an interim dividend of £5.0 million (2018: £6.5 million) to GWRUK Acquisition Corp Limited.

Directors

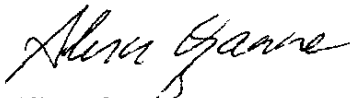
The directors who held office during the year and at the date of this report were as follows:

A. Ozanne
A. Richards
R. Barrington-Foote

Political contributions

The Company made no political donations nor incurred any political expenditure during the year (2018: £nil).

By order of the board



Alison Ozanne
Director
12th Floor South Quay Building, 189 Marsh Wall,
London E14 9SH
20 October 2020

Statement of directors' responsibilities in respect of the Strategic report, the Directors report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK 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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Statement of Income and Retained Earnings
for the year ended 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Turnover	2	22,390	22,174
Cost of sales		(5,892)	(5,497)
Gross profit		16,498	16,677
Selling, marketing and distribution costs		(950)	(1,040)
Administrative expenses		(10,734)	(9,791)
Operating profit		4,814	5,846
Interest receivable and similar income	6	1,583	3
Interest payable and similar expenses	7	(16)	(518)
Profit before taxation	3	6,381	5,331
Tax on profit	8	(408)	(1,050)
Profit after taxation		5,973	4,281
Retained earnings at 31 December 2018		5,518	7,737
Dividends paid		(5,000)	(6,500)
Retained earnings at 31 December 2019		6,491	5,518

There are no recognised gains or losses other than those stated above, therefore no separate statement of other comprehensive income has been presented.

There is no difference between profit and the retained profit for the year stated above and their historical cost equivalents.

All amounts relate to continuing operations.

The notes on pages 9 to 20 form part of these financial statements.

Balance Sheet

As at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible fixed assets	9	343	355
Investments	10	111	111
		454	466
Current assets			
Stocks	11	150	358
Debtors	12	4,819	3,750
Cash at bank and in hand		14,304	12,443
		19,273	16,551
Creditors: amounts falling due within one year	14	(10,081)	(8,078)
Net current assets		9,192	8,473
Total assets less current liabilities		9,646	8,939
Provisions for liabilities	15	(3,155)	(3,421)
Net assets		6,491	5,518
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account		6,491	5,518
Shareholders' funds		6,491	5,518

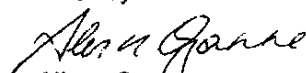
For the year ending 31 December 2019 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts

The notes on pages 9 to 20 form part of these financial statements.

These financial statements were approved by the board of directors on 20 October 2020 and were signed on its behalf by:


Alison Ozanne
Director

Notes

1. Accounting policies

The Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group accounts as the Company is included in the consolidated accounts of its immediate parent company, GWRUK Acquisition Corp Limited, a company incorporated in the United Kingdom. These financial statements present information about the Company as an individual undertaking and not about its group.

These Company financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS102 issued in July 2015 and effective immediately have been applied.

The Company's immediate parent undertaking, GWRUK Acquisition Corp Limited includes the Company in its consolidated financial statements. The consolidated financial statements of GWRUK Acquisition Corp Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from companieshouse.gov.uk. In these financial statements, the Company is considered to be a qualifying entity under FRS 102 and has applied the exemptions available in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Basis of accounting

The Company financial statements are prepared on a going concern basis, under historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards.

1.2 Significant estimates and assumptions

The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates include the valuation of tangible fixed assets, investments, debtors, and provisions for liabilities; and revenue recognition. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

1.3 Turnover

Turnover is measured at fair value of consideration received or receivable and represents amounts receivable for goods and services provided by the Company in the normal course of business net of discounts, returns and value added tax. Revenue from the sale of publications is recognised as goods are shipped to customers. Turnover is stated net of deductions and expected returns are based on management judgement and historical experience. Revenues from television programme sales, royalty revenues from licenses granting publication, trademark usage and other rights and net fees from exhibition are recognized on a receivable basis. Licence fees earned from programme content are recognised on the later of the start date or delivery of the associated programme. Revenue from adjudication services provided is recognized as it is earned.

1.4 Provision for returns

The provision for returns represents management's estimates for future returns of sold publications and merchandise and is based on historical sales and return rates, as well as current market conditions.

1.5 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell and complete and valued on a first-in, first-out basis. Cost includes raw materials, direct labour and directly attributable expenses. Expenditure on books not yet published is included in work-in-progress and reclassified as finished goods on publication.

1.6 Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values, over their expected useful lives using the straight-line basis. The expected useful lives of the assets to the business are reassessed periodically

Asset	Estimated useful life
Fixtures, fittings and equipment	3-10 years
Computer equipment	3 years

Computer equipment includes certain website development costs capitalised to the extent that they lead to an enduring asset delivering benefits at least as great as the amount capitalised.

1.7 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

1.8 Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

The Company has no finance leases.

1.9 Employee benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

1.10 Taxation

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

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

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

1.11 Comparative information

Certain of the information presented for comparative purposes has been reclassified to conform to the financial statement presentation adopted for the current year.

2. Analysis of turnover

	2019 £000	2018 £000
<i>By geographical market:</i>		
United Kingdom	5,504	5,595
Rest of Europe	5,230	5,678
United States	3,825	4,069
Japan	3,301	2,919
China	647	505
Rest of World	3,883	3,408
	22,390	22,174
<i>By class of business:</i>		
Publishing and other	12,989	13,936
Consultancy sales	8,492	7,470
Television	909	768
	22,390	22,174

3. Expenses

	2019 £000	2018 £000
<i>Included in profit and loss before taxation are the following:</i>		
Depreciation	129	138
Operating lease rentals	490	454

4. Remuneration of directors

	2019 £000	2018 £000
Directors' emoluments	689	718
Company contributions to money purchase pension schemes	44	40

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £460,000 (2018: £506,000), and Company pension contributions of £36,000 (2018: £34,000) were made to a money purchase scheme on his behalf.

One director did not receive any remuneration in respect of his services to the Company in the current period or prior year. There are no retirement benefits accruing to any director and none of the directors have any shares or options in the Company

5. Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	2018
Publishing	18	22
Television	9	8
Consultancy	20	17
Other - support	56	52
	103	99

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	5,623	5,162
Social security costs	776	712
Pension costs	281	258
	6,680	6,132

The Company operates a defined contribution scheme. The amounts charged above represent the contributions payable to the scheme in respect of the accounting period.

6. Interest receivable and similar income

	2019	2018
	£000	£000
Bank interest received	1	3
Net foreign exchange gain	14	-
Dividend income from subsidiaries	1,568	-
	1,583	3

7. Interest payable and similar charges

	2019	2018
	£000	£000
Bank fees and other charges	16	28
Net loss on foreign exchange	-	490
	16	518

8. Taxation

	2019	2018
	£000	£000
<i>Current tax</i>		
Current tax on income for the year	681	759
Adjustment in respect of previous years	(286)	307
Foreign taxes suffered	-	(6)
Total current tax	395	1,060
<i>Deferred tax</i>		
Origination and reversal of timing differences	6	(12)
Change in tax rates	7	2
Total deferred tax	13	(10)
Total tax	408	1,050

Total tax analysed as:

	Current tax £000	Deferred tax £000	2019 Total £000	Current tax £000	Deferred tax £000	2018 Total tax £000
Recognised in Profit and loss account	395	13	408	1,060	(10)	1,050

The current tax charge for the year is lower (2018: higher) than the standard rate of corporation tax in the UK effective for the year 19.00% (2018: 19.00%). The differences are explained below

	2019 £000	2018 £000
Profit before tax	6,381	5,331
Profit multiplied by the rate of 19.00% (2018: 19.00%)	1,212	1,013
<i>Effects of:</i>		
Capital allowances for year less (greater) than depreciation	(5)	7
Income not taxable	(298)	-
Losses surrendered by other group companies for nil payment	(228)	(267)
Adjustment in respect of previous years	(286)	307
Deferred tax credit charge	13	(10)
Total tax expense included in profit (see above)	408	1,050

9. Tangible fixed assets

	Fixtures, fittings and equipment £000	Total £000
Cost		
At 1 January 2019	2,331	2,331
Additions	117	117
At 31 December 2019	2,448	2,448
Depreciation		
At 1 January 2019	1,976	1,976
Charge for year	129	129
At 31 December 2019	2,105	2,105
Net book value		
At 31 December 2019	343	343
At 31 December 2018	355	355

10. Investments

	Shares in group undertakings £000	Total £000	
Cost			
At 1 January 2019	111	111	
Additions	-	-	
At 31 December 2019	111	111	
	Registered address	Principal activity	Class and percentage of shares held
Guinness World Records Japan KK	DT Gaien bldg., 2-4-12, Jingumae, Shibuya-ku, Tokyo, Japan	Sales	Ordinary 100%
Guinness World Records Consulting (Beijing) Limited	B621 Gehua Tower No. 1, Qinglong Hutong, Dongcheng District, Beijing, 100007 China	Sales	Ordinary 100%
GWR (Branch Operations) Ltd.	12th Floor South Quay Building, 189 Marsh Wall, London, E149SH, United Kingdom	Sales	Ordinary 100%

The closing reserves of Guinness World Records Japan KK at 31 December 2019 are £952,000 (2018: £840,000) and the profit for the year ended 31 December 2019 is £112,000 (2018: £506,000).

The closing reserves of Guinness World Records Consulting (Beijing) Limited at 31 December 2019 are £1,962,000 (2018: £2,903,000) and the profit for the year ended 31 December 2019 is £627,000 (2018: £918,000).

The closing reserves of GWR (Branch Operations) Ltd. at 31 December 2019 are £3,992,000 (2018: £2,846,000) and the profit for the year ended 31 December 2019 is £1,146,000 (2018: £828,000).

11. Stocks

	2019 £000	2018 £000
Work in progress	72	159
Finished goods and goods for resale	78	199
	<u>150</u>	<u>358</u>

Included in cost of sales for the year ended 31 December 2019 are amounts relating to stocks of £5,097,000 (2018: £4,513,000).

12. Debtors

	2019 £000	2018 £000
Trade debtors	2,897	2,594
Other debtors	166	177
Amounts owed by subsidiary undertakings	131	137
Prepayments and accrued income	436	371
Corporation tax	1,081	350
Deferred tax asset (note 13)	108	121
	<u>4,819</u>	<u>3,750</u>

The amounts owed by subsidiary undertakings represent amounts owed by Guinness World Records Consulting (Beijing) Limited.

13. Deferred tax asset

Deferred tax assets are attributable to the following:

	2019 £000	2018 £000
Accelerated capital allowances	(29)	(25)
Short-term timing differences	137	146
	<u>108</u>	<u>121</u>

14. Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	435	494
Other creditors	159	85
Amounts owed to subsidiary undertakings	4,079	3,206
Amounts owed to fellow undertakings	1,369	1,257
Accruals and deferred income	4,039	3,036
	10,081	8,078

The amounts owed to subsidiary undertakings represent balances owed to Guinness World Records Japan KK and GWR (Branch Operations) Limited. The amounts owed to fellow undertakings represent balances owed to Guinness World Records North America, Inc., Guinness World Records LATAM LLC, and Jim Pattison Entertainment Ltd.

15. Provision for liabilities

	Returns	Other	Total
	provisions	provisions	
	£000	£000	£000
At 1 January 2019	1,550	1,871	3,421
Utilised during period	(509)	-	(509)
Released	(1,041)	-	(1,041)
Additional amounts provided	1,284	-	1,284
At 31 December 2019	1,284	1,871	3,155

The provision for returns represents management's estimates for future returns of sold publications and merchandise and is based on historical sales and return rates, as well as current market conditions. The majority of the other provisions relate to a litigation case in India referred to in the Strategic Report.

16. Called up share capital

	2019 £	2018 £
Authorised		
Ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
Ordinary shares of £1 each	100	100

17. Dividends

The aggregate amount of dividends comprises:

	2019 £000	2018 £000
Interim dividends paid in respect of the current year	5,000	6,500

On 16 April 2019 a cash dividend of £5.0 million was approved and paid to GWRUK Acquisition Corp Limited.

The aggregate amount of dividends proposed and not recognised as liabilities as at the year-end is £nil (2018: £nil).

18. Operating Lease Commitments

At 31 December 2019, the Company had total commitments under non-cancellable operating leases as follows:

	2019 Land and Buildings £000	2018 Land and Buildings £000
Within one year	295	287
Between one and five years	1,158	1,148
More than five years	287	574
	1,740	2,009

During the year, £295,000 (2018: £287,000) was recognized as an expense in the profit and loss account in respect of operating leases.

19. Related Party Transactions

Under FRS 102 the company is exempt from the requirement to disclose related party transactions with the Guinness World Records Group and its associated undertakings on the ground that it is a wholly owned subsidiary of GWRUK Acquisition Corp Limited.

During the year, the Company received £3,825,000 (2018: £4,069,000) in sales included in turnover from Guinness World Records North America, Inc. and Ripley Entertainment Inc., fellow subsidiaries undertaking of Jim Pattison Ltd.

During the year, the Group paid £2,733,000 (2018: £1,968,000) in marketing and sales services included in cost of sales to Guinness World Records North America, Inc., fellow subsidiary undertaking of Jim Pattison Ltd.

At 31 December 2019, the Company was owed £131,000 (2018: £137,000) included in debtors, from its subsidiary, Guinness World Records Consulting (Beijing) Limited (note 12).

At 31 December 2019, the Company owed £1,046,000 (2018: £601,000) included in creditors, to its subsidiary, Guinness World Records Japan KK (note 14).

At 31 December 2019, the Company owed £3,033,000 (2018: £2,605,000) included in creditors, to its subsidiary, GWR (Branch Operations) Limited (note 14).

At 31 December 2019, the Company owed £1,342,000 (2018: £1,247,000) included in creditors, to Guinness World Records North America Inc., fellow subsidiary undertaking of Jim Pattison Ltd. (note 14).

At 31 December 2019, the Company owed £27,000 (2018: £nil) included in creditors, to Guinness World Records LATAM LLC, fellow subsidiary undertaking of Jim Pattison Ltd. (note 14).

At 31 December 2019, the Company owed £nil included in creditors, (2018: £10,000) to Jim Pattison Entertainment Ltd, fellow subsidiary undertaking of Jim Pattison Ltd. (note 14).

20. Immediate and ultimate parent undertakings

The Company is a subsidiary undertaking of GWRUK Acquisition Corp Limited which is the immediate parent company whose registered office is situated at 12th Floor South Quay Building, 189 Marsh Wall, London, United Kingdom E14 9SH. The ultimate parent company is Jim Pattison Ltd. whose registered office is situated at 18th Floor, 1067 West Cordova Street, Vancouver, British Columbia, Canada V6C 1C7

21. Subsequent events

Dividend

On 15 April 2020 the Company paid a dividend to its parent GWRUK Acquisition Corp Limited of £1,700,000.

COVID-19

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time. These impacts could include potential future decreases in revenue or the profitability of our ongoing operations. The inability to have large group gatherings will likely have an impact on adjudications and licensing involving world records where many people are required to congregate in the same place, and may also restrict the ability to host other live and interactive events.