

Registered number: 01015675

THE FOLIO SOCIETY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022



THE FOLIO SOCIETY LIMITED

COMPANY INFORMATION

Directors	B C Edwards J P Reynolds J L Gavron (resigned 30 November 2021) J R Gavron (resigned 30 November 2021) Lady Gavron (resigned 30 November 2021) S Gavron (resigned 30 November 2021) U Dutta-Roy (appointed 30 November 2021) M Mainstone (appointed 30 November 2021) T Walker (appointed 30 November 2021) E Lawson (appointed 30 November 2021)
Registered number	01015675
Registered office	Clove Building 4 Maguire Street London SE1 2NQ
Independent auditors	Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG
Bankers	National Westminster Bank plc 63 Piccadilly London W1A 2AG
Solicitors	Dechert LLP 5 Chancery Lane Queen Victoria Street London EC4V 4QQ

THE FOLIO SOCIETY LIMITED

CONTENTS

	Page
Strategic Report	1 - 2
Directors' Report	3 - 4
Independent Auditors' Report	5 - 8
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Statement of Cash Flows	12
Analysis of Net Debt	13
Notes to the Financial Statements	14 - 27

THE FOLIO SOCIETY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2022

Introduction

The directors present their strategic report on the Company for the year ended 31 August 2022. In preparing the Report they have complied with s414C of the Companies Act 2006.

The principal activity of the Company is publishing fine edition books, which are sold worldwide via mail order and the internet. There have not been any significant changes in the Company's principal activities under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

Business review

During the year the Company continued to create and publish beautiful illustrated books and to market them globally, across digital and traditional direct marketing channels.

As shown in the profit and loss account on page 9, the Company's sales increased to £15.3m (2021: £13.6m). Profit before tax for the year decreased to £2m (2021: profit £2.2m).

As shown in the cash flow statement on page 12; net cash used in / generated from operational activities after taxation decreased to (£2.6m) (2021: increased £2.7m).

Principal risks and uncertainties

The Company is exposed to the price of oil and its effect on the costs of delivering books to customers. Increases in postage prices and paper costs for direct mail campaigns are a continuing risk to the Company.

Sales in the United States of America, Canada and Australia are made in the local currency giving an exposure to movements in the pound against the American, Canadian and Australian dollars.

The Company has an exposure to changes in interest rates on its cash balances. It places its excess sterling cash balances on deposit with its bankers.

The carrying amounts of cash and bank balances, trade debtors and payables approximate to their respective fair values due to the relatively short-term maturity of these financial instruments.

The Company is dependent upon the postal services for the distribution of its products and there is therefore a risk of disruption in the event of industrial action or security threat.

The Company is confident that its contingency plans and alternative distribution methods are sufficient to manage this risk.

The principal risks to the business come from any interruption to supply chain or distribution networks. These are currently functioning sufficiently to enable the continuation of normal business. Where distribution restrictions are in place the company is working successfully with partners to ensure continuation of delivery into major markets.

The Company will continue to monitor for any further impacts and will put in place any measures necessary to mitigate these impacts and protect the business.

Financial key performance indicators

Given the nature of the business, the Company's directors are of the opinion that analysis using KPIs, other than those which emerge from the financial statements, are not necessary for an understanding of the development, performance or position of the business.

THE FOLIO SOCIETY LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2022

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the strategic report above. The Company's financial position and cash flows are also set out there.

The directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' statement of compliance with duty to promote the success of the Company

Under section 172 of the Companies Act a director of a company must act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- The likely consequences of any decision in the long term
- The interests of the company's employees
- The need to foster the company's business relationships with suppliers, customers and others
- The impact of the company's operations on the community and the environment
- The desirability of the company maintaining a reputation for high standards of business conduct, and
- The need to act fairly as between members of the company.

Our statement sets out the key stakeholder groups, their interests and how the company engages with them.

This report was approved by the board and signed on its behalf.

Urmi Dutta-Roy

U Dutta-Roy
Director

Date: 12 December 2022

THE FOLIO SOCIETY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2022

The directors present their report and the financial statements for the year ended 31 August 2022.

Directors' responsibilities statement

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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

Results and dividends

The profit for the year, after taxation, amounted to £1,498,744 (2021 - £2,725,569).

A dividend of £nil (2021: £nil) was paid during the year.

Directors

The directors who served during the year were:

B C Edwards
J P Reynolds
J L Gavron (resigned 30 November 2021)
J R Gavron (resigned 30 November 2021)
Lady Gavron (resigned 30 November 2021)
S Gavron (resigned 30 November 2021)
U Dutta-Roy (appointed 30 November 2021)
M Mainstone (appointed 30 November 2021)
T Walker (appointed 30 November 2021)
E Lawson (appointed 30 November 2021)

THE FOLIO SOCIETY LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2022**

Future developments

The directors are not aware, at the date of this report, of any likely major changes in the nature of the Company's activities in the next year.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Haysmacintyre LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

Urmi Dutta-Roy

U Dutta-Roy
Director

Date: 12 December 2022

THE FOLIO SOCIETY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE FOLIO SOCIETY LIMITED

Opinion

We have audited the financial statements of The Folio Society Limited (the 'Company') for the year ended 31 August 2022, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 August 2022 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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.

THE FOLIO SOCIETY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE FOLIO SOCIETY LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' 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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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.

THE FOLIO SOCIETY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE FOLIO SOCIETY LIMITED (CONTINUED)

Auditors' 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 Auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory requirements for the book publishing business and trade regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, income tax, payroll tax and sales tax.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals, in particular journal entries posted that would significantly impact profit; and
- Challenging assumptions and judgements made by management in their critical accounting estimates

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

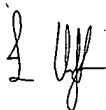
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

THE FOLIO SOCIETY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE FOLIO SOCIETY LIMITED
(CONTINUED)

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 Auditors' 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.



Ian Cliffe (Senior Statutory Auditor)
for and on behalf of
Haysmacintyre LLP
Statutory Auditors
10 Queen Street Place
London
EC4R 1AG
Date: 12 December 2022

THE FOLIO SOCIETY LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2022**

	Note	2022 £	2021 £
Turnover	4	15,261,467	13,570,898
Cost of sales		(4,887,286)	(4,180,729)
Gross profit		10,374,181	9,390,169
Distribution costs		(3,684,334)	(3,197,164)
Administrative expenses		(4,748,354)	(3,953,734)
Other operating income/(expenditure)	5	61,086	(8,295)
Operating profit	6	2,002,579	2,230,976
Interest receivable and similar income	9	406	150
Profit before tax		2,002,985	2,231,126
Tax (charge)/credit on profit	10	(504,241)	494,443
Profit for the financial year		1,498,744	2,725,569

There were no recognised gains and losses for 2022 or 2021 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2022 (2021: £NIL).

The notes on pages 14 to 27 form part of these financial statements.

THE FOLIO SOCIETY LIMITED
REGISTERED NUMBER: 01015675

STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	11	300,997	536,259
Investments	12	969	969
		<u>301,966</u>	<u>537,228</u>
Current assets			
Stocks	13	4,465,306	3,362,931
Debtors: amounts falling due within one year	14	4,920,607	1,565,493
Cash at bank and in hand	15	2,245,511	4,871,066
		<u>11,631,424</u>	<u>9,799,490</u>
Creditors: amounts falling due within one year	16	(2,935,475)	(2,679,016)
Net current assets		<u>8,695,949</u>	<u>7,120,474</u>
Total assets less current liabilities		<u>8,997,915</u>	<u>7,657,702</u>
Provisions for liabilities			
Deferred tax	17	(10,359)	
Other provisions	18	(100,317)	(269,207)
		<u>(110,676)</u>	<u>(269,207)</u>
Net assets		<u><u>8,887,239</u></u>	<u><u>7,388,495</u></u>
Capital and reserves			
Called up share capital	19	1,770,000	1,770,000
Profit and loss account	20	7,117,239	5,618,495
		<u><u>8,887,239</u></u>	<u><u>7,388,495</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Urmi Dutta-Roy

U Dutta-Roy
Director

Date: 12 December 2022

The notes on pages 14 to 27 form part of these financial statements.

THE FOLIO SOCIETY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2022**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 September 2020	1,770,000	2,892,926	4,662,926
Comprehensive income for the year			
Profit for the year	-	2,725,569	2,725,569
At 1 September 2021	1,770,000	5,618,495	7,388,495
Comprehensive income for the year			
Profit for the year	-	1,498,744	1,498,744
At 31 August 2022	<u>1,770,000</u>	<u>7,117,239</u>	<u>8,887,239</u>

The notes on pages 14 to 27 form part of these financial statements.

THE FOLIO SOCIETY LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2022**

	2022 £	2021 £
Cash flows from operating activities		
Profit for the financial year	1,498,744	2,725,569
Adjustments for:		
Depreciation of tangible assets	280,557	330,638
Interest received	(406)	(150)
Taxation charge/(credit)	504,241	(494,443)
(Increase) in stocks	(1,102,375)	(274,214)
Decrease/(increase) in debtors	89,073	(428,084)
(Increase) in amounts owed by group companies	(3,939,104)	(22,441)
Increase in creditors	258,055	1,346,313
(Decrease) in provisions	(168,890)	(479,705)
Corporation tax (paid)/received	(561)	1,038
Net cash (used in)/generated from operating activities	<u>(2,580,666)</u>	<u>2,704,521</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(45,295)	(329,663)
Sale of tangible fixed assets	-	24,114
Interest received	406	150
Net cash used in investing activities	<u>(44,889)</u>	<u>(305,399)</u>
Cash flows from financing activities		
Repayment of new finance leases	-	(25,636)
Net cash used in financing activities	<u>-</u>	<u>(25,636)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(2,625,555)</u>	<u>2,373,486</u>
Cash and cash equivalents at beginning of year	4,871,066	2,497,580
Cash and cash equivalents at the end of year	<u><u>2,245,511</u></u>	<u><u>4,871,066</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,245,511	4,871,066
	<u><u>2,245,511</u></u>	<u><u>4,871,066</u></u>

The notes on pages 14 to 27 form part of these financial statements.

THE FOLIO SOCIETY LIMITED

ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 AUGUST 2022

	At 1 September 2021 £	Cash flows £	At 31 August 2022 £
Cash at bank and in hand	4,871,066	(2,625,555)	2,245,511
	<u>4,871,066</u>	<u>(2,625,555)</u>	<u>2,245,511</u>

The notes on pages 14 to 27 form part of these financial statements.

THE FOLIO SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022

1. General information

The Folio Society Limited, company number 01015675, is a private company limited by shares and is incorporated in England and Wales. The registered address and principal place of business is 4 Maguire Street, London SE1 2NQ.

The principal activity of the Company in the year of review was that of publishing fine edition books.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. This is because the Company has sufficient financial resources and a spread of customers and suppliers across different geographical areas.

Cash flow forecasts for the period up to December 2023 have been prepared to determine that there are adequate resources for at least 12 months from the date of signing. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

THE FOLIO SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.8 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Included within interest expense for the year, is interest relating to the provision for US Sales tax, see note 3 for further details.

THE FOLIO SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022

2. Accounting policies (continued)

2.9 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

THE FOLIO SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022

2. Accounting policies (continued)

2.11 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- 5 years
Fixtures and fittings	- 20%
Office equipment	- Over the life of the lease
Computer software and equipment	- 25% - 33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.13 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.14 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

THE FOLIO SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022

2. Accounting policies (continued)

2.16 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.17 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ordinarily may differ from those estimates. The directors consider the following items to be areas subject to estimation and judgement:

Stock valuation:

At the reporting date, the Company evaluates the need for a stock provision. The Company has a policy of projecting future sales of stock and the difference between the projection and the year end stock balance is provided for.

Depreciation:

The useful economic lives of tangible fixed assets are based on management's judgement and experience. When management identifies that actual useful economic lives differ materially from the estimates used to calculate depreciation, that charge is adjusted retrospectively. Historically no changes have been required.

US Sales Tax Provision:

A provision has been included in the financial statements relating to a potential US sales tax liability. The directors have sought guidance on the potential exposure and have included what they consider to be the maximum exposure in the financial statements.

THE FOLIO SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022

4. Turnover

The whole of the turnover is attributable to publishing fine edition books.

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	5,118,214	5,156,941
North America (including Canada)	7,666,880	6,242,613
Australia and other overseas sales	2,476,373	2,171,344
	<u>15,261,467</u>	<u>13,570,898</u>

5. Other operating profit/(loss)

	2022 £	2021 £
Loss on disposal of tangible assets	-	(22,736)
Foreign exchange profit	61,086	14,441
	<u>61,086</u>	<u>(8,295)</u>

6. Operating profit

The operating profit is stated after charging:

	2022 £	2021 £
Fees payable to company's auditor	32,665	24,796
Exchange differences	(61,086)	(14,441)
Other operating lease rentals	154,153	100,004
Depreciation of tangible fixed assets	284,498	330,638
US sales tax provision	168,890	479,705
Pension costs	111,410	100,906
	<u></u>	<u></u>

THE FOLIO SOCIETY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022**

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2022 £	2021 £
Wages and salaries	2,444,146	2,275,194
Social security costs	319,918	223,812
Cost of defined contribution scheme	111,410	103,710
	<u>2,875,474</u>	<u>2,602,716</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2022 No.	2021 No.
Editorial and production	14	13
Sales and distribution	21	20
Administration	8	7
	<u>43</u>	<u>40</u>

8. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	676,762	260,677
Company contributions to defined contribution pension schemes	12,395	2,804
	<u>689,157</u>	<u>263,481</u>

The highest paid director received remuneration of £330,551 (2021 - £169,443).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2021 - £NIL).

9. Interest receivable

	2022 £	2021 £
Interest receivable	406	150
	<u>406</u>	<u>150</u>

THE FOLIO SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022

10. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	-	1,038
Adjustments in respect of previous periods	(1,599)	-
Total current tax	<u>(1,599)</u>	<u>1,038</u>
Origination and reversal of timing differences	505,840	(495,481)
Total deferred tax	<u>505,840</u>	<u>(495,481)</u>
Taxation (credit)/charge on profit on ordinary activities	<u>504,241</u>	<u>(494,443)</u>

Factors affecting tax charge for the year

In the budget announcement on 3 March 2021, the Chancellor announced the intention to increase the main rate of UK corporation tax to 25% for the financial year beginning 1 April 2023. This was not substantively enacted at the balance sheet date.

Deferred tax at the balance sheet date has been measured using the enacted tax rate of 19% (2021: 19%) in these financial statements.

	2022 £	2021 £
Profit on ordinary activities before tax	<u>2,002,985</u>	<u>2,231,125</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	380,567	423,914
Effects of:		
Fixed asset differences	(2,192)	691
Remeasurment of deferred tax due to change in tax rate	62,996	(117,877)
Movements in short term timing differences	16,438	(33,452)
Deferred tax adjustment	46,432	(767,719)
Total tax (credit)/charge for the year	<u>504,241</u>	<u>(494,443)</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

THE FOLIO SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022

11. Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 September 2021	285,110	181,738	1,881,965	2,348,813
Additions	-	-	45,295	45,295
Disposals	-	(145,139)	(744,439)	(889,578)
At 31 August 2022	285,110	36,599	1,182,821	1,504,530
Depreciation				
At 1 September 2021	281,885	151,883	1,378,786	1,812,554
Charge for the year on owned assets	3,225	9,071	268,261	280,557
Disposals	-	(145,139)	(744,439)	(889,578)
At 31 August 2022	285,110	15,815	902,608	1,203,533
Net book value				
At 31 August 2022	-	20,784	280,213	300,997
At 31 August 2021	3,225	29,855	503,179	536,259

THE FOLIO SOCIETY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022**

12. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 September 2021	969
At 31 August 2022	<u>969</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Folio Fine Books Limited	Dormant	Ordinary	100%
Folio Fine Editions Limited	Dormant	Ordinary	100%

13. Stocks

	2022 £	2021 £
Work in progress (goods to be sold)	362,603	633,478
Finished goods and goods for resale	4,102,703	2,729,453
	<u>4,465,306</u>	<u>3,362,931</u>

Stock recognised in cost of sales during the year as an expense was £4,869,177 (2021: £4,075,167).

THE FOLIO SOCIETY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022**

14. Debtors

	2022 £	2021 £
Amounts owed by group undertakings	3,988,938	49,835
Other debtors	673,593	692,670
Prepayments and accrued income	258,076	327,507
Deferred taxation	-	495,481
	<u>4,920,607</u>	<u>1,565,493</u>

15. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	2,245,511	4,871,066
	<u>2,245,511</u>	<u>4,871,066</u>

16. Creditors: Amounts falling due within one year

	2022 £	2021 £
Trade creditors	1,461,483	1,018,574
Corporation tax	-	1,599
Other taxation and social security	73,659	64,997
Other creditors	175,769	113,825
Accruals and deferred income	1,224,564	1,480,021
	<u>2,935,475</u>	<u>2,679,016</u>

THE FOLIO SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022

17. Deferred taxation

	2022 £
At beginning of year	495,481
Charged to the profit or loss	(505,840)
At end of year	(10,359)

The deferred taxation balance is made up as follows:

	2022 £	2021 £
Timing difference	(10,359)	495,481
	(10,359)	495,481

18. Provisions

	2021 £
At 1 September 2021	269,207
Credited to profit or loss	(168,890)
At 31 August 2022	100,317

The Company had included a provision in relation to a potential liability for US sales tax including potential interest.

THE FOLIO SOCIETY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022**

19. Share capital

	2022 £	2021 £
Authorised, allotted, called up and fully paid		
1,770,000 (2021 - 1,770,000) Ordinary Shares of £ 1	1,770,000	1,770,000
	<u>1,770,000</u>	<u>1,770,000</u>

20. Reserves

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

21. Capital commitments

At 31 August 2022 the Company had capital commitments as follows:

	2022 £	2021 £
Contracted for but not provided in these financial statements	32,400	-
	<u>32,400</u>	<u>-</u>

22. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £111,410 (2021 - £100,906). Contributions totalling £13,778 (2021 - £28,371) were payable to the fund at the reporting date.

23. Commitments under operating leases

At 31 August 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	417,377	281,091
Later than 1 year and not later than 5 years	603,012	220,809
	<u>1,020,389</u>	<u>501,900</u>

THE FOLIO SOCIETY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022**

24. Related party transactions

The Company has taken advantage of the exemptions of disclosing transactions with related companies under the provision of Section 33 of Financial Reporting Standard 102.

Key management personnel are considered to be the directors.

25. Controlling party

The Company's ultimate controlling entity is The Folio Society Employee Ownership Trust.

Folio Holdings Limited, company number 01646381, is the parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up and of which the reporting company is a member. Copies of the group financial statements of Folio Holdings Limited are available from Companies House, Crown Way, Cardiff, CF14 3UZ.