

Scholastic Book Clubs Limited

Report and Financial Statements

31 May 2019

Registered no. 1417383

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COMPANIES HOUSE

DIRECTORS

R Robinson
S Thompson
N Dixon
C Moreton

SECRETARY

N Dixon

AUDITORS

Ernst & Young LLP
No 1 Colmore Square
Birmingham
B4 6HQ

BANKERS

HSBC Bank plc
126 The Parade
Leamington Spa
Warwickshire
CV32 4AJ

REGISTERED OFFICE

Westfield Road
Southam
Warwickshire
CV47 0RA

STRATEGIC REPORT

The Directors submit their strategic report for the year ended 31 May 2019.

PRINCIPAL ACTIVITIES AND FUTURE PROSPECTS

Scholastic Book Clubs Limited is the UK's single largest school-based book club company. The Company is part of the Scholastic UK group, which as well as the clubs operation is also a school-based book fair operator and leading publisher of children's and education books and resources.

There have not been any significant changes in the Company's principal activities in the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the Group's activities in the next year.

On 18th July 2018, the Company purchased by way of a business combination the trade and specified assets of Baker Books International Limited, a company which distributes books to International Schools around the world. This business complements and enhances the International School Book Club business that Scholastic Book Clubs Limited already operates, and the business has been immediately subsumed within the Company's operations.

After the balance sheet date, the Company and Scholastic Limited announced its plans for a new single site facility which will create a platform for the business to grow its business and streamline its operations. As part of these plans the Company will sell the freehold land and buildings it currently operates from in Witney, Oxfordshire alongside the disposal of the freehold land and buildings held by its sister company Scholastic Limited in Southam, Warwickshire. The operations of these two sites will be consolidated in a new facility in Warwick, Warwickshire which will be constructed and owned by Scholastic Limited. This is anticipated to give immediate synergies for both companies as well as future opportunities for growth. The new facility will be centrally located in the UK, close to major road networks, providing excellent connections for the Group to deliver its products to its customers. It is estimated to be operational from Autumn 2020.

In September 2019, Scholastic Limited signed a mortgage agreement with HSBC, secured against specific assets of the Group including the Company, in order to fund the construction activities.

This represents a significant investment by Scholastic UK Group which will provide a substantial beneficial financial effect to the Company and Group for many years.

PERFORMANCE OF THE BUSINESS DURING THE YEAR

The Company experienced an overall sales increase of 4.4% in the year as a result of the addition of Baker Books business from July. Gross margins improved from 66.1% to 67.2% as we benefitted from better inventory utilisation resulting in a lower obsolescence provision charge than the prior year. A small reduction in overheads resulted in an improved operating loss position of £258,029 (2018: £662,674).

Year to 31 May	2019 £'000	2018 £'000
Turnover	4,617	4,421
Gross Profit	3,103	2,922
Gross Margin	67.2%	66.1%
Operating Loss	(258)	(663)

The loss for the year after taxation was £272,622 (2018 loss: £671,521). The Directors do not recommend the payment of a dividend (2018: £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Company are foreign currency risk, liquidity and interest rate risk. Other risks include the economic uncertainty and the potential impact of Brexit on our export business.

Foreign currency

The Company's principal currency is sterling, although the Company does have some suppliers who invoice in US dollars and Euros. The Company seeks to naturally hedge currencies using existing supplier relationships.

STRATEGIC REPORT (CONTINUED)**Credit risk**

The Company takes a very cautious approach to credit risk and only allows credit terms to customers that have strong credit reports and a good credit history. Strong relationships are maintained with significant customers to avoid risk and the Company takes appropriate steps, such as requests for payment in advance to minimise its exposure.

Liquidity and interest rate risk

The Company benefits from having a mix of businesses with varying standard credit terms, which provide increased liquidity. This is partially offset, however, by the seasonal nature of the Company's revenues. The Company utilises facilities provided by reputable high street banks within the UK at favourable terms. The Company uses its position within the UK Group, and the wider Scholastic global operations, to tightly manage cash flows to minimise interest costs.

Economic Uncertainty and Brexit Impact

The Company performs regular reviews of its business activities and financial performance and engages in a quarterly forecasting exercise to ensure the business is on track to deliver to set targets and growth in each business area. Any risks identified such as employment and economic factors are reviewed and where possible steps are taken to mitigate the risks for example collaboration with suppliers or a shift in sales effort. The company has identified that the potential risks associated with Brexit are mainly related to the general performance of the UK economy, increase in import and export tariffs and delays with shipments. The company has established a working group to identify potential risks and put mitigating actions in place where possible.

By order of the Board



N Dixon
Company Secretary

Date: 14th November 2019

DIRECTORS' REPORT

The Directors submit their report and financial statements for the year ended 31 May 2019.

DIRECTORS

The current directors are listed on page 1.

The Directors that served in the year are:

Director's Name	Residence (if outside the UK)
S Thompson	
R Robinson	(Resident in the USA)
N Dixon	
C Moreton	

DIRECTORS' LIABILITIES

As permitted by the Companies Act 2006, the Company has insurance cover for the Directors against liabilities in relation to the Group.

EMPLOYEE INVOLVEMENT

The Company has always encouraged employees to present their suggestions with a view to improving the performance of the Company.

FUTURE DEVELOPMENTS

The Company continues to explore opportunities to engage with schools and parents in order to maximise sales opportunities and build readers.

GOING CONCERN

The financial statements have been prepared under the going concern concept which assumes that the Company will be able to meet its liabilities as they fall due for the foreseeable future. In drawing this conclusion the Directors have sought and obtained support from Scholastic UK Limited which itself has obtained support from Scholastic Inc. In addition Scholastic Inc provides a guarantee for the UK overdraft facility. Based on the support structure in place and the ability and willingness of Scholastic Inc to continue to support the UK group the Directors have concluded it is appropriate to prepare the accounts under the going concern concept.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors, as far as they are aware, confirm that there is no relevant information of which the Company's auditors are unaware.

The Directors confirm that they have taken all the steps that they ought to as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



N Dixon
Company Secretary

Date: 14th November 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, Directors' Report and financial statements in accordance with applicable United Kingdom 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102. 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 for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and which 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCHOLASTIC BOOK CLUBS LIMITED

Opinion

We have audited the financial statements of Scholastic Book Clubs Limited for the year ended 31 May 2019 which comprise the Income Statement, the Balance Sheet, the Statement of changes in equity, and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 May 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCHOLASTIC BOOK CLUBS LIMITED (CONTINUED)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 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 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 5, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCHOLASTIC BOOK CLUBS LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the 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



Andrew Merrick (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

Date: 15/11/19

INCOME STATEMENT

For the year ended 31 May 2019

	Note	2019 £	2018 £
TURNOVER	2	4,617,447	4,421,061
Cost of sales		(1,514,628)	(1,499,183)
		-----	-----
GROSS PROFIT		3,102,819	2,921,878
Distribution costs		(2,605,940)	(2,772,238)
Administrative expenses		(754,908)	(812,314)
		-----	-----
OPERATING LOSS	3	(258,029)	(662,674)
		-----	-----
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		(258,029)	(662,674)
Interest payable and similar charges	5	(14,593)	(8,847)
		-----	-----
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(272,622)	(671,521)
Tax on loss on ordinary activities	6	-	-
		-----	-----
LOSS FOR THE FINANCIAL YEAR		(272,622)	(671,521)
		-----	-----

All transactions arose from continuing operations.

There are no items of other comprehensive income (2018: none) such that total comprehensive income comprises solely the retained profit for the financial year.

The notes on pages 12 to 19 form part of these financial statements.

BALANCE SHEET

At 31 May 2019

	Note	2019 £	2018 £
FIXED ASSETS			
Intangible assets	7	199,200	-
Tangible assets	8	1,661,486	1,736,618
		<u>1,860,686</u>	<u>1,736,618</u>
CURRENT ASSETS			
Stocks	9	1,621,336	1,668,926
Debtors	10	1,529,124	1,173,534
Cash at bank and in hand		15,927	350
		<u>3,166,387</u>	<u>2,842,810</u>
CREDITORS: amounts falling due within one year	11	(26,876,934)	(26,156,667)
NET CURRENT LIABILITIES		<u>(23,710,547)</u>	<u>(23,313,857)</u>
NET LIABILITIES		<u>(21,849,861)</u>	<u>(21,577,239)</u>
CAPITAL AND RESERVES			
Called up share capital	14	539,557	539,557
Capital redemption reserve		8,000	8,000
Profit and loss account		(22,397,418)	(22,124,796)
		<u>(21,849,861)</u>	<u>(21,577,239)</u>

The notes on pages 12 to 19 form part of these financial statements.

Approved by the Board on 14th November 2019


S Thompson
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 May 2019

	Called up capital	Capital reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 June 2017	539,557	8,000	(21,453,275)	(20,905,718)
Loss for the year	-	-	(671,521)	(671,521)
At 31 May 2018	539,557	8,000	(22,124,796)	(21,577,239)
Loss for the year	-	-	(272,622)	(272,622)
At 31 May 2019	539,557	8,000	(22,397,418)	(21,849,861)

NOTES TO THE ACCOUNTS

At 31 May 2019

1. ACCOUNTING POLICIES***Statement of compliance***

Scholastic Book Clubs Limited is a limited liability company incorporated in England. The registered office is Westfield Road, Southam, Warwickshire, CV47 0RA.

The Company's financial statements have been prepared in compliance with FRS 102 'The Financial Reporting Standard for the UK and Republic of Ireland' as it applies to the financial statements of the Company for the year ended 31 May 2019.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £.

Fundamental accounting concept – Going concern

The financial statements have been prepared under the going concern concept which assumes that the Company will be able to meet its liabilities as they fall due for the foreseeable future. In drawing this conclusion the Directors have sought and obtained support from Scholastic UK Limited which itself has obtained support from Scholastic Inc. In addition Scholastic Inc provides a guarantee for the UK overdraft facility. Based on the support structure in place and the ability and willingness of Scholastic Inc to continue to support the UK group the Directors have concluded it is appropriate to prepare the accounts under the going concern concept.

Cash Flow

The Company is exempt from the provisions of FRS102, in respect of preparation of a Cash Flow Statement as it is included within the group financial statements of Scholastic Corporation, a US incorporated company. Scholastic Corporation controls more than 90% of the voting rights of the Company.

Goodwill

Positive goodwill arising on acquisition since 1 June 2009 is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis through the profit and loss account over the Directors' estimate of its useful economic life of up to 20 years. It is reviewed for impairment at the end of each financial year.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates which are calculated to write off the cost of assets by equal annual instalments over their estimated useful lives as follows:

Freehold Buildings	2% - 7%
Equipment, fixtures and fittings	14% - 33%

Depreciation is not provided on freehold land.

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

NOTES TO THE ACCOUNTS (CONTINUED)

At 31 May 2019

1. ACCOUNTING POLICIES (continued)***Stock***

Stocks have been valued at the lower of cost, including all attributable overheads, or net realisable value. Cost is determined on a weighted average basis.

The stock is considered on a title-by-title basis with respect to its editorial suitability for re-offer (assessed on the nature and the quantity of the book) and anticipated method of disposal. Provisions, based on this, are made to reduce cost to its estimated net realisable value, where appropriate.

Revenue recognition

Revenue is recognised upon despatch of goods to customers.

Deferred taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
- Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign Currencies

Transactions in foreign currencies have been translated at the rate ruling on the date of the transaction. Amounts payable or receivable in foreign currencies have been translated at the exchange rates ruling at the balance sheet date. Gains and losses on foreign exchange are taken to the profit and loss account.

Leasing

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pension costs

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they became payable.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key area of judgement impacting these financial statements is in respect of stock provisions.

Stock provisioning

Methodology for calculation is based on usage and the model monitored on a regular basis throughout the year. Management exercise judgement on the figures produced on the calculation in order to determine an appropriate figure.

NOTES TO THE ACCOUNTS (CONTINUED)

At 31 May 2019

2. TURNOVER

Turnover comprises the value of sales (excluding VAT) of books and related products. An analysis of turnover by geographical markets is given below:

	2019 £	2018 £
United Kingdom	2,330,576	2,543,325
Rest of Europe	711,469	561,548
Asia	895,115	757,834
Australia	1,336	1,459
North America	188,092	186,524
South America	183,235	157,354
Africa	307,624	213,017
	----- 4,617,447	----- 4,421,061

3. OPERATING LOSS

This is stated after charging / (crediting):

	2019 £	2018 £
Depreciation of tangible fixed assets	75,132	81,126
Auditors' remuneration	6,635	6,368
- Audit services*	2,589	2,284
- Taxation services*	37,998	43,606
Operating lease rentals	43,406	50,161
- Plant and Machinery	4,022	(10,509)
- Land and Building	-----	-----
Foreign currency Loss/(gain)	4,022	(10,509)

* This represents the share on an allocated basis of the UK group fee paid centrally and recharged across all subsidiaries for this financial year.

NOTES TO THE ACCOUNTS (CONTINUED)

At 31 May 2019

4. STAFF COSTS

	2019 £	2018 £
Wages and salaries	499,036	480,257
Social security costs	45,470	41,425
Other pension costs	21,269	17,810
	-----	-----
	565,775	539,492
	-----	-----

The staff costs reported above exclude directors' emoluments paid by fellow subsidiaries. There are no prepaid or accrued pension costs as at 31 May 2019 or 31 May 2018. The employees are paid by Scholastic Limited and recharged on a cost basis.

Directors' emoluments

	2019 £	2018 £
Emoluments (excluding pension contributions)	55,624	57,910
Pension contributions to money purchase pension schemes	2,813	3,040
	-----	-----
	58,437	60,950
	-----	-----
Emoluments (excluding pension contributions) of highest paid director	24,547	26,062
Contributions paid to money purchase pension schemes	1,454	1,537
	-----	-----

The above represents the proportion of director's salary which is charged to the Company. The Directors are also directors of other companies within the group.

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

	2019 No.	2018 No.
Administration	10	11
Production and warehouse	13	12
	-----	-----
	23	23
	-----	-----

The Company operates a defined contribution pension scheme. The Company also pays contributions to a limited number of employees' personal pension plans.

NOTES TO THE ACCOUNTS (CONTINUED)

At 31 May 2019

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2019 £	2018 £
Interest payable on bank overdraft	14,593	11,873
Interest receivable on other loans	-	(3,026)
	-----	-----
	14,593	8,847
	-----	-----

6. TAX**(a) Tax on loss on ordinary activities**

	2019 £	2018 £
UK Corporation Tax	-	-
	-----	-----
Total tax (note 6b)	-	-
	-----	-----

(b) Total tax

	2019 £	2018 £
Loss on ordinary activities before taxation	(272,622)	(671,521)
	-----	-----
Loss on ordinary activities multiplied by rate of corporation tax in the UK at the rate of 19% (2018: 19%)	(51,798)	(127,589)
Expenses not deductible for tax purposes	8,984	8,978
Decelerated capital allowances – unrecognised	5,870	7,009
Tax losses carried forward - unrecognised	36,944	111,602
	-----	-----
Total tax (note 6a)	-	-
	-----	-----

(c) Factors affecting tax charge

The standard rate of Corporation Tax in the UK reduced from 20% to 19% with effect from 1 April 2017. Accordingly the Company's profits for the current accounting period are taxed at a standard rate of 19%. The standard rate will fall further to 17% with effect from 1 April 2020. These rates were enacted during the current period and deferred tax balances have been stated at a rate of 17%.

NOTES TO THE ACCOUNTS (CONTINUED)

At 31 May 2019

7. INTANGIBLE ASSETS**Goodwill**
£Cost:

At 1 June 2018	507,557
Addition During the Year	245,037
At 31 May 2019	752,594

Amortisation:

At 1 June 2018	(507,557)
Charged During the Year	(45,837)
At 31 May 2019	(553,394)

Net Book Value:

At 1 June 2018	-
At 31 May 2019	199,200

During the year on 18 July 2018 the Company acquired the trade and specified assets of Baker Books International Limited. The assets acquired, which are intangible in nature, are not capable of separate recognition under FRS 102 as there is no history or readily available evidence of exchange transactions for the same or similar assets. As a result £245k of goodwill has been recognised as the amount equal to the consideration paid. As the main underlying intangible is considered to relate to the customer list at the date of acquisition, the goodwill is being amortised over 5 years to align with the period over which the benefit of the underlying intangible assets is expected to be obtained.

Goodwill not considered to relate to a customer list or other specific intangible asset is amortised over a period of 20 years.

NOTES TO THE ACCOUNTS (CONTINUED)

At 31 May 2019

8. TANGIBLE FIXED ASSETS

	Freehold Buildings £	Equipment, Fixtures and Fittings £	Total £
<u>Cost:</u>			
At 1 June 2018	2,774,045	761,804	3,535,849
Disposals	-	-	-
	-----	-----	-----
At 31 May 2019	2,774,045	761,804	3,535,849
	-----	-----	-----
<u>Depreciation:</u>			
At 1 June 2018	1,047,142	752,088	1,799,230
Charge for year	70,935	4,198	75,133
Disposals	-	-	-
	-----	-----	-----
At 31 May 2019	1,118,077	756,286	1,874,363
	-----	-----	-----
<u>Net Book Values:</u>			
At 31 May 2018	1,726,902	9,716	1,736,618
	-----	-----	-----
At 31 May 2019	1,655,968	5,518	1,661,486
	-----	-----	-----

9. STOCKS

	2019 £	2018 £
Goods held for resale	1,621,336	1,668,926
	-----	-----

10. DEBTORS

	2019 £	2018 £
Trade debtors	194,685	161,483
Amounts owed by group undertakings	1,240,450	909,745
Prepayments and accrued income	93,989	102,306
	-----	-----
	1,529,124	1,173,534
	-----	-----

11. CREDITORS: amounts falling due within one year

	2019 £	2018 £
Bank overdraft	26,096,194	25,496,973
Trade creditors	574,223	440,495
Amount due to group undertakings	7,124	21,733
Accruals and deferred income	199,393	197,466
	-----	-----
	26,876,934	26,156,667
	-----	-----

NOTES TO THE ACCOUNTS (CONTINUED)

At 31 May 2019

12. DEFERRED TAX

	2019	Provided 2018	2019	Unprovided 2018
	£	£	£	£
Losses carried forward	-	-	(3,637,111)	(3,572,302)
Accelerated capital allowances	-	-	(44,533)	(70,059)
	-	-	(3,681,644)	(3,642,361)

The Company has not recognised a deferred tax asset as the Directors do not consider that they are able to forecast with any certainty that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. The asset will be recognised as soon as there are taxable profits which support the recognition. The unprovided deferred tax asset is calculated using a rate of 17%.

13. OBLIGATIONS UNDER LEASESOperating Leases

At 31 May 2019 the Company had no commitments (2018: nil) under non-cancellable other operating leases. Leases for plant and buildings which are used by Scholastic Book Clubs Limited are in the name of Scholastic Limited, a sister company. The costs of these leases are recharged to Scholastic Book Clubs Limited as shown in Note 3.

14. SHARE CAPITAL

	2019	2018
	£	£
Allotted, called up and fully paid:		
Ordinary shares of £1 each	539,557	539,557

15. CONTINGENT LIABILITIES

The Company has guaranteed the overdraft of its fellow subsidiary undertaking, Scholastic Limited, which has given similar guarantees in respect of certain of the Company's overdrafts. At 31 May 2019 the amount guaranteed totalled £nil (2018: £nil).

16. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption allowed by FRS 102 paragraph 33 not to disclose related party transactions with other wholly owned companies within the group.

Within the financial year Scholastic Book Clubs traded with the following related parties purchasing goods, Usborne Publishing 2019: £4,752 (2018: 23,139), Make Believe Ideas 2019: £9,773 (2018: nil). As at the year end, there were no amounts due to these related parties (2018: nil)

Usborne Publishing

During the year, Scholastic Book Clubs Limited traded with Usborne Publishing Limited. Scholastic Australia Pty Limited, a company under common ultimate control holds a 26.25% share in Usborne Publishing Limited.

Make Believe Ideas

During the year, Scholastic Book Clubs Limited traded with Make Believe Ideas Limited, Scholastic UK Limited a company under common ultimate control holds a 95% share in Make Believe Ideas Limited.

17. PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The Company's immediate parent undertaking is Scholastic UK Limited by virtue of its holding 100% of the share capital of the Company.

The smallest and largest group to which the Company is a member and for which group accounts are drawn is Scholastic Corporation, a company incorporated in the USA.

The Company's ultimate parent undertaking and controlling party is Scholastic Corporation, which is incorporated in the USA. Copies of Scholastic Corporation's financial statements, which include the Company, are available from its registered office: 557 Broadway, New York, NY10012.