

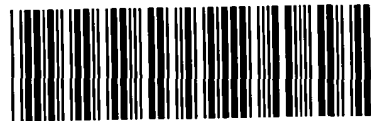
Scholastic Book Clubs Limited

Report and Financial Statements

31 May 2021

Registered no. 1417383

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COMPANIES HOUSE

DIRECTORS

S Thompson

N Dixon

C Moreton

R Robinson (passed away on 5th June 2021)

A Hedden (appointed 14th June 2021)

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 2021.

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.

PERFORMANCE OF THE BUSINESS DURING THE YEAR

The Company saw an overall increase in sales of over 17% in the year. The increase in sales to teachers and parents in the UK was over 50% following more online engagement and a higher demand for books due to various Covid-19 lockdowns throughout the year. Conversely, the Company saw a decline in overseas sales due to large-scale closures of International schools throughout the world again as a result of the Covid-19 pandemic. The weighting of sales to local customers and a shift to more digital marketing gave rise to significant reduction in distribution costs in the year. Operating profit was £479,430 for the year compared to a loss of £527,930 in the previous year.

Year to 31 May	2021 £'000	2020 £'000
Turnover	5,022	4,283
Gross Profit	3,200	2,613
Gross Margin	63.7%	61.0%
Operating Profit/(Loss)	479	(528)

The profit for the year after taxation was £478,969 (2020 loss: £538,920). The Directors do not recommend the payment of a dividend (2020: £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.

Credit risk

Given the current economic climate the Company is currently exposed to more credit risk than usual. It 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.

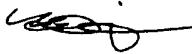
STRATEGIC REPORT (Continued)**Economic Uncertainty**

The Company performs regular reviews of its business activities and financial performance. It is forecasting its expected performance on a regular basis and looking at different scenarios to ensure it maintains effective decision making. The Company has identified the potential risks associated with current supply chain issues giving rise to tariffs and delays with shipments. It is in regular communication with key suppliers to ensure all parties are working together to identify and pre-empt any risks to performance.

Covid-19

The Covid-19 pandemic has already had a significant impact on the business as described above and the possibility of future periods of local or national lockdown or other restrictions which impact the Company's ability to operate and/or interact with its customers represents a significant risk to, and opportunity for the business. The Company continues to monitor the impact on the business to identify any changes in risk at the earliest opportunity and to implement mitigating actions wherever possible.

By order of the Board



N Dixon
Company Secretary

Date: 15th December 2021

DIRECTORS' REPORT

The Directors submit their report and financial statements for the year ended 31 May 2021.

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	
N Dixon	
C Moreton	
R Robinson (passed away on 5 th June 2021)	(Resident in the USA)
A Hedden (appointed 14 th June 2021)	(Resident in the USA)

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.

SMALL COMPANY DISCLOSURE

This Directors' Report has been prepared in accordance with the special provisions relating to small companies under section 419(2) of the Companies Act 2006.

GOING CONCERN

The financial statements have been prepared as a going concern. In adopting this basis of preparation, the directors have considered the forecast cash flows of the business over the period through to 31 December 2022. In order to ensure the Company has the ability to meet its liabilities as they fall due, throughout a period of at least 12 months from the approval of these financial statements, the company has sought and obtained confirmation from Scholastic UK Limited, the immediate parent undertaking, that it is able to and will if required provide the Company with the financial support necessary to enable it to do so. Scholastic UK Limited has, itself received an equivalent confirmation from its immediate parent undertaking, Scholastic Inc. In addition, Scholastic Inc. provides a guarantee of the UK overdraft facility.

Having satisfied themselves that Scholastic Inc. and therefore Scholastic UK Limited has the financial resource necessary to provide this commitment, the Directors have concluded that it is appropriate to prepare these financial statements on a going concern basis.

POST BALANCE SHEET EVENTS

In 2019 the Company announced its plans for a new single site facility centrally located in the UK, close to major road networks, providing excellent connections for the Group to deliver its products to its customers. As part of these plans the Company has now agreed the sale of the freehold ownership of its Witney site. The sale is scheduled to complete on 31st March 2022. The operations of this site together with its sister company's warehouse operations will be consolidated in the newly built facility in Warwick which is anticipated to give immediate synergies for both companies as well as future opportunities for growth.

AUDITORS

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


DIRECTORS' REPORT (CONTINUED)

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: 15th December 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the 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 '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 for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- 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 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

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 2021 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes¹ to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 May 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 the period from approval of these financial statements through to 31 December 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 this 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 the 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 SCHOLASTIC BOOK CLUBS 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 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 6, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCHOLASTIC BOOK CLUBS LIMITED (CONTINUED)***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and compliance with the relevant direct and indirect tax regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety, and GDPR.
- We understood how Scholastic Book Clubs Limited is complying with those frameworks making enquiries of management and those charged with governance to understand how the Company maintains and communicates its policies and procedures in these areas, through our review of the board minutes and through review of other documentation obtained through our standard audit procedures.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by through internal team conversations and enquiry of management and those charged with governance. Through these procedures we determined there to be an increased risk in connection with the potential for management override associated with manual journals on revenue and in the estimation of provisions recorded in respect of inventory, and vouchers. We performed test of details and analytical procedures on each of these areas and in respect of manual journals recorded in revenue used data analytic techniques to sample from the entire population of such journals, identifying specific transactions which did not meet our expectations based on specific criteria, and investigated these to assess whether the journals were for appropriate business reasons and supported by relevant source documentation.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved verifying that material transactions are recorded in compliance with FRS 102 and where appropriate Companies Act 2006. Compliance with other operational laws and regulations was covered through our enquiry of management.

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
15th December 2021

INCOME STATEMENT

For the year ended 31 May 2021

	Note	2021 £	2020* £
TURNOVER	2	5,021,842	4,283,219
Cost of sales		(1,821,598)	(1,670,714)
		-----	-----
GROSS PROFIT		3,200,244	2,612,505
Distribution costs		(1,754,860)	(2,233,813)
Administrative expenses		(1,055,527)	(950,899)
Other Operating Income	3	89,573	44,277
		-----	-----
OPERATING PROFIT/(LOSS)	4	479,430	(527,930)
		-----	-----
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		479,430	(527,930)
Interest payable and similar charges	6	(461)	(10,990)
		-----	-----
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		478,969	(538,920)
Tax on Profit/(loss) on ordinary activities	7	-	-
		-----	-----
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		478,969	(538,920)
		-----	-----

All transactions arose from continuing operations.

*Other operating income has been reanalysed out of administration expenses in the prior year with no impact to profits.

There are no items of other comprehensive income (2020: none) such that total comprehensive income comprises solely the retained profit for the financial year.

Comparative information has been reanalysed as described in note 1, there is no impact on operating loss.

The notes on pages 13 to 21 form part of these financial statements.

BALANCE SHEET

At 31 May 2021

	Note	2021 £	2020 £
FIXED ASSETS			
Intangible assets	8	99,192	149,196
Tangible assets	9	1,514,099	1,587,672
		-----	-----
		1,613,291	1,736,868
		-----	-----
CURRENT ASSETS			
Stocks	10	1,793,308	1,774,081
Debtors	11	1,546,066	1,586,887
Cash at bank and in hand		-	-
		-----	-----
		3,339,374	3,360,968
		-----	-----
CREDITORS: amounts falling due within one year	12	(26,862,477)	(27,486,617)
		-----	-----
NET CURRENT LIABILITIES		(23,523,103)	(24,125,649)
		-----	-----
NET LIABILITIES		(21,909,812)	(22,388,781)
		-----	-----
CAPITAL AND RESERVES			
Called up share capital	15	547,557	547,557
Capital redemption reserve		-	-
Profit and loss account		(22,457,369)	(22,936,338)
		-----	-----
		(21,909,812)	(22,388,781)
		-----	-----

The notes on pages 13 to 21 form part of these financial statements.

Approved by the Board on 15th December 2021.

C Moreton
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 May 2021

	Called up capital	Capital reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 June 2019	539,557	8,000	(22,397,418)	(21,849,861)
Transfer from Capital Reserve	-	(8,000)	-	(8,000)
Transfer to Called up Capital	8,000	-	-	8,000
Loss for the year	-	-	(538,920)	(538,920)
At 31 May 2020	547,557	-	(22,936,338)	(22,388,781)
Profit for the year	-	-	478,969	478,969
At 31 May 2021	547,557	-	(22,457,369)	(21,909,812)

NOTES TO THE ACCOUNTS

At 31 May 2021

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 2021.

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 as a going concern. In adopting this basis of preparation, the directors have considered the forecast cash flows of the business over the period through to 31 December 2022. In order to ensure the Company has the ability to meet its liabilities as they fall due, throughout a period of at least 12 months from the approval of these financial statements, the company has sought and obtained confirmation from Scholastic UK Limited, the immediate parent undertaking, that it is able to and will if required provide the Company with the financial support necessary to enable it to do so. Scholastic UK Limited has, itself received an equivalent confirmation from its immediate parent undertaking, Scholastic Inc. In addition, Scholastic Inc. provides a guarantee of the UK overdraft facility.

Having satisfied themselves that Scholastic Inc. and therefore Scholastic UK Limited has the financial resource necessary to provide this commitment, the Directors have concluded that it is appropriate to prepare these financial statements on a going concern basis.

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.

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.

NOTES TO THE ACCOUNTS (CONTINUED)

At 31 May 2021

1. ACCOUNTING POLICIES (continued)***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.

Government grants

Government grants are recognised in the Income Statement, either on a systematic basis when the Company recognises the related costs that the grants are intended to compensate for, or immediately if the costs have already been incurred.

Government grants are recognised when there is reasonable assurance that the Company will comply with the relevant conditions and the grant will be received. Government grants, including furlough income, are presented in the Income Statement as other operating income.

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.

Prior Year Adjustment

Furlough income of £44,277 recognised in 2020 has been reclassified as other operating income and removed from administrative expenses in line with current year recognition.

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 2021

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:

	2021 £	2020 £
United Kingdom	4,062,033	2,698,059
Rest of Europe	524,670	554,816
Asia	262,914	534,670
Australia	756	1,054
North America	76,253	126,050
South America	11,459	129,071
Africa	83,757	239,499
	----- 5,021,842	----- 4,283,219

3. OTHER OPERATING INCOME

Other operating income comprises solely of furlough income received in the year of £89,573 (2020: £44,277). This income is received within the United Kingdom only.

4. OPERATING LOSS

This is stated after charging:

	2021 £	2020 £
Depreciation of tangible fixed assets	73,573	73,814
Auditors' remuneration	12,628	9,076
- Audit services*	1,792	908
- Taxation services*	34,028	41,515
Operating lease rentals	24,316	29,782
- Plant and Machinery	2,743	4,850
- Land and Building	-----	-----
Foreign currency Loss	2,743	4,850

* 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 2021

5. STAFF COSTS

	2021 £	2020 £
Wages and salaries	533,294	555,741
Social security costs	37,895	44,447
Other pension costs	20,925	23,549
	-----	-----
	592,114	623,737
	-----	-----

Wages and salaries stated above for 2021 are recorded gross of £89,573 (2020: £44,277) received from the UK Government Coronavirus Job Retention Scheme.

The staff costs reported above exclude directors' emoluments paid by fellow subsidiaries. There are no prepaid or accrued pension costs as at 31 May 2021 or 31 May 2020. The employees are paid by Scholastic Limited and recharged on a cost basis.

Directors' emoluments

	2021 £	2020 £
Emoluments (excluding pension contributions)	55,219	54,646
Pension contributions to money purchase pension schemes	5,079	3,033
	-----	-----
	60,298	57,679
	-----	-----
Emoluments (excluding pension contributions) of highest paid director	21,482	23,781
Contributions paid to money purchase pension schemes	1,972	1,394
	-----	-----

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:

	2021 No.	2020 No.
Administration	10	11
Production and warehouse	11	12
	-----	-----
	21	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 2021

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2021 £	2020 £
Interest payable on bank overdraft	461	10,990
Interest receivable on other loans	-	-
	----- 461	----- 10,990

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

	2021 £	2020 £
UK Corporation Tax	-	-
Total tax (note 7b)	----- -	----- -

(b) Total tax

	2021 £	2020 £
Profit/(Loss) on ordinary activities before taxation	478,969	(538,920)
Profit/(Loss) on ordinary activities multiplied by rate of corporation tax in the UK at the rate of 19% (2020: 19%)	91,004	(102,395)
Expenses not deductible for tax purposes	9,668	8,843
Decelerated capital allowances – unrecognised	5,574	5,620
Tax losses carried forward - unrecognised	(106,246)	87,932
Total tax (note 7a)	----- -	----- -

(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%. From 1 April 2023 the rate will increase to 25%. These rates were enacted during the current period and deferred tax balances have been stated at a rate of 19%.

NOTES TO THE ACCOUNTS (CONTINUED)

At 31 May 2021

8. INTANGIBLE ASSETS

	Goodwill £
<u>Cost:</u>	
At 1 June 2020	752,594
Addition	-
At 31 May 2021	752,594 -----
<u>Amortisation:</u>	
At 1 June 2020	(603,398)
Charged for year	(50,004)
At 31 May 2021	(653,402) -----
<u>Net Book Value:</u>	
At 1 June 2020	149,196
At 31 May 2021	99,192 -----

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 2021

9. TANGIBLE FIXED ASSETS

	Freehold Buildings £	Equipment, Fixtures and Fittings £	Total £
<u>Cost:</u>			
At 1 June 2020	2,774,045	761,804	3,535,849
Disposals	-	-	-
	-----	-----	-----
At 31 May 2021	2,774,045	761,804	3,535,849
	-----	-----	-----
<u>Depreciation:</u>			
At 1 June 2020	1,189,012	759,165	1,948,177
Charge for year	70,934	2,639	73,573
Disposals	-	-	-
	-----	-----	-----
At 31 May 2021	1,259,946	761,804	2,021,750
	-----	-----	-----
<u>Net Book Values:</u>			
At 31 May 2020	1,585,033	2,639	1,587,672
	-----	-----	-----
At 31 May 2021	1,514,099	-	1,514,099
	-----	-----	-----

10. STOCKS

	2021 £	2020 £
Goods held for resale	1,793,308	1,774,081
	-----	-----

11. DEBTORS

	2021 £	2020 £
Trade debtors	28,269	77,529
Amounts owed by group undertakings	1,399,804	1,358,682
Prepayments and accrued income	117,993	150,676
	-----	-----
	1,546,066	1,586,887
	-----	-----

12. CREDITORS: amounts falling due within one year

	2021 £	2020 £
Bank overdraft	26,225,451	26,381,915
Trade creditors	444,615	900,358
Accruals and deferred income	192,411	204,344
	-----	-----
	26,862,477	27,486,617
	-----	-----

NOTES TO THE ACCOUNTS (CONTINUED)

At 31 May 2021

13. DEFERRED TAX

	2021	Provided 2020	2021	Unprovided 2020
	£	£	£	£
Losses carried forward	-	-	(4,079,807)	(4,173,240)
Accelerated capital allowances	-	-	4,450	(26,953)
	-	-	(4,075,357)	(4,200,193)

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 19% (2020: 19%).

The impact of the future corporation tax rate change, disclosed in note 7, is expected to be approximately £1.3million increase in the unprovided deferred tax asset.

14. OBLIGATIONS UNDER LEASESOperating Leases

At 31 May 2021 the Company had no commitments (2020: 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 4.

15. SHARE CAPITAL

	2021	2020
	£	£
Allotted, called up and fully paid:		
Ordinary shares of £1 each	547,557	547,557

16. 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 2021 the amount guaranteed totalled £nil (2020: £nil).

17. 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 2021: £nil (2020: £39,120), Make Believe Ideas 2021: £1,547 (2020: £11,222). As at the year end, there were no amounts due to these related parties (2020: 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.

NOTES TO THE ACCOUNTS (CONTINUED)**At 31 May 2021****18. 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.

19. POST BALANCE SHEET EVENTS

On 9th November 2021 the Company entered into an agreement for the sale of the freehold ownership of its Witney site. The sale is scheduled to complete on 31st March 2022. The operations of this site together with its sister company's warehouse operations will be consolidated in the newly built facility in Warwick.