

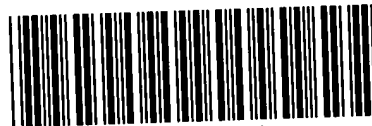
**Phaidon Press Limited**

Annual report and financial statements

For the year ended 30 June 2018

Registered number 2525791

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**Phaidon Press Limited**  
**Annual report and financial statements**  
For the year ended 30 June 2018

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**Directors:**

K Fox  
P Ruppel  
J H Booth-Clibborn  
B J Wechsler  
B Cohen  
B Black

**Registered office:**

Regent's Wharf, All Saints Street, London, N1 9PA

**Company number:**

2525791

**Auditors:**

BDO LLP, 55 Baker Street, London, W1U 7EU

**Phaidon Press Limited**  
**Strategic report**  
For the year ended 30 June 2018

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The directors present their strategic report together with the audited financial statements for the year ended 30 June 2018.

**Principal activities**

The Company and Group are engaged in the publishing and sale of books and digital products on the visual arts, lifestyle and culture throughout the world. There has been no change in the Company's and Group's principal activities in the year under review.

**Review of the business**

The consolidated statement of profit and loss is set out on page 8 and shows turnover for the year of £26.5m (2017 - £25.7m) and an operating loss for the year of £0.9m (2017 - £2.8m).

Phaidon has continued to achieve one of its key strategic objectives of revenue growth, increasing revenues by £0.8m (+3%) in the year ended 30 June 2018. Growth was achieved through the strong performance of the new titles published in the year and the continued growth in the backlist portfolio. The growth in revenues was achieved whilst maintaining a consistent gross profit margin of 46% (2017 – 45%).

The operating loss reduced to £0.9m (2017 - £2.8m) through an improvement in operating performance and with the benefit of favourable exchange rate movements.

**Future outlook**

During 2018/19 the Group will continue to publish its high quality books under its own imprint in English and other languages. The business objectives are to build long-term relationships with authors, continue driving future revenue growth with a strong focus on costs and efficiencies within the business.

**Principal risks and uncertainties**

The Group seeks to manage its exposure to any market and market channel by ensuring that its product range is diverse and that its books are sold in multiple markets and market channels around the world. As a market leader in niche subject areas the directors believe it is as well positioned as it can be to react effectively to economic conditions.

Sales to markets around the world are predominantly made in the local currency leaving the group exposed to currency shifts, predominantly Sterling to Euros and US Dollar exchange rates. The exposure is managed through natural hedges whereby the printing of books and other costs are matched by currency as closely as possible with expected inflows.

The Group's credit risk is primarily attributable to its trade debtors. Credit risk is managed through maintaining credit limits on all primary customers, dealing predominantly with major distributors worldwide and monitoring payments against contractual agreements.

The Group monitors cash flow as part of its day to day control procedures. The Board considers cash flow forecasts on a monthly basis and ensures that appropriate facilities are available to be drawn upon where necessary.

**Phaidon Press Limited**  
**Strategic report**  
For the year ended 30 June 2018 (*continued*)

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**Key performance indicators**

The board utilises a number of key performance indicators to enable a consistent method of analysing performance and to assist in developing strategy.

The main financial KPI used by management is the gross profit margin as it is a strong indicator that the Group's overall pricing strategy is correct and that it is also maintaining strong cost controls in relation to the development and production of its products. The gross profit margin for the year ended 30 June 2018 was 46% (2017 – 45%).

The stock turnover ratio is an indicator of effective working capital management within the Group. The ratio is calculated using the cost of inventory sold in the year (note 5), divided by the value of inventory for re-sale at the year-end date (note 15). The stock turnover ratio for 2018 was 0.91 (2017 - 0.86).

**Approval**

This strategic report was approved on behalf of the Board on 28 March 2019.



Keith Fox  
Chief Executive Officer

**Phaidon Press Limited**  
**Directors' report**  
For the year ended 30 June 2018

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The directors present their report together with the audited financial statements for the year ended 30 June 2018.

**Directors**

The current directors, who served during the year and those in office at 30 June 2018, were:

K L Fox  
J H Booth-Clibborn  
P Ruppel  
B J Wechsler  
B Cohen  
B Black

**Directors' interests**

As at 30 June 2018, B J Wechsler owns 100% interest in EFS Member LLC which is the ultimate controlling company of Phaidon Press Limited.

**Dividends**

The directors do not recommend payment of a dividend (2017 - £Nil).

**Strategic Report**

The Strategic report on the preceding pages provides information regarding the future developments of the Group, risks and uncertainties and key performance indicators.

**Directors' responsibilities**

The directors are responsible for preparing the Strategic Report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Group and Company and of the profit or loss of the Group for that year.

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 they have been prepared in accordance with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

**Phaidon Press Limited**  
**Directors' report**  
For the year ended 30 June 2018 *(continued)*

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

**Employment policies**

It is the policy of the Company that there should be no unfair discrimination in considering applications for employment, including those from disabled persons. Should any employee become disabled every practical effort will be made to provide continued employment.

The directors are committed to maintain and develop communication and consultation procedures with employees, who in turn are encouraged to become aware of and involve themselves in the performance of the Company.

**Going concern**

The directors have reviewed the Group's cash flow forecasts for the next 12 months and beyond. Phaidon Press Limited has sufficient funds and facilities in place to finance the business. JMWT LLC, a related party, has indicated that it will support the Group for the foreseeable future. As a result, the directors consider the business to have adequate access to finance, and consider the business to be a going concern.

Following the year end, the Group received borrowings from JMWT LLC in the amount of £1,682,692.

On 18 December 2017 the Company implemented a debt restructuring agreement. Shareholder loans with a book value of £14,077,421 (fair value - £12,126,674) were capitalised in exchange for ordinary share capital.

**Auditors**

All of the current directors as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is not aware.

BDO LLP has expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board



Keith Fox  
Chief Executive Officer

28 March 2019

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS PHAIDON PRESS LIMITED**

**Opinion**

We have audited the financial statements of Phaidon Press Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 30 June 2018 which comprise the consolidated and company statements of financial position, the consolidated statement of profit and loss and other comprehensive income, the consolidated and company statements of cash flows, the consolidated and company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards to the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements 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 Group and the Parent 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 Group or the Parent 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.

**Phaidon Press Limited**  
**Independent auditor's report**  
For the year ended 30 June 2018

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**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 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 Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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, 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 determines 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.



**Phaidon Press Limited**  
**Consolidated statement of profit and loss and other comprehensive loss**  
For the year ended 30 June 2018

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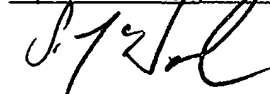
**Auditor's responsibilities for the audit of the financial statements**

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.

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 at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Scott McNaughton (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom

Date: 28th March 2019.

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**Phaidon Press Limited**  
**Consolidated statement of profit and loss and other comprehensive income**  
For the year ended 30 June 2018

	Note	2018 £'000	2017 £'000
Revenue	4	26,514	25,669
Cost of sales	5	(14,247)	(14,123)
<b>Gross profit</b>		<b>12,267</b>	<b>11,546</b>
Distribution costs	6	(8,305)	(8,141)
Administrative expenses	7	(4,937)	(5,700)
Foreign exchange gains/(losses)	8	100	(470)
<b>Operating loss</b>		<b>(875)</b>	<b>(2,765)</b>
Finance expense	9	(986)	(1,881)
Finance income	9	415	-
<b>Net finance income/(cost)</b>		<b>(571)</b>	<b>(1,881)</b>
<b>Loss before tax</b>		<b>(1,446)</b>	<b>(4,646)</b>
Tax expense	13	(486)	(68)
<b>Loss for the year</b>		<b>(1,932)</b>	<b>(4,714)</b>
<i>Items that will or may be reclassified to profit or loss:</i>			
Exchange (losses)/gains arising on translation of foreign operations		(76)	105
<b>Total comprehensive income for the year attributable to the owners of the Company</b>		<b>(2,008)</b>	<b>(4,609)</b>

Turnover and operating loss derive entirely from continuing operations.

The notes on pages 16 to 44 form part of these financial statements.

**Phaldon Press Limited**  
**Consolidated statement of financial position**  
For the year ended 30 June 2018

	Note	2018 £'000	2017 £'000
<b>Assets</b>			
<b>Current assets</b>			
Inventories	15	11,211	11,275
Trade and other receivables	16	7,360	6,660
Cash and cash equivalents	17	826	568
		<u>19,397</u>	<u>18,503</u>
<b>Non-current assets</b>			
Property, plant and equipment	18	267	342
Deferred tax asset	20	-	335
Long-term receivables	16	261	553
		<u>528</u>	<u>1,230</u>
<b>Total assets</b>		<u>19,925</u>	<u>19,733</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	21	8,610	8,568
Income tax payable		-	-
		<u>8,610</u>	<u>8,568</u>
<b>Non-current liabilities</b>			
Loans and borrowings	22	1,917	12,896
		<u>1,917</u>	<u>12,896</u>
<b>Total liabilities</b>		<u>10,527</u>	<u>21,464</u>
<b>NET ASSETS/(LIABILITIES)</b>		<u>9,398</u>	<u>(1,731)</u>
<b>Issued capital and reserves</b>			
Share capital	23	60	60
Share premium		20,187	6,111
Shareholder contribution		873	2,733
Foreign exchange reserve		(476)	(400)
Retained deficit		(11,246)	(10,235)
<b>TOTAL EQUITY</b>		<u>9,398</u>	<u>(1,731)</u>

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2019 and were signed on its behalf by:

Keith Fox  
Chief Executive Officer

Philip Ruppel  
Chief Operating Officer

The notes on pages 16 to 44 form part of these financial statements.

**Phaidon Press Limited**  
**Consolidated statement of changes in equity**  
For the year ended 30 June 2018

	Share capital £'000	Share premium £'000	Shareholder contribution £'000	Foreign exchange reserve £'000	Retained deficit £'000	Total equity £'000
<b>Balance at 1 July 2016</b>	<b>60</b>	<b>6,111</b>	<b>3,199</b>	<b>(505)</b>	<b>(6,606)</b>	<b>2,259</b>
Comprehensive loss for the year	-	-	-	-	(4,714)	(4,714)
Exchange differences arising on translation of foreign operations	-	-	-	105	-	105
Shareholder contribution	-	-	619	-	-	619
Capital contribution expense to deficit	-	-	(1,085)	-	1,085	-
<b>Balance at 30 June 2017</b>	<b>60</b>	<b>6,111</b>	<b>2,733</b>	<b>(400)</b>	<b>(10,235)</b>	<b>(1,731)</b>
Comprehensive loss for the year	-	-	-	-	(1,932)	(1,932)
Exchange differences arising on translation of foreign operations	-	-	-	(76)	-	(76)
Issue of share capital	-	14,076	-	-	-	14,076
Shareholder contribution	-	-	(1,186)	-	-	(1,186)
Loan interest cancelled	-	-	-	-	247	247
Capital contribution expense to deficit	-	-	(674)	-	674	-
<b>Balance at 30 June 2018</b>	<b>60</b>	<b>20,187</b>	<b>873</b>	<b>(476)</b>	<b>(11,246)</b>	<b>9,398</b>

The notes on pages 16 to 44 form part of these financial statements.

**Phaidon Press Limited**  
**Consolidated statement of cash flows**  
For the year ended 30 June 2018

	Note	2018 £'000	2017 £'000
<b>Cash flows from operating activities</b>			
Loss for the year		(1,932)	(4,714)
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	18	93	194
Finance cost	9	986	1,501
Finance income	9	(2)	-
Income tax expense	13	486	-
(Decrease)/increase in stock provision	15	(33)	524
(Decrease)/increase in bad debt provision	16	(295)	83
Increase in royalty provision	16	296	89
Unrealised currency translation (gains)/losses		(448)	110
		(849)	(2,213)
Decrease in inventories	15	97	275
(Increase) in trade and other receivables	16	(343)	(322)
Increase/(decrease) in trade and other payables	21	77	(895)
<b>Cash outflow from operations</b>		(1,018)	(3,155)
Income taxes paid	13	(154)	-
<b>Net cash flows from operating activities</b>		(1,172)	(3,155)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	18	(21)	(31)
<b>Net cash used in investing activities</b>		(21)	(31)
<b>Financing activities</b>			
Bank interest received	9	2	-
Increase in shareholder loan	28	1,550	2,575
<b>Net cash from financing activities</b>		1,552	2,575
<b>Net increase/(decrease) in cash and cash equivalents</b>		359	(611)
<b>Cash and cash equivalents at beginning of year</b>		568	1,164
<b>Exchange (losses)/gains on cash and cash equivalents</b>		(101)	15
<b>Cash and cash equivalents at the year end</b>		826	568

The notes on pages 16 to 44 form part of these financial statements.

**Phaidon Press Limited**  
**Company statement of financial position**  
For the year ended 30 June 2018

<b>Company number 2525791</b>	<b>Note</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Inventories	15	11,211	11,275
Trade and other receivables	16	4,899	4,157
Cash and cash equivalents	17	501	417
		<u>16,611</u>	<u>15,849</u>
<b>Non-current assets</b>			
Property, plant and equipment	18	60	80
Investments	19	101	101
Deferred tax asset	20	-	332
Long-term receivables	16	261	553
		<u>422</u>	<u>1,066</u>
<b>Total assets</b>		<u>17,033</u>	<u>16,915</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	21	5,220	5,112
Income tax payable		-	-
		<u>5,220</u>	<u>5,112</u>
<b>Non-current liabilities</b>			
Loans and borrowings	22	1,917	12,896
		<u>1,917</u>	<u>12,896</u>
<b>Total liabilities</b>		<u>7,137</u>	<u>18,008</u>
<b>NET ASSETS/(LIABILITIES)</b>		<u>9,896</u>	<u>(1,093)</u>
<b>Issued capital and reserves</b>			
Share capital	23	60	60
Share premium		20,187	6,111
Shareholder contribution		873	2,733
Retained deficit		(11,224)	(9,997)
<b>TOTAL EQUITY</b>		<u>9,896</u>	<u>(1,093)</u>

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2019 and were signed on its behalf by:

Keith Fox  
Chief Executive Officer

Philip Ruppel  
Chief Operating Officer

The notes on pages 16 to 44 form part of these financial statements.

**Phaidon Press Limited**  
**Company statement of changes in equity**  
For the year ended 30 June 2018

	Share capital £'000	Share premium £'000	Shareholder contribution £'000	Retained deficit £'000	Total equity £'000
<b>Balance at 1 July 2016</b>	<b>60</b>	<b>6,111</b>	<b>3,199</b>	<b>(6,420)</b>	<b>2,950</b>
Total comprehensive loss for the year	-	-	-	(4,662)	(4,662)
Shareholder contribution	-	-	619	-	619
Capital contribution expense to deficit	-	-	(1,085)	1,085	-
<b>Balance at 30 June 2017</b>	<b>60</b>	<b>6,111</b>	<b>2,733</b>	<b>(9,997)</b>	<b>(1,093)</b>
Total comprehensive loss for the year	-	-	-	(2,148)	(2,148)
Issue of share capital	-	14,076	-	-	14,076
Shareholder contribution	-	-	(1,186)	-	(1,186)
Loan interest cancelled	-	-	-	247	247
Capital contribution expense to deficit	-	-	(674)	674	-
<b>Balance at 30 June 2018</b>	<b>60</b>	<b>20,187</b>	<b>873</b>	<b>(11,224)</b>	<b>9,896</b>

The company has taken advantage of Section 408 of the Companies Act 2006 and has not presented its own income statement in the financial statements. Of the consolidated loss before tax of £1,445,823 (2017 – £4,645,750), a loss of £1,670,897 (2017 – £4,661,915) is attributable to the UK parent company.

The notes on pages 16 to 44 form part of these financial statements.

**Phaldon Press Limited**  
**Company statement of cash flows**  
For the year ended 30 June 2018

	Note	2018 £'000	2017 £'000
<b>Cash flows from operating activities</b>			
Loss for the year		(2,148)	(4,662)
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	18	36	114
Finance cost	9	986	1,501
Finance income	9	-	-
Income tax expense	13	477	-
(Decrease)/increase in stock provision	15	(33)	524
(Decrease)/increase in bad debt provision	16	(295)	618
Increase in royalty provision	16	296	89
Unrealised currency translation (gains)/losses		(448)	31
		<u>(1,129)</u>	<u>(1,785)</u>
Decrease in inventories	15	97	275
(Increase) in trade and other receivables	16	(368)	(804)
Increase/(decrease) in trade and other payables	21	94	(766)
		<u>(1,306)</u>	<u>(3,080)</u>
<b>Cash outflow from operations</b>		<b>(1,306)</b>	<b>(3,080)</b>
Income taxes paid	13	(145)	-
		<u>(1,451)</u>	<u>(3,080)</u>
<b>Net cash flows from operating activities</b>		<b>(1,451)</b>	<b>(3,080)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	18	(15)	(19)
Purchase of shares in subsidiary	19	-	(6)
		<u>(15)</u>	<u>(25)</u>
<b>Net cash used in investing activities</b>		<b>(15)</b>	<b>(25)</b>
<b>Financing activities</b>			
Bank interest received	9	-	-
Increase in shareholder loan	22	1,550	2,575
		<u>1,550</u>	<u>2,575</u>
<b>Net cash from financing activities</b>		<b>1,550</b>	<b>2,575</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>84</b>	<b>(530)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>417</b>	<b>947</b>
		<u>501</u>	<u>417</u>
<b>Cash and cash equivalents at the year end</b>		<b>501</b>	<b>417</b>

The notes on pages 16 to 44 form part of these financial statements.



**Phaldon Press Limited**  
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For the year ended 30 June 2018

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**1. Basis of preparation**

Phaidon Press Limited (the "Company") is a Company incorporated and domiciled in the UK.

The Group financial statements comprise the consolidated financial statements of the Company and its subsidiaries which have been consolidated using the acquisition method of accounting.

Although there is no requirement to prepare consolidated accounts for the Group, the directors believe that the consolidated accounts show a fairer view of the finances of the organisation and provide additional information to the user of the accounts.

The financial statements are presented in pounds Sterling, which is also the Company's functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations as adopted by the EU (collectively IFRSs).

The accounting policies adopted in the preparation of the financial statements are set out in note 29. The policies have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Company management to exercise judgement in applying the Company's and Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

***Basis of measurement***

The financial statements have been prepared on a historical cost basis except for the following items (refer to individual accounting policies for details).

- Related party loans – fair value through profit and loss

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2018 (*continued*)

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**1. Basis of preparation (continued)**

***Changes in accounting policies***

***a) New standards, interpretations and amendments effective from 1<sup>st</sup> July 2017***

There are no new standards or interpretations effective for the first time for periods beginning on or after 1 July 2017 that affect the Company or the Group.

***b) New standards, interpretations and amendments not yet adopted***

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2018. The Company and Group has not early adopted the following new accounting standards that are currently not effective.

**IFRS 9 – Financial Instruments**

The standard is effective for accounting periods beginning on or after 1 January 2018. The standard sets out the requirements for the classification, measurement and recognition of financial assets and liabilities, and makes changes to the current disclosure framework. The Group has conducted an assessment of the impact of this standard and concluded that there is not expected to be any significant adjustment required when the standard is adopted.

**IFRS 15 – Revenue from contracts with customers**

The standard is effective for accounting periods beginning on or after 1 January 2018. The new standard is based on the principal that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring control of goods or services to a customer.

The Group has reviewed the impact of adopting IFRS 15 across its various revenue categories and does not expect there to be any material changes to either the amount of income recognised or the timing of when the revenue is recognised. There will therefore be no material changes to the Consolidated Income Statement of the Group.

The Consolidated Statement of Financial Position will be adjusted by the requirement to report deferred income (contract liabilities) against trade receivables where amounts have been invoiced and the Group has an outstanding obligation to transfer goods. This adjustment will not affect the net assets of the Group.

**IFRS 16 Leases**

The standard is effective for accounting periods beginning on or after 1 January 2018. The new standard details the requirements for the classification, measurement and recognition of lease arrangements with a term greater than 12 months. The most significant effect of the new requirements will be an increase in lease assets and lease liabilities for leases that are currently classified as operating leases.

The new standard requires a depreciation charge for the lease assets to be included within operating costs and the interest expense on the lease liability to be included within the finance costs. The adjustments will not have a material impact on the net profitability of the Group.

**2. Critical accounting estimates and judgements**

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

***Estimates and judgements***

Provisions have been made for the following:

- *Revenue recognition* – provision for the allowable return of books sold on a sale or return basis (see note 4)
- *Inventories* – provision for slow moving and obsolete inventory (see note 15)
- *Trade customer receivables* – provision for trade customer receivables that are not collectible or are at risk of not being collectible (see note 16)
- *Royalty advances* – provision for royalty advances not being utilised or recoverable (see note 16)
- *Deferred tax asset* – judgement regarding the partial recognition of deferred tax assets (see note 20)
- *Fair value measurement* – a number of assets and liabilities included in the financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the liability utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy").

- *Level 1*: Quoted prices in the active markets for identical items
- *Level 2*: Observable direct or indirect inputs other than Level 1 inputs
- *Level 3*: Unobservable inputs (i.e. not derived from market data)

### 3. Financial Instruments – risk management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Foreign exchange risk
- Liquidity risk
- Market risk

In common with all other business, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note

#### (i) Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Floating rate loans

#### (ii) Financial instruments by category

##### Financial assets

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
<b>Loans and receivables</b>				
Cash and cash equivalents (note 17)	826	568	501	417
Trade and other receivables (note 16)	5,645	5,235	3,332	2,945
<b>Total financial assets</b>	<b>6,471</b>	<b>5,803</b>	<b>3,833</b>	<b>3,362</b>

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2018 *(continued)*

**3. Financial instruments – risk management *(continued)***

**Financial liabilities**

	<b>Group 2018 £'000</b>	<b>Group 2017 £'000</b>	<b>Company 2018 £'000</b>	<b>Company 2017 £'000</b>
<b>At amortised cost</b>				
Trade and other payables (note 21)	<b>5,769</b>	5,814	<b>4,668</b>	4,705
Loan and borrowings (note 22)	<b>1,917</b>	12,896	<b>1,917</b>	12,896
<b>Total financial liabilities</b>	<b>7,686</b>	18,710	<b>6,585</b>	17,601

**(iii) Financial instruments not measured at fair value**

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates their fair value.

***Credit risk***

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations.

Management has a credit policy in place and the exposure to risk is monitored on an on-going basis. Credit checks are performed on all new customers requiring credit before entering contracts. A credit insurance policy is in place to minimise exposure to credit risk.

Purchase limits are established for each customer in conjunction with our credit insurer, which represents the maximum open amount without requiring approval from the management of the Company. The credit insurer will inform the Group if there are any changes in a customer's credit status and the appropriate action will be decided by management.

There have been no changes in the Group's exposure or management of credit risk from the previous period.

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2018 (*continued*)

**3. Financial Instruments – risk management (*continued*)**

***Foreign currency risk***

Foreign currency risk arises when the individual Group entities enter into transactions denominated in a currency other than their functional currency. The UK Company, Phaidon Press Limited, is the only company within the Group that enters into transactions that create an exposure to foreign currency risk.

The Company is predominantly exposed to currency risk on the USD loan and purchases made from major suppliers based in Hong Kong.

The Group aims to reduce the foreign currency risk by minimising its exposure through natural hedges whereby expenses in overseas currencies are matched with expected inflows.

As of 30 June the Group's net exposure to foreign exchange risk was as follows:

Net foreign currency financial assets/(liabilities)	2018 £'000	2017 £'000
Euro	1,122	974
Australian Dollar (AUD)	199	222
Japanese Yen (JPY)	58	51
United States Dollar (USD)	(2,809)	(15,486)
Hong Kong Dollar (HKD)	(1,603)	(1,112)
<b>Total net exposure</b>	<b>(3,033)</b>	<b>(15,351)</b>

***Foreign currency sensitivity***

The following table demonstrates the Group's sensitivity to a 10% strengthening and weakening of Sterling at the reporting date against the main foreign currencies in which the Group has an exposure to risk, assuming all other variables held constant. A positive number indicates an increase in profit whereas a negative figure indicates a comparable impact on profit.

Foreign currency exposure	2018 +10% £'000	2018 -10% £'000	2017 +10% £'000	2017 -10% £'000
Euro	(102)	125	(89)	108
Australian Dollar (AUD)	(18)	22	(20)	25
Japanese Yen (JPY)	(5)	6	(5)	6
United States Dollar (USD)	255	(312)	1,408	(1,721)
Hong Kong Dollar (HKD)	146	(178)	101	(124)
<b>Total net exposure</b>	<b>276</b>	<b>(337)</b>	<b>1,395</b>	<b>(1,706)</b>

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
**For the year ended 30 June 2018 (continued)**

**3. Financial instruments – risk management (continued)**

***Liquidity risk***

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. Management reviews rolling 12 month cash flow projections on a monthly basis as well as information regarding cash balances. JMWTL LLC, a related party, has indicated that it will support the company for the foreseeable future.

The net trade receivables are current and expected to be settled within 3 months. Trade and other payables are current and repaid within 3 months. Cash outflows for the related party loans are equal to their principal amounts plus interest accrued as disclosed in note 22.

***Market risk***

Market risk arises from the Group's use of variable rate loans for financing (note 22). It is the risk that the fair value of future cash flows will fluctuate because of changes in interest rates.

The impact on the profit and net assets of a 0.5% movement in the applicable rate of interest (being the maximum reasonable expectation of changes in interest rates) would result in an annual increase/decrease in interest payments of £13,848 based on the current loans in place as at 30 June 2018 (2017 – £69,340).

**4. Revenue**

	2018 £'000	2017 £'000
<b>Group</b>		
Sale of goods	26,338	25,597
Sale of services	176	72
	<hr/> 26,514	<hr/> 25,669

***Estimates and assumptions***

Books are generally sold on a sale or return basis. Revenue is recorded in the financial statements when the books are delivered to the final customer, less an appropriate provision for returns. The provision for returns is based on historical experience. The provision for returns for the year ended 30 June 2018 is £925,000 (2017 – £980,000).



**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2018 (*continued*)

<b>5. Cost of sales</b>		
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Cost of inventory sold in the period	8,976	8,901
Royalties payable on sales in the period	1,900	1,582
Direct production overheads	3,108	3,027
(Decrease)/increase in inventory provisions (note 15)	(33)	524
Increase in royalty provision (note 16)	296	89
	<b>14,247</b>	<b>14,123</b>

The cost of sales includes the costs of all inventory recorded as a sale in the year, royalties payable to the authors of the books sold in the period and overheads directly associated with the production of books. Movements in provisions relating to inventory and author royalty advances are recorded as a cost of sale.

<b>6. Distribution costs</b>		
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Distribution costs	3,830	3,585
Marketing costs	875	939
Staff costs for sales, marketing and distribution functions	3,600	3,542
Warehouse operating lease costs (note 25)	-	75
	<b>8,305</b>	<b>8,141</b>

Distribution costs include the costs of distributing books to customers, all external marketing costs, the operating lease costs of the UK warehouse and all staff costs directly related to the sales, marketing and distribution on the books.

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2018 *(continued)*

<b>7. Administrative expenses</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Administration overheads	3,507	3,825
Office operating lease costs (note 25)	1,003	1,029
Depreciation of property, plant and equipment (note 18)	93	194
Auditors' remuneration		
- statutory audit	59	68
- tax services	29	26
- other services	19	42
(Decrease)/increase in bad debt provision (note 16)	(294)	82
Other professional fees	521	434
	<u>4,937</u>	<u>5,700</u>

Administration costs include the costs of general management of the Group, the costs of maintaining the administration buildings and all professional fees.

<b>8. Foreign exchange gains/(losses) - operating</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Net foreign exchange gains/(losses) (note 14)	<u>100</u>	<u>(470)</u>

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement under other gains/(losses), with the exception of foreign exchange gains and losses that relate to borrowings which are presented in the income statement within "finance income or cost" (note 9).

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2018 (*continued*)

**9. Finance income and expenses**

	2018 £'000	2017 £'000
<b>Recognised in the profit or loss</b>		
<b>Finance income</b>		
Interest received on bank deposits	2	-
Foreign exchange gain from financing activities (note 14)	413	-
<b>Total finance income</b>	415	-
<b>Finance expenses</b>		
Interest expense on loans	986	1,501
Foreign exchange losses from financing activities (note 14)	-	380
<b>Total finance expenses</b>	986	1,881
<b>Net finance income/(cost) recognised in profit and loss</b>	(571)	(1,881)

**10. Employees**

	Group 2018	Group 2017	Company 2018	Company 2017
The following numbers were employed at the year ends:				
Book production	41	44	32	33
Sales and distribution	40	44	26	28
Administration	24	24	16	17
	105	112	74	78

During the year the Group employed an average of 109 people (2017 – 111). The Company employed an average of 77 people (2017 – 78).

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2018 *(continued)*

**11. Directors' remuneration**

The emoluments, excluding pension contributions, of the directors during the year were £1,227,769 (2017 - £1,337,400). Group contributions paid to personal pension schemes totalled £29,525 (2017 - £42,052). Three directors were members of personal pension schemes (2017 - three). Three directors received no emoluments during the year (2017 - three).

The amounts paid in respect of the highest paid director are as follows:

	2018 £'000	2017 £'000
Emoluments	<u>777</u>	<u>872</u>

**12. Employee benefit expenses**

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Employee benefit expenses (including directors) comprise:				
Wages and salaries	6,647	6,848	3,468	3,408
Short-term non-monetary benefits	238	205	48	43
Social security costs	679	733	362	404
Pension costs	220	238	117	102
Severance	-	111	-	85
	<u>7,784</u>	<u>8,135</u>	<u>3,995</u>	<u>4,042</u>

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2018 (*continued*)

**13. Taxation**

**Recognised in the income statement**

	2018 £'000	2017 £'000
<b><i>Current tax expense</i></b>		
Current tax on profits for the year	-	3
Adjustments in respect of prior periods	-	57
Foreign taxation	154	-
	<hr/>	<hr/>
<b>Total current tax</b>	154	60
<b><i>Deferred tax expense</i></b>		
Origination and reversal of temporary differences	-	8
Reversal of previously recognised deferred tax asset	332	-
	<hr/>	<hr/>
<b>Total deferred tax</b>	332	8
	<hr/>	<hr/>
<b>Total tax expense</b>	486	68
	<hr/>	<hr/>

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the United Kingdom of 19.00% (2017 – 19.75%). The differences are explained below:

	2018 £'000	2017 £'000
Loss for the year	(1,932)	(4,714)
Income tax expense	486	68
	<hr/>	<hr/>
<b>Loss before taxation</b>	(1,446)	(4,646)
<b>Tax at 19.00% (2017 – 19.75%) thereon</b>	(275)	(918)
Expenses not deductible for tax purposes	135	356
UK tax losses carried forward to future periods	146	589
Overseas tax losses carried forward	-	-
Foreign tax expensed	154	-
Other	(6)	33
	<hr/>	<hr/>
<b>Current tax charge for the year</b>	154	60
	<hr/>	<hr/>

No deferred tax assets were recognised in relation to the taxable losses incurred in the year ended 30 June 2018 (2017 – Nil).

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2018 (*continued*)

**13. Taxation (*continued*)**

*Changes in tax rates and factors affecting the future tax charge*

The effect of any future changes will affect the Company's future tax charges and related assets/liabilities accordingly.

**14. Net foreign exchange gains/(losses)**

	2018 £'000	2017 £'000
Foreign exchange gains/(losses) from operating activity (note 8)	100	(470)
Foreign exchange gains/(losses) from financing activities (note 9)	413	(380)
	<u>513</u>	<u>(850)</u>

**15. Inventories**

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Work in progress	1,298	968	1,298	968
Finished goods and goods for resale	9,913	10,307	9,913	10,307
	<u>11,211</u>	<u>11,275</u>	<u>11,211</u>	<u>11,275</u>

Inventories are shown net of a provision for slow moving and obsolete items. The provision is based on an estimated net realisable value. The estimate is derived from historical experience and available market information.

At 30 June 2018 the stock provision amounted to £2,711,950 (2017 - £2,744,964). This provision relates wholly to finished goods.

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
At 1 July	2,745	2,221	2,745	2,221
Provision released in the year	(495)	(1,089)	(495)	(1,089)
Increase in provision in the year	462	1,613	462	1,613
	<u>2,712</u>	<u>2,745</u>	<u>2,712</u>	<u>2,745</u>

The movement in the stock provision is recorded under cost of sales in the income statement (note 5).

The provision for stock is released in the year when the stock items that the provision relates to are sold.

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2018 (*continued*)

<b>16. Trade and other receivables</b>				
<b>Group</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade receivables due from trade customers	5,288		5,352	
Less: provision for impairment of trade receivables	(131)		(425)	
	<hr/>		<hr/>	
<b>Net trade receivables</b>		<b>5,157</b>		<b>4,927</b>
Receivables due from related parties	488		308	
Less: provision form impairment	-		-	
	<hr/>		<hr/>	
<b>Net receivables from related parties</b>		<b>488</b>		<b>308</b>
<b>Total financial assets other than cash and cash equivalents classified as loans and receivables</b>		<b>5,645</b>		<b>5,235</b>
	<hr/>		<hr/>	
Royalty advances	2,246		1,886	
Less: provision for impairment	(1,073)		(777)	
	<hr/>		<hr/>	
<b>Net receivables from royalty advances</b>		<b>1,173</b>		<b>1,109</b>
	<hr/>		<hr/>	
Prepayments	582		551	
Other receivables	221		318	
	<hr/>		<hr/>	
<b>Other receivables</b>		<b>803</b>		<b>869</b>
	<hr/>		<hr/>	
<b>Total trade and other receivables</b>		<b>7,621</b>		<b>7,213</b>
	<hr/>		<hr/>	
Less non-current portion:				
- royalty advances		1,334		1,330
- royalty provision		(1,073)		(777)
		<hr/>		<hr/>
<b>Total non-current portion</b>		<b>261</b>		<b>553</b>
		<hr/>		<hr/>
<b>Current portion</b>		<b>7,360</b>		<b>6,660</b>
		<hr/>		<hr/>

All non-current receivables are due within five years from the end of the reporting period.

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2018 *(continued)*

**16. Trade and other receivables (continued)**

<b>Company</b>	<b>2018 £'000</b>	<b>2018 £'000</b>	<b>2017 £'000</b>	<b>2017 £'000</b>
Trade receivables due from trade customers	2,419		2,662	
Less: provision for impairment of trade receivables	(131)		(425)	
<b>Net trade receivables</b>		<b>2,288</b>		<b>2,237</b>
Receivables due from related parties	5,478		4,791	
Less: provision form impairment	(4,434)		(4,083)	
<b>Net receivables from related parties</b>		<b>1,044</b>		<b>708</b>
<b>Total financial assets other than cash and cash equivalents classified as loans and receivables</b>		<b>3,332</b>		<b>2,945</b>
Royalty advances	2,246		1,886	
Less: provision for impairment	(1,073)		(777)	
<b>Net receivables from royalty advances</b>		<b>1,173</b>		<b>1,109</b>
Prepayments	516		476	
Other receivables	139		180	
<b>Other receivables</b>		<b>655</b>		<b>656</b>
<b>Total trade and other receivables</b>		<b>5,160</b>		<b>4,710</b>
<b>Less non-current portion:</b>				
- royalty advances		1,334		1,330
- royalty provision		(1,073)		(777)
<b>Total non-current portion</b>		<b>261</b>		<b>553</b>
<b>Current portion</b>		<b>4,899</b>		<b>4,157</b>

All non-current receivables are due within five years from the end of the reporting period.



**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2018 *(continued)*

**16. Trade and other receivables *(continued)***

***Provision for impairment of trade receivables***

Movements in the impairment provision for trade receivables are as follows:

	2018 £'000	2017 £'000
<b>Group and Company</b>		
At 1 July	425	342
Increase during the year	9	92
Receivable written off during the year as uncollectible	(8)	(9)
Unused amounts reversed	(295)	-
	<u>131</u>	<u>425</u>

The Group regularly reviews the ageing profile of the trade receivables and actively seeks to collect any amounts that have fallen outside the defined credit terms. Impairment provisions are recognised when there is evidence that the Group will be unable to collect all of the amounts due.

***Provision for impairment of royalty advances***

Movements in the impairment provision for royalty advances are as follows:

	2018 £'000	2017 £'000
<b>Group and Company</b>		
At 1 July	777	688
Increase during the year	296	89
	<u>1,073</u>	<u>777</u>

The royalty advances paid to authors of books are impaired if it is estimated, based on historical sales information, that the advance will not be utilised in the near future. The movement in the royalty provision is recorded under cost of sales in the income statement (see note 5).

**17. Cash and cash equivalents**

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Cash on hand	2	2	2	2
Cash at bank	824	566	499	415
	<u>826</u>	<u>568</u>	<u>501</u>	<u>417</u>

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2018 (*continued*)

**18. Property, plant and equipment**

<b>Group</b>	<b>Motor vehicles</b>	<b>Leasehold improvements</b>	<b>Furniture, fittings and equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><i>Cost or valuation</i></b>				
At 1 July 2016	-	158	2,379	2,537
Foreign exchange movements	-	5	24	29
Additions	-	-	31	31
Disposals	-	-	(148)	(148)
<b>At 30 June 2017</b>	<b>-</b>	<b>163</b>	<b>2,286</b>	<b>2,449</b>
At 1 July 2017	-	163	2,286	2,449
Foreign exchange movement	-	(2)	88	86
Additions	-	-	21	21
Disposals	-	-	(145)	(145)
<b>At 30 June 2018</b>	<b>-</b>	<b>161</b>	<b>2,250</b>	<b>2,411</b>
<b><i>Accumulated depreciation and impairment</i></b>				
At 1 July 2016	-	39	2,003	2,042
Foreign exchange movements	-	1	18	19
Depreciation	-	17	177	194
Disposals	-	-	(148)	(148)
<b>At 30 June 2017</b>	<b>-</b>	<b>57</b>	<b>2,050</b>	<b>2,107</b>
At 1 July 2017	-	57	2,050	2,107
Foreign exchange movements	-	(1)	90	89
Depreciation	-	17	76	93
Disposals	-	-	(145)	(145)
<b>At 30 June 2018</b>	<b>-</b>	<b>73</b>	<b>2,071</b>	<b>2,144</b>
<b><i>Net Book Value</i></b>				
At 30 June 2016	-	119	376	495
At 30 June 2017	-	106	236	342
At 30 June 2018	-	88	179	267

There were no contracted capital commitments at 30 June 2018 and 30 June 2017.

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2018 (*continued*)

**18. Property, plant and equipment (*continued*)**

<b>Company</b>	<b>Furniture, fittings and equipment £'000</b>
<i>Cost or valuation</i>	
At 1 July 2016	1,879
Additions	19
	<hr/>
<b>At 30 June 2017</b>	<b>1,898</b>
	<hr/>
At 1 July 2017	1,898
Additions	15
Disposals	(108)
	<hr/>
<b>At 30 June 2018</b>	<b>1,805</b>
	<hr/>
<i>Accumulated depreciation and impairment</i>	
At 1 July 2016	1,704
Depreciation	114
	<hr/>
<b>At 30 June 2017</b>	<b>1,818</b>
	<hr/>
At 1 July 2017	1,818
Depreciation	35
Disposals	(108)
	<hr/>
<b>At 30 June 2018</b>	<b>1,745</b>
	<hr/>
<i>Net Book Value</i>	
At 30 June 2016	175
At 30 June 2017	80
At 30 June 2018	60
	<hr/>

There were no contracted capital commitments at 30 June 2018 and 30 June 2017.

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2018 (*continued*)

**19. Investments**

Included in investments of the Company, and consolidated into the Group financial statements using the acquisition method of accounting, are 100% interests in the ordinary share capital of:

Name	Country of Incorporation	Nature of business
Phaidon Sarl	France	Sale of books
Phaidon Verlag GmbH	Germany	Sale of books
Phaidon Press Inc.	USA	Sale of books
Phaidon KK	Japan	Sale of books
Phaidon SRL	Italy	Sale of books
Phaidon Pty	Australia	Sale of books
Phaidon Denmark ApS	Denmark	Sale of books
PH Art AG	Switzerland	Design Services
Marylebone Retail Limited	UK	Retail
Phaidon Retail Inc.	USA	Retail

	2018 £'000	2017 £'000
<b>Cost</b>		
At 1 July	154	148
Additions	-	6
Disposals	-	-
<b>At 30 June</b>	<b>154</b>	<b>154</b>
<b>Provision for impairment</b>		
At 1 July	53	53
Impairment	-	-
Reversal of impairment	-	-
<b>At 30 June</b>	<b>53</b>	<b>53</b>
<b>Net book value</b>		
At 1 July	101	95
At 30 June	101	101

The provision for impairment of £53,191 relates to the Company's investment in Phaidon Kabushiki Kaisha, Japan.

The Company invested £5,849 in the entire share capital of Phaidon Denmark ApS in the year ended 30 June 2017.

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2018 (*continued*)

**20. Deferred tax asset**

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
<b>Deferred taxation</b>				
Balance brought forward	335	343	332	332
Movement for the year (note 13)	(332)	(8)	(332)	-
Exchange differences	(3)	-	-	-
	<u>-</u>	<u>335</u>	<u>-</u>	<u>332</u>
To be recovered within 12 months	-	-	-	-
To be recovered after more than 12 months	-	335	-	332
	<u>-</u>	<u>335</u>	<u>-</u>	<u>332</u>
	Unprovided 2018 £'000	Unprovided 2017 £'000	Provided 2018 £'000	Provided 2017 £'000
<b>Group</b>				
Capital allowances	140	-	-	121
Short term timing differences	-	-	-	-
Unutilised tax losses	2,275	2,056	-	214
	<u>2,415</u>	<u>2,056</u>	<u>-</u>	<u>335</u>
	Unprovided 2018 £'000	Unprovided 2017 £'000	Provided 2018 £'000	Provided 2017 £'000
<b>Company</b>				
Capital allowances	140	-	-	121
Short term timing differences	-	-	-	-
Unutilised tax losses	2,149	1,789	-	211
	<u>2,289</u>	<u>1,789</u>	<u>-</u>	<u>332</u>

Deferred tax assets are recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe that it is probable that these assets will be recovered. The directors believe it to be prudent to recognise the deferred tax asset if it is recoverable within the next three years (2017 – three years).

A deferred tax asset has not been recognised for the year ended June 2018 (June 2017 - £335K) as the Directors do not believe it will be recovered within a reasonable timeframe. A recoverability test is performed on an annual basis.

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2018 (*continued*)

**21. Trade and other payables**

	<b>Group 2018 £'000</b>	<b>Group 2017 £'000</b>	<b>Company 2018 £'000</b>	<b>Company 2017 £'000</b>
Trade payables	3,902	3,680	3,623	3,335
Royalties payable	524	534	524	534
Payables to related parties	-	-	82	69
Accrued liabilities	1,343	1,600	439	767
	<u>5,769</u>	<u>5,814</u>	<u>4,668</u>	<u>4,705</u>
<b>Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost</b>				
Short-term loans	2,273	2,308	-	-
Tax and social security payables	110	143	100	106
Prepayments received	344	226	344	226
Other payables	114	77	108	75
	<u>8,610</u>	<u>8,568</u>	<u>5,220</u>	<u>5,112</u>

All trade and other payables are expected to be settled no more than 12 months after the reporting period.

**22. Loans and borrowings**

	<b>Book value 2018 £'000</b>	<b>Fair value 2018 £'000</b>	<b>Book value 2017 £'000</b>	<b>Fair value 2017 £'000</b>
<b>Group</b>				
Related party loans	2,790	1,917	15,629	12,896
	<u>2,790</u>	<u>1,917</u>	<u>15,629</u>	<u>12,896</u>
	<u>2,790</u>	<u>1,917</u>	<u>15,629</u>	<u>12,896</u>
<b>Company</b>				
Related party loans	2,790	1,917	15,629	12,896
	<u>2,790</u>	<u>1,917</u>	<u>15,629</u>	<u>12,896</u>

The fair value of the related party loans are based on cash flows discounted using rates based on borrowing rate of 11.00% (2017 – 11.9%) and are within level 2 of the fair value hierarchy.

**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2018 (*continued*)

**22. Loans and borrowings (*continued*)**

**Related party loans**

<b>Maturity date</b>	<b>Provider</b>	<b>Currency</b>	<b>Rate of Interest</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
7 August 2019	Phaidon Global LLC	USD	Libor + 2.0%	-	1,029
8 September 2019	Phaidon Global LLC	USD	Libor + 2.0%	-	1,027
14 October 2019	Phaidon Global LLC	USD	Libor + 2.0%	-	1,025
5 March 2021	Phaidon Global LLC	USD	Libor + 2.0%	-	3,621
6 November 2019	Phaidon Global LLC	USD	Libor + 2.0%	-	3,697
13 October 2022	Phaidon Global LLC	USD	Libor + 2.5%	-	2,432
14 November 2019	Phaidon Global LLC	USD	Libor + 2.5%	-	786
31 December 2024	Phaidon Global LLC	USD	Libor + 2.5%	<b>2,790</b>	-
<b>Total Phaidon Global LLC</b>				<b>2,790</b>	<b>13,617</b>
29 June 2019	Phaidon LLC	USD	Libor + 2.5%	-	221
27 September 2019	Phaidon LLC	USD	Libor + 2.5%	-	789
25 October 2019	Phaidon LLC	USD	Libor + 2.5%	-	787
11 April 2020	Phaidon LLC	USD	Libor + 2.5%	-	215
<b>Total Phaidon LLC</b>				-	<b>2,012</b>
<b>Total related party loans</b>				<b>2,790</b>	<b>15,629</b>

The related party loans are denominated in USD and are un-secured.

**23. Share capital**

	<b>2018 Number</b>	<b>2017 Number</b>	<b>Authorised and fully paid 2018 £</b>	<b>2017 £</b>
Ordinary A shares of 50p each	<b>52,500</b>	52,500	<b>26,250</b>	26,250
Ordinary B shares of 50p each	<b>52,502</b>	52,500	<b>26,251</b>	26,250
Ordinary C shares of 50p each	<b>15,000</b>	15,000	<b>7,500</b>	7,500
Preference shares of 0.1p each	<b>7,110</b>	7,110	<b>7</b>	7
	<b>127,112</b>	127,110	<b>60,008</b>	60,007

On 18 December the Company implemented a debt restructuring agreement where shareholder loans with a book value of £14,077,421 (fair value - £12,126,674) were capitalised in exchange for two ordinary B shares.

**Phaldon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2018 *(continued)*

**24. Share Premium**

On 18 December the Company issued two ordinary B shares with a combined nominal value of £1,00 and a total share premium of £14,077,420.

**25. Reserves**

The following describes the nature and purpose of each reserve within equity:

<b>Reserve</b>	<b>Description and purpose</b>
Share premium	Amount subscribed for share capital in excess of nominal value.
Retained earnings/deficit	All other net gains and losses and transactions with owners not recognised elsewhere.
Foreign exchange reserve	Gains/losses arising on retranslating the net assets of overseas operations into pounds sterling.
Shareholder contribution	Amount relating to the benefit received from the shareholder providing loans below the market rate of interest.

**26. Operating lease commitments**

The total future value of minimum lease payments is due as follows:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	1,008	985
Later than one year and not later than five years	1,882	2,702
Later than five years	616	848
	<b>3,506</b>	<b>4,535</b>

During the year £1,003K (2017 - £1,104K) was recognised as an expenses in the income statement in respect of operating leases. Of this, £537K (2017 - £537K) was in respect of the lease for the London head office and £423K (2017 - £460K) in respect of the US office.

A new lease for the London office was signed on 12<sup>th</sup> August 2016 and is due to expire in 2020. The lease for the US office is due to expire in 2023. There are no sublease arrangements or contingent rents.



**Phaidon Press Limited**  
**Notes forming part of the financial statements**  
For the year ended 30 June 2018 *(continued)*

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**27. Related party transactions**

Phaidon Global LLC, a company owned by a trust in which a director of Phaidon Press Limited has a beneficial interest, has provided the Group with an interest bearing loan (see note 22). As at 30 June 2018 the amount repayable on the loan was £2,727,723 (balance owed by the Company at 30 June 2017 - £12,852,455). Interest payable on the loan at 30 June 2018 is £62,576 (30 June 2017 - £765,153). Loans and interest amounting to £12,155,777 formed part of the consideration in the debt restructuring implemented in the year. There was no loan repayments in the year ended 30 June 2018.

Phaidon LLC, a company wholly owned by EFS Member LLC, has no loans repayable as at 30 June 2018 (see note 22). The amount repayable on the loan as at 30 June 2017 was £1,972,944. There was no interest payable on the loan at 30 June 2018 (30 June 2017 - £38,733). Loans amounting to £1,921,644 formed part of the consideration in the debt restructuring implemented in the year.

Phaidon Global LLC was charged by the Group an amount of £169,143 (2017 - £95,280) in the year ended 30 June 2018. The charges related to shared administrative costs of the US Office. The outstanding debtor balance as at 30 June 2018 was £266,286 (2017 - £95,280).

Artspace LLC, a company of which a director of Phaidon Press Limited is a manager, was charged by the Group an amount of £152,231 in the year ended 30 June 2018 (2017 - £207,542). The charges related to shared administrative costs of the US office and professional services. The outstanding debtor balance as at 30 June 2018 was £63,983 (2017 - £89,788).

Regan Arts LLC, a company owned by Phaidon Global LLC, was charged by the Group an amount of £31,155 in the year ended 30 June 2018 (2017 - £29,461). The charges related to shared administrative costs of the US office and professional services. The outstanding debtor balance as at 30 June 2018 was £11,716 (2017 - £11,746).

JMWT Limited, a company registered in the UK and direct owner of Phaidon Press Limited, was charged £35,000 (2017 - £30,000) in respect of professional fees. The outstanding debtor balance as at 30 June 2018 was £145,608 (2017 - £110,608).

**28. Ultimate parent company and controlling party**

At 30 June 2018, the company's controlling party was its parent company JMWT Limited, a company registered in the UK which is ultimately controlled by Bradley Wechsler, an individual who controls EFS Member LLC.

At 30 June 2018, the company's ultimate controlling parent company was EFS Member LLC, a company registered in the United States of America, which owns 100% of the share capital of Phaidon LLC, a company also registered in the United States of America, which directly owns 100% of the share capital of JMWT Limited.

At 30 June 2018, the largest group of which the company was a member, and for which group financial statements are prepared and will be filed with the Registrar of Companies in due course, was JMWT Limited, a company registered in the UK.

**29. Accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

***Revenue***

Revenue relates to the sale of books and other associated ancillary income. The revenue is represented by the invoiced value of goods supplied (excluding VAT) less an estimate for the expected value of returns made under sale or return arrangements.

Revenue from the sales of goods is recognised when the Company has transferred the significant risk and rewards of ownership to the customer and it is probable that the Company will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the customer.

Books are generally sold on a sale or return basis. Revenue is recorded in the financial statements when the books are delivered, less an appropriate provision for returns. The provision for returns is based on historical experience.

***Inventories and work in progress***

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value.

Cost comprises all external costs of development, production and costs in bringing the inventories to their present location and condition. For the purpose of determining the unit cost of a book, the costs are allocated evenly over each individual book produced in that printing.

***Royalties***

Royalty advances paid are initially recorded as a current asset. Royalty costs are expensed to the income statement based on the terms and conditions of the royalty agreement.

Royalty advances are provided for if it is believed that they are either not recoverable.

***Finance income and costs***

Financing expenses comprise interest payable and net foreign exchange losses that are recognised in the income statement. Financing income comprises interest receivable on funds invested and net foreign exchange gains.

Interest income or expense is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

**29. Accounting policies (*continued*)**

***Foreign currencies***

Items included in the financial statements of the Company and the Group are measured using the currency of the primary economic environment in which the Company/Group operates ("the functional currency"). The statements are presented in pounds Sterling.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance income or cost". All other foreign exchange gains and losses are presented in the income statement within "Other gains/ (losses)".

***Leased assets***

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight line basis.

The Company does not have any finance leases.

***Employee pension schemes***

All employee pension schemes are defined contribution schemes. Contributions to defined contribution pension schemes are charged to the statement of comprehensive loss in the year to which they relate.

***Property, plant and equipment***

Items of property, plant and equipment are initially recorded at cost.

Depreciation is provided on cost on a straight-line basis intended to write off the assets carrying value over their expected useful economic lives. It is provided at the following rates:

Fixtures and fittings	20% per annum straight line
Computer equipment	33% per annum straight line
Leasehold improvements	over the period of the lease

**29. Accounting policies *(continued)***

***Non-derivative financial instruments***

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

***a) Trade and other receivables***

These assets are non-derivative financial assets with fixed or determinable payments. They arise principally through the provision of goods and services to customers (e.g. trade receivables). Due to their short-term nature, the carrying value of these assets approximates their fair value.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of consolidated income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

***b) Trade and other payables***

Trade payables and other short-term monetary liabilities are initially recognised at cost. Due to their short-term nature, the carrying value of these assets approximates their fair value.

***c) Cash and cash equivalents***

Cash and cash equivalents include cash in hand and deposits held at call with banks.

***d) Loans and borrowings***

Loans and borrowings are recognised at fair value at inception and subsequently carried at amortised cost using the effective interest rate method. The fair value of loans is estimated by discounting the future cash flows at the current market interest rates. The difference between the transaction value and the fair value is recorded as a capital contribution.

**29. Accounting policies (*continued*)**

***Provisions***

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

***Provision for inventory***

A provision for slow moving and obsolete inventory is recorded at the year-end date. Any excess inventory, defined as inventory that is not forecast to be sold in the next five years, will be written down to its net realisable value.

***Provision for royalties***

A provision for royalty advances is recorded at the year-end date. Advances are provided for if it is forecast that the advances paid are not recoverable within five years.

***Sales returns provision***

Books are generally sold on a sale or return basis. Revenue is recorded in the financial statements when the books are delivered to the final customer, less an appropriate provision for returns. The provision for returns is based on historical experience.

***Taxation***

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

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 adjustments to tax payable in previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

***Share capital***

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

**29. Accounting policies *(continued)***

***Share premium***

The share premium is the amount subscribed for share capital in excess of the nominal value.

***Shareholder contribution***

Gains/losses arising on the fair value adjustment to the shareholder loans.

**30. Subsequent events**

Following the year end, the Company received borrowings from JMWTL LLC in the amount £1,682,692.