

Company registration number 06979090 (England and Wales)

POTTERMORE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

POTTERMORE LIMITED

COMPANY INFORMATION

Directors	N. Blair J. Hill J. Phillips T. Greene
Secretary	L. Hughes
Company number	06979090
Registered office	Devonshire House 1 Devonshire Street London W1W 5DR
Auditor	Citroen Wells Chartered Accountants Devonshire House 1 Devonshire Street London W1W 5DR

POTTERMORE LIMITED

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POTTERMORE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present the strategic report for the year ended 31 March 2023.

Fair review of the business

Pottermore Limited (Pottermore) is the global digital audiobook and eBook publisher of J.K. Rowling's multi-million bestselling Harry Potter series and associated titles from the Wizarding World. Working with a global network of retail and library partners, Pottermore Publishing prioritises accessibility, creativity, and innovation as it brings these beloved stories to life for each generation of readers and listeners to discover.

Pottermore continues to manage the digital publishing of the original Harry Potter series as well as *Harry Potter and the Cursed Child* playscript, the *Fantastic Beasts* screenplays and the Hogwarts Library Books. It also publishes digital non-fiction relating to the Wizarding World.

Wizarding World's digital channels continue to be managed through Wizarding World Digital LLC, a joint venture between Pottermore Inc and Warner Bros. Discovery.

Summary

Pottermore had a record year benefiting from strong commercial partnerships, although sales of the Harry Potter eBooks and digital audiobooks have continued to fall back from the high point during the COVID pandemic.

Pottermore has continued to benefit from making its content available through a global distribution network including online retail and library partners such as Amazon, Apple, Audible, Bookbeat, Google, Nextory, Storytel, Overdrive and Hoopla.

Revenues were up £10.4M to £48.2m (2022: £37.8m).

The company recorded a pre-tax profit of £9.4m (2022: £5.7m) after paying out all royalty obligations delivering a 20% margin.

Financial performance

The company exceeded all target KPIs in the year to 31 March 2023.

Revenues were £48.2m (2022: £37.8m) with growth driven by advances on negotiated new contracts.

Pottermore also continues to develop its distribution network and its language catalogue, completing the recordings of Harry Potter in both Chinese and Korean and releasing audiobooks of the Hogwarts Library books titles in Dutch, with a further 3 language recordings of these titles to publish over the coming fiscal year.

Cost of sales of £35.3m (2022: £27.6m), including commissions and royalties, are a direct function of the mix of publishing sales in the year.

Administrative expenses at £3.6m (2022: £3.8m) were in line with expectations.

The resulting pre-tax profit is £9.4m and margin of 20% (2022: £5.7m, 15%) after allowing for all royalty obligations.

Current trading and outlook

Pottermore continues to drive sales of the core Harry Potter and Wizarding World digital publishing catalogue through innovative marketing, the development of new content and expansion into new markets and languages.

Digital channels continue to be managed by Wizarding World Digital LLC through subsidiary Pottermore Inc. and Warner Bros. Discovery.

Current sales are in-line with management expectations. The current financial year to 31 March 2024 is set to deliver another profitable performance.

POTTERMORE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Research and Development

Pottermore continues to invest in consumer and industry research to ensure products and distribution agreements align with future reading and listening habits, as well as in infrastructure and systems to efficiently manage business processes from product concept through to sales and royalty reporting.

Principal risks and uncertainties

Management seek to adopt a low risk approach to all areas of the business.

Non-financial risks include brand and intellectual property protection. These risks are managed through digital file security processes and investment in anti-piracy services.

Credit risk

In relation to income, all third parties are subject to verification procedures carried out by management to ensure agreements are made with reputable companies.

Foreign currency risk

Foreign currency is a key risk. Transaction currencies have been limited to GBP, USD and EUR. Funds payable in respect of commissions, royalties and expenses are maintained and paid for in the respective currencies to minimise any exposure to potential exchange losses on conversion of funds.

Where future foreign currency income is guaranteed, Pottermore purchases forward trades to minimise foreign exchange risk on receipt of funds and protect against fluctuations from budgeted rates.

Liquidity and cash flow risk

The directors consider the company to have sufficient available funds for operations and planned development. Cash flow forecasts and cash requirements are monitored closely to ensure the company has sufficient liquid resources to meet the operating needs of the business.

Price risk

Various options are available in relation to the services required for the company's operating needs. These are regularly reviewed and authorised by management to ensure that the goods and services required are not obtained at a higher price than necessary.

Section 172(1) statement

The directors recognise that the long-term success of the business is dependent on the way it works with its various stakeholders. The directors have had regard to the interests of its stakeholders while complying with obligations to promote the success of the company in line with section 172(1) of the Companies Act 2006.

The directors have considered these obligations throughout the year including how this is incorporated into their decision-making which considers both risk and reward in pursuit of delivering long term value for all stakeholders and protecting their interests. Awareness and understanding of the current and potential risks to the business, including both financial and non-financial risks, are fundamental to how the business is managed.

Stakeholder Interests

The directors understand the importance of engagement with all stakeholders and give due weight to the outcomes of its decisions for each relevant stakeholder. The directors regularly discuss issues concerning customers, suppliers, community and environment, governance and its shareholder to align with its decision-making process. In addition to this, the directors seek to understand the interests and views of the company's stakeholders by engaging with them in the following ways.

Customers

The directors are given regular updates by the business management team on existing and potential distribution partners to gain insight on performance and partnering in marketing, promotions and consumer experience. The business management team covering finance, account management, product and marketing are critical to ensuring long term customer satisfaction through communication and product improvement.

POTTERMORE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Suppliers

The company works with a range of suppliers and is committed to being fair and transparent in its dealings. Procedures are in place requiring due diligence of suppliers as to their internal governance, including for example, their anti-bribery and corruption practices, data protection policies and modern slavery matters. The company has systems and processes in place to ensure suppliers are paid in a timely manner.

Community and environment

The directors are aware of the impact its activities can have on the environment and are committed to minimising the company's impact on the environment where possible.

Governance

The directors' intention is to behave responsibly and to ensure that the management team operates the business in a responsible manner, acting with the highest standards and governance.

Shareholder

The directors also seek to behave in a responsible manner towards its shareholder. The directors communicate information relevant to its shareholder, such as financial reporting information, in the form and frequency agreed between us.

On behalf of the board

N. Blair

Director

20 December 2023

POTTERMORE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their annual report and financial statements for the year ended 31 March 2023.

Principal activities

The principal activity of the company is that of digital publishing, including publishing and distributing eBooks and Digital Audio Books, online retail and digital channels.

Results and dividends

The results for the year are set out on page 9.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

N. Blair
J. Hill
J. Phillips
T. Greene

Auditor

The auditor, Citroen Wells, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Energy and carbon report

As the company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of an assessment of the assets, liabilities, financial position and profit or loss of the company, an indication of financial risk management objectives and policies, an indication of exposure to price risk, credit risk, liquidity risk and cash flow risk and important events occurring since the year end.

On behalf of the board

N. Blair
Director

20 December 2023

POTTERMORE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

POTTERMORE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POTTERMORE LIMITED

Opinion

We have audited the financial statements of Pottermore Limited (the 'company') for the year ended 31 March 2023 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

POTTERMORE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF POTTERMORE LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 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.

The extent to which 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.

Our approach was as follows:

- 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, the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom.
- We understood how the company is complying with those frameworks by making enquiries of management and seeking representations from those charged with governance. We corroborated our understanding by reviewing supporting documentation including board meeting minutes.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management and those charged with governance, review of legal and professional expenses and review of board meeting minutes.

POTTERMORE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF POTTERMORE LIMITED

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override of internal control and by designating revenue recognition as a fraud risk. We performed journal entry testing by specific risk criteria, with a focus on journals indicating large or unusual transactions based on our understanding of the business. We tested completeness of income through substantive tests performed, analytical review procedures and cut off tests on the revenue recognised.
- The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.

A further description of our responsibilities is available 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.

Stephen Simou FCA (Senior Statutory Auditor)
For and on behalf of Citroen Wells

20 December 2023

Chartered Accountants
Statutory Auditor

Devonshire House
1 Devonshire Street
London
W1W 5DR

POTTERMORE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

		2023	2022
	Notes	£'000	£'000
Revenue	2	48,156	37,777
Cost of sales		(35,309)	(27,600)
Gross profit		12,847	10,177
Administrative expenses		(3,642)	(3,802)
Operating profit	4	9,205	6,375
Investment income	6	156	40
Other gains and losses	7	9	(678)
Profit before taxation		9,370	5,737
Tax on profit	9	(1,779)	(1,139)
Profit for the financial year		7,591	4,598

POTTERMORE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

			2023		2022
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	10		30		60
Plant and equipment	11		-		1
			<u>30</u>		<u>61</u>
Current assets					
Trade and other receivables	15	8,701		13,278	
Cash at bank and in hand		24,603		12,697	
		<u>33,304</u>		<u>25,975</u>	
Current liabilities	16	(27,335)		(21,156)	
		<u> </u>		<u> </u>	
Net current assets			5,969		4,819
			<u> </u>		<u> </u>
Total assets less current liabilities			5,999		4,880
			<u> </u>		<u> </u>
Equity					
Retained earnings			5,999		4,880
			<u> </u>		<u> </u>

The financial statements were approved by the board of directors and authorised for issue on 20 December 2023 and are signed on its behalf by:

N. Blair
Director

Company Registration No. 06979090

POTTERMORE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Retained earnings £'000
Balance at 1 April 2021		18,267
Year ended 31 March 2022:		
Profit and total comprehensive income for the year		4,598
Dividends	8	(17,985)
Balance at 31 March 2022		<u>4,880</u>
Year ended 31 March 2023:		
Profit and total comprehensive income for the year		7,591
Dividends	8	(6,472)
Balance at 31 March 2023		<u><u>5,999</u></u>

POTTERMORE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	£'000	2023 £'000	£'000	2022 £'000
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	22		19,160		(10,342)
Income taxes paid			(876)		(2,306)
Net cash inflow/(outflow) from operating activities			<u>18,284</u>		<u>(12,648)</u>
Investing activities					
Interest received		94		40	
Net cash generated from investing activities			<u>94</u>		<u>40</u>
Financing activities					
Dividends paid		(6,472)		(17,985)	
Net cash used in financing activities			<u>(6,472)</u>		<u>(17,985)</u>
Net increase/(decrease) in cash and cash equivalents			<u>11,906</u>		<u>(30,593)</u>
Cash and cash equivalents at beginning of year			<u>12,697</u>		<u>43,290</u>
Cash and cash equivalents at end of year			<u><u>24,603</u></u>		<u><u>12,697</u></u>

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

Company information

Pottermore Limited is a private company limited by shares incorporated in England and Wales. The registered office is Devonshire House, 1 Devonshire Street, London, W1W 5DR. The business correspondence address is PO Box 7828, London, W1A 4GE.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared on the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 405(2) of the Companies Act 2006 not to prepare consolidated accounts on the basis that the net assets of the subsidiary as at 31 March 2023 are not material. Therefore, the financial statements present information about the company as an individual entity and not about its group.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Revenue

Revenue represents royalties, other fees and online retail sales receivable stated net of VAT. Royalties and other fees are recognised as earned, when and to the extent that, the company obtains the right to consideration in exchange for its performance under contracts.

Revenue from the sale of online retail sales is recognised when the significant risks and rewards of ownership or the rights for usage have passed to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Intangible fixed assets other than goodwill

Software costs are recognised at cost, and subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised so as to write off the cost of the asset less the residual value over the useful life of 3-5 years, starting from the date the intangible asset is brought into use.

1.5 Property, plant and equipment

Plant and equipment costing £2,000 or more are capitalised and are measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings and computer equipment	Straight line over 5 years
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POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Non-current investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

As detailed in note 1.1 a subsidiary may be excluded from consolidation when its inclusion is not material for the purpose of giving a true and fair.

A subsidiary excluded from consolidation on these grounds and where the parent still exercises a significant influence over the subsidiary is treated as an associate using the equity method.

1.7 Impairment of non-current assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other payables are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability, to the extent that it is not covered by cash held by the broker.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

2 Revenue

An analysis of the company's revenue is as follows:

	2023	2022
	£'000	£'000
Revenue analysed by class of business		
Digital publishing	48,156	37,777
	<u>48,156</u>	<u>37,777</u>
	2023	2022
	£'000	£'000
Revenue analysed by geographical market		
UK/EMEA	22,184	12,167
The Americas	23,400	24,073
Asia/Oceania	2,572	1,537
	<u>48,156</u>	<u>37,777</u>

3 Employees

The average monthly number of persons employed by the company during the year was:

	2023	2022
	Number	Number
Directors	4	4
Other staff	24	20
	<u>28</u>	<u>24</u>

Their aggregate remuneration comprised:

	2023	2022
	£'000	£'000
Wages and salaries	1,421	1,329
Social security costs	159	144
Pension costs	60	52
	<u>1,640</u>	<u>1,525</u>

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

4	Operating profit	2023	2022
	Operating profit for the year is stated after charging/(crediting):	£'000	£'000
	Fees payable to the company's auditor for the audit of the company's financial statements	40	29
	Fees payable to the company's auditor for all other non-audit services	3	21
	Depreciation of plant and equipment	1	5
	Amortisation of intangible assets	30	115
		<u> </u>	<u> </u>
5	Directors' remuneration	2023	2022
		£'000	£'000
	Remuneration for qualifying services	45	45
		<u> </u>	<u> </u>
	The key management personnel of the company comprise the directors and the senior management team. The total amount of compensation received by key management personnel for their services to the company was £154,594 (2022: £142,855).		
	Certain directors were remunerated by an entity controlled by key management personnel. Consideration payable by the company in exchange for directors' services rendered to the company was £290,515 (2022: £278,748). This consideration was not included in directors' remuneration.		
6	Investment income	2023	2022
		£'000	£'000
	Interest income		
	Bank interest	94	40
	Other interest income	62	-
		<u> </u>	<u> </u>
	Total income	156	40
		<u> </u>	<u> </u>
7	Other gains and losses	2023	2022
		£'000	£'000
	Fair value (losses)/gains on financial instruments		
	(Losses)/gains on forward foreign exchange contracts	539	(539)
	Other gains/(losses)		
	(Losses) on foreign exchange	(530)	(139)
		<u> </u>	<u> </u>
		9	(678)
		<u> </u>	<u> </u>
8	Dividends	2023	2022
		£'000	£'000
	Final paid	6,472	17,985
		<u> </u>	<u> </u>

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

9 Taxation	2023 £'000	2022 £'000
Current tax		
UK corporation tax	1,762	1,089
Adjustments in respect of prior periods	5	-
Total UK current tax	<u>1,767</u>	<u>1,089</u>
Foreign tax	12	50
Total current tax	<u><u>1,779</u></u>	<u><u>1,139</u></u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit and the standard rate of tax as follows:

	2023 £'000	2022 £'000
Profit before taxation	<u>9,370</u>	<u>5,737</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	1,780	1,090
Adjustments in respect of prior periods	5	-
Irrecoverable overseas tax	12	50
Permanent capital allowances in excess of depreciation	(18)	(1)
Tax expense for the year	<u><u>1,779</u></u>	<u><u>1,139</u></u>

10 Intangible fixed assets	£'000
Cost	
At 1 April 2022 and 31 March 2023	<u>538</u>
Amortisation and impairment	
At 1 April 2022	478
Amortisation charged for the year	30
At 31 March 2023	<u>508</u>
Carrying amount	
At 31 March 2023	<u>30</u>
At 31 March 2022	<u><u>60</u></u>

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

11 Plant and equipment

	Fixtures, fittings and computer equipment £'000
Cost	
At 1 April 2022 and 31 March 2023	105
Depreciation and impairment	
At 1 April 2022	104
Depreciation charged in the year	1
At 31 March 2023	105
Carrying amount	
At 31 March 2023	-
At 31 March 2022	1

12 Fixed asset investments

	Note	2023 £	2022 £
Investments in subsidiaries	13	8	8

Movements in fixed asset investments

	Shares in group undertakings £
Cost	
At 1 April 2022 & 31 March 2023	8
Carrying amount	
At 31 March 2023	8
At 31 March 2022	8

13 Subsidiaries

Details of the company's subsidiary at 31 March 2023 are as follows:

Name of undertaking	Country of incorporation	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Pottermore Inc.	USA	Digital Entertainment	Ordinary	100.00	-

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

13 Subsidiaries (Continued)

Registered Office addresses:

1 850 New Burton Road, Suite 201, Dover De 19904.

14 Financial instruments

	2023	2022
	£'000	£'000
Financial liabilities/(assets) measured at fair value through profit or loss		
Derivative financial instruments	18	(498)
	<u>18</u>	<u>(498)</u>

In the current and prior year the derivative instrument is classified within other receivables.

15 Trade and other receivables

	2023	2022
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	4,210	3,995
Corporation tax recoverable	2,978	2,522
Amounts owed by group undertakings	145	108
Other receivables	968	6,072
Prepayments and accrued income	305	486
	<u>8,606</u>	<u>13,183</u>
Deferred tax asset (note 18)	95	95
	<u>8,701</u>	<u>13,278</u>

16 Current liabilities

	2023	2022
	£'000	£'000
Trade payables	622	1,647
Corporation tax	1,296	-
Other taxation and social security	37	47
Other payables	18,217	13,492
Accruals and deferred income	7,163	5,970
	<u>27,335</u>	<u>21,156</u>

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

17 Retirement benefit schemes

	2023	2022
	£'000	£'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	60	52
	<u> </u>	<u> </u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

18 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets	Assets
	2023	2022
	£'000	£'000
Balances:		
Accelerated capital allowances	95	95
	<u> </u>	<u> </u>

There were no material deferred tax movements in the year.

19 Share capital

	2023	2022
	£	£
Ordinary share capital Issued and fully paid		
1 Ordinary Share of £1	1	1
	<u> </u>	<u> </u>

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

20 Related party transactions

During the year the company entered into the following transactions with related parties:

	Sales		Purchases	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Entities controlled by key management personnel	-	-	9,077	7,175
Entities under common control	-	-	289	453
Entities over which the company has joint control or significant influence	-	15	-	-
Individuals with control over the company	-	-	17,906	13,482
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The following amounts were outstanding at the reporting end date:

	2023 £'000	2022 £'000
Amounts due to related parties		
Entities controlled by key management personnel	4,191	3,478
Entities under common control	43	87
Individuals with control over the company	17,906	13,482
	<u> </u>	<u> </u>

Income and expenses between related parties are made in the ordinary course of business. All outstanding balances with related parties are unsecured, interest-free and payable in accordance with the agreements held with those related parties and all fall for settlement within one year.

The company is controlled by J. K. Rowling.

21 Analysis of changes in net funds

	1 April 2022 £'000	Cash flows £'000	31 March 2023 £'000
Cash at bank and in hand	12,697	11,906	24,603
	<u> </u>	<u> </u>	<u> </u>

POTTERMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

22 Cash generated from/(absorbed by) operations	2023	2022
	£'000	£'000
Profit for the year after tax	7,591	4,598
Adjustments for:		
Taxation charged	1,779	1,139
Investment income	(94)	(40)
Amortisation and impairment of intangible assets	30	115
Depreciation and impairment of plant and equipment	1	5
Movements in working capital:		
Decrease/(increase) in trade and other receivables	4,970	(4,400)
Increase/(decrease) in trade and other payables	4,883	(11,759)
Cash generated from/(absorbed by) operations	19,160	(10,342)

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.