**BLOOMSBURY PUBLISHING PLC**

**(“Bloomsbury” or the “Group”)**

**Audited Preliminary Results for the year ended 28 February 2019**

**Strong strategic delivery and earnings growth**

Bloomsbury, the leading independent publisher, today announces audited results for the year ended 28 February 2019, ahead of expectations.

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

“Bloomsbury had a very strong year. Our results, with profits before tax and highlighted items up 9%, demonstrate the underlying strength, resilience and further potential of our global publishing strategy. Our Academic and Professional division delivered an outstanding performance with 13% revenue growth and profit before tax and highlighted items up £3.5 million. We had an exceptional result in our Adult division, where profit before tax and highlighted items grew by £1.1 million, in a year in which we had many novels, works of narrative non-fiction and cookery titles including *Fresh Start* by Tom Kerridge, hit the bestseller lists in our core publishing area.

A year ago, I announced the Bigger Bloomsbury strategy; we have delivered all seven initiatives, including improving our working capital by reducing inventories by £2 million and growing Academic and Professional digital resource revenue by 42%. These initiatives focus on our key growth drivers with targeted strategies across the Group to help grow our revenues and increase our margins over the next four years.

Our strong financial position and excellent cash generation, with cash of £27.6 million and cash conversion of 128%, give us great opportunities for further acquisitions and investment in organic growth. Our proposed dividend increase of 6% delivers our 24th year of consecutive dividend growth.”

**Financial Highlights**

- Profit before taxation and highlighted items* grew by 9% to £14.4 million, up from £13.2 million in 2017/18, ahead of market expectations
- Total revenues rose to £162.7 million (2017/18: £161.5 million)
- Profit before taxation grew by 3% to £12.0 million (2017/18: £11.6 million)
- Diluted earnings per share, excluding highlighted items*, grew by 8% to 14.97p (2017/18: 13.92p)
- Diluted earnings per share grew by 16% to 12.25p (2017/18: 12.06p)
- Cash conversion of 128% (2017/18: 161%), excluding the acquisition, with net cash of £27.6 million at 28 February 2019 (2018: £25.4 million)
- Proposed final dividend up 6% to 6.75p per share, making a total dividend of 7.96p per share for the year (2017/18: 7.51p per share)
- 24th consecutive year of dividend growth

## Operational Highlights

### Non-Consumer Division

- Excellent Academic & Professional performance, with profit before highlighted items of £3.1 million (2017/18: loss of £0.4 million) and revenue up 13%
- Non-Consumer revenues grow 7% to £63.4 million (2017/18: £59.3 million)
- Bloomsbury Digital Resources 2020 (“BDR 2020”) Academic & Professional revenues up 42% on a like-for-like basis, excluding the impact of IFRS 15
- Five new digital resources launched during the year, as planned
- Acquisition of I.B. Tauris (“IBT”) in May 2018 completed for £5.6 million, strengthening our digital resources with its quality academic IP
- IBT delivered £2.5 million of revenue and £0.4 million of profit before highlighted items for the first ten months of ownership
- Substantial new B2B five-year digital subscription contract with the Institute of Chartered Accountants of England and Wales (“ICAEW”), announced in October 2018

### Consumer Division

- Resilient full year results, with profit before highlighted items of £10.7 million (2017/18: £11.4 million)
- Exceptional Adult Trade performance, with operating profit before highlighted items of £0.9 million (2017/18: loss of £0.2 million) and revenue up 1%
- Children’s Trade delivered profit before highlighted items of £9.8 million (2017/18: £11.6 million), with enduring sales of the Harry Potter series against last year’s very strong comparative with the twentieth anniversary. Sarah J. Maas titles continued their bestselling performance, including the new bestseller, *Kingdom of Ash*, and revenue and profit growth delivered in the rest of the Children’s division

## Bigger Bloomsbury

Bigger Bloomsbury represents our seven key growth initiatives, announced in May 2018. During the year, we delivered all seven of these initiatives, with notable highlights including delivering excellent growth in Adult and Academic & Professional profitability, international growth and continued working capital improvement.

Notes

* Highlighted items comprise amortisation of acquired intangible assets and restructuring costs and legal and other professional fees relating to the acquisition of IBT.

**For further information, please contact:**


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| **Bloomsbury Publishing Plc** | +44 (0) 20 7631 5630 |
| Nigel Newton, Chief Executive | |
| Penny Scott-Bayfield, Group Finance Director | |
| **FTI Consulting** | +44 (0) 203 727 1000 |
| Charles Palmer / Dwight Burden / Leah Dudley | SCBloomsbury@fticonsulting.com |


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The Company does not undertake any obligation to update or keep current the information contained in this announcement, including any forward-looking statements, or to correct any inaccuracies which may become apparent and any opinions expressed in it are subject to change without notice.

References in this announcement to other reports or materials, such as a website address, have been provided to direct the reader to other sources of information on Bloomsbury Publishing Plc which may be of interest. Neither the content of Bloomsbury's website nor any website accessible by hyperlinks from Bloomsbury's website nor any additional materials contained or accessible thereon, are incorporated in, or form part of, this announcement.

**Chief Executive's statement**

**Overview**

The year ended 28 February 2019 was a very strong year for Bloomsbury. Group profit before tax and highlighted items increased by 9% to £14.4 million (2017/18: £13.2 million). Group profit before tax increased by 3% to £12.0 million (2017/18: £11.6 million).

Our BDR 2020 digital growth strategy is delivering well, with a 42% increase year-on-year in Academic & Professional digital resource revenues on a like-for-like basis. The range of new contracts announced during the year, including the five year contract with the ICAEW, demonstrates the potential of high quality platforms and infrastructure.

In May 2018 we acquired the academic publisher I. B. Tauris & Co. Ltd ("IBT") for £5.6 million. Of this, £4.4 million was consideration to former shareholders for equity, and the remainder payment for pre-existing loans. This acquisition further consolidates our significant presence in humanities and social science academic publishing. IBT's complementary lists have good growth potential, especially with their inclusion within the BDR 2020 growth strategy.

Due to strong trading in the year, the management bonus was £2.3 million (2017/18: £2.3 million). The highlighted item of £2.3 million was the amortisation of acquired intangible assets (£1.7 million) and one-off restructuring costs and legal and other professional fees relating to the acquisition of IBT (£0.6 million). The effective rate of tax for the year was 23% (2017/18: 22%). The adjusted effective rate of tax, excluding highlighted items, was 21% (2017/18: 21%). Diluted earnings per share, excluding highlighted items, grew 8% to 14.97 pence (2017/18: 13.92 pence). Including highlighted items, profit before tax was £12.0 million (2017/18: £11.6 million) and diluted earnings per share was 12.25 pence (2017/18: 12.06 pence).

**Key Strategy Objectives**

- Grow Non-Consumer revenues
    - Diversify into Non-Consumer markets with higher margins, more predictability and more digital and global opportunities. Delivered 111% increase in Non-Consumer profit this year;
    - Achieve BDR 2020 revenue of £15 million and profit of £5 million for 2021/22. Delivered £6.4 million revenue, up 42% on a like-for-like basis.

- Expand international revenues
    - Reduce reliance on UK market. Delivered overseas revenues of 64% of Group revenue, 2% higher than last year.

- Grow Consumer revenues
    - Discover, nurture, champion and retain high quality talent in our Consumer division, remaining the home of some of the world's best loved and most exciting authors;
    - Focus on finding excellent works and looking at new ways to leverage existing title rights; this will always be a key part of our strategy.

**Delivering the Bigger Bloomsbury Strategy**

Bloomsbury continues to focus on quality revenues, increasing earnings and building on the strong momentum achieved over the last two years. Our Bigger Bloomsbury initiative, announced in May 2018, focusing on our key growth drivers with targeted strategies across the Group to help grow our revenues and improve our margins over the next four years. We delivered all seven of these initiatives during the year:

1. Growing the profits of the Adult division:
    - Delivered £1.1 million growth in Adult operating profit
2. Growing the profits of the Academic & Professional division:
    - Delivered £3.5 million growth in Academic & Professional operating profit
3. Reducing our finished goods stock further by continuing to roll out globally efficiencies already made in the UK business:
    - Delivered a reduction in inventories of £2.0 million (8%) on a like-for-like basis, ahead of our target
4. Increasing the focus on Bloomsbury's nine biggest assets, starting with Harry Potter, Sarah J. Mass and Tom Kerridge:
    - Delivered 24 bestsellers globally
5. Maximising the success of Bloomsbury Digital Resources 2020:
    - Delivered 42% growth in Academic & Professional BDR 2020 revenue on a like-for-like basis
6. Accelerating the growth of Bloomsbury's sales in the USA, Australia and India:
    - Delivered 28% growth in India, 3% growth in the US and 1% growth in Australia (in local currency)
7. Developing Bloomsbury China:
    - Delivered significant progress with two deals in negotiation

**Cash**

Cash generation continued to be robust with cash at the year end of £27.6 million, up £2.2 million, and cash conversion of 128% (2017/18: 161%), excluding the IBT acquisition. Our focus on working capital continues: inventories have reduced by 8% or £2.0 million year on year, on a like-for-like basis (2018: 5% or £1.3 million). This achieves our target to reduce inventory by 5%, 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. During the year we invested a total of £1.9 million of capital expenditure in the BDR 2020 strategy.

Of the £5.6 million paid for the acquisition of IBT, £5.2 million was paid in cash in the year and the balance was paid in April 2019, post year end.

Bloomsbury has a strong and successful track record in strategic acquisitions, with 14 acquisitions completed since 2008. We continue to target and assess opportunities and are increasing our dedicated M&A resource to enable us to achieve further strategic acquisitions.

**Dividend**

The Group has a progressive dividend policy aiming to keep dividend earnings cover in excess of two times, supported by strong cash cover. The Board has committed to maintain its progressive dividend policy on the basis that earnings cover will improve as the return on our BDR 2020 investment accrues. The Board is recommending a final dividend of 6.75 pence per share. Together with the interim dividend, this makes a total dividend for the year ended 28 February 2019 of 7.96 pence per share, a 6% increase on the 7.51 pence dividend for the year ended 28 February 2018. Subject to Shareholder approval at our AGM on 17 July 2019, the final dividend will be paid on 23 August 2019 to Shareholders on the register on the record date of 26 July 2019. Including the proposed 2018/19 dividend, over the past fourteen years the dividend has increased at a compound annual growth rate of 7.0%, and this will be the 24th consecutive year of dividend growth.

**Non-Consumer Division**

The Non-Consumer division consists of Academic & Professional, Special Interest and Content Services. Revenues in the division increased by 7% to £63.4 million (2017/18: £59.3 million). Within this, Academic & Professional revenues grew by 13% to £41.2 million (2017/18: £36.5 million), with 7% organic growth and £2.5 million from the acquisition of IBT. Our performance in humanities and social sciences lists was particularly strong. Operating profit before highlighted items for the Non-Consumer division increased by 111% to £3.6 million (2017/18: £1.7 million). The profit growth reflects improved Academic & Professional profitability, the £0.8 million improvement in the BDR 2020 result and the £0.4 million contribution from the acquisition of IBT, partly offset by lower Special Interest profit. The Special Interest division published the *New York Times* bestseller *In the Closet of the Vatican*, following the strong comparative with *The Strange Death of Europe* by Douglas Murray last year.

The strategic growth initiative BDR 2020 has made Bloomsbury into a leading B2B publisher in the academic and professional information market and significantly accelerated the growth of its digital revenues. Our BDR 2020 strategy from inception has been to acquire and license content to develop excellent digital products, and future acquisitions will continue this successful strategy.

We launched five new digital resources during the year as planned: Bloomsbury Architecture Library, Screen Studies, Bloomsbury Early Years, Bloomsbury Fashion Business Cases and Bloomsbury Applied Visual Arts Library. We have also launched new, more flexible ways for our customers to buy from us in the form of “Title by Title” acquisition and Evidence Based Acquisition models. Bloomsbury Collections contains some 6,500 backlist Bloomsbury Academic titles; we expect to grow this number by over 20% in the current year as we add titles from IBT and the British Film Institute, along with our newly expanded frontlist collections.

During the year we completed the following deals, which demonstrate the opportunities to further leverage content and market other services on our digital platforms and through the sales infrastructure we have developed:

- Announced today, new content partnerships with Taylor and Francis and Human Kinetics, the world's leading sports science publisher, further leveraging our BDR 2020 development and infrastructure;
- Substantial new five year digital subscription contract with the ICAEW, announced in October 2018;
- Strategic sales partnerships with Rowman & Littlefield and Manchester University Press, announced in January 2019; and
- Content partnership with Yoox Net-A-Porter, announced in July 2018.

**Consumer Division**

The Consumer division consists of Adult and Children's trade publishing. The Consumer division delivered revenue of £99.3 million (2017/18: £102.2 million). Operating profit before highlighted items was £10.7 million (2017/18: £11.4 million), driven by a strong performance from the Adult division.

**Adult Trade**

The Adult team achieved an exceptional operating profit of £0.9 million (2017/18: loss of £0.2 million), and 1% growth in revenues to £33.5 million, from success in front and backlist titles, and our successful delivery of strategic changes including our new Raven crime and thriller imprint.

Bestsellers in the year included Tom Kerridge's *Fresh Start*, number one on UK Nielsen Bookscan, the *New York Times* bestseller, *Women Rowing North* by Mary Pipher, *The New Silk Roads* by Peter Frankopan, *Circe* by Madeline Miller, the paperback edition of *Why I'm No Longer Talking to White People About Race* by Reni Eddo-Lodge, *Kitchen Confidential* by Anthony Bourdain, *Sea Prayer* by Khaled Hosseini and from our crime and thriller imprint, Raven Books, the *Sunday Times* bestseller *The Seven Deaths of Evelyn Hardcastle* by Stuart Turton.

Our authors won the most important literary awards, notably the Golden Man Booker Prize with *The English Patient* by Michael Ondaatje, the Women's Prize for Fiction with *Home Fire* by Kamila Shamsie and the Costa First Novel Award with *The Seven Deaths of Evelyn Hardcastle* by Stuart Turton.

**Children's Trade**

Children's sales were £65.8 million (2017/18: £69.2 million). Harry Potter's twentieth anniversary, in 2017/18, generated one of the highest levels of revenue since the initial publications, growing by 31% compared to the previous year, so we've been pleased to continue the momentum this year, with the Illustrated *Tales of Beedle the Bard* and house editions of *Harry Potter and the Chamber of Secrets*. Sales of the Harry Potter titles were 15% below last year. The standard edition of *Harry Potter and the Philosopher's Stone* was the fourth bestselling children's book of the year on UK Nielsen Bookscan, twenty one years after it was first published – every year these classics reach a new generation of readers.

Excluding Harry Potter, Children's sales were 10% higher year on year. Sarah J. Maas sales continue to grow with the global number one bestseller *Kingdom of Ash*, the epic conclusion to Sarah J. Maas' #1 *New York Times* bestselling Throne of Glass series, which reached number one on the *New York Times* bestseller list and the UK Nielsen Bookscan TCM Children's Bestseller list. Other highlights on the Children's list included *Norse Mythology* by Neil Gaiman, *A Curse So Dark and Lonely* by Brigid Kemmerer and *The Darkdeep* by Ally Condie and Brendan Reichs.

As a testament to our strength in this area, Bloomsbury won Children's Publisher of the Year at the British Book Awards in May 2018 and at the IPG Awards in May 2019.

**Employee Engagement Initiatives**

We are also pleased with the strides we have taken in the last year in our strategic HR initiatives to listen to our employees more and to look after them even better. This includes our new Employee Voice meetings where each of our 700 employees worldwide is meeting in small groups with a member of the Board or Executive Committee to say how they think Bloomsbury could be a better place to work. Many changes have been introduced as a result of discussions at these Voice meetings and this is a key focus for 2019/20.

**IFRS 15**

During the year IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), was introduced. Adoption of this standard has not had a material impact on the Group's results, with nil net impact on revenue and a net credit to profit before tax of £0.1 million.
In the Non Consumer division, adopting IFRS 15 has impacted the timing of recognition of certain non subscription Perpetual Access ("PA") digital resource sales. Previously, revenue from sales of these products were recognised when the customer was granted access; under IFRS 15 a proportion of these revenues are recognised over five years. The impact of this is to defer revenue and profit from certain PA sales compared to the previous treatment. For 2018/19, the net impact on BDR 2020 revenue and profit before tax has been a reduction of £0.1 million.

**Board Changes**

As separately announced, we welcome to the Board Leslie-Ann Reed, who will be joining Bloomsbury as Non-Executive Director on 17 July 2019, succeeding Jill Jones who retires from the Board on the same date. We would like to thank Jill enormously for her significant part in the governance of Bloomsbury. There are no further details to disclose in respect of the appointment of Leslie-Ann in accordance with Listing Rule LR9.6.13R.

**Outlook**

We expect to launch five further major digital resources in 2019/20 as well as creating new content modules for existing platforms. The full year of our ICAEW contract will also add value in the forthcoming year. Announced today,  new content partnerships with Taylor and Francis and Human Kinetics, the world's leading sports science publisher, further leveraging our BDR 2020 development and infrastructure.

Our trade book list this year includes the illustrated version of *Harry Potter and the Goblet of Fire* by J.K. Rowling, the first in Sarah J. Maas' new Crescent City adult series, *House of Earth and Blood, The Good Thieves* by Katherine Rundell, *The Lost Tide Warriors* by Catherine Doyle, Elizabeth Gilbert's *City of Girls* and the authorised History of GCHQ, *Behind the Enigma*, by Professor John Ferris. In addition, Bloomsbury is publishing a major new cookery book with Tom Kerridge.

During 2019/20, the Group will introduce IFRS 16, Leases ("IFRS 16"). Adoption of this standard is expected to reduce the amount of rent and lease charges, increase depreciation charges and finance costs and increase the value of assets and liabilities. The net impact on profit before tax for 2019/20 is expected to be an additional £0.2 million charge.

Excluding the impact of IFRS 16, performance is line with management expectations for 2019/20.

**Bigger Bloomsbury Strategy for 2019/20**

1. Growing the profits of the Adult division;
2. Growing the profits of the Academic & Professional division;
3. Reducing our finished goods inventory further;
4. Increasing the focus on Bloomsbury's nine biggest Consumer assets;
5. Maximising the success of Bloomsbury Digital Resources;
6. Accelerating the growth of Bloomsbury's sales in the USA, Australia and India;
7. Growing the revenues of acquisitions; and
8. Increase employee engagement through strategic HR initiatives.

# Audited Consolidated Income Statement

FOR THE YEAR ENDED 28 FEBRUARY 2019

| | Notes | **Year ended 28 February 2019 £'000** | Year ended 28 February 2018 £'000 |
|---|---|---|---|
| Revenue | 2 | **162,679** | 161,510 |
| Cost of sales | | **(74,922)** | (77,155) |
| **Gross profit** | | **87,757** | 84,355 |
| Marketing and distribution costs | | **(22,053)** | (22,814) |
| Administrative expenses | | **(53,735)** | (50,000) |
| **Operating profit before highlighted items** | | **14,294** | 13,114 |
| Highlighted items | 3 | **(2,325)** | (1,573) |
| **Operating profit** | | **11,969** | 11,541 |
| Finance income | | **130** | 151 |
| Finance costs | | **(50)** | (48) |
| **Profit before taxation and highlighted items** | | **14,374** | 13,217 |
| Highlighted items | 3 | **(2,325)** | (1,573) |
| **Profit before taxation** | | **12,049** | 11,644 |
| Taxation | 4 | **(2,802)** | (2,574) |
| **Profit for the year attributable to owners of the Company** | | **9,247** | 9,070 |
| | | | |
| **Earnings per share attributable to owners of the Company** | | | |
| Basic earnings per share | 6 | **12.37p** | 12.15p |
| Diluted earnings per share | 6 | **12.25p** | 12.06p |

# Audited Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 28 FEBRUARY 2019

| | **Year ended 28 February 2019 £'000** | Year ended 28 February 2018 £'000 |
|---|---|---|
| **Profit for the year** | **9,247** | 9,070 |
| **Other comprehensive income** | | |
| *Items that may be reclassified to the income statement:* | | |
| Exchange differences on translating foreign operations | **964** | (3,943) |
| *Items that may not be reclassified to the income statement:* | | |
| Remeasurements on the defined benefit pension scheme | **(5)** | 27 |
| Other comprehensive income for the year net of tax | **959** | (3,916) |
| **Total comprehensive income for the year attributable to the owners of the Company** | **10,206** | 5,154 |

# Audited Consolidated Statement of Financial Position

AS AT 28 FEBRUARY 2019

| | Notes | **28 February 2019 £'000** | 28 February 2018 £'000 |
|---|---|---|---|
| **Assets** | | | |
| Goodwill | | **44,895** | 42,139 |
| Other intangible assets | | **21,890** | 19,885 |
| Investments | | **300** | 300 |
| Property, plant and equipment | | **2,110** | 2,083 |
| Deferred tax assets | | **2,376** | 2,092 |
| Trade and other receivables | 8 | **1,360** | 1,530 |
| **Total non-current assets** | | **72,931** | 68,029 |
| Inventories | | **26,076** | 26,677 |
| Trade and other receivables | 8 | **80,506** | 76,857 |
| Cash and cash equivalents | | **27,580** | 25,428 |
| **Total current assets** | | **134,162** | 128,962 |
| **Total assets** | | **207,093** | 196,991 |
| **Liabilities** | | | |
| Retirement benefit obligations | | **121** | 170 |
| Deferred tax liabilities | | **2,360** | 1,993 |
| Provisions | | **147** | 57 |
| **Total non-current liabilities** | | **2,628** | 2,220 |
| Trade and other liabilities | | **60,644** | 55,185 |
| Provisions | | **83** | 23 |
| **Total current liabilities** | | **60,727** | 55,208 |
| **Total liabilities** | | **63,355** | 57,428 |
| **Net assets** | | **143,738** | 139,563 |
| **Equity** | | | |
| Share capital | | **942** | 942 |
| Share premium | | **39,388** | 39,388 |
| Translation reserve | | **8,651** | 7,687 |
| Other reserves | | **7,118** | 6,455 |
| Retained earnings | | **87,639** | 85,091 |
| **Total equity attributable to owners of the Company** | | **143,738** | 139,563 |

# Audited Consolidated Statement of Changes in Equity

AS AT 28 FEBRUARY 2019

| | 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 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** |
| Adjustment on initial application of IFRS 15 net of tax (see note 1b) | – | – | – | – | – | – | – | **(857)** | **(857)** |
| Adjustment on initial application of IFRS 9 net of tax (see note 1c) | – | – | – | – | – | – | – | **(200)** | **(200)** |
| **At 28 February 2018 (restated)** | **942** | **39,388** | **7,687** | **1,803** | **22** | **5,673** | **(1,043)** | **84,034** | **138,506** |
| Profit for the year | – | – | – | – | – | – | – | 9,247 | 9,247 |
| **Other comprehensive income** | | | | | | | | | |
| Exchange differences on translating foreign operations | – | – | 964 | – | – | – | – | – | 964 |
| Remeasurements on the defined benefit pension scheme | – | – | – | – | – | – | – | (5) | (5) |
| **Total comprehensive income for the year** | **–** | **–** | **964** | **–** | **–** | **–** | **–** | **9,242** | **10,206** |
| **Transactions with owners** | | | | | | | | | |
| Dividends to equity holders of the Company | – | – | – | – | – | – | – | (5,655) | (5,655) |
| Unclaimed dividends | – | – | – | – | – | – | – | 12 | 12 |
| Purchase of Shares | – | – | – | – | – | – | 241 | (27) | 214 |
| Deferred tax on share-based payment transactions | – | – | – | – | – | – | – | 33 | 33 |
| Share-based payment transactions | – | – | – | – | – | 422 | – | – | 422 |
| **Total transactions with owners of the Company** | **–** | **–** | **–** | **–** | **–** | **422** | **241** | **(5,637)** | **(4,974)** |
| **At 28 February 2019** | **942** | **39,388** | **8,651** | **1,803** | **22** | **6,095** | **(802)** | **87,639** | **143,738** |

# Audited Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 28 FEBRUARY 2019

| | **Year ended 28 February 2019 £'000** | Year ended 28 February 2018 £'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the year | **9,247** | 9,070 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **470** | 434 |
| Amortisation of intangible assets | **4,139** | 4,002 |
| Finance income | **(130)** | (151) |
| Finance costs | **50** | 48 |
| Share-based payment charges | **498** | 202 |
| Tax expense | **2,802** | 2,574 |
| | **17,076** | 16,179 |
| Decrease in inventories | **2,315** | 1,399 |
| Decrease/(increase) in trade and other receivables | **5,834** | (2,529) |
| (Decrease)/increase in trade and other liabilities | **(7,702)** | 6,969 |
| **Cash generated from operating activities** | **17,523** | 22,018 |
| Income taxes paid | **(2,529)** | (3,049) |
| **Net cash generated from operating activities** | **14,994** | 18,969 |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | **(456)** | (314) |
| Purchases of intangible assets | **(2,898)** | (2,808) |
| Purchase of business, net of cash acquired | **(4,004)** | – |
| Purchases of investments | **–** | (300) |
| Interest received | **116** | 139 |
| **Net cash used in investing activities** | **(7,242)** | (3,283) |
| **Cash flows from financing activities** | | |
| Equity dividends paid | **(5,655)** | (5,041) |
| Proceeds from exercise of share options | **214** | – |
| Repayment of overdraft | **(201)** | – |
| Interest paid | **(34)** | (31) |
| **Net cash used in financing activities** | **(5,676)** | (5,072) |
| **Net increase in cash and cash equivalents** | **2,076** | 10,614 |
| Cash and cash equivalents at beginning of year | **25,428** | 15,478 |
| Exchange gain/(loss) on cash and cash equivalents | **76** | (664) |
| **Cash and cash equivalents at end of year** | **27,580** | 25,428 |

# NOTES

## 1. Accounting policies

### a) Basis of Preparation

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 2019 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 21 May 2019.

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. Except as described below, the accounting policies applied in the year ended 28 February 2019 are consistent with those applied in the financial statements for year ended 28 February 2018 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 2018 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.

### b) Change of accounting policy: IFRS 15

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 March 2018 and applied the cumulative effect method. Comparatives for 2018 have not been restated and the cumulative impact of adoption has been recognised as a decrease to opening retained earnings as follows:

| **Retained earnings** | £'000 |
|---|---|
| Print | (608) |
| Subscription Income (part of digital) | (387) |
| Licence income (part of rights and services) | (76) |
| **Impact on profit before tax** | (1,071) |
| Taxation | 214 |
| **Total impact at 1 March 2018** | **(857)** |
| | |
| **Non-current assets** | |
| Deferred tax assets | 214 |
| **Current assets** | |
| Inventories | 438 |
| Trade and other receivables | 6,872 |
| **Current liabilities** | |
| Trade and other liabilities | (8,381) |
| **Total impact at 1 March 2018** | **(857)** |

These areas of the business have been impacted by adoption of IFRS 15:

**Print:** Where our distributors bear the bad debt risk, revenues were previously recognised when the invoice was raised by the distributor. Under IFRS 15, revenue is recognized when the customer receives the stock.

**Subscription income (part of digital):** Adopting IFRS 15 has impacted the timing of recognition of certain non-subscription Perpetual Access ("PA") digital platform sales. Previously, revenue from sales of these products was recognised when the customer was granted access; under IFRS 15 as the platform is updated or enhanced over time a proportion of these revenues are recognised over 5 years. The impact of this is to defer revenue and profit from certain PA sales compared to the previous treatment.

**Licence income (part of rights and services):** Previously, revenue from the licence of brands was recognised at a point in time. Under IFRS 15, as the customer's benefit from the brand is dependent upon our ongoing activities that support or maintain the value of the intellectual property, the licence income is treated as a right to access and revenue recognised over time.

**Returns provision:** In addition to the changes above, IFRS 15 also requires that the Group's provision for sales returns is reclassified. Previously, the provision for returns was included on a net basis within trade receivables. The effect on transition was to increase trade and other receivables by £7,922,000 and increase trade and other liabilities by £7,922,000.

The impact of adopting IFRS 15 on the results for the year to 28 February 2019 is shown below:

| | Amounts pre IFRS 15 £'000 | Transition adjustment £'000 | In period adjustment £'000 | Amounts as reported £'000 |
|---|---|---|---|---|
| Revenue | 162,702 | - | (23) | 162,679 |
| Gross profit | 87,660 | - | 97 | 87,757 |
| Operating profit | 11,869 | - | 100 | 11,969 |
| Taxation | (2,655) | - | (147) | (2,802) |
| **Profit for the period** | **9,274** | **-** | **(27)** | **9,247** |
| | | | | |
| **Non-current assets** | | | | |
| Deferred tax assets | 2,297 | 214 | (135) | 2,376 |
| **Current assets** | | | | |
| Inventories | 25,512 | 438 | 126 | 26,076 |
| Trade and other receivables | 73,582 | 6,872 | 52 | 80,506 |
| **Current liabilities** | | | | |
| Trade and other liabilities | (52,193) | (8,381) | (70) | (60,644) |
| **Net assets** | **144,622** | **(857)** | **(27)** | **143,738** |

*c) Change of accounting policy: IFRS 9*

The Group has adopted IFRS 9 Financial Instruments from 1 March 2018 and applied the cumulative effect method. Comparatives for 2018 have not been restated and the cumulative impact of adoption has been recognised as a decrease to opening retained earnings as follows:

| **Retained earnings** | £'000 |
|---|---|
| Provision for impairment of trade receivables | (254) |
| Taxation | 54 |
| **Total impact at 1 March 2018** | **(200)** |
| | |
| **Non-current assets** | |
| Deferred tax assets | 54 |
| **Current assets** | |
| Trade and other receivables | (254) |
| **Total impact at 1 March 2018** | **(200)** |

The adjustment above arises from the adoption of the forward-looking expected loss impairment model under IFRS 9, which replaces the incurred loss model of IAS 39, when recognising provisions for impairment of trade receivables. Although there is a transition impact from adoption of the new model there was no material impact on profit before tax for the year to 28 February 2019.

## 2. Revenue and 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 three operating segments; Academic & Professional, Special Interest and Content Services.

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 analysis by segment is shown below:

| Year ended 28 February 2019 | 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** | **65,800** | **33,454** | **99,254** | **41,245** | **21,156** | **1,024** | **63,425** | **–** | **162,679** |
| Cost of sales | (32,671) | (16,937) | (49,608) | (14,757) | (10,234) | (323) | (25,314) | – | (74,922) |
| **Gross profit** | **33,129** | **16,517** | **49,646** | **26,488** | **10,922** | **701** | **38,111** | **–** | **87,757** |
| Marketing and distribution costs | (9,039) | (5,231) | (14,270) | (4,878) | (2,846) | (59) | (7,783) | – | (22,053) |
| **Contribution before administrative expenses** | **24,090** | **11,286** | **35,376** | **21,610** | **8,076** | **642** | **30,328** | **–** | **65,704** |
| Administrative expenses excluding highlighted items | (14,306) | (10,395) | (24,701) | (18,479) | (7,363) | (867) | (26,709) | – | (51,410) |
| **Operating profit/(loss) before highlighted items/ segment results** | **9,784** | **891** | **10,675** | **3.131** | **713** | **(225)** | **3,619** | **–** | **14,294** |
| Amortisation of acquired intangible assets | – | (18) | (18) | (1,482) | (209) | (5) | (1,696) | – | (1,714) |
| Other highlighted items | – | – | – | – | – | – | – | (611) | (611) |
| **Operating profit/(loss)** | **9,784** | **873** | **10,657** | **1,649** | **504** | **(230)** | **1,923** | **(611)** | **11,969** |
| Finance income | – | – | – | – | – | – | – | 130 | 130 |
| Finance costs | – | – | – | – | – | – | – | (50) | (50) |
| **Profit/(loss) before taxation** | **9,784** | **873** | **10,657** | **1,649** | **504** | **(230)** | **1,923** | **(531)** | **12,049** |
| Taxation | – | – | – | – | – | – | – | (2,802) | (2,802) |
| **Profit/(loss) for the year** | **9,784** | **873** | **10,657** | **1,649** | **504** | **(230)** | **1,923** | **(3,333)** | **9,247** |
| **Operating profit/(loss) before highlighted items/ segment results** | **9,784** | **891** | **10,675** | **3,131** | **713** | **(225)** | **3,619** | **–** | **14,294** |
| Depreciation | 185 | 83 | 268 | 131 | 64 | 7 | 202 | – | 470 |
| Amortisation of internally generated intangibles | 373 | 177 | 550 | 1,638 | 209 | 28 | 1,875 | – | 2,425 |
| **EBITDA before highlighted items** | **10,342** | **1,151** | **11,493** | **4,900** | **986** | **(190)** | **5,696** | **–** | **17,189** |

| 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** |

**External revenue by destination**

| | Source | | | | |
|---|---|---|---|---|---|
| | United Kingdom £'000 | North America £'000 | Australia £'000 | India £'000 | Total £'000 |
| **Destination** | | | | | |
| **Year ended 28 February 2019** | | | | | |
| United Kingdom (country of domicile) | 58,407 | 54 | – | – | 58,461 |
| North America | 13,248 | 43,478 | – | – | 56,726 |
| Continental Europe | 17,802 | 1,594 | – | – | 19,396 |
| Australasia | 1,463 | – | 11,586 | – | 13,049 |
| Middle East and Asia | 7,317 | 289 | – | 4,244 | 11,850 |
| Rest of the world | 2,722 | 431 | – | 44 | 3,197 |
| Overseas countries | 42,552 | 45,792 | 11,586 | 4,288 | 104,218 |
| **Total** | **100,959** | **45,846** | **11,586** | **4,288** | **162,679** |
| **Year ended 28 February 2018** | | | | | |
| United Kingdom (country of domicile) | 59,638 | 20 | – | – | 59,658 |
| North America | 11,669 | 42,705 | – | – | 54,374 |
| Continental Europe | 19,152 | 975 | – | – | 20,127 |
| Australasia | 896 | – | 12,087 | – | 12,983 |
| Middle East and Asia | 7,108 | 518 | – | 3,621 | 11,247 |
| Rest of the world | 2,858 | 263 | – | – | 3,121 |
| Overseas countries | 41,683 | 44,461 | 12,087 | 3,621 | 101,852 |
| **Total** | **101,321** | **44,481** | **12,087** | **3,621** | **161,510** |

During the year sales to one customer exceeded 10% of Group revenue (2018: one customer). The value of these sales was £37,483,000 (2018: £39,721,000).

**External revenue by product type**

| Year ended 28 February 2019 | **Children's Trade £'000** | **Adult Trade £'000** | **Consumer £'000** | **Academic & Professional £000** | **Special Interest £'000** | **Content Services £'000** | **Non-Consumer £'000** | **Total £'000** |
|---|---|---|---|---|---|---|---|---|
| Print | 58,288 | 27,568 | 85,856 | 29,087 | 17,900 | 467 | 47,454 | 133,310 |
| Digital | 4,157 | 4,887 | 9,044 | 10,083 | 1,611 | 135 | 11,829 | 20,873 |
| Rights and Services[1] | 3,355 | 999 | 4,354 | 2,075 | 1,645 | 422 | 4,142 | 8,496 |
| **Total** | **65,800** | **33,454** | **99,254** | **41,245** | **21,156** | **1,024** | **63,425** | **162,679** |

| 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** | **Total £'000** |
|---|---|---|---|---|---|---|---|---|
| Print | 60,921 | 28,059 | 88,980 | 27,070 | 18,097 | 661 | 45,828 | 134,808 |
| Digital | 4,127 | 4,270 | 8,397 | 7,866 | 1,602 | 183 | 9,651 | 18,048 |
| Rights and Services[1] | 4,102 | 742 | 4,844 | 1,581 | 1,609 | 620 | 3,810 | 8,654 |
| **Total** | **69,150** | **33,071** | **102,221** | **36,517** | **21,308** | **1,464** | **59,289** | **161,510** |

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

**Total assets**

| | **28 February 2019 £'000** | 28 February 2018 £'000 |
|---|---|---|
| Children's Trade | **9,939** | 9,163 |
| Adult Trade | **7,218** | 7,788 |
| Academic & Professional | **58,466** | 55,302 |
| Special Interest | **14,193** | 13,349 |
| Content Services | **135** | 162 |
| Unallocated | **117,142** | 111,227 |
| **Total assets** | **207,093** | 196,991 |

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

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

| | **28 February 2019 £'000** | 28 February 2018 £'000 |
|---|---|---|
| United Kingdom (country of domicile) | **65,802** | 61,136 |
| North America | **4,669** | 4,699 |
| Other | **84** | 102 |
| **Total** | **70,555** | 65,937 |

# 3. Highlighted items

| | **Year ended 28 February 2019 £'000** | Year ended 28 February 2018 £'000 |
|---|---|---|
| Legal and other professional fees | **223** | – |
| Restructuring costs | **388** | – |
| **Other highlighted items** | **611** | – |
| Amortisation of acquired intangible assets | **1,714** | 1,573 |
| **Total highlighted items** | **2,325** | 1,573 |

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 and future profitability of the business.

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

Legal and other professional fees of £223,000 and restructuring costs of £388,000 were incurred as a result of the Group's acquisition of I.B. Tauris & Co. Limited, see note 7.

# 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 19.00% (2018: 19.08%). The reasons for this are explained below:

| | **Year ended 28 February 2019** | | Year ended 28 February 2018 | |
|---|---|---|---|---|
| | **£'000** | **%** | £'000 | % |
| **Profit before taxation** | **12,049** | **100.0** | 11,644 | 100.00 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% (2018: 19.08%) | **2,289** | **19.0** | 2,222 | 19.1 |
| **Effects of:** | | | | |
| Non-deductible revenue expenditure | **117** | **1.0** | 111 | 1.0 |
| Movement in unrecognised temporary differences | **132** | **1.1** | (16) | (0.1) |
| Different rates of tax in foreign jurisdictions | **308** | **2.6** | 134 | 1.1 |
| Tax losses utilised | **(36)** | **(0.3)** | 1 | – |
| Movement in deferred tax rate | **–** | **–** | 864 | 7.4 |
| **Adjustment to tax charge in respect of prior years** | | | | |
| Current tax | **(21)** | **(0.2)** | (1,910) | (16.4) |
| Deferred tax | **(24)** | **(0.2)** | 1,168 | 10.0 |
| Tax charge for the year before disallowable costs on highlighted items | **2,765** | **23.0** | 2,574 | 22.1 |
| **Highlighted items:** | | | | |
| Disallowable costs | **37** | **0.3** | – | – |
| **Tax charge for the year** | **2,802** | **23.3** | 2,574 | 22.1 |

Non-deductible revenue expenditure mainly relates to disallowable foreign exchange and entertainment expenses. Different rates of tax in foreign jurisdictions is where we are paying tax at higher rates in the US and Australia as well as paying State taxes in the US.

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 inventory 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 inventory valuation adjustments will be payable over three years. Accordingly, in 2018 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 an adjustment in respect of prior years in the above tax charge for 2018.

In 2018, the £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.

We are not aware of any significant unprovided exposures that are considered likely to materialise.

## 5. Dividends

| | **Year ended 28 February 2019 £'000** | Year ended 28 February 2018 £'000 |
|---|---|---|
| **Amounts paid in the year** | | |
| Prior period final 6.36p dividend per share (2018: 5.60p) | **4,749** | 4,182 |
| Interim 1.21p dividend per share (2018: 1.15p) | **906** | 859 |
| **Total dividend payments in the year** | **5,655** | 5,041 |
| **Amounts arising in respect of the year** | | |
| Interim 1.21p dividend per share for the year (2018: 1.15p) | **906** | 859 |
| Proposed 6.75p final dividend per share for the year (2018: 6.36p) | **5,051** | 4,749 |
| **Total dividend 7.96p per share for the year (2018: 7.51p)** | **5,957** | 5,608 |

The Directors are recommending a final dividend of 6.75p pence per share, which, subject to Shareholder approval at the Annual General Meeting, will be paid on 23 August 2019 to Shareholders on the register at close of business on 25 July 2019.

## 6. Earnings per share

The basic earnings per share for the year ended 28 February 2019 is calculated using a weighted average number of Ordinary shares in issue of 74,741,083 (2018: 74,677,559) 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 2019 Number** | Year ended 28 February 2018 Number |
|---|---|---|
| **Weighted average shares in issue** | **74,741,083** | 74,677,559 |
| Dilution | **756,547** | 538,096 |
| **Diluted weighted average shares in issue** | **75,497,630** | 75,215,655 |
| | **£'000** | £'000 |
| **Profit after tax attributable to owners of the Company** | **9,247** | 9,070 |
| **Basic earnings per share** | **12.37p** | 12.15p |
| **Diluted earnings per share** | **12.25p** | 12.06p |
| | **£'000** | £'000 |
| **Adjusted profit attributable to owners of the Company** | **11,299** | 10,472 |
| **Adjusted basic earnings per share** | **15.12p** | 14.02p |
| **Adjusted diluted earnings per share** | **14.97p** | 13.92p |

Adjusted profit is derived as follows:

| | **Year ended 28 February 2019 £'000** | Year ended 28 February 2018 £'000 |
|---|---|---|
| Profit before taxation | **12,049** | 11,644 |
| Amortisation of acquired intangible assets | **1,714** | 1,573 |
| Other highlighted items | **611** | – |
| **Adjusted profit before tax** | **14,374** | 13,217 |
| | | |
| Tax expense | **2,802** | 2,574 |
| Deferred tax movements on goodwill and acquired intangible assets | **194** | 171 |
| Tax expense on other highlighted items | **79** | – |
| **Adjusted tax** | **3,075** | 2,745 |
| | | |
| **Adjusted profit** | **11,299** | 10,472 |

## 7. Acquisitions

On 1 May 2018 the Group acquired the issued share capital of I. B. Tauris & Co. Limited ('IBT'), the academic publisher. The consideration of £4.4 million was satisfied by the payment of £4.0 million in cash on completion and £0.4 million paid out post completion subject to working capital and other adjustments. £0.3 million of this post completion consideration has been paid post year end. The previously disclosed £5.8 million consideration includes the payment of pre-existing IBT obligation including loans to shareholders and the current loans and the best estimate at that time of the payment due for working capital and other adjustments.

IBT has a world-leading list in Middle East Studies, History, Politics and International Relations. Other subject areas in which it has a sizeable presence are Visual Culture, Classics, Ancient History and Religion. Around 90% of sales are in print, so there is significant potential to grow digital revenues. IBT titles will be included within Bloomsbury's digital resources. The business will operate within Bloomsbury's Academic & Professional division.

The table below summarises the fair values to the Group included in the consolidated financial statements of the major categories of assets and liabilities of IBT at the date of acquisition.

| **Net assets acquired** | Fair value to the Group £'000 |
|---|---|
| Identifiable intangible assets | 3,200 |
| Property, plant and equipment | 37 |
| Deferred tax assets | 662 |
| Inventories | 1,054 |
| Trade and other receivables | 1,557 |
| Cash and cash equivalents | 93 |
| Deferred tax liabilities | (544) |
| Overdraft and current loans | (201) |
| Payables and provisions | (4,064) |
| **Total net assets acquired** | **1,794** |
| Goodwill | 2,613 |
| Total | 4,407 |
| Satisfied by: | |
| **Total consideration** | **4,407** |

Identifiable intangible assets of £3,200,000 consist of publishing rights and imprints. The publishing rights have a useful life of 12 years and imprints have a useful life of 20 years. The goodwill arising of £2,613,000 is attributable to the expected profitability of the acquired business and the synergies expected to arise after the acquisition.

The gross contractual trade receivable at acquisition is £1,539,000 of which £217,000 is the best estimate of the contractual cash flows that are not expected to be collected.

Transaction costs of £223,000 have been expensed in the period within administrative expenses.

From 1 May 2018, revenue of £2,511,000 and loss before tax attributable to owners of the Company of £165,000 have been included in the consolidated income statement for the period ended 28 February 2019 in relation to IBT.

If the acquisition had occurred on 1 March 2018 the revenue and profit after tax attributable to shareholders of the combined entity for the current period would have been £163.3 million and £9.1 million respectively. These pro forma amounts do not include any possible synergies from the acquisition. The pro forma information is provided for comparative purposes only and does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of future results of operations of the combined companies.

## 8. Trade and other receivables

| | **28 February 2019 £'000** | 28 February 2018 £'000 |
|---|---|---|
| **Non-current** | | |
| Prepayments and accrued income | **1,360** | 1,530 |
| **Current** | | |
| Gross trade receivables | **52,115** | 56,419 |
| Less: provision for impairment of receivables | **(2,102)** | (931) |
| Less: provision for returns | – | (7,922) |
| Net trade receivables | **50,013** | 47,566 |
| Income tax recoverable | **1,340** | 823 |
| Other receivables | **1,803** | 1,311 |
| Prepayments and accrued income | **4,683** | 4,840 |
| Royalty advances | **22,667** | 22,317 |
| **Total current trade and other receivables** | **80,506** | 76,857 |
| **Total trade and other receivables** | **81,866** | 78,387 |

Non-current receivables relate to accrued income on long-term rights deals.

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 is held against gross advances payable in respect of published title advances which may not be fully earned down by anticipated future sales. As at 28 February 2019, £5,434,000 (2018: £5,640,000) of royalty advances are expected to be recovered after more than 12 months.

## 9. Annual General Meeting

The Annual General Meeting will be held on 17 July 2019.

## 10. 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.