

EMPIRE

VALUATION CONSULTANTS

MEMORANDUM

Date: November 24, 2014

To: John Murphy and Paul Goodwin

From: Jeff Schultz

Re: Phaidon Press Limited Financial Statement Questions

John/Paul,

While in the process of preparing our model, a handful of other questions came up. Would you be so kind as to provide responses?

Please feel free to email or call if you would like clarification on any item.

Question	Response
For fiscal year 2014, Restructuring Costs of £1,656 (in 000s) was added back Typically, we see Restructuring Costs as an expense. Please provide details surrounding £1,656 of Restructuring Costs being accounted for as income in fiscal year 2014.	
Trade Debtor balances have been as follows: 6/30/2012: £4,266 (66 days' receivable ¹) 6/30/2013: £3,691 (66 days') 6/30/2014: £4,301 (74 days') And are projected as follows: 6/30/2015: £6,400 (93 days') 6/30/2016: £6,541 (84 days') 6/30/2017: £6,641 (79 days') Please provide details surrounding the projected increase in year-end Trade Debtor balances and days' receivable for 2015 and 2016	

¹ 365/(sales/receivable)

Phaidon reported pre-tax losses as follows:

2013: £1,950

2014: £1,294

And projects pre-tax losses as follows:

2015: £1,298

Does tax law permit a future tax credit for losses in previous years? In the U.S., the credit is referred to as a Net Operating Loss Carryforward.

If a tax credit is expected, please provide details on how it is applied to the pre-tax earnings projected for 2016 and 2017 (and years beyond).

If a tax credit is applicable, it would be ideal to have an estimated tax credit for each year until the credit is fully utilized.