BLOOMSBURY PUBLISHING PLC

("Bloomsbury" or the "Group")

Audited Preliminary Results for the year ended 28 February 2018

Bloomsbury today announces audited results for the year ended 28 February 2018.

Financial Highlights

- Total revenues grew by 13% to £161.5 million (2016/17: £142.6 million). Revenues from overseas customers grew by 16% to £101.2 million, and are now 63% of total revenues
- Profit before taxation and highlighted items* grew by 10% to £13.2 million (2016/17: £12.0 million), above market expectations
- Proposed final dividend of 6.36p per share, making a total dividend of 7.51p per share for the year, up 12% (2016/17: 6.7p per share)
- Diluted earnings per share, excluding highlighted items*, grew by 10% to 13.92p (2016/17: 12.63p)
- Strong cash conversion of 161% (2017: 180%), with net cash of £25.4m at 28 February 2018 (2017: £15.5m)
- Strong autumn book list and acquisition of I. B. Tauris & Co. Ltd ("IBT") will mean performance for 2018/19 will be well ahead of our previous expectations

Operational Highlights

Consumer division

- The Consumer division had an exceptional year, due primarily to a strong Children's and Cookery performance. Revenue increased 20% to £102.2m (2016/17: £85.4m) and operating profit before highlighted items increased by 21% to £11.4m (2016/17: £9.4m**)
- Strong list for the year ahead includes *A Court of Frost and Starlight* by Sarah J. Maas, a major new cookery title from Tom Kerridge, the illustrated version of *The Tales of Beedle the Bard* by J.K. Rowling and the film tie-in edition of *The Guernsey Literary and Potato Peel Pie Society*
- Children's
    - Revenue for the year increased by 24% to £69.2m (2016/17: £55.9m)
    - Sales of the Harry Potter series in the year grew by 31%, including *Harry Potter and the Prisoner of Azkaban* Illustrated Edition
    - Strong sales of Sarah J. Maas titles included *A Court of Wings and Ruin*
- Adult
    - Revenue increased by 12% year on year to £33.1m (2016/17: £29.5m)
    - Highlights included Tom Kerridge's *Lose Weight for Good*

Non-Consumer division

- The Non-Consumer division saw revenues grow by 4% to £59.3m (2016/17: £57.2m). Operating profit before highlighted items was £1.7m (2016/17: £2.6m**) including £1.2m net more investment in *Bloomsbury 2020,* a foreign exchange charge that was £0.7 million higher year on year and a strong rights performance in the prior year
- The *Bloomsbury 2020* strategy to leverage our academic and professional assets into the academic library market, is delivering well with digital resource revenues up 20% to £4.7 million. Five major new digital resources were launched in the year, ahead of plan. On track to deliver targeted £5 million of profit and £15 million revenue in 2021/22
- Acquisition of IB Tauris in April 2018 for £5.8 million. Its quality academic IP will enhance our digital resources

Bigger Bloomsbury

As Bloomsbury continues to focus on quality revenues and building upon the strong momentum achieved last year, we have a number of key growth initiatives that, together with our acquisition of IBT, the Board expects will lead to our performance for 2019/20 onwards being well ahead of our previous expectations. The main initiatives are:

1. Growing the profits of the Adult division;
2. Growing the profits of the Academic & Professional division;
3. Reducing our finished goods stock further by continuing to roll out globally efficiencies already made in the UK business;
4. Increasing the focus on Bloomsbury's nine biggest assets, starting with Harry Potter, Sarah J. Mass, Tom Kerridge and the lead title in each division from both the US and UK editorial lists to boost front list and back list performance;
5. Maximising the success of Bloomsbury Digital Resources;
6. Accelerating the growth of Bloomsbury's sales in the USA, Australia and India; and
7. Developing Bloomsbury China: China Global Publishing – publishing books, in English, as a publishing partner in the West for major Chinese publishers, following signing of Memorandum of Understanding in May 2018.

Commenting on the results, Nigel Newton, Chief Executive, said:

"I am delighted with the performance of our business over the last twelve months. It has been a great year that has put Bloomsbury in a very strong and exciting position. We have seen significant progress in both segments of our business.

In Consumer, we saw revenue growth of 20%, increasing across all territories, driven by Children's and Cookery titles. Tom Kerridge's *Lose Weight for Good* was a notable standout, selling the most copies in a week in January since records began. In the milestone twentieth anniversary year for Harry Potter we continued to demonstrate our ability to find inventive and engaging ways to bring the story to life for readers, publishing a House edition of *Harry Potter and the Philosopher's Stone* and the illustrated *Harry Potter and the Prisoner of Azkaban* and *Fantastic Beasts and Where to Find Them*. In Non-Consumer, our Academic & Professional division continues to benefit from the *Bloomsbury 2020* strategic growth initiative as we look to accelerate digital revenues significantly and become a leading publisher in the B2B academic and professional market.

Bigger Bloomsbury marks the next exciting step in our growth, focussing on our key growth drivers with targeted strategies across the business to help grow our revenues and improve our margins over the next five years."

Notes

** Highlighted items comprise amortisation of acquired intangible assets and in the prior year other one-off significant non-cash charges and major one-off initiatives including legal and other professional costs relating to acquisitions and restructuring costs.*

*** Prior year divisional profits are amended to reflect a change in the allocation of central costs in order to provide a better understanding of underlying results. Group results are unaffected.*

Forward-looking statements: Statements contained in this Annual Results Announcement are based on the knowledge and information available to the Company's directors at the date it was prepared and therefore the facts stated and views expressed may change after that date. By their nature, the statements concerning the risks and uncertainties facing the Company in this Annual Results Announcement involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. To the extent that this Annual Results Announcement contains any statement dealing with any time after the date of its preparation such statement is merely predictive and speculative as it relates to events and circumstances which are yet to occur. The Company undertakes no obligation to update these forward-looking statements.

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Chief Executive's statement

Overview

The year ended 28 February 2018 was an exceptional year for Bloomsbury Publishing. The Consumer and Non-Consumer divisions both grew revenues, resulting in total Group revenues being 13% ahead of last year at £161.5 million (2016/17: £142.6 million). This growth came particularly from Children's and Cookery titles. Group profit before tax and highlighted items increased 10% to £13.2 million (2016/17: £12.0 million). In 2016 we announced the *Bloomsbury 2020* strategy to leverage our academic and professional IP assets into the academic library market, growing more high quality digital subscription income. This strategy is delivering well, with a 20% increase year on year in digital resource revenues to £4.7 million. We launched five major new digital resources in the year and four new modules attached to existing resources, ahead of plan. Group profit includes £1.2 million of net investment in *Bloomsbury 2020* (2016/17: Nil).

We are focussed on making the best use of our capital and to this end, as well as investing in our digital resources, in April 2018 we acquired the academic publisher I. B. Tauris & Co. Ltd ("IBT") for £5.8 million. Additionally, with Bloomsbury's strong balance sheet, we have been able to recommend a 14% increase in final dividend.

Due to the strong trading in the year, the Group was able to make a management bonus provision of £2.3 million (2016/17: £1.0 million). The highlighted item of £1.6 million was the amortisation of acquired intangible assets. The effective rate of tax for the year, excluding highlighted items, was unchanged at 22%. Diluted earnings per share, excluding highlighted items, grew 10% to 13.92 pence (2016/17: 12.63 pence). Including highlighted items, profit before tax was £11.6 million (2016/17: £9.4 million) and diluted earnings per share was 12.06 pence (2016/17: 9.81 pence).

Strategy

Our strategy is to leverage new and our existing title rights to publish authors and works of excellence and originality, combining tradition and technology and establishing solid profit streams. Our main objectives are to:

1. <u>Grow our Non-Consumer revenues so that they match or exceed our Consumer revenues.</u>

Non-Consumer revenues have higher margins, are a more predictable revenue stream, are less reliant on the high street customers and have greater digital opportunities. Non-Consumer revenues grew by 4%, although they have reduced from 40% of total revenues to 37% as a result of the exceptional growth in Consumer revenues in the year. The digital resources strategy leverages both existing and new IP and is on track to deliver the £5 million of profit and £15 million of revenue in 2021/22 to which we committed. Net investment in digital resources in the 2017/18 income statement was £1.2 million, less than previously guided, and was the year of maximum incremental investment in this strategy. The newly acquired IBT provides more quality academic IP to enhance our digital resources. IBT is expected to contribute £3.5m of revenue and about £0.3 million of profits in our ten months of ownership in 2018/19 (before highlighted acquisition and reorganisation costs). There will be significant synergies gained from integrating this business into Bloomsbury.

2. **<u>Expand internationally in English language markets reducing the Group's reliance on the UK market.</u>** The global English language market is growing each year as more people learn English as the world's medium of communication. Academic titles usually have global appeal, so our strategy to grow Non-Consumer revenues should increase overseas income. Overseas revenues by destination grew by 16% to £101.2 million and are now 63% of total Group revenues (2016/17: 61%). This is a key strength.

3. **<u>Continue to attract, spot and retain high quality talent in our Consumer division, and remain the home of some of the world's best loved and most exciting authors.</u>** While we recognise the importance of growing reliable Non-Consumer revenues, we will always strive to discover, nurture and champion brilliant Consumer talent. The division had a particularly strong year growing revenues across all territories, and a core part of our strategy will always focus on finding excellent works and looking at new ways to leverage existing title rights.

Cash

Cash generation was strong with cash at year end of £25.4 million (2017: £15.5 million) and cash conversion of 161% (2017: 180%). Our focus on working capital continues – inventories have reduced by 5% or £1.3 million year on year, on a like-for-like basis, despite the significant increase in revenues. We are working to achieve a 5% reduction in inventory, using constant currencies, in 2018/19, excluding additions from acquisitions. Our strategic priority for cash is organic investment to grow and enhance our existing business. Including £1.7 million of capital expenditure, during the year we invested a total of £2.9 million of cash in the Bloomsbury digital resources strategy. The £5.8 million consideration for the acquisition of IBT was paid after the year end. £5.0 million was paid in cash in April and May 2018 and the balance will be paid subject to working capital and other adjustments over up to two years. We continue to assess potential acquisitions actively.

Dividend

The Group has a progressive dividend policy while aiming to keep dividend earnings cover in excess of two. Investment in Bloomsbury Digital Resources is leading to earnings cover falling slightly below that level in the short-term, but the dividend is underpinned by strong cash cover. The Board has committed during this period of investment to maintain its progressive dividend policy on the basis that earnings cover will improve as the return on our investment accrues. The Directors are recommending a final dividend of 6.36 pence per share, which subject to Shareholder approval at our AGM on 18 July 2018, will be paid on 24 August 2018 to Shareholders on the register at the close of business on 27 July 2018. Together with the interim dividend, this makes a total dividend for the year ended 28 February 2018 of 7.51 pence per share, a 12% increase on the 6.7 pence dividend for the year ended 28 February 2017. The proposed increase in final dividend this year is higher than in previous years and moves the total dividend to a higher base, reflecting the Board's confidence in the success of its strategy, and in particular the growth in Digital Resource profits. Including the proposed 2017/18 dividend, over the past thirteen years the dividend has increased at a compound annual growth rate of 7.3%. We have also permanently brought forward the payment date for our final dividends by about a month compared to our historic timetable.

Consumer Division

The Consumer division, which consists of Adult and Children's trade publishing, has had an exceptional year with revenue for the division growing by 20% to £102.2 million (2016/17: £85.4 million). Operating profit before highlighted items increased by 21% to £11.4 million (2016/17: £9.4 million). There was good revenue growth in all territories: 29% in Australia, 23% in the US, 43% in India and 28% in the UK (all at constant currencies). Our excellent authors won the most important literary awards, notably the Man Booker Prize with *Lincoln in the Bardo* by George Saunders, the National Book Award with *Sing, Unburied, Sing* by Jesmyn Ward and the Costa Children's Book Award for *The Explorer* by Kate Rundell.

The adult trade team achieved 12% growth in Adult revenues to £33.1 million, with particular success in Cookery sales. Tom Kerridge's *Lose Weight for Good* was an extraordinary seller. It reached overall number one on UK Nielsen Bookscan for four weeks. The book sold the most copies in a week in January since Nielsen Bookscan records began. George Saunders' *Lincoln in the Bardo* achieved a total of twenty-eight recommendations as Book of the Year, including by the *Sunday Times*. *Norse Mythology* by Neil Gaiman has been in the *Sunday Times* paperback Fiction chart since its publication in February. *Commonwealth* by Ann Patchett was the bestselling paperback in the division in the year. It won International Book of the Year at the Australian Book Industry Awards. Our crime and thriller imprint Raven Books was launched in 2017 and now has five published titles; it opens a new fiction market to Bloomsbury. Our flagship debut novel *The Silent Companions* by Laura Purcell is selling well.

Children's sales growth of 24% to £69.2 million included a 31% growth in Harry Potter revenues. On 26 June 2017 we celebrated the twentieth anniversary of *Harry Potter and the Philosopher's Stone* by publishing special editions of *Harry Potter and the Philosopher's Stone*, the illustrated *Harry Potter and the Prisoner of Azkaban* and *Fantastic Beasts and Where to Find Them*, and two titles to tie in with the stunning British Library Harry Potter exhibition. The standard edition of *Harry Potter and the Philosopher's Stone* was the number ten bestselling children's book of the year on UK Nielsen Bookscan, twenty years after it was first published – every year these classics reach a new generation of readers.

Excluding Harry Potter, Children's sales grew by 14% year on year. Sarah J. Maas sales continue to grow with the original *Throne of Glass* selling over one million copies worldwide during 2017. She was number one on the *New York Times* bestseller list and the UK Nielsen Bookscan chart with the publication during the year of *A Court of Wings and Ruin*, the third book in this series. Other highlights on the Children's list included the bestselling children's fiction debut of 2017 on the UK Nielsen Bookscan – *Kid Normal* by Greg James and Chris Smith. Kate Pankhurst's *Fantastically Great Women Who Changed the World* was the bestselling children's general non-fiction title of 2017 on UK Nielsen Bookscan.

As a testament to our strength in this area, Bloomsbury won Children's Publisher of the Year at the British Book Awards in May.

Non-Consumer Division

The Non-Consumer division consists of Academic & Professional, Special Interest and Content Services. Revenues in the division increased by 4% to £59.3 million (2016/17: £57.2 million). Adjusted operating profits were £1.7 million (2016/17: £2.6 million). The reduction in profit reflects the ongoing investment in Bloomsbury's 2020 initiative, which peaked at a net £1.2 million in the 2017/18 income statement (2016/17: breakeven), a foreign exchange charge that was £0.7 million higher year on year and lower rights income. Academic & Professional revenues were 1% lower than prior year as a result of the strong number of rights deals in 2016/17 and a print market decline in the UK Education sector, which makes up 4% of the divisions revenues. Excluding rights and services, the division's revenues grew by 2%.

The strategic growth initiative *Bloomsbury 2020* which we announced in May 2016 and is now known as Bloomsbury Digital Resources, will make Bloomsbury a leading non-consumer publisher in the B2B academic and professional information market and significantly accelerate the growth of digital revenues. During the year ended 28 February 2018, the focus of this plan was to expand the sales and marketing team, to deliver the budgeted number of new digital resource products on schedule and to roll-out back-office systems including Salesforce. All of this and more was achieved.

Geographically, 59% of digital resources revenue originated outside the UK, the largest territory being North America at 38% (2016/17: 33%), where revenue grew by 47% year on year. We launched five new digital resources during the year: Bloomsbury Design Library, Bloomsbury Cultural History, Bloomsbury Food Library, International Arbitration, and Bloomsbury Encyclopaedia of Philosophers – two more than originally planned. The pipeline is robust – over the next year we will be launching Screen Studies, Bloomsbury Early Years, Bloomsbury Architecture Library, Fashion Video Workshop, and Applied Visual Arts Library, as well as new modules to Drama Online. On August 31st to catch the start of the new university year we will be launching new more flexible ways for our customers to buy from us in the form of "Title by Title" acquisition and the Evidence Based Acquisition model. "Title by Title" will make available for the first time some 4,000 backlist Bloomsbury Academic titles as part of the digital resource programme. These titles are not currently in one of our forty existing Bloomsbury Collections subject areas, and therefore "Title by Title" unlocks an important new revenue stream.

In April 2018, Bloomsbury was appointed as publishing partner to the British Film Institute ("BFI") to develop and manage the BFI Publishing programme. Bloomsbury's unique position as a trade and academic publisher aligns perfectly with the range of the BFI Publishing programme and the BFI's strategic goals, to engage with young and diverse audiences and to help develop the next generation of British film talent. Bloomsbury will be able to extend the reach and awareness of BFI Publishing to students and scholars, as well as to the global film and television community. Bloomsbury has an established film and media list that perfectly complements the BFI programme, and has recently launched a digital resource for moving image studies, Screen Studies.

The Special Interest division focusses on publishing in print and in digital for selected communities of interest. It has enjoyed an exceptional year with its sub-divisions (wildlife, sport, reference, military, health and fitness, and religion) performing well. Stand-out titles include Douglas Murray's *The Strange Death of Europe*, Anita Bean's *The Runner's Cookbook*, Muir Gray and Diana Moran's *Sod Sitting, Get Moving* and Ian Herbert's *Quiet Genius*.

Our initiative to develop board games as part of Osprey has delivered good results with revenues up 10% to £1.5 million. Sales of the new edition of *Escape from Colditz* have exceeded 17,000 sets already. In May 2018, we signed a memorandum of understanding with China Youth Press of Beijing and their international division in London, for the creation of China Global Publishing, to promote, sell and distribute English language editions of titles for Chinese publishers. Our other new investment areas in Special Interest include Green Tree for health and fitness, Sigma for popular science, Conway for outdoor, adventure and activities, Herbert Press for ceramics and craft and the digital development of Writers & Artists.

Board changes

As announced, we welcome to the Board Penny Scott-Bayfield, who will be joining Bloomsbury as Group Finance Director on 16 July 2018, succeeding Wendy Pallot who will be leaving on 18 July 2018. There are no further details to disclose in respect of the appointment of Penny in accordance with Listing Rule LR9.6.13R. I would like to thank Wendy for her immense contribution to Bloomsbury. I shall miss her.

Richard Charkin is standing down from the Board and his executive responsibilities at the end of May 2018 and will continue to work for the Company as a consultant on a number of important strategic projects including Bloomsbury China which he initiated. I would like to thank Richard for his incomparable contribution to Bloomsbury over the last eleven years. We would not be the company we are today without him. I look forward to working with him on big projects in his new role for us.

Outlook

We expect to launch five further major digital resources in 2018/19 as well as making additions to existing modules. Our recently announced publishing partnerships with the British Film Institute and Spotify will also add value in the forthcoming year. Our strong book list this year includes the latest from Sarah J. Maas *A Court of Frost and Starlight* which went straight to Number 1 in the UK on 9th May, the illustrated version of *The Tales of Beedle the Bard* by J.K. Rowling, the twentieth anniversary edition of *Harry Potter and the Chamber of Secrets,* a tie-in with the release as a film of *The Guernsey Literary and Potato Peel Pie Society*, *Sea Prayer* by Khaled Hosseini and *To Obama* by Jeanne Marie Laskas. In addition, Bloomsbury is publishing a major new cookery book with Tom Kerridge.

As a result of these and an expected extra £0.3 million profit contribution from the acquisition of IBT (excluding highlighted acquisition and reorganisation costs) the Board believes the Group's performance will be well ahead of our previous expectations for the forthcoming 2018/19 year.

Bigger Bloomsbury

Our significant emphasis on adding shareholder value has crystallised in the "Bigger Bloomsbury" initiative, where we are focussing on our key growth drivers with targeted strategies across the business to help grow our revenues and improve profit margins. This, together with our acquisition of IBT, is expected to lead to performance for 2019/20 being well ahead of our previous expectations. The key growth drivers are as follows:

1. Growing the profits of the Adult division;

2. Growing the profits of the Academic & Professional division;

3. Reducing our finished goods stock further by continuing to roll out globally efficiencies already made in the UK business;

4. Increasing the focus on Bloomsbury's nine biggest assets, starting with Harry Potter, Sarah J. Mass, Tom Kerridge and the lead title in each division from both the US and UK editorial lists to boost back list and front list performance;

5. Maximising the success of Bloomsbury Digital Resources;

6. Accelerating the growth of Bloomsbury's sales in the USA, Australia and India; and

7. Developing Bloomsbury China: China Global Publishing – publishing books, in English, as a publishing partner in the West for major Chinese publishers, following signing of Memorandum of Understanding in May 2018.

Audited Consolidated Income Statement

FOR THE YEAR ENDED 28 FEBRUARY 2018

	Notes	**Year ended 28 February 2018 £’000**	Year ended 28 February 2017 £’000
Revenue	2	**161,510**	142,564
Cost of sales		**(77,155)**	(67,686)
Gross profit		**84,355**	74,878
Marketing and distribution costs		**(22,814)**	(20,977)
Administrative expenses		**(50,000)**	(44,499)
Operating profit before highlighted items		**13,114**	11,997
Highlighted items	3	**(1,573)**	(2,595)
Operating profit		**11,541**	9,402
Finance income		**151**	138
Finance costs		**(48)**	(96)
Profit before taxation and highlighted items		**13,217**	12,039
Highlighted items	3	**(1,573)**	(2,595)
Profit before taxation		**11,644**	9,444
Taxation	4	**(2,574)**	(2,091)
Profit for the year attributable to owners of the Company		**9,070**	7,353
Earnings per share attributable to owners of the Company			
Basic earnings per share	6	**12.15p**	9.83p
Diluted earnings per share	6	**12.06p**	9.81p

Audited Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 28 FEBRUARY 2018

	Year ended 28 February 2018 £'000	Year ended 28 February 2017 £'000
Profit for the year	**9,070**	7,353
Other comprehensive income		
Items that may be reclassified to the income statement:		
Exchange differences on translating foreign operations	**(3,943)**	4,587
Items that may not be reclassified to the income statement:		
Remeasurements on the defined benefit pension scheme	**27**	(58)
Other comprehensive income for the year net of tax	**(3,916)**	4,529
Total comprehensive income for the year attributable to the owners of the Company	**5,154**	11,882

Audited Consolidated Statement of Financial Position

AS AT 28 FEBRUARY 2018

	Notes	**28 February 2018 £'000**	28 February 2017 £'000
Assets			
Goodwill		**42,139**	42,548
Other intangible assets		**19,885**	21,214
Investments		**300**	–
Property, plant and equipment		**2,083**	2,248
Deferred tax assets		**2,092**	4,808
Trade and other receivables	7	**1,530**	1,951
Total non-current assets		**68,029**	72,769
Inventories		**26,677**	28,611
Trade and other receivables	7	**76,857**	75,808
Cash and cash equivalents		**25,428**	15,478
Total current assets		**128,962**	119,897
Total assets		**196,991**	192,666
Liabilities			
Retirement benefit obligations		**170**	255
Deferred tax liabilities		**1,993**	2,225
Other payables		–	2,191
Provisions		**57**	43
Total non-current liabilities		**2,220**	4,714
Trade and other payables		**55,185**	47,365
Current tax liabilities		–	1,265
Provisions		**23**	23
Total current liabilities		**55,208**	48,653
Total liabilities		**57,428**	53,367
Net assets		**139,563**	139,299
Equity			
Share capital		**942**	942
Share premium		**39,388**	39,388
Translation reserve		**7,687**	11,630
Other reserves		**6,455**	6,274
Retained earnings		**85,091**	81,065
Total equity attributable to owners of the Company		**139,563**	139,299

Audited Consolidated Statement of Changes in Equity

AS AT 28 FEBRUARY 2018

	Share capital £'000	Share premium £'000	Translation reserve £'000	Merger reserve £'000	Capital redemption reserve £'000	Share-based payment reserve £'000	Own shares held by EBT £'000	Retained earnings £'000	Total equity £'000
At 29 February 2016	**939**	**39,388**	**7,043**	**1,386**	**22**	**5,428**	**(7)**	**78,768**	**132,967**
Profit for the year	–	–	–	–	–	–	–	7,353	7,353
Other comprehensive income									
Exchange differences on translating foreign operations	–	–	4,587	–	–	–	–	–	4,587
Remeasurements on the defined benefit pension scheme	–	–	–	–	–	–	–	(58)	(58)
Total comprehensive income for the year	**–**	**–**	**4,587**	**–**	**–**	**–**	**–**	**7,295**	**11,882**
Transactions with owners									
Issue of shares	3	–	–	417	–	–	–	–	420
Purchase of shares by the Employee Benefit Trust	–	–	–	–	–	–	(1,196)	–	(1,196)
Dividends to equity holders of the Company	–	–	–	–	–	–	–	(4,819)	(4,819)
Share options exercised	–	–	–	–	–	–	160	(160)	–
Deferred tax on share-based payment transactions	–	–	–	–	–	–	–	(19)	(19)
Share-based payment transactions	–	–	–	–	–	64	–	–	64
Total transactions with owners of the Company	**3**	**–**	**–**	**417**	**–**	**64**	**(1,036)**	**(4,998)**	**(5,550)**
At 28 February 2017	**942**	**39,388**	**11,630**	**1,803**	**22**	**5,492**	**(1,043)**	**81,065**	**139,299**
Profit for the year	–	–	–	–	–	–	–	9,070	9,070
Other comprehensive income									
Exchange differences on translating foreign operations	–	–	(3,943)	–	–	–	–	–	(3,943)
Remeasurements on the defined benefit pension scheme	–	–	–	–	–	–	–	27	27
Total comprehensive income for the year	**–**	**–**	**(3,943)**	**–**	**–**	**–**	**–**	**9,097**	**5,154**
Transactions with owners									
Dividends to equity holders of the Company	–	–	–	–	–	–	–	(5,041)	(5,041)
Deferred tax on share-based payment transactions	–	–	–	–	–	–	–	(30)	(30)
Share-based payment transactions	–	–	–	–	–	181	–	–	181
Total transactions with owners of the Company	**–**	**–**	**–**	**–**	**–**	**181**	**–**	**(5,071)**	**(4,890)**
At 28 February 2018	**942**	**39,388**	**7,687**	**1,803**	**22**	**5,673**	**(1,043)**	**85,091**	**139,563**

Audited Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 28 FEBRUARY 2018

	Year ended 28 February 2018 £'000	Year ended 28 February 2017 £'000
Cash flows from operating activities		
Profit for the year	**9,070**	7,353
Adjustments for:		
Depreciation of property, plant and equipment	**434**	541
Amortisation of intangible assets	**4,002**	3,988
Finance income	**(151)**	(138)
Finance costs	**48**	96
Share-based payment charges	**202**	73
Tax expense	**2,574**	2,091
	16,179	14,004
Decrease in inventories	**1,399**	1,334
Increase in trade and other receivables	**(2,529)**	(2,873)
Increase in trade and other payables	**6,969**	7,318
Cash generated from operating activities	**22,018**	19,783
Income taxes paid	**(3,049)**	(1,009)
Net cash generated from operating activities	**18,969**	18,774
Cash flows from investing activities		
Purchase of property, plant and equipment	**(314)**	(267)
Purchases of intangible assets	**(2,808)**	(2,628)
Purchases of investments	**(300)**	–
Interest received	**139**	120
Net cash used in investing activities	**(3,283)**	(2,775)
Cash flows from financing activities		
Equity dividends paid	**(5,041)**	(4,819)
Purchase of shares by the Employee Benefit Trust	**–**	(1,196)
Interest paid	**(31)**	(72)
Net cash used in financing activities	**(5,072)**	(6,087)
Net increase in cash and cash equivalents	**10,614**	9,912
Cash and cash equivalents at beginning of year	**15,478**	5,166
Exchange (loss)/gain on cash and cash equivalents	**(664)**	400
Cash and cash equivalents at end of year	**25,428**	15,478

NOTES

1. Accounting policies

The above Audited financial information does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The above figures for the year ended 28 February 2018 are an abridged version of the Group's financial statements which will be reported on by the Group's auditors before dispatch to the shareholders and filing with the Registrar of Companies and as such do not contain full disclosures under International Financial Reporting Standards ("IFRS"). The preliminary announcement was approved by the Board and authorised for issue on 22 May 2018.

The Group's financial statements have been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations adopted by the European Union ("EU") at the time of preparing the Group's financial statements and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies applied in the year ended 28 February 2018 are consistent with those applied in the financial statements for year ended 28 February 2017 with the exception of a number of new accounting standards which have not had a material impact on the Group's results.

The Group's statutory financial statements for the year ended 28 February 2017 have been lodged with the Registrar of Companies. These financial statements received an audit report which was unqualified and did not include any reference to matters to which the auditors drew attention by way of emphasis without qualifying their report or a statement under section 498(2) or section 498(3) of the Companies Act 2006.

2. Segmental analysis

The Group is comprised of two worldwide publishing divisions: Consumer and Non-Consumer, reflecting the core customers for our different operations. The Consumer division is further split out into two operating segments; Children's Trade and Adult Trade, and Non-Consumer is split between four operating segments; Academic & Professional, Educational, Special Interest and Content Services. Educational has been aggregated with Academic & Professional to create one reportable segment. Both operating segments share very similar products, customers and sales behaviours.

Each reportable segment represents a cash-generating unit for the purpose of impairment testing. We have allocated goodwill between reportable segments. These divisions are the basis on which the Group primarily reports its segment information. Segments derive their revenue from book publishing, sale of publishing and distribution rights, management and other publishing services.

* The results for the year ended 28 February 2017 have been restated to reflect a change in the allocation of central administration costs, in order to provide a better understanding of underlying divisional results. This change has not affected the consolidated Group result.

The analysis by segment is shown below:

Year ended 28 February 2018	Children's Trade £'000	Adult Trade £'000	Consumer £'000	Academic & Professional £'000	Special Interest £'000	Content Services £'000	Non-Consumer £'000	Unallocated £'000	Total £'000
External revenue	**69,150**	**33,071**	**102,221**	**36,517**	**21,308**	**1,464**	**59,289**	**-**	**161,510**
Cost of sales	(34,128)	(18,264)	(52,392)	(14,834)	(9,491)	(438)	(24,763)	-	(77,155)
Gross profit	**35,022**	**14,807**	**49,829**	**21,683**	**11,817**	**1,026**	**34,526**	**-**	**84,355**
Marketing and distribution costs	(10,076)	(5,258)	(15,334)	(4,378)	(2,978)	(124)	(7,480)	-	(22,814)
Contribution before administrative expenses	**24,946**	**9,549**	**34,495**	**17,305**	**8,839**	**902**	**27,046**	**-**	**61,541**
Administrative expenses excluding highlighted items	(13,323)	(9,777)	(23,100)	(17,666)	(6,614)	(1,047)	(25,327)	-	(48,427)
Operating profit /(loss) before highlighted items/ segment results	**11,623**	**(228)**	**11,395**	**(361)**	**2,225**	**(145)**	**1,719**	**-**	**13,114**
Amortisation of acquired intangible assets	-	(18)	(18)	(1,368)	(182)	(5)	(1,555)	-	(1,573)
Other highlighted items	-	-	-	-	-	-	-	-	-
Operating profit /(loss)	**11,623**	**(246)**	**11,377**	**(1,729)**	**2,043**	**(150)**	**164**	**-**	**11,541**
Finance income	-	-	-	-	-	-	-	151	151
Finance costs	-	-	-	-	-	-	-	(48)	(48)
Profit/(loss) before taxation	**11,623**	**(246)**	**11,377**	**(1,729)**	**2,043**	**(150)**	**164**	**103**	**11,644**
Taxation	-	-	-	-	-	-	-	(2,574)	(2,574)
Profit/(loss) for the year	**11,623**	**(246)**	**11,377**	**(1,729)**	**2,043**	**(150)**	**164**	**(2,471)**	**9,070**
Operating profit /(loss) before highlighted items/ segment results	**11,623**	**(228)**	**11,395**	**(361)**	**2,225**	**(145)**	**1,719**	**-**	**13,114**
Depreciation	146	89	235	126	66	7	199	-	434
Amortisation of internally generated intangibles	272	198	470	1,693	241	25	1,959	-	2,429
EBITDA before highlighted items	**12,041**	**59**	**12,100**	**1,458**	**2,532**	**(113)**	**3,877**	**-**	**15,977**

*Restated

Year ended 28 February 2017	Children's Trade £'000	Adult Trade £'000	Consumer £'000	Academic & Professional £'000	Special Interest £'000	Content Services £'000	Non-Consumer £'000	Unallocated £'000	Total £'000
External revenue	**55,915**	**29,459**	**85,374**	**36,915**	**18,404**	**1,871**	**57,190**	**-**	**142,564**
Cost of sales	(26,838)	(15,688)	(42,526)	(15,474)	(9,076)	(610)	(25,160)	-	(67,686)
Gross profit	**29,077**	**13,771**	**42,848**	**21,441**	**9,328**	**1,261**	**32,030**	**-**	**74,878**
Marketing and distribution costs	(8,751)	(5,034)	(13,785)	(4,600)	(2,455)	(137)	(7,192)	-	(20,977)
Contribution before administrative expenses	**20,326**	**8,737**	**29,063**	**16,841**	**6,873**	**1,124**	**24,838**	**-**	**53,901**
Administrative expenses excluding highlighted items	(10,447)	(9,201)	(19,648)	(15,142)	(6,195)	(919)	(22,256)	-	(41,904)
Operating profit /(loss) before highlighted items/ segment results	**9,879**	**(464)**	**9,415**	**1,699**	**678**	**205**	**2,582**	**-**	**11,997**
Amortisation of acquired intangible assets	-	(18)	(18)	(1,478)	(182)	(5)	(1,665)	-	(1,683)
Other highlighted items	-	-	-	-	-	-	-	(912)	(912)
Operating profit /(loss)	**9,879**	**(482)**	**9,397**	**221**	**496**	**200**	**917**	**(912)**	**9,402**
Finance income	-	-	-	-	-	-	-	138	138
Finance costs	-	-	-	-	-	-	-	(96)	(96)
Profit/(loss) before taxation	**9,879**	**(482)**	**9,397**	**221**	**496**	**200**	**917**	**(870)**	**9,444**
Taxation	-	-	-	-	-	-	-	(2,091)	(2,091)
Profit/(loss) for the year	**9,879**	**(482)**	**9,397**	**221**	**496**	**200**	**917**	**(2,961)**	**7,353**
Operating profit /(loss) before highlighted items/ segment results	**9,879**	**(464)**	**9,415**	**1,699**	**678**	**205**	**2,582**	**-**	**11,997**
Depreciation	162	109	271	162	98	10	270	-	541
Amortisation of internally generated intangibles	268	194	462	1,454	365	24	1,843	-	2,305
EBITDA before highlighted items	**10,309**	**(161)**	**10,148**	**3,315**	**1,141**	**239**	**4,695**	**-**	**14,843**

Total assets

	28 February 2018 £'000	28 February 2017 £'000
Children's Trade	**9,163**	9,057
Adult Trade	**7,788**	8,282
Academic & Professional	**55,302**	58,709
Special Interest	**13,349**	13,416
Content Services	**162**	198
Unallocated	**111,227**	103,004
Total assets	**196,991**	192,666

Unallocated primarily represents centrally held assets including system development, property plant and equipment receivables and cash.

External revenue by destination

	Source				
	United Kingdom £'000	North America £'000	Australia £'000	India £'000	Total £'000
Destination					
Year ended 28 February 2018					
United Kingdom (country of domicile)	60,264	20	–	–	60,284
North America	7,821	42,705	–	–	50,526
Continental Europe	16,335	975	–	–	17,310
Australasia	928	–	12,087	–	13,015
Middle East and Asia	7,038	518	–	3,621	11,177
Rest of the world	8,935	263	–	–	9,198
Overseas countries	41,057	44,461	12,087	3,621	101,226
Total	**101,321**	**44,481**	**12,087**	**3,621**	**161,510**
Year ended 28 February 2017					
United Kingdom (country of domicile)	55,249	30	–	–	55,279
North America	7,999	38,314	–	–	46,313
Continental Europe	11,397	52	–	–	11,449
Australasia	521	431	10,530	–	11,482
Middle East and Asia	5,700	1,625	–	2,802	10,127
Rest of the world	7,819	95	–	–	7,914
Overseas countries	33,436	40,517	10,530	2,802	87,285
Total	**88,685**	**40,547**	**10,530**	**2,802**	**142,564**

During the year sales to one customer exceeded 10% of Group revenue (2017: one customer). The value of these sales was £39,721,000 (2017: £30,958,000).

External revenue by product type

	Year ended 28 February 2018 £’000	Year ended 28 February 2017 £’000
Print	**134,808**	117,261
Digital	**18,048**	16,036
Rights and services[1]	**8,654**	9,267
Total	**161,510**	142,564

1. Rights and services revenue includes revenue from copyright and trademark licences, management contracts, advertising and publishing services.

Analysis of non-current assets (excluding deferred tax assets) by geographic location

	28 February 2018 £’000	28 February 2017 £’000
United Kingdom (country of domicile)	**61,136**	62,652
North America	**4,699**	5,168
Other	**102**	141
Total	**65,937**	67,961

3. Highlighted items

	Year ended 28 February 201 £’000	**Year ended 28 February 2017 £’000**
Restructuring costs	–	881
Other	–	31
Other highlighted items	–	912
Amortisation of acquired intangible assets	**1,573**	1,683
Total highlighted items	**1,573**	2,595

Highlighted items charged to operating profit comprise significant non-cash charges and major one-off initiatives which are highlighted in the income statement because, in the opinion of the Directors, separate disclosure is helpful in understanding the underlying performance of the business and future profitability of the business.

All highlighted items are included in administrative expenses in the income statement.

In 2017 restructuring costs of £881,000 were incurred primarily as a result of strategic restructuring of the Bloomsbury US business.

The other cost of £31,000 in 2017 relate to the final costs on the historic tax enquiry with HMRC.

4. Taxation

Factors affecting tax charge for the year
The tax on the Group's profit before tax differs from the standard rate of corporation tax in the United Kingdom of 19.08% (2017: 20.00%). The reasons for this are explained below:

	Year ended 28 February 2018		Year ended 28 February 2017	
	£'000	**%**	£'000	%
Profit before taxation	**11,644**	**100.0**	9,444	100.00
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.08% (2017: 20.08%)	**2,222**	**19.1**	1,889	20.0
Effects of:				
Non-deductible revenue expenditure	**111**	**1.0**	432	4.6
Non-qualifying depreciation	–	–	(32)	(0.3)
Movement in unrecognised temporary differences	**(16)**	**(0.1)**	(71)	(0.8)
Different rates of tax in foreign jurisdictions	**134**	**1.1**	693	7.3
Tax losses utilised	**1**	–	(104)	(1.1)
Movement in deferred tax rate	**864**	**7.4**	(149)	(1.6)
Adjustment to tax charge in respect of prior years				
Current tax	**(1,910)**	**(16.4)**	(238)	(2.5)
Deferred tax	**1,168**	**10.0**	(349)	(3.7)
Tax charge for the year before disallowable costs on highlighted items	**2,574**	**22.1**	2,071	21.9
Highlighted items:				
Disallowable costs	–	–	20	0.2
Tax charge for the year	**2,574**	**22.1**	2,091	22.1

Non-deductible revenue expenditure mainly relates to disallowable foreign exchange. Different rates of tax in foreign jurisdictions is where we are paying tax at higher rates in the US and Australia. The movement in deferred tax rate primarily relates to the reduction in the US Federal tax rate from 35% to 21% in January 2018.

Adjustments to prior periods primarily arise where an outcome is obtained on certain tax matters which differs from expectations held when the related provision was made. Where the outcome is more favourable than the provision made, the difference is released, lowering the current year tax charge. Where the outcome is less favourable than our provision, an additional charge to current year tax will occur.

In 2017, the Group identified a potential tax exposure relating to the treatment of stock valuation adjustments in the US. Accordingly, a current tax provision was recognised for the potential exposure. Following finalisation of the appropriate tax treatment, it has been agreed with the IRS that any tax deductions associated with stock valuation adjustments will be payable over 3 years. Accordingly, the £1.3 million unpaid current tax provision has been reversed, and a corresponding deferred tax liability has been recognised due to the temporary difference that arises between the accounting and tax treatment. The £1.3 million deferred tax debit and £1.3 million current tax credit have been recognised as adjustment in respect of prior years in the above tax charge for the year table.

In 2018 there is a £576,000 UK current tax credit in respect of prior years relates to the carry back of double taxation relief to prior years and the settlement of an old claim with HMRC that was previously considered remote to materialise.

5. Dividends

	Year ended 28 February 2018 £'000	Year ended 28 February 2017 £'000
Amounts paid in the year		
Prior period final 5.60p dividend per share (2017: 5.34p)	**4,182**	3,996
Interim 1.15p dividend per share (2017: 1.10p)	**859**	823
Total dividend payments in the year	**5,041**	4,819
Amounts arising in respect of the year		
Interim 1.15p dividend per share for the year (2017: 1.10p)	**859**	823
Proposed 6.36p final dividend per share for the year (2017: 5.60p)	**4,749**	4,182
Total dividend 7.51p per share for the year (2017: 6.70p)	**5,608**	5,005

The Directors are recommending a final dividend of 6.36 pence per share, which, subject to Shareholder approval at the Annual General Meeting, will be paid on 24 August 2018 to Shareholders on the register at close of business on 27 July 2018.

6. Earnings per share

The basic earnings per share for the year ended 28 February 2018 is calculated using a weighted average number of Ordinary shares in issue of 74,677,559 (2017: 74,820,311) after deducting shares held by the Employee Benefit Trust.

The diluted earnings per share is calculated by adjusting the weighted average number of Ordinary shares to take account of all dilutive potential Ordinary shares, which are in respect of unexercised share options and the Performance Share Plan.

	Year ended 28 February 2018 Number	Year ended 28 February 2017 Number
Weighted average shares in issue	**74,677,559**	74,820,311
Dilution	**538,096**	111,762
Diluted weighted average shares in issue	**75,215,655**	74,932,073
	£'000	£'000
Profit after tax attributable to owners of the Company	**9,070**	7,353
Basic earnings per share	**12.15p**	9.83p
Diluted earnings per share	**12.06p**	9.81p
	£'000	£'000
Adjusted profit attributable to owners of the Company	**10,472**	9,465
Adjusted basic earnings per share	**14.02p**	12.65p
Adjusted diluted earnings per share	**13.92p**	12.63p

Adjusted profit is derived as follows:

	Year ended 28 February 2018 £'000	Year ended 28 February 2017 £'000
Profit before taxation	**11,644**	9,444
Amortisation of acquired intangible assets	**1,573**	1,683
Other highlighted items	**–**	912
Adjusted profit before tax	**13,217**	12,039
Tax expense	**2,574**	2,091
Deferred tax movements on goodwill and acquired intangible assets	**171**	321
Tax expense on other highlighted items	**–**	162
Adjusted tax	**2,745**	2,574
Adjusted profit	**10,472**	9,465

7. Trade and other receivables

	28 February 2018 £'000	28 February 2017 £'000
Non-current		
Prepayments and accrued income	**1,530**	1,951
Current		
Gross trade receivables	**56,419**	50,326
Less: provision for impairment of receivables	**(931)**	(621)
Less: provision for returns	**(7,922)**	(6,536)
Net trade receivables	**47,566**	43,169
Income tax recoverable	**823**	401
Other receivables	**1,311**	1,961
Prepayments and accrued income	**4,840**	5,472
Royalty advances	**22,317**	24,805
Total current trade and other receivables	**76,857**	75,808
Total trade and other receivables	**78,387**	77,759

Trade receivables principally comprise amounts receivable from the sale of books due from distributors. The majority of trade debtors are secured by credit insurance and in certain territories by third party distributors.

A provision for the return of books by customers is made with reference to the historic rate of returns.

A provision is held against gross advances payable in respect of published titles advances which may not be fully earned down by anticipated future sales. As at 28 February 2018 £5,640,000 (2017: £6,371,000) of royalty advances are expected to be recovered after more than 12 months.

8. Annual General Meeting

The Annual General Meeting will be held on 18 July 2018.

9. Report and Accounts

Copies of the Annual Report and Financial Statements will be circulated to shareholders in July and can be viewed after the posting date on the Bloomsbury website.