

22 July 2020

Scholium Group plc ('Scholium' or the 'Group')

Preliminary Results for the year ended 31 March 2020

This announcement contains inside information for the purposes of Article 7 of regulation 596/2014

Scholium is engaged in the business of rare books, art and collectibles. Its primary operating subsidiary is Shapero Rare Books which is one of the leading UK dealers trading internationally in rare and antiquarian books and works on paper.

The Group also trades alongside other third party dealers in the broader arts and collectibles business via its subsidiary, Scholium Trading Limited and deals in and sells by auction stamps and philatelic items through its subsidiary Mayfair Philatelics Limited

The Board of Scholium is pleased to announce its final results and annual accounts for the year ended 31 March 2020.

Operating Highlights

- Revenues up 2.3% to £7.3 million for full financial year
- The Group's profit before tax was £25k, despite the disruption to activity in March 2020
- All businesses performed better than in prior financial year
- Scholium Trading produced good profits with further potential ahead
- Group has written off its deferred tax asset of £277k due to the adverse impact of Covid-19
- Group is loss making currently, though sales have improved significantly since end May

Financial Highlights

Years ended 31 March (£'000)	2020	2019
Revenue	7,300	7,137
Gross Profit	2,920	2,791
Gross Margin	40%	39%
Profit/(loss) before tax	25	(13)
Cash	281	192
NAV/Share	71.0p	72.9p

A copy of the 2020 Annual Report (including the notice of Annual General Meeting ("AGM")) will be sent to shareholders in due course. The Annual Report will also be available on the Company's website in due course. <http://scholiumgroup.com>

The Company's AGM will be held at 10.30am at 32 St George Street, London W1S 2EA on 30 September 2020.

Jasper Allen, Chairman of Scholium, noted "We are pleased to have achieved a profit before tax of £25k in the year to 31 March 2020 despite the adverse effect of Covid-19. The Group is adapting to the new business environment with higher levels of online activity, the results of which have been encouraging."

For further information, please contact

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Chairman's Statement

The Group increased revenues by 2.3% to £7.3 million as a result of the improved performance in each of the Group's three separate revenue streams – Shapero Rare Books, Scholium Trading and Mayfair Philatelics.

The Group incurred a small loss in the second half of the financial year due to the adverse impact of Covid-19 in March 2020, normally the Group's busiest trading month, due to the cancellation of the trade fairs. Pleasingly, despite this loss, the Group achieved a profit before tax for the year to 31 March 2020 of £25,000.

The core business, Shapero Rare Books, had a better year with higher profits than last year. Scholium Trading performed well in the year and delivered a higher profit than the prior year, which was particularly pleasing given its relatively modest stock. Mayfair Philatelics continued to improve, reducing its trading loss compared with the previous year.

The progress made across the Group's three revenue streams is encouraging, and Scholium Trading has interests in some paintings with good potential. Shapero Rare Books continues to be one of the world's leading rare book dealers and has been able to continue to develop its online profile and activities in the first part of this new financial year.

The board has reviewed several acquisition opportunities in each of its three revenue streams during the course of the year but concluded that none were sufficiently profitable on a sustainable basis to pursue. The board is continuing to search for further acquisitions.

The Group remains well capitalised with £9.0 million of stock, £0.3 million in cash and no debt. The Group also has an undrawn overdraft facility available to it. The board recognizes that the Group's trading performance in recent years has not provided the intended returns to shareholders, despite the reduction in the overheads implemented two years ago. Accordingly, the board have concluded that the Group will take advantage of the expiry of the current lease on its premises and is therefore seeking to move to lower cost premises during the current financial year. Costs will also be lower in the current year due to the cancellation of a number of trade fairs that the Group customarily attends.

Results

Group revenue for the year of £7.3 million (2019: £7.1 million) generated a profit before tax of £25,000 (2019: loss of £13,000). In the light of the adverse impact of Covid-19, the Group has written off all of its deferred tax asset of £277,000, (2019: £nil). The Group therefore recorded a loss after tax of £252,000 for the year to 31 March 2020 (2019: loss £13,000).

Staff

The Group's operations continue to rely on the hard work and dedication of our employees and I would like to take this opportunity of thanking them again for their contribution and effort during the year.

Current Trading and Prospects

Trading conditions have inevitably been difficult since 31 March 2020, and the Group's retail premises remained closed until mid-June. Since re-opening, footfall has been significantly lower than in the previous year. It is the Board's present expectation that the Group will incur a loss in the first half of the year to 30 September 2020 as a result of the disruption from Covid-19. However, the Group's response has been to actively work to increase its online sales of books, prints and stamps and we have been encouraged in recent months by the level of online sales as well as sales created through social media highlights.

Strategic Report

Strategic Report

This report provides an overview of the Group's strategy and business model; gives a review of the performance of the operating entities and of the financial position at 31 March 2020; and sets out the principal risks to which the Group is exposed. In addition, it comments briefly on the future prospects of the business.

Principal Activities & Review of the Business

The Group is engaged in the business of dealing in rare books, fine art and collectibles. The majority of the business transacted is as a dealer — buying, owning and selling items, either on its own or together with third parties who also deal as principals. The Group also conducts auctions where both its own stock and third party consignments are available for sale. The Group maintains value from ownership of its stock and generates value through its expertise, astute buying and the profitable sale of stock.

Shapero Rare Books is the main business of the Group. It is a leading international dealer in rare and collectible books and works on paper with special expertise in Natural History, Illustrated, Travel and Exploration and Literature. The business also trades as Shapero Modern in modern and contemporary prints and limited editions by established artists.

Scholium Trading focuses on trading works of art in the wider art market using its own capital and the expertise of a small number of known third party dealers and their client bases.

Mayfair Philatelics is a dealer and auctioneer of stamps with a particular focus on British and Commonwealth stamps. Regular auctions are held in London and at Lingfield, Sussex, where both the company's own stock and third party consignments are sold. It conducted its first online sale in July 2020 with success.

Strategy & Key Objectives

The Group's strategy is to:

- build, either organically or by acquisition, a portfolio of collectibles businesses to enable further diversification of its revenue and profit streams;
- attract individuals or teams of specialists in markets complementary to the Group's existing businesses;
- optimize working capital in existing businesses to provide funds for new business development; and
- continue to develop all its entities by trading alongside other dealers in high value rare and collectible items and by participating in the acquisition for onward sale of large consignments.

The Directors intend, in due course, to provide an attractive level of dividends to shareholders along with stable asset-backed growth driven by the markets in which the Group operates.

Review of the year from continuing operations

The Group's revenues increased to £7.3m from £7.1m in the prior year due to increased sales in Shapero Rare Books, Scholium Trading. The Group traded profitably for the year, despite a small loss in the second half of the year due to Covid-19 and the consequent reduced activity in March 2020, normally one of the busiest months. The Group's profit before tax for the year to 31 March 2020 was £25k. Revenue increased by 2.3% and gross profit increased by 4.6% compared with the prior year ended 31 March 2019, due mainly to improved margins in Shapero Rare Books.

Direct costs increased due to the attendance at the Miami print fair and overhead expenses were at similar levels to last year. Central costs, including the costs of the Company's listing on AIM, were marginally higher than the prior year.

Group performance for the 12 months ended 31 March 2020 by half year			
6 months ended (£'000)	H1 (unaudited)	H2	Variance
Revenue	3,614	3,686	2%
Gross Profit	1,380	1,540	12%
Profit/(loss) before tax	64	(39)	n/a

The increase in revenue reflects the higher sales in Shapero Rare Books and Scholium Trading. The Group has written off its deferred tax asset of £277k due to the adverse Covid-19 impact on sales in the current year.

The Group's stock at 31 March 2020 was £8,981k compared with the prior year of £8,657k. Shapero Rare Books had a slightly increased stock level as March sales were curtailed by the onset of restrictions due to Covid 19. Scholium Trading's stock was also slightly higher by comparison with the prior year due to purchases in March. Mayfair Philatelics' stock was slightly below the prior year.

Group cash at 31 March 2020 was £281k, an improvement on the £192k cash in the prior year. The Group's overdraft was utilised during the year in order to manage its working capital requirements.

Key Performance Indicators

The Group is managed by and reports on a number of key performance indicators (KPIs).

The current principal KPIs are:

- Sales, gross profit and gross margin, profit before tax;
- the breadth and distribution of the stock of rare books held by the Group;
- stock turnover; and
- cash flow.

Key Performance Indicators			
Years ended 31 March (£'000)	2020	2019	Variance
Revenue	7,300	7,137	+2.3%
Gross Profit	2,920	2,791	+4.6%
Gross Margin	40%	39%	+2.3%
Stock Turnover (months)	24.2	24.2	-

Cash at bank	281	192	+46.6%
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Group Performance

The financial information below excludes the application of intragroup management charges. The trading activities, assets and liabilities of Scholium Trading and Mayfair Philatelics were transferred to Shapero Rare Books on 31 March 2020. The Group's subsidiaries therefore all now trade through Shapero Rare Books.

Shapero Rare Books

Shapero Rare Books (SRB) continued trading profitably during the year ended 31 March 2020. The year's sales were £5,889k, slightly above the prior year's sales of £5,642k and gross profit likewise at £2,293k for the year ended 31 March 2020 compared with the prior year of £2,214k.

Direct costs including the attendance at fairs, exhibitions, and catalogues increased from £500k in the prior year to £579k in the year to 31 March 2020. This reflected the costs of exhibiting at fairs including the attendance for the first time at Miami in December 2019. Overhead costs decreased marginally from £1,562k in the prior year to £1,556k in the year to 31 March 2020.

SRB therefore recorded a profit before tax of £145k compared with the profit of £140k in the prior year.

Scholium Trading

Scholium Trading performed well in the year ended 31 March 2020 with a contribution to gross profit of £236k compared to £192k for the prior year. In addition, the current stock includes some interests in paintings with potentially high levels of return.

Mayfair Philatelics

The year to 31 March 2020 continued the fuller auction programme for Mayfair Philatelics. There were three auctions in each half of the year. The first half loss of £7k (2019:£104k) increased slightly to £16k (2019:£46k profit) in the second half, as a result of Covid 19's adverse impact on the March auction at Lingfield. The overall loss for the year was therefore £23k (2019:£58k).

Central Costs

Central costs include the cost of all board members as well as those costs associated with the Group's AIM listing. The central costs were £299k in the year to 31 March 2020, an increase of £23k from the prior year's total of £276k. These costs include the cost of managing the Group, its audit, tax and professional fees, as well as the costs of maintaining the AIM listing for the Company's shares.

Year ended 31 March 2020 (£'000)

	Shapero Rare Books	Scholium Trading	Mayfair Philatelic	Central	Consolidated
Revenue	5,889	479	932	-	7,300
Gross Profit	2,293	236	391	-	2,920
Gross Margin	39%	49%	42%	0%	40%
Profit/(Loss) before tax	145	202	(23)	(299)	25

Year ended 31 March 2019 (£'000)

	Shapero Rare Books	Scholium Trading	Mayfair Philatelic	Central	Consolidated
Revenue	5,642	395	1,100	-	7,137
Gross Profit	2,214	192	386	-	2,791
Gross Margin	39%	49%	35%	0%	39%
Profit/(Loss) before tax	140	181	(58)	(276)	(13)

Dividend

The Board does not propose to declare a final dividend for the financial year ended 31 March 2020.

Principal Risks & Uncertainties

Supply of rare books, works on paper, prints and stamps and other items

By definition, rare books and other works on paper, prints and stamps are not commonly available. The availability of fresh stock of such items onto the market is often driven by major life events, such as inheritance, unrecovered debt, divorce or downsizing due to economic malaise. The business of Shapero Rare Books, Scholium Trading and Mayfair Philatelics is reliant upon individual works and collections of works coming onto the market and upon the Group being able to access those business opportunities. There is no guarantee that fresh stock will come onto the market in sufficient quantities to meet the Group's plans for continued growth, or that third parties will choose to consign their items for sale at the Group's auctions.

When works become available for sale or purchase, such sales are often dealt with privately and discretely and, accordingly, there is no guarantee that the Group's employees will be able to access such business opportunities or to negotiate successfully the purchase of fresh stock coming onto the market or successfully compete for the mandate to auction such items.

Reliance on key international trade fairs

A significant proportion of the Group's sales are made at international trade fairs, and in particular the major fairs. If these fairs were to be discontinued it would have a material effect on the ability of the Group to sell its stock. There are a limited number of stands at international trade fairs and as a result places are highly sought after. Whilst members of the Group have been exhibiting at these fairs for many years, there can be no certainty that they will continue to secure places in the future.

Competition

The market in the books and other items in which the Group trades is competitive. In the market for rare books and other items in which Shapero Rare Books trades, the Group faces various competitive pressures including from the major auctioneers, Sotheby's, Christie's, Bonhams and Stanley Gibbons and Spink as well as smaller auctioneers and a large number of dealers and smaller operators.

The Group is likely to face continued and/or increased competition in the future both from established competitors and/or from new entrants to the market. The Group's competitors include businesses with greater financial and other resources than the Group. Such competitors may be in a better position than the

Group to compete for future business opportunities. If the Group is unable to compete effectively in any of the markets in which it operates, it could lead to material adverse effect on the Group's business, financial condition, and operations.

Co-owned rare and collectible goods

In the case of high value items or collections, the Group will often acquire the items jointly with another third party bookseller or dealer and if not expressly provided for there is a risk that the Group will not be able to sell the entire asset without the agreement of all joint-owners. In this and other respects the Group relies on the honesty and integrity of other dealers. Whilst the Group takes care to deal only with established counterparties and experienced dealers who are well known to senior management and/or the Directors, there can be no guarantee that co-owners will comply with the agreed terms (including, for example not changing the items) or that such co-owners will not enter into administration or other insolvency procedure, and in the event there is a loss of the co-owned goods it is not certain that the Group could claim under its insurance policy in relation thereto.

Stock valuation and liquidity

The Group will trade in rare and collectible items, which may be highly illiquid. The value of goods acquired is difficult to assess and it may not be possible for the Group to sell the assets at or above the price for which they were acquired. The value of assets in the balance sheet may not always represent the actual resale value achievable.

Theft, loss or damage

Rare and collectible items are highly mobile goods. Furthermore, such goods are frequently transported internationally for trade shows or other marketing opportunities. Whilst precautions are taken to ensure safe passage, the Group's assets may be lost, damaged or stolen. While the Group carries specialist insurance, there is no guarantee that the Group's insurance cover will be adequate in all circumstances. Assets of the Group will be placed with third parties for sale on commission. While the Group intends to take appropriate precautions when placing assets with third parties, there is a risk that these assets outside of the Group's direct control may be stolen or replaced by unscrupulous third parties with fakes or forgeries.

Authenticity and export authority

The Directors of the Group will ensure that due diligence is undertaken on the authenticity of the assets acquired for sale. Nonetheless fakes and forgeries do exist in the market and despite due diligence the Group may acquire these believing them to be authentic. Further, the attribution of works to a writer or artist is not always an exact science, and there can be no guarantee that assets of the Group will not have been mistakenly attributed in this way. Lack of authenticity is not covered by the Group's insurance. Whilst the Group takes appropriate care when acquiring works which may be of material importance in the state of origin, there can be no guarantee that works acquired by the Group are not subject to restrictions on export or sale.

Insurance

The Group carries a specialist insurance policy under the Antiquarian Booksellers Association Insurance Scheme which covers each of the businesses. The Directors believe that the Group carries appropriate insurance for a business of its size and nature but there can be no guarantee that the extent or value of the cover will be sufficient, in relation to stock in transit or on consignment. The Directors review the Group's insurance arrangements on an annual basis and endeavour to insure its stock adequately, but there is no certainty that future claims will not fall within the exclusions under the policy or that the insurer will pay out any claim if made. Further, there can be no guarantee that the necessary insurance will be available to the Group in the future at an acceptable cost or at all.

Premises

Like many of the established dealers in the market, the Group has a publicly accessible gallery in Mayfair, London from where Shapero Rare Books and Mayfair Philatelics operate. Although there is a risk that the increasing demand for online retail will render 'high street' premises uneconomic, the Directors believe that a central London location is an important factor in the success of the business as a whole.

Terms of sale

To date, the contractual arrangements which the Group has entered into with clients, customers and other dealers have not always included (amongst other things) terms dealing specifically with

1. transfer of ownership and risk,
2. contract formation,
3. price and payment,
4. limitations and exclusions of liability, and
5. governing law and jurisdiction.

In light of the foregoing, there can be no guarantee that the Group's arrangements with its customers will not be terminated on short notice or that the Group will not at some future time face challenges or disputes in relation to the contractual or other arrangements with its clients.

If the Group became involved in a contractual dispute and/or a third party was successful in any contractual dispute with the Group, any resultant loss of revenues or exposure to litigation costs or other claims could have a material adverse effect on the Group's reputation, business, financial condition and/or operations or financial results. The Group has revised its standard terms of sale to seek to ensure that, henceforth, the arrangements with clients, customers, dealers and others will include terms dealing with each of the aforementioned areas.

Employees

The Group is reliant on a small number of key employees for their knowledge and the reliance customers place on their integrity and service. In the event that a key employee were to leave, the business may suffer a short term decrease in performance whilst it adjusts to the level of resources available to it.

Currency risk

The Directors anticipate that the Group will conduct certain of its transactions other than in Pounds Sterling, the Group's functional currency. As a result, movements in foreign exchange rates may impact the Group's performance. The Group does not enter into any contracts for any hedging arrangements in respect of currency positions.

Pandemics and government imposed trading restrictions

The Group's trading capabilities are susceptible to the prevalence of pandemics such as Covid 19 which has resulted in the closure of the Group's retail premises for three months and the cancellation of all fairs and exhibitions, together with restrictions on the mobility of its staff, customers and suppliers. The Group

has other avenues to market available to it, including the internet, telephone and post, but it may be difficult for the Group to trade profitably while such a pandemic is present.

Future prospects

As a result of the restrictions imposed by the UK government in response to Covid 19, the Group is presently loss making. Sales revenues have, however, increased in June and July 2020.

The core business of Shapero Rare Books is one of the leading rare book dealers, with a solid international customer base. Further attention will be required in order to improve its return on capital employed, particularly stock turnover. The board has implemented several online initiatives to manage this.

Scholium Trading has an established position with several other dealers, and In addition, the current stock includes some items with potentially high levels of return. The board intends to increase the capital available to this business, as the returns over the last 24 months have been good.

Mayfair Philatelics now has a full year's auction programme in place, and now requires one further expert in due course to maximise the potential from these sales.

The board continues with its review the opportunity for making further cost savings, with a view to improving the Group's profitability and thereby creating improved shareholder value. As part of this process, the Group has decided to relocate its retail bookshop to lower cost premises during the course of the year ending 31 March 2021.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 Mar 2020	Year ended 31 Mar 2019
	Note	£000	£000
Revenue	3	7,300	7,137
Cost of Sales		(4,380)	(4,346)
Gross profit		<u>2,920</u>	<u>2,791</u>
Distribution expenses		(720)	(664)
Administrative expenses		(2,162)	(2,128)
Total administrative expenses		<u>(2,162)</u>	<u>(2,128)</u>
Profit/(loss) from operations		37	(1)
Financial (expense)		(13)	(12)
Profit/(loss) before taxation		<u>25</u>	<u>(13)</u>
Income tax (expense)	7	(277)	-
(Loss) for the year from continuing operations and total comprehensive income attributable to equity holders of the parent company		<u>(252)</u>	<u>(13)</u>
Basic and diluted profit/(loss) per share:			
From continuing operations - pence	8	(1.86)	(0.11)
Total diluted (loss)/ profit per share - pence		<u>(1.86)</u>	<u>(0.11)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 Mar 2020	31 Mar 2019
	Note	£000	£000
Assets			
Non-current assets			
Property, plant and equipment		233	55
Intangible assets	9	12	16
Deferred corporation tax asset	11	-	277
		<u>245</u>	<u>348</u>
Current assets			
Inventories	12	8,981	8,657
Trade and other receivables	13	1,492	2,519
Cash and cash equivalents		281	192
		<u>10,754</u>	<u>11,368</u>
Total assets		<u>10,999</u>	<u>11,716</u>
Current liabilities			
Trade and other payables		1,168	1,805
Loans and borrowings		-	-
Right-of-use asset lease liabilities	15	172	-
Total current liabilities		<u>1,340</u>	<u>1,805</u>
Total liabilities		<u>1,340</u>	<u>1,805</u>
Net assets/liabilities		<u>9,659</u>	<u>9,911</u>
Equity and liabilities			
Equity attributable to owners of the parent			
Ordinary shares	14	136	136
Share Premium		9,516	9,516
Merger reserve		82	82
Retained (loss)/earnings		(75)	177
Total equity		<u>9,659</u>	<u>9,911</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £000	Share Premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2017	136	9,516	82	189	9,923
Profit for the year from continued and discontinued operations	-	-	-	38	38
Total comprehensive income for the period	-	-	-	38	38
Balance at 31 March 2018	136	9,516	82	227	9,961
(Loss) resulting from adoption of IFRS 15 (see note 2: accounting policies)	-	-	-	(37)	(37)
Balance at 31 March 2018 restated	136	9,516	82	190	9,924
(Loss) for the year from continued and discontinued operations	-	-	-	(13)	(13)
Total comprehensive income for the period	-	-	-	(13)	(13)
Balance at 31 March 2019	136	9,516	82	177	9,911
(Loss) for the year from continued and discontinued operations	-	-	-	(252)	(252)
Total comprehensive income for the period	-	-	-	(252)	(252)
Balance at 31 March 2020	136	9,516	82	(75)	9,659

There were no transactions with owners in the year.

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

Share capital	Amount subscribed for shares at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value less attributable share issue expenses.
Merger	Amounts attributable to equity in respect of merged subsidiary undertakings.
Retained	Cumulative profit/(loss) of the Group attributable to equity shareholders.

CONSOLIDATED STATEMENT OF CASH FLOWS

	31 Mar 2020	31 Mar 2019
	£000	£000
Cash flows from operating activities		
Profit/(loss) before tax	25	(1)
Depreciation of property, plant and equipment	326	31
Amortisation of intangible assets	4	4
	<u>355</u>	<u>34</u>
(Increase)/decrease in inventories	(325)	184
Decrease/(increase) in trade and other receivables	1,037	(288)
Increase/(decrease) in trade and other payables	(633)	90
Net cash generated from operating activities	<u>433</u>	<u>20</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(36)	(12)
Purchase of intangible assets	-	(20)
Net cash (used) in investing activities	<u>(36)</u>	<u>(32)</u>
Cash flows from financing activities		
Lease repayments for right-of-use assets	(296)	-
Interest paid	(13)	(12)
Net cash (used) from financing activities	<u>(309)</u>	<u>(12)</u>
Net increase/(decrease) in cash and cash equivalents	89	(24)
Cash and cash equivalents at the beginning of the year	192	216
Cash and cash equivalents at the end of the year	<u>281</u>	<u>192</u>

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	31 Mar 2020 £000	31 Mar 2019 £000
Assets			
Non-current assets			
Group Investments	10	2,391	5,200
Deferred tax asset		-	108
		<u>2,391</u>	<u>5,308</u>
Current assets			
Trade and other receivables	13	7,364	7,562
Cash and cash equivalents		7	9
		<u>7,371</u>	<u>7,571</u>
Total assets		<u>9,762</u>	<u>12,879</u>
Current liabilities			
Borrowings		-	-
Trade and other payables		70	50
Total current liabilities		<u>70</u>	<u>50</u>
Total liabilities		<u>70</u>	<u>50</u>
Net assets/liabilities		<u>9,692</u>	<u>12,829</u>
Equity and liabilities			
Equity attributable to owners of the parent			
Ordinary shares	14	136	136
Share Premium		9,516	9,516
Merger reserve		-	2,809
Retained earnings/(deficit)		40	368
Total equity		<u>9,692</u>	<u>12,829</u>

STATEMENT OF CHANGES IN COMPANY EQUITY

	Share Capita l £000	Share Premiu m £000	Merger reserv e £000	Retaine d earnin g s £000	Total equity £000
Balance at 1 Apr 2017	136	9,516	2,809	(301)	12,160
(Loss) for the year	-	-	-	(168)	(168)
Total comprehensive income for the period	-	-	-	(168)	(168)
Balance at 31 March 2018	136	9,516	2,809	(469)	11,992
Profit for the year	-	-	-	837	837
Total comprehensive income for the period	-	-	-	837	837
Balance at 31 March 2019	136	9,516	2,809	368	12,829
Profit for the year	-	-	-	(328)	(328)
Total comprehensive income for the period	-	-	-	(328)	(328)
Write-off of merger reserve	-	-	(2,809)	-	(2,809)
Balance at 31 March 2020	136	9,516	-	40	9,692

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

Share	Amount subscribed for shares at nominal value.
Share	Amount subscribed for share capital in excess of nominal value less issue expenses.
Merger	Amounts attributable to equity in respect of merged subsidiary
Retained	Cumulative profit/(loss) of the Group attributable to equity shareholders.

COMPANY CASHFLOW

	31 Mar 2020 £000	31 Mar 2019 £000
Cash flows from operating activities		
(Loss)/profit before tax	(220)	(204)
	<u>(220)</u>	<u>(204)</u>
Decrease/(increase) in trade and other receivables	198	(760)
(Decrease)/increase in trade and other payables	20	(45)
Net cash generated from operating activities	<u>(2)</u>	<u>(1,009)</u>
Cash flows from investing activities		
Dividends receivable from subsidiary undertakings	-	1,041
Net cash generated from investing activities	<u>-</u>	<u>1,041</u>
Cash flows from financing activities		
Net cash (used)/generated from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	(2)	32
Cash and cash equivalents at the beginning of the year	9	(23)
Cash and cash equivalents at the end of the year	<u>7</u>	<u>9</u>

Notes to the Consolidated Financial Statements

1 General information

Scholium Group plc and its subsidiaries (together 'the Group') are engaged in the trading and retailing of rare books, works on paper and stamps primarily in the United Kingdom. The Company is a public company domiciled and incorporated in England and Wales (registered number 08833975). The address of its registered office is 32 St George Street, London W1S 2EA.

2 Basis of preparation and accounting policies

The consolidated financial information, which represents the results of the Company and its subsidiaries, has been prepared in accordance with International Financial Reporting Standards and IFRIC Interpretations issued by the International Accounting Standards Board (together "IFRSs") as adopted by the European Union (EU) and as applied in accordance with the provisions of the Companies Act 2006. The Company financial statements have also been prepared in accordance with IFRSs.

The consolidated and Company financial statements have been prepared on an historical cost basis.

Going concern

The Group's trading was severely disrupted due to the restrictions imposed internationally as a result of the unfolding onset of Covid-19 during March 2020, and which remain in place to some extent as at the date of these financial statements.

The United Kingdom government imposed a number of restrictions on businesses and the population from March 2020 onwards (the lockdown period). The Group entered the lockdown period in a reasonably strong position with nearly £9 million of stock and over £280,000 of cash, and with no borrowings. Despite the closure of the Group's retail premises and the cancellation of all of the trade fairs both in the UK and overseas in the current financial year to date, sales have continued on the internet, by telephone and by post. These sales are at considerably reduced levels and the Group is currently loss making. Cash balances have however remained positive and the £0.5 million overdraft facility remains undrawn.

The Directors have reviewed the activities of the Group since 1 April 2020 with a view to determining whether there are any material uncertainties which may impact whether the Group can be considered to be a going concern. The Group's primary activities can be classified as retail, and therefore the Directors have considered the Group's position in the light of the retail industry as a whole as well as the Group's own circumstances. The Group's current lease on its retail premises expires on 30 October 2020, and it has yet to make any commitment to new retail premises. It has made all of the payments required under the terms of its lease. The Group therefore does not have any exposure to any onerous leases. The Group has an international customer base, and is not dependent on footfall generating sales from its London premises, or its presence at international fairs.

The Group's costs have reduced following the cancellation of trade fairs, and travel and subsistence costs are also lower than in prior years.

The Group has no borrowings and therefore is not exposed to any liabilities where the terms of repayment may change as a result of the lender's response to Covid-19. The Group has no creditors over one year, and no liabilities to a defined benefit pension scheme.

The Group has continued to make sales, and has recently concluded its own successful online auctions of both books and works on paper, and philatelic items, that have demonstrated that the continued ability to trade from retail premises, whilst desirable, is not fundamental to the Group's ability to sell its inventory to its customers at satisfactory margins. In addition, inventory has been consigned to third party auctions and sold satisfactorily.

The Directors have prepared revised "stressed" forecasts taking account of the results to date, current expected demand, and cost savings identified. This has been conducted together with an assessment of the liquidity headroom against the cash and bank facilities including a new CBILS facility which has been negotiated since the end of the 31 March 2020 accounting period.

The Directors have concluded that the potential impact of the COVID-19 pandemic described above does not represent a material uncertainty over the Group and Company's ability to continue as a going concern. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months, therefore it is appropriate to adopt a going concern basis for the preparation of the Financial Statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group and Company were unable to continue as a going concern.

3 Revenue

	31 Mar	31 Mar
	2020	2019
	Group	Group
	£000	£000
Sales of Stock	7,214	6,736
Commissions	60	370
Other income	26	31
	7,300	7,137

All revenues are derived from a single operating segment, collectibles.

4 Profit/(loss) before taxation

Profit/(loss) before taxation is after charging/(crediting):	31 Mar 2020 Group £000	31 Mar 2019 Group £000
Depreciation of property, plant and equipment	326	31
Amortisation of intangible assets	4	4
Operating lease rentals	-	321
Foreign currency (gains)/losses	(9)	8
Employee costs (note 7)	976	1,000
Fees payable to the Company's auditors (note 9)	41	38

5 Employee costs including Directors

	31 Mar 2020 Group £000	31 Mar 2019 Group £000
Wages	833	890
Social security costs	91	67
Pension costs	38	31
Other employee benefits	14	12
	<hr/>	<hr/>
	976	1,000
	<hr/>	<hr/>

All employee costs are included in administrative expenses.

Defined contribution pension schemes.

The Group operates defined contribution retirement benefit schemes for qualifying employees. The total cost charged to income of £38k (2019: £31k) represents contributions payable to those schemes by the Group at rates specified in the rules of the plans. As at 31 March 2020, contributions due in respect of the current reporting period of £3k (2019: £3k) had not been paid over to the schemes and are included within payables.

6 Directors' remuneration

	31 Mar	31 Mar
	2020	2019
	Group	Group
	£000	£000
Salaries and fees	183	177
Social security costs	10	8
Pension costs	1	1
Other employee benefits	7	5
	<hr/>	<hr/>
	201	191
 Information regarding the highest paid Director, Jasper Allen:		
Salary	76	70
Benefits	<u>7</u>	<u>5</u>
	83	75

There is one (2019 – one) director accruing a defined contribution pension liability.

The Directors are considered to be the Company's key management personnel.

7 Income tax

	31	31
	Mar	Mar
	2020	2019
	£000	£000
<i>Current tax (credit)/expense</i>		
Current tax	-	-
Deferred tax	(277)	-
Impact of change in UK Corporation tax rate	-	-
Origination and reversal of temporary differences	-	-
Total tax expense	<hr/> (277) <hr/>	<hr/> - <hr/>

The charge for the year can be reconciled to the profit/(loss) per the income statement as follows:

	31 Mar 2020 £000	31 Mar 2019 £000
Profit/ loss before tax	25	(13)
Applied corporation tax rates:	19%	19%
Tax at the UK corporation tax rate of 19% (2019: 19%):	5	(2)
Expenses not deductible for tax purposes	-	-
Write off of previously recognised tax losses	(277)	-
Origination and reversal of temporary differences	(5)	2
Taxation charge	(277)	-
8 (Loss) per share		
	31 Mar 2020 Group £000	31 Mar 2019 Group £000
(Loss) used in calculating basic and diluted earnings per share attributable to the owners of the parent	(252)	(13)
Number of shares		
Weighted average number of shares for the purpose of basic and diluted earnings per share	13.6m	13.6m

Basic earnings/(loss) per share from continuing operations (pence per share)	(1.86)	(0.11)
Total basic and diluted earnings/(loss) per share - pence	<u>(1.86)</u>	<u>(0.11)</u>

All shares shown above are authorised, issued and fully paid up. Ordinary shares carry the right to one vote per share at general meetings of the Company and the rights to share in any distribution of profits or returns of capital and to share in any residual assets available for distribution in the event of a winding up.

9 Intangible Assets

	31 Mar 2020 Group £000	31 Mar 2019 Group £000
Balance at the beginning of the year	16	-
Additions at cost	-	20
Amortisation	(4)	(4)
Balance at the end of the year	<u>12</u>	<u>16</u>

The intangible assets comprise a mailing list.

10 Investment in subsidiaries

	31 Mar	31 Mar
	2020	2019
	Company	Company
	£000	£000
At 7 January 2014: nominal value of shares issued	28	28
Fair-value adjustment taken to merger reserve	2,809	2,809
Write-off of merger reserve	(2,809)	-
Deferred consideration	2,363	2,363
	———	———
Balance at the end of the year	2,391	5,200

The investments in Group undertakings are originally recorded at cost which is the fair-value of the consideration paid. At 31 March 2019 the amount was £5,200,000. The Company's merger reserve was written off as at 31 March 2020 due to the assessment of the subsidiary company's value following the adverse impact of Covid-19. As such, the investment is now valued at £2,391,000.

The principal subsidiaries of the Company, all of which have been included in the consolidated financial information, are as follows: Shapero Rare Books Ltd, Scholium Trading Ltd and Mayfair Philatelics Ltd, all of which are wholly owned.

11 Deferred Corporation Tax

	31 Mar	31 Mar
	2020	2019
	Group	Group
	£000	£000
Balance at the beginning of the year	277	277

Income statement	(277)	-
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Balance at the end of the year	-	277

The deferred tax asset comprises:

Origination and reversal of temporary differences	-	277
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Deferred tax is calculated in full on temporary differences under the liability method using the tax rates expected for future periods of 19%. The deferred tax has arisen due to the availability of trading losses. The Group has unutilised tax allowances, at expected tax rates in future periods, of £378,000 (2019: £383,000) of which £nil has been recognised (2019: £277,000 recognised).

In adopting IFRIC 23 Uncertainty over tax treatments during the year, a review has been carried out of the Group's ability to generate future profits in the light of Covid-19. This has concluded that it is no longer appropriate to continue to recognise this deferred tax asset.

12 Inventories

	31 Mar	31 Mar
	2020	2019
	Group	Group
	£000	£000
Finished goods	8,981	8,657
	<hr/>	<hr/>
Finished goods expensed in the year	4,222	3,991
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13 Trade & other receivables

	31 Mar	31 Mar	31 Mar	31 Mar
	2020	2019	2020	2019
	Group	Group	Company	Company
	£000	£000	£000	£000
Trade debtors	1,347	2,308	-	-
Other debtors	47	28	5	2
Amounts due from Group undertaking	-	-	7,339	7,560

Prepayments and accrued income	98	183	20	-
	1,492	2,519	7,364	7,562

The age profile of trade and other receivables comprise:

	£000
Current	447
One month past due	176
Two months past due	134
Over three months past due	590
Provision for doubtful debts	-
	<u>1,347</u>

As at 31 March 2020, trade receivables of £nil (31 March 2019 £nil, 31 March 2018 £nil, 31 March 2017 £nil) were considered past due and impaired. The other debtors balances are categorised as loans and receivables. All amounts shown under trade and receivables are due for payment within one year. Some receivables will be settled against trade payables in due course.

Amounts due from Group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

14 Share Capital

	31 Mar 2020	31 Mar 2019
	Group and Company	Group and Company
	£000	£000
<i>Ordinary shares of £0.01 each</i>		
At the beginning of the year	136	136
Issued in the year	-	-
At the end of the year	<u>136</u>	<u>136</u>
Number of shares	31 Mar	31 Mar
	2020	2019
	Group and Company	Group and Company

Ordinary shares of £0.01 each	Number	Number
At the beginning of the year	13,600,000	13,600,000
Issued in the year	-	-
At the end of the year	13,600,000	13,600,000

All shares shown above are authorised, issued and fully paid up. Ordinary shares carry the right to one vote per share at general meetings of the Company and the rights to share in any distribution of profits or returns of capital and to share in any residual assets available for distribution in the event of a winding up.

15 Right to use Asset lease Liabilities

	31 Mar 2020 Group £000	31 Mar 2019 Group £000
Land and buildings		
Less than one year	172	-
Between one and two years	-	-
Between three and five years	-	-
Over five years	-	-
	<u>172</u>	<u>-</u>

See also note 14 for the corresponding asset.

No adjustment was made to the balance sheet at 31 March 2019 as explained in note 2 following the adoption of OFRS 16: Leases.

16 Post balance sheet date events

The Group's trading was severely disrupted due to the restrictions imposed internationally as a result of the unfolding onset of Covid-19 during March 2020, normally one of the Group's busiest and most profitable months.

The United Kingdom government imposed a number of restrictions on businesses and the population from March 2020 onwards (the lockdown period). The Group entered the lockdown period in a reasonably strong position with nearly £9 million of stock and over

£280,000 of cash, and with no borrowings. Despite the closure of the Group's retail premises and the cancellation of all of the fairs both in the UK and overseas in the current financial year to date, sales have continued on the internet, by telephone and by post. These sales are at considerably reduced levels and the Group is currently loss making. Cash balances have however remained positive and the £0.5 million overdraft facility remains undrawn. Management remains focussed on generating as many sales as possible during this unprecedented period.

It is the Board's present expectation that the Group will incur a loss in the first half of the year to 30 September 2020 as a result of the disruption from Covid-19. The Board currently expects that not all of the anticipated first half loss will be recouped in the second half of the year. However, the continuing sales to date in present circumstances provide some encouragement that the Group will prevail to take advantage of opportunities as conditions hopefully begin to improve. The Group's retail premises have re-opened in mid- June. Sales have increased in June and July compared with April and May, and successful online sales have been held of books, works on paper and philatelic items.

There have been no other material events directly affecting the Group since the balance sheet date.