

PACKT PUBLISHING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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PACKT PUBLISHING LIMITED

COMPANY INFORMATION

Directors	D Maclean K Ruddle B Day (appointed 25 April 2019) G Spackman (appointed 25 April 2019)
Company secretary	S Kay
Registered number	04759694
Registered office	Livery Place 2nd Floor 35 Livery Street Birmingham West Midlands B3 2PB
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor The Colmore Building 20 Colmore Circus Birmingham West Midlands B4 6AT

PACKT PUBLISHING LIMITED

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PACKT PUBLISHING LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2019

Introduction

The directors present their strategic report for the year ended 30th June 2019.

Business review

Demand for digital and traditional content continues to grow through 2019.

As one of the UK's leading independent publishers of technical literature for developers, the Company is evolving and building its business in physical channels while designing and publishing both digital and traditional content across multiple platforms. We develop, publish, market and distribute a variety of digital and standard content.

The majority of our sales are derived from channel partners, in addition, a market with significant growth opportunities is a license-based model, which the Company is continuing to augment.

Technological advances continue to create new platforms and distribution opportunities for published technical content. These platforms will continue to grow the consumer base for our product.

Trading in the year is discussed below within the financial key performance indicators.

We believe we can enjoy the benefits of traditional publishing alongside a marked ramp up of digital revenues which we expect will grow through our corporate channels.

The Company continues to recognise the high quality of its development and this is a reflection on the highly talented team of people it employs and we are grateful to them for their dedication and continued hard work. The Company also enjoys the ongoing support of its shareholders.

Principal risks and uncertainties

The Company's activities are subject to risks and uncertainties, which may affect future financial performance. These are not the only risks and uncertainties faced by the Company, there may be additional risks and uncertainties not currently known or that are not believed to be material.

Financial risk management

The Company's operations expose it to a variety of financial risks that include liquidity and interest rate risk, credit risk and currency risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company. Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the directors are implemented by the Company's finance department. There are processes in place to manage the financial risks listed.

Liquidity and interest rate risk

The Company actively maintains a structure that is designed to ensure there are sufficient assets to meet its liabilities as they fall due. No external financing is currently used by the Company.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made.

Currency risk

The Company seeks to balance the flows of revenues and costs across currencies to minimise the exposure to currency risk. Financial Instruments are considered where appropriate.

PACKT PUBLISHING LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019

Financial key performance indicators

The Company monitors and challenges financial performance to promote accountability and to progress the business.

KPIs	Target	2019 £'000	2018 £'000	Movement	
				£'000	%
Revenue	Revenue growth above the market	21,674	18,408	3,266	17.7
Operating profit	Improve profitability margins	1,280	2,231	(951)	(42.6)

Revenue has grown due to increased market share.

Operating profit has declined reflecting Revenue growth being offset by managing Overhead spend.

Revenue and operating profit are in line with Directors' expectations.

This report was approved by the board on 27 February 2020 and signed on its behalf.



D Maclean
Director

PACKT PUBLISHING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

The directors present their report and the financial statements for the year ended 30 June 2019.

Principal activity

The principal activity of the Company continues to be that of the publication and distribution of books and electronic information.

Results and dividends

The profit for the year, after taxation, amounted to £1,078,696 (2018 - £1,938,928).

The directors do not recommend the payment of a further dividend in addition to the £1,311,567 (2018: £900,000) already paid to shareholders during the year.

Directors

The directors who served during the year were:

D Maclean

K Ruddle

B Day (appointed 25 April 2019)

G Spackman (appointed 25 April 2019)

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Qualifying third party indemnity provisions

During the year ended 30 June 2019 and at the date of this report, the Company has made an indemnity for the benefit of the directors which is a qualifying indemnity provision for the purposes of Section 234 of the Companies Act 2006.

PACKT PUBLISHING LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019**

Matters covered in the Strategic Report

The business review, including key performance indicators and principal risks and uncertainties are disclosed within the Strategic Report.

Post balance sheet events

On 2nd August 2019, the Company declared a non-cash dividend on the 'B' Ordinary shares in the amount of £319,277 to be satisfied by the assignment of the benefit of a debt owed from a company connected by virtue of the common control of D Maclean. Longrow Capital Limited is a holder of 'B' Ordinary shares and beneficiary of the assigned debt.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 27 February 2020 and signed on its behalf.



D Maclean
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PACKT PUBLISHING LIMITED

Opinion

We have audited the financial statements of Packt Publishing Limited (the 'Company') for the year ended 30 June 2019, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of cash flows, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with a course of action such as Brexit.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PACKT PUBLISHING LIMITED
(CONTINUED)**

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PACKT PUBLISHING LIMITED
(CONTINUED)**

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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



Grant Thornton

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PACKT PUBLISHING LIMITED
(CONTINUED)**

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Matthew Buckingham BSc ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

27 February 2020

PACKT PUBLISHING LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 £	2018 £
Turnover	4	21,674,470	18,408,241
Cost of sales		(8,203,882)	(5,625,905)
Gross profit		13,470,588	12,782,336
Administrative expenses		(12,190,955)	(10,551,135)
Operating profit	5	1,279,633	2,231,201
Tax charge on profit	9	(200,937)	(292,273)
Profit for the financial year		1,078,696	1,938,928

There was no other comprehensive income for 2019 (2018: £Nil).

All amounts relate to continuing operations.

The notes on pages 14 to 30 form part of these financial statements.

PACKT PUBLISHING LIMITED
REGISTERED NUMBER:04759694

BALANCE SHEET
AS AT 30 JUNE 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	11	8,427	9,363
Tangible assets	12	65,160	98,603
Investments	13	-	80
		<u>73,587</u>	<u>108,046</u>
Current assets			
Stocks	14	900,996	865,967
Debtors: amounts falling due within one year	15	5,321,653	4,360,631
Cash at bank and in hand	16	2,398,584	2,864,683
		<u>8,621,233</u>	<u>8,091,281</u>
Creditors: amounts falling due within one year	17	(4,954,614)	(4,258,640)
Net current assets		<u>3,666,619</u>	<u>3,832,641</u>
Total assets less current liabilities		<u>3,740,206</u>	<u>3,940,687</u>
Provisions for liabilities			
Deferred tax	19	-	(2,503)
		<u>-</u>	<u>(2,503)</u>
Net assets		<u>3,740,206</u>	<u>3,938,184</u>
Capital and reserves			
Called up share capital	20	20,000	20,000
Other reserves	21	34,893	-
Profit and loss account	21	3,685,313	3,918,184
		<u>3,740,206</u>	<u>3,938,184</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 February 2020.

D. C. Maclean

D Maclean
 Director

The notes on pages 14 to 30 form part of these financial statements.

PACKT PUBLISHING LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

	Called up share capital £	Other reserve £	Profit and loss account £	Total equity £
At 1 July 2017	20,000	-	2,879,256	2,899,256
Comprehensive income for the year				
Profit for the year	-	-	1,938,928	1,938,928
Contributions by and distributions to owners				
Dividends paid	-	-	(900,000)	(900,000)
At 1 July 2018	20,000	-	3,918,184	3,938,184
Comprehensive income for the year				
Profit for the year	-	-	1,078,696	1,078,696
Total comprehensive income for the year	-	-	1,078,696	1,078,696
Contributions by and distributions to owners				
Dividends paid	-	-	(1,311,567)	(1,311,567)
Share based payment charge	-	34,893	-	34,893
Total transactions with owners	-	34,893	(1,311,567)	(1,276,674)
At 30 June 2019	20,000	34,893	3,685,313	3,740,206

The notes on pages 14 to 30 form part of these financial statements.

PACKT PUBLISHING LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	1,078,696	1,938,928
Adjustments for:		
Amortisation of intangible assets	936	2,341
Depreciation of tangible assets	61,751	48,955
Loss on disposal of tangible assets	1	-
Taxation charge	200,937	292,273
(Increase)/decrease in stocks	(35,029)	68,908
(Increase) in debtors	(568,493)	(966,689)
Increase in creditors	426,493	641,925
Increase/(decrease) in amounts owed to groups	-	(46,719)
Taxation paid	(326,488)	(236,324)
Increase in amounts owed to related parties	-	370,740
Share based payment charge	34,893	-
Investment write off	80	-
Net cash generated from operating activities	873,777	2,114,338
Cash flows from investing activities		
Purchase of intangible fixed assets	-	(11,704)
Purchase of tangible fixed assets	(28,309)	(35,368)
Sale of tangible fixed assets	-	1,423
Net cash from investing activities	(28,309)	(45,649)

PACKT PUBLISHING LIMITED

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019

	2019 £	2018 £
Cash flows from financing activities		
Dividends paid	(1,311,567)	(900,000)
Net cash used in financing activities	<u>(1,311,567)</u>	<u>(900,000)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(466,099)</u>	<u>1,168,689</u>
Cash and cash equivalents at beginning of year	2,864,683	1,695,994
Cash and cash equivalents at the end of year	<u><u>2,398,584</u></u>	<u><u>2,864,683</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,398,584	2,864,683
	<u><u>2,398,584</u></u>	<u><u>2,864,683</u></u>

The notes on pages 14 to 30 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

1. General information

Packt Publishing Limited ("the Company") is a Company limited by shares and incorporated in England.

Its registered head office is located at 2nd Floor, 35 Livery Street, Birmingham, West Midlands, B3 2PB.

The Company's principal activity is the publication and distribution of books and electronic information.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Consolidation

The financial statements present information about the Company as an individual undertaking and not about its Group. The Company's subsidiary is dormant and does not constitute a material component of the Group, nor does its exclusion affect the true and fair view of the financial statements. The Company has therefore taken advantage of the exemptions provided by section 405 of the Companies Act 2006 not to prepare group accounts.

2.3 Going concern

The directors have prepared forecasts extending 12 months from the date of the approval of the financial statements and are satisfied that the Company has adequate resources to fund its day to day requirements, growth and strategic objectives for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

2.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Turnover is recognised on the dispatch of books, e-books and videos or over the term of a subscription on a straight line basis as appropriate.

PACKT PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.5 Research and development

Research expenditure is written off to the statement of comprehensive income in the year in which it is incurred.

Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the Company is expected to benefit.

2.6 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.7 Tangible fixed assets

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

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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

Depreciation is provided on the following basis:

Fixtures and fittings	-	33.33%
Computer equipment	-	33.33%

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.8 Investments

Fixed asset investments are stated at cost less impairments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.9 Stocks

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

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

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.11 Cash and cash equivalents

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

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

2.12 Financial instruments

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

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

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

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.13 Creditors

Short term creditors are measured at the transaction price.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.14 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.16 Operating leases

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.17 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.18 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance sheet date.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.20 Current and deferred taxation

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

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

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

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

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

2.21 Share based payments

The company provides share-based payment arrangements to certain employees.

Equity-settled arrangements are measured at fair value (excluding the effect on non-market based vesting conditions) at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest

PACKT PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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

Preparation of the financial statements requires management to make significant judgements and estimates. The areas where these judgements and estimates have been made include:

Amortisation of stock

Management amortises titles in stock over an 18 month sales curve which has been determined based on historical title performance data and past trends. This useful economic life is assessed by reference to the anticipated minimum period over which the asset is expected to generate future economic benefits for the Company.

4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Publication and distribution of books and electronic information	<u>21,674,470</u>	<u>18,408,241</u>

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	6,330,587	2,609,973
Rest of Europe	2,055,061	2,351,468
Rest of the world	13,288,822	13,446,800
	<u>21,674,470</u>	<u>18,408,241</u>

5. Operating profit

The operating profit is stated after charging/(crediting):

	2019 £	2018 £
Research & development charged as an expense	282,174	502,998
Depreciation of tangible fixed assets (note 12)	61,751	48,955
Amortisation of intangible assets (note 11)	936	2,341
Auditor's remuneration (note 6)	21,100	25,550
Exchange differences	49,740	143,307
Operating lease rentals	99,745	85,769
Defined contribution pension cost (note 7)	<u>391,842</u>	<u>313,261</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

6. Auditor's remuneration

	2019 £	2018 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>16,000</u>	<u>13,000</u>
Fees payable to the Company's auditor and its associates in respect of:		
Audit-related assurance services	1,000	1,000
Taxation compliance services	2,100	1,550
Other services relating to taxation	2,000	10,000
	<u>5,100</u>	<u>12,550</u>

7. Employees

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

	2019 £	2018 £
Wages and salaries	4,198,050	3,428,494
Social security costs	445,009	344,269
Share based payment charge	34,893	-
Pension costs (note 22)	391,842	313,261
	<u>5,069,794</u>	<u>4,086,024</u>

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

	2019 No.	2018 No.
Administrative	<u>86</u>	<u>67</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	273,308	143,025
Company contributions to defined contribution pension schemes	95,000	15,000
	<u>368,308</u>	<u>158,025</u>

During the year retirement benefits were accruing to 2 directors (2018: 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £105,476 (2018: £nil).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £80,000 (2018 - £nil).

9. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	191,350	308,225
Adjustments in respect of previous periods	15,236	(16,351)
Double taxation relief	(78,163)	(60,903)
Foreign tax		
Foreign tax on income for the year	78,238	60,802
Foreign tax in respect of prior periods	-	(509)
Total current tax	<u>206,661</u>	<u>291,264</u>
Deferred tax		
Origination and reversal of timing differences	(5,966)	(7,053)
Adjustments in respect of previous periods	242	8,062
Total deferred tax	<u>(5,724)</u>	<u>1,009</u>
Taxation on profit on ordinary activities	<u>200,937</u>	<u>292,273</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>1,279,633</u>	<u>2,231,201</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	243,130	423,928
Effects of:		
Expenses not deductible for tax purposes	11,249	654
Foreign tax credits	75	(101)
Adjustments to tax charge in respect of prior periods	15,478	(8,798)
Adjustment in research and development tax credit leading to a decrease in the tax charge	(69,697)	(124,240)
Remeasurement of deferred tax to average rate	702	830
Total tax charge for the year	<u>200,937</u>	<u>292,273</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

10. Dividends

	2019 £	2018 £
Dividends paid	<u>1,311,567</u>	<u>900,000</u>

PACKT PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

11. Intangible assets

	Computer software £
Cost	
At 1 July 2018	11,704
At 30 June 2019	<u>11,704</u>
Amortisation	
At 1 July 2018	2,341
Charge for the year	936
At 30 June 2019	<u>3,277</u>
Net book value	
At 30 June 2019	<u><u>8,427</u></u>
At 30 June 2018	<u><u>9,363</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

12. Tangible fixed assets

	Fixtures and fittings £	Computer equipment £	Total £
Cost			
At 1 July 2018	100,735	59,985	160,720
Additions	8,371	19,938	28,309
Disposals	(6,678)	(16,351)	(23,029)
At 30 June 2019	102,428	63,572	166,000
Depreciation			
At 1 July 2018	40,046	22,071	62,117
Charge for the year on owned assets	35,614	26,137	61,751
Disposals	(6,678)	(16,350)	(23,028)
At 30 June 2019	68,982	31,858	100,840
Net book value			
At 30 June 2019	33,446	31,714	65,160
At 30 June 2018	60,689	37,914	98,603

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

13. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 July 2018	80
Amounts written off	(80)
At 30 June 2019	-
Net book value	
At 30 June 2019	-
At 30 June 2018	80

Following the dissolution of Impactt Publishing Services Limited in the year the Company have written off the investment held in this subsidiary on the basis that the amount is not considered to be recoverable.

14. Stocks

	2019 £	2018 £
Work in progress	159,837	131,431
Finished goods and goods for resale	741,159	734,536
	<u>900,996</u>	<u>865,967</u>

Stock recognised in cost of sales during the year as an expense was £8,203,885 (2018: £5,625,905).

An impairment loss of £88,600 (2018: £19,950) was recognised in cost of sales against stock during the year due to old or terminated titles.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

15. Debtors

	2019 £	2018 £
Trade debtors	2,729,221	2,009,577
Amounts owed by related parties (note 24)	333,718	280,355
Other debtors	19,815	157,497
Prepayments and accrued income	2,186,446	1,913,202
Tax recoverable	49,232	-
Deferred taxation	3,221	-
	<u>5,321,653</u>	<u>4,360,631</u>

A credit of £Nil (2018: credit of £4,988) was recognised in administration expenses against trade debtors during the year as a result of a decrease in the bad debt provision.

Amounts owed by related parties are unsecured and repayable on demand. No interest is charged on the amounts as they are trading balances with no fixed term of repayment.

16. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	<u>2,398,584</u>	<u>2,864,683</u>

17. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	800,760	565,619
Amounts owed to related parties (note 24)	1,454,261	800,253
Corporation tax	-	70,595
Other taxation and social security	123,515	106,375
Other creditors	56,459	45,977
Accruals and deferred income	2,519,619	2,669,821
	<u>4,954,614</u>	<u>4,258,640</u>

Amounts owed to related parties are unsecured and repayable on demand. No interest is charged on the amounts as they are trading balances with no fixed term of repayment.

PACKT PUBLISHING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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18. Financial instruments

	2019 £	2018 £
Financial assets		
Cash and cash equivalents	2,398,584	2,864,683
Financial assets measured at amortised cost	5,084,550	4,198,133
	<u>7,483,134</u>	<u>7,062,816</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(4,130,392)</u>	<u>(2,879,510)</u>

Cash and cash equivalents comprise cash in hand, deposits and highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial assets measured at amortised cost comprise trade debtors, amounts owed by related parties, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to related parties, other creditors and accruals.

19. Deferred taxation

	2019 £	2018 £
At beginning of year - (liability)/asset	(2,503)	(1,494)
Charged to the statement of comprehensive income	5,724	(1,009)
At end of year	<u>3,221</u>	<u>(2,503)</u>

The deferred taxation balance is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	(6,614)	(11,849)
Short term timing differences	9,835	9,346
	<u>3,221</u>	<u>(2,503)</u>

PACKT PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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20. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
40,000 (2018 - 40,000) Ordinary shares of £0.50 each	20,000	20,000

On 15 January 2018, a sub-division of shares was undertaken which has resulted in the number of ordinary shares increasing from 20,000 to 40,000 and the nominal value of each ordinary share reducing from £1 to 50p per share.

21. Reserves

Profit and loss account

Includes all current and prior period retained profits and losses.

Other reserves

Includes all current period and accumulated share based payment charges.

22. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £391,842 (2018: £313,261).

Contributions totalling £52,599 (2018: £45,977) were payable to the fund at the balance sheet date and are included in other creditors.

23. Commitments under operating leases

At 30 June 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	108,218	115,470
Later than 1 year and not later than 5 years	151,266	266,736
	259,484	382,206

PACKT PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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24. Related party transactions

Dividends to directors

The following directors were paid dividends during the year as outlined in the table below:

	2019 £	2018 £
D Maclean	<u>1,145,000</u>	<u>855,000</u>

Transactions with key management personnel

See note 8 for disclosure of the directors' remuneration and key management compensation. The Company also had an outstanding directors loan of £3,860 (2018: £9,726) owed to D Maclean as at the year end.

Transactions with related parties

Packt Publishing Private Limited is considered a related party due to the common majority ownership of the two companies by D Maclean. During the year ended 30 June 2019, the Company incurred costs in relation to salary recharges of £3,594,600 (2018: £3,780,850) to Packt Publishing Private Limited and editorial costs of £759,669 (2018: £814,748). The Company had an outstanding creditor balance of £1,454,257 (2018: £790,522) owed to Packt Publishing Private Limited as at the year end.

Longrow Capital Limited is also considered a related party due to the common majority ownership of the two companies by D Maclean. The Company had an outstanding debtor balance of £3,943 (2018: £3,844) due from Longrow Capital Limited as at the year end.

During the period, the Company recharged salary costs of £159,540 (2018: £132,570) to another company connected by virtue of the common control of D Maclean. The Company also paid expenses on behalf of this company amounting to £nil (2018: £750). The Company had an outstanding debtor balance of £329,775 (2018: debtor £276,511) with this company as at the year end.

25. Controlling party

The Company is controlled by Mr D Maclean, a director who owns 95% of the issued share capital.